



JH

JONES HALL

\$16,485,000

Roseville Finance Authority

**Electric System Revenue Refunding Bonds,
Series 2014**

Closing Date: August 21, 2014

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS,
SERIES 2014

SCHEDULE OF TRANSCRIPT DOCUMENTS

A. BASE LEGAL DOCUMENTS

1. List of Financing Participants.
2. Roseville Finance Authority (the "Authority") Resolution No. 2-14, entitled "Resolution of the Board of Directors of the Roseville Finance Authority Authorizing the Issuance and Sale of Electric System Revenue Bonds in the Principal Amount of Not to Exceed \$20,000,000 to Refinance Electric System Projects of the City of Roseville, and Approving Related Documents and Official Actions," adopted by the Board of Directors of the Authority on July 16, 2014.
3. City of Roseville (the "City") Resolution No. 14-323, entitled "Resolution of the City Council of the City of Roseville Authorizing the Issuance and Sale of Electric System Revenue Refunding Bonds by the Roseville Finance Authority; Approving and Authorizing the Execution and Delivery of Related Documents and Actions; and Authorizing Certain Other Related Actions," adopted by the City Council of the City on July 16, 2014.
4. Preliminary Official Statement, dated July 17, 2014.
5. Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), between Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), and the Authority, as approved by the City.
6. Final Official Statement, dated July 24, 2014.
7. Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").
8. Master Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority.
9. 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, between the City and the Authority.
10. Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014, among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank").

11. Continuing Disclosure Certificate of the City, dated August 21, 2014, as accepted and agreed to by the Trustee, as dissemination agent.
12. Certificate of Filing Report of Final Sale with the California Debt and Investment Advisory Commission ("CDIAC") and Acknowledgment No. 2014-0851 of Receipt of Report of Proposed Debt Issuance from CDIAC, together with Reports.

B. AUTHORITY DOCUMENTS

1. Notice of a Joint Powers Agreement, as certified by the California Secretary of State.
2. Statement of Facts Roster of Public Agencies Filing, as certified by the California Secretary of State.
3. Certificate Regarding Effectiveness of Amended and Restated Joint Exercise of Powers Agreement, together with Amended and Restated Joint Exercise of Powers Agreement.
4. Officer's Certificate of the Authority, pursuant to Sections 7(f)(12) and 7(f)(17) of the Purchase Contract.
5. Certificate as to Arbitrage, pursuant to Section 7(f)(19) of the Purchase Contract.
6. Certificate Regarding Preliminary Official Statement.
7. Requisition No. 1 for Disbursement from Costs of Issuance Fund, pursuant to Section 2.12(a)(ii) of the Trust Agreement.
8. Written Order to Trustee Regarding Investments, pursuant to Section 3.05 of the Trust Agreement, as acknowledged by the Trustee.
9. Certificate of Mailing Information Return for Tax-Exempt Governmental Obligations Form 8038-G to the Internal Revenue Service, together with Form 8038-G.
10. Opinion of Counsel to the Authority, pursuant to Section 7(f)(7) of the Purchase Contract.

C. CITY DOCUMENTS

1. Officer's Certificate of the City, pursuant to Sections 7(f)(9), 7(f)(10), 7(f)(11) and 7(f)(18) of the Purchase Contract.
2. Certificate Regarding Preliminary Official Statement.
3. Certificate Regarding Use of Proceeds.
4. Opinion of City Attorney, pursuant to Section 7(f)(5) of the Purchase Contract.

D. TRUSTEE AND ESCROW BANK DOCUMENTS

1. Authentication and Incumbency Certificate of the Trustee/Escrow Bank, together with general signing resolution.
2. Certificate of Trustee/Escrow Bank, pursuant to Section 7(f)(13) of the Purchase Contract.
3. Trustee's Receipt of Proceeds and Other Funds, and Acknowledgment of Transfer of Funds.
4. Escrow Bank's Receipts of Funds.
5. Opinion of Law Offices of Samuel D. Waldman, Counsel to the Trustee/Escrow Bank, pursuant to Section 7(f)(8) of the Purchase Contract.

E. UNDERWRITER AND CONSULTANT DOCUMENTS

1. Rating letters of Fitch Ratings and Standard & Poor's Ratings Services (each evidencing an "A+" rating).
2. Certificate of Underwriters.
3. Receipt for Bonds.
4. Specimen Bonds.
5. Blue Sky Memorandum.
6. Verification Report of Grant Thornton LLP.
7. Opinion of Orrick, Herrington & Sutcliffe LLP, Counsel to the Underwriters, pursuant to Section 7(f)(6) of the Purchase Contract.

F. BOND COUNSEL AND DISCLOSURE COUNSEL DOCUMENTS

1. Final Approving Legal Opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), pursuant to Section 7(f)(3) of the Purchase Contract.
2. Reliance Letter to the Authority, the Underwriters and the Trustee regarding Final Approving Legal Opinion of Bond Counsel, pursuant to Section 7(f)(3) of the Purchase Contract.
3. Supplemental Opinion of Bond Counsel, pursuant to Section 7(f)(4) of the Purchase Contract.
4. Letter of Jones Hall, A Professional Law Corporation, as Disclosure Counsel.

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

FINANCING PARTICIPANTS

ISSUER

CITY OF ROSEVILLE
311 Vernon Street
Roseville, CA 95678
(916) 746-1220 (Fax)

Jay Panzica, Treasurer (•, Ω)
(916) 774-5313
jpanzica@roseville.ca.us

Monty Hanks, Finance Director
(916) 774-5313
mhanks@roseville.ca.us

Sonia Orozco, City Clerk (•)
(916) 774-5263
sorozco@roseville.ca.us

ROSEVILLE ELECTRIC
2090 Hilltop Circle
Roseville, CA 95747
(916) 774-5583 (Fax)

Michelle Bertolino (Ω)
Electric Utility Director
(916) 774-5603
mbertolino@roseville.ca.us

Philip McAvoy
Acting Assistant Utility Director
(916) 774-5689
pmcavoy@roseville.ca.us

Mike Bloom, Asst. Electric Utility
Director, Planning & Services Div.
(916) 774-5626
mbloom@roseville.ca.us

Petra A. Wallace, Electric Resources
Analyst - Risk Management
(916) 774-5510
pwallace@roseville.ca.us

CITY ATTORNEY

CITY OF ROSEVILLE
311 Vernon Street
Roseville, CA 95678
(916) 774-5325
(916) 773-7348 (Fax)

Brita J. Bayless (Ω)
City Attorney
bbayless@roseville.ca.us

Robert R. Schmitt
Assistant City Attorney
rschmitt@roseville.ca.us

BOND / DISCLOSURE COUNSEL

JONES HALL, A PROFESSIONAL LAW CORP.
475 Sansome Street, Suite 1700
San Francisco, CA 94108

David T. Fama, Esq. (•, Ω)
(415) 391-5780 x260
dfama@joneshall.com

Alison J. Benge, Esq. (Tax Matters)
(415) 391-5780 x225
abenge@joneshall.com

Mary Tong
Project Coordinator
(415) 391-5780 x207
mtong@joneshall.com

-
- Original Transcript Binder Recipient
 - Ω Compact Disc Transcript Recipient

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
4350 North Fairfax Drive, Suite 580
Arlington, VA 22203-1547
(703) 516-0283 (Fax)

Dan Hartman, Managing Director (Ω)
(703) 741-0175
hartmand@pfm.com

PUBLIC FINANCIAL MANAGEMENT, INC.
50 California Street, Suite 2300
San Francisco, CA 94111
(415) 982-4513 (Fax)

William Frymann (Ω)
(415) 692-6773
frymannw@pfm.com

UNDERWRITER

MORGAN STANLEY & CO. LLC
555 California Street, Suite 2200
San Francisco, CA 94104
(415) 591-4582 (Fax)

John L. Sheldon (Ω)
Managing Director
(415) 576-2083
john.sheldon@morganstanley.com

MORGAN STANLEY & CO. LLC
1221 Avenue of the Stars, Suite 2400
Los Angeles, CA 90067
(310) 780-6843 (Fax)

Daniel Kurz, Associate
(310) 788-2171
daniel.kurz@morganstanley.com

MORGAN STANLEY & CO. LLC
1585 Broadway, 11th Floor
New York, NY 10036
(646) 731-9339 (Fax)

Karen Dhillon, Vice President
(212) 761-4481
karen.dhillon@morganstanley.com

UNDERWRITER'S COUNSEL

ORRICK, HERRINGTON & SUTCLIFFE LLP
405 Howard Street
San Francisco, CA 94105
(415) 773-5759 (Fax)

John Y. Wang, Esq. (Ω)
(415) 773-5993
jwang@orrick.com

Steve A. Spitz, Esq.
(415) 773-5721
sspitz@orrick.com

TRUSTEE / ESCROW BANK

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
400 South Hope Street, Suite 400
Los Angeles, CA 90071
(213) 630-6215 (Fax)

Lisa Infusino (Ω)
Vice President
(213) 630-6263
lisa.infusino@bnymellon.com

Valere Boyd
Vice President, Client Service Manager
(213) 630-6247
valere.boyd@bnymellon.com

Josephine S. Libunao
Vice President, Relationship Manager
(415) 263-2418
(415) 263-2064 (Fax)
josephine.libunao@bnymellon.com

TRUSTEE / ESCROW BANK COUNSEL

LAW OFFICES OF SAMUEL D. WALDMAN
64 Oak Knoll Drive
San Anselmo, CA 94960
(415) 459-4747 (Fax)

Samuel D. Waldman, Esq. (Ω)
(415) 459-4535
waldmans13@comcast.net

VERIFICATION AGENT

GRANT THORNTON LLP
200 South Sixth Street, Suite 1400
Minneapolis, MN 55402
(612) 332-8984 (Fax)

Joe Smith
(612) 677-5237
joe.smith@us.gtc.com

PRINTER

IMAGEMASTER, INC.
1182 Oak Valley Drive
Ann Arbor, MI 48108
(734) 821-2501 (Fax)

Tom Arbanas
(734) 821-2523
tom@imagemaster.com

RATING AGENCIES

FITCH RATINGS
650 California Street, 4th Floor
San Francisco, CA 94108
(415) 732-5610 (Fax)

Kathy Masterson, Senior Director
(415) 732-5622
kathryn.masterson@fitchratings.com

FITCH RATINGS
One State Street Plaza
New York, NY 10004
(212) 480-4421 (Fax)

Christopher Jumper (Ω)
Senior Director
(212) 908-0594
christopher.jumper@fitchratings.com

STANDARD & POOR'S
One Market, Steuart Tower, 15th Floor
San Francisco, CA 94105
(415) 371-5090 (Fax)

Paul Dyson, Director **(Ω)**
(415) 371-5079
paul_dyson@standardandpoors.com

STANDARD & POOR'S
55 Water Street
New York, NY 10041
(212) 438-2131 (Fax)

Peter Murphy, Senior Director
(212) 438-2065
peter_murphy@standardandpoors.com

ROSEVILLE FINANCE AUTHORITY

RESOLUTION NO. 2-14

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
ROSEVILLE FINANCE AUTHORITY AUTHORIZING THE
ISSUANCE AND SALE OF ELECTRIC SYSTEM REVENUE
BONDS IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED
\$20,000,000 TO REFINANCE ELECTRIC SYSTEM PROJECTS
OF THE CITY OF ROSEVILLE, AND APPROVING RELATED
DOCUMENTS AND OFFICIAL ACTIONS**

RESOLVED, by the Roseville Finance Authority (the "Authority"), as follows:

WHEREAS, the Authority caused the execution and delivery of Electric System Revenue Certificates of Participation, Series 2004 in an aggregate principal amount of \$39,940,000 (the "2004 Certificates"), for the purpose of financing certain improvements to the municipal electric system (the "Electric System") of the City of Roseville (the "City"); and

WHEREAS, in connection with the 2004 Certificates, the City entered into a 2004 Supplemental Installment Purchase Contract, dated July 1, 2004 (the "2004 Supplemental Contract"), between the City and the Authority; and

WHEREAS, the Authority proposes to assist the City by providing for the refinancing for a portion of the costs of the Electric System projects financed or refinanced by the 2004 Supplemental Contract and the 2004 Certificates; and thereby prepaying a portion of the 2004 Certificates; and

WHEREAS, the City proposes to enter into a 2014 Supplemental Installment Purchase Contract (the "2014 Supplemental Contract"), between the City and the Authority for the purpose of refinancing a portion of its obligations under the 2004 Supplemental Contract, wherein the Authority proposes to purchase the project refinanced by the 2014 Supplemental Contract and the City proposes to repurchase it from the Authority and become obligated to pay semiannual installment payments as for the purchase of such project; and

WHEREAS, the Authority proposes to issue and sell its Electric Revenue Refunding Bonds, Series 2014 (the "Bonds"), in the principal amount of not to exceed \$20,000,000 under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), for the purpose of providing the funds to enable the Authority to purchase the project refinanced by the 2014 Supplemental Contract; and

WHEREAS, in order to secure the payments of principal of and interest on the Bonds, the Authority proposes to pledge revenues derived principally from the installment payments to be received from the City; and

WHEREAS, the Authority proposes to sell the Bonds on a negotiated basis to Morgan Stanley & Co. LLC (the "Underwriter"); and

WHEREAS, the Board of Directors of the Authority wishes at this time to take action approving such financing transactions and all related documents and actions.

NOW, THEREFORE, it is hereby **RESOLVED** and **DETERMINED**, as follows:

Section 1. Approval of Financing Plan; Authorization of Bonds. The Board of Directors hereby approves the financing plan described in the recitals of this Resolution. To that end, the Board of Directors hereby authorizes the issuance of the Bonds under the Bond Law in the principal amount of not to exceed \$20,000,000, for the purpose of refinancing a portion of the costs of projects of the City's Electric System financed or refinanced by the 2004 Supplemental Contract and described in the 2014 Supplemental Contract. The Bonds shall be issued under the Trust Agreement, which is approved below.

Section 2. Approval of Related Financing Agreements. The Board of Directors hereby approves each of the following agreements required to implement the financing plan to be accomplished by the Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Executive Director or the Treasurer or an authorized designee thereof (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions.

- Trust Agreement between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), prescribing the terms and conditions upon which the Bonds will be issued.
- 2014 Supplemental Installment Purchase Contract between the City and the Authority, under which the City will purchase the Electric System project described thereunder.
- Contract of Purchase among the Authority, the City and Morgan Stanley & Co. LLC, under which the Underwriter agrees to purchase the Bonds from the Authority.
- Escrow Agreement among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank, under which the escrow bank is directed to establish and maintain the escrow fund for the prepayment of a portion of the 2004 Certificates.

An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest the final form of each of the foregoing agreements.

Section 3. Sale of Bonds. The Board of Directors hereby approves the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold upon the terms and conditions set forth in the Bond Purchase Agreement, which is approved under Section 2. The Board of Directors hereby delegates to an Authorized Officer the authority to accept an offer from the Underwriter to purchase the Bonds pursuant to the Contract of Purchase, provided that the true interest cost represented by all of the Bonds

shall not exceed 5% per annum and the maximum amount of Underwriter's discount on the purchase of the Bonds shall not exceed 0.8% of the par amount of the Bonds.

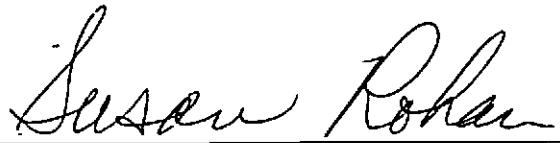
Section 4. Official Statement. The Board of Directors hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form on file with the Secretary, together with such modifications thereof as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute and deliver to the purchaser of the Bonds a certificate deeming the Preliminary Official Statement to be nearly final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the Final Official Statement for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter.

Section 5. Official Actions. The Chair, the Executive Director, the Treasurer, the Secretary and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 6. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

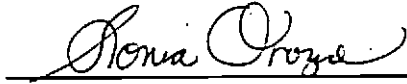
I hereby certify that the foregoing Resolution was duly adopted by the governing board of the Roseville Finance Authority, at a regularly scheduled meeting thereof, held on the 16th day of July, 2014, by the following vote of the Board:

AYES:	Roccucci, Herman, Garcia, Gore, Rohan
NOES:	None
ABSENT:	None
ABSTAIN:	None



Chair
Roseville Finance Authority

ATTEST:



Secretary
Roseville Finance Authority

CITY COUNCIL OF THE CITY OF ROSEVILLE

RESOLUTION NO. 14-323

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ROSEVILLE AUTHORIZING THE ISSUANCE AND SALE OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS BY THE ROSEVILLE FINANCE AUTHORITY; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND ACTIONS; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

RESOLVED, by the City of Roseville, California (the "City"), as follows:

WHEREAS, the City entered into a 2004 Supplemental Installment Purchase Contract, dated July 1, 2004 (the "2004 Supplemental Contract"), between the City and the Roseville Finance Authority (the "Authority") and caused the issuance of Electric System Revenue Certificates of Participation, Series 2004 in an aggregate principal amount of \$39,940,000 (the "2004 Certificates"), for the purpose of refinancing certain improvements to the City's municipal electric system (the "Electric System"); and

WHEREAS, the City proposes to enter into a Supplemental Installment Purchase Contract (the "2014 Supplemental Contract"), between the City and the Authority for the purpose of refinancing all or a portion of its obligations under the 2004 Supplemental Contract; and

WHEREAS, the Authority proposes to assist the City by issuing and selling its Electric Revenue Refunding Bonds, Series 2014 (the "Bonds"), in the principal amount of not to exceed \$20,000,000 under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), for the purpose of providing the funds to enable the Authority to purchase the project financed by the 2014 Supplemental Contract, and thereby provide refinancing for a portion of the costs of the Electric System projects financed by the 2004 Certificates by prepaying a portion of the 2004 Certificates; and

WHEREAS, the Authority proposes to sell the Bonds on a negotiated basis to Morgan Stanley & Co. LLC (the "Underwriter"); and

WHEREAS, the City Council wishes at this time to approve all proceedings to which it is a party relating to the issuance and sale of the Bonds and the refinancing of certain projects of its electric system.

NOW, THEREFORE, it is hereby **RESOLVED** and **DETERMINED**, as follows:

SECTION 1. Approval of Bonds. The City Council hereby approves the financing plan described in the recitals of this Resolution. To that end, the City Council hereby approves of the issuance of the Bonds by the Authority under the Bond Law, in the aggregate principal amount of not to exceed \$20,000,000, for the purpose of refinancing a portion of the costs of projects of the Electric System financed or refinanced by the 2004 Supplemental Contract and described in the 2014 Supplemental Contract.

SECTION 2. Approval of Related Financing Agreements. The City Council hereby approves each of the following agreements required to implement the financing plan to be accomplished by the Bonds, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager or the Assistant City Manager or an authorized designee thereof (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions.

- 2014 Supplemental Installment Purchase Contract between the City and the Authority, under which the City will purchase the Electric System project described thereunder.
- Contract of Purchase among the Authority, the City and Morgan Stanley & Co. LLC, under which the Underwriter agrees to purchase the Bonds from the Authority.
- Escrow Agreement among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank, under which the escrow bank is directed to establish and maintain the escrow fund for the prepayment of a portion of the 2004 Certificates.
- Continuing Disclosure Certificate relating to the undertaking to make continuing disclosure filings with respect to the Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission (shown as an exhibit to the Official Statement).

An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest the final form of each of the foregoing agreements.

SECTION 3. Sale of Bonds. The City Council hereby approves the negotiated sale of the Bonds by the Authority to the Underwriter. The Bonds shall be sold upon the terms and conditions set forth in the Contract of Purchase, which is approved under Section 2. The City Council hereby delegates to an Authorized Officer the authority to accept an offer from the Underwriter to purchase the Bonds pursuant to the Contract of Purchase, provided that the true interest cost represented by all of the Bonds shall not exceed 5% per annum and the maximum amount of Underwriter's discount on the purchase of the Bonds shall not exceed 0.8% of the par amount of the Bonds.

SECTION 4. Official Statement. The City Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the preliminary Official Statement describing the Bonds in the form on file with the City Clerk. Each Authorized Officer is authorized to execute an appropriate certificate affirming the City Council's determination that the preliminary Official Statement has been deemed final within the meaning of such Rule. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The

final Official Statement shall be executed in the name and on behalf of the City by an Authorized Officer.

SECTION 5. Official Actions. The Mayor, the City Manager, Assistant City Manager, the City Treasurer/Finance Executive, the City Clerk, the City Attorney and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

SECTION 6. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

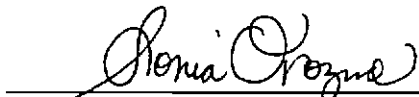
I hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Roseville, California, at a regularly scheduled meeting thereof, held on the 16th day of July, 2014, by the following vote of the City Council:

AYES:	COUNCILMEMBERS	Roccucci, Herman, Garcia, Gore, Rohan
NOES:	COUNCILMEMBERS	None
ABSENT:	COUNCILMEMBERS	None
ABSTAIN:	COUNCILMEMBERS	None



Mayor

ATTEST:



City Clerk of the City of Roseville

NEW ISSUE- BOOK ENTRY ONLY

RATINGS: Fitch: A+
Standard & Poor's: ____
(See "RATINGS")

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$17,000,000*

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014**

Dated: Delivery Date

Due: February 1, as shown on inside cover

Authority for Issuance. The Roseville Finance Authority (the "Authority") is issuing the above-captioned bonds (the "2014 Bonds") under a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Security for the 2014 Bonds. The 2014 Bonds are payable from and secured by "Revenues" which generally consist of (a) all of the 2014 Payments under a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented to date, including a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014, all entered into between the City of Roseville (the "City") and the Authority (the "2014 Supplemental Contract" and, collectively with the Master Contract, as previously supplemented, the "Installment Purchase Contract"), and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. "2014 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2014 Supplemental Contract. The City maintains a Parity Reserve Fund securing all Payments made under the Installment Purchase Contract. See "SECURITY FOR THE 2014 BONDS."

The 2014 Payments are payable from and secured by a pledge of "Net Revenues" of the Electric System, which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during each 12-month period. The pledge of Net Revenues for payment of the 2014 Payments is on a parity with the pledge of Net Revenues securing payment of other obligations incurred by the City under the Installment Purchase Contract, including installment payments which are the subject of series of certificates of participation executed and delivered in 2004, 2005, 2009 and 2012 (collectively, the "Prior Certificates") and series of bonds issued in 2010 and 2013 (collectively, the "Prior Bonds") to finance and refinance improvements to the Electric System. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

"Maintenance and Operation Costs" include, among other costs, the City's share of debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the City's Payments under the Installment Purchase Contract, including the 2014 Payments securing the 2014 Bonds. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Use of Proceeds. The 2014 Bonds are being issued to (i) refinance certain outstanding obligations of the City relating to Prior Certificates executed and delivered in 2004, and (ii) pay certain costs incurred in connection with the execution and delivery of the 2014 Bonds. See "PLAN OF FINANCING."

Redemption. Prior to their maturity, the 2014 Bonds are subject to optional redemption as described in this Official Statement. See "THE 2014 BONDS – Redemption."

Book-Entry System. The 2014 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry-only system maintained by DTC. So long as Cede & Co. is the registered owner of the 2014 Bonds, principal of, premium, if any, and interest on the 2014 Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the 2014 Bonds, as more fully described herein. Purchasers of the 2014 Bonds will not receive physical certificates representing their interests in the 2014 Bonds. See "THE 2014 BONDS" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purchase of the 2014 Bonds involves a certain degree of risk, and reference is made to "THE ELECTRIC SYSTEM," "DEVELOPMENTS IN THE ENERGY MARKETS," "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY," "RATE REGULATION" AND "OTHER RISK FACTORS" herein for a discussion of such risks.

THE 2014 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE REVENUES. THE ISSUANCE OF THE 2014 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY OR THE AUTHORITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE 2014 BONDS ARE NOT A DEBT OF THE AUTHORITY, THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not a summary of this issue of 2014 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2014 Bonds.

**MATURITY SCHEDULE
(see inside cover)**

The 2014 Bonds are offered when, as and if executed and delivered and accepted by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall as disclosure counsel; for the City and the Authority by the City Attorney; and for the Underwriters by Orrick, Herrington & Sutcliffe LLP. It is anticipated that the 2014 Bonds will be delivered in book-entry form through the facilities of DTC on or about August 21, 2014.

Morgan Stanley

US Bancorp

The date of this Official Statement is July __, 2014.

* Preliminary, subject to change.

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014**

MATURITY SCHEDULE

**\$_____ Serial Bonds
(Base CUSIP [†]:77781R)**

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]

[C – Price and yield to first call date of August 1, 20__, at par.]

[†] Copyright 2014, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

CITY OF ROSEVILLE

ROSEVILLE FINANCE AUTHORITY

CITY COUNCIL/AUTHORITY BOARD

Susan Rohan, *Mayor/Chairperson*
Carol Garcia, *Mayor Pro Tem/Vice-Chairperson*
Bonnie Gore, *Councilmember/Boardmember*
Tim Herman, *Councilmember/Boardmember*
Pauline Roccucci, *Councilmember/Boardmember*

CITY and ELECTRIC UTILITY OFFICIALS

Raymond Kerridge, *City Manager*
Robert Jensen, *Assistant City Manager*
Jay Panzica, *City Treasurer/ Financial Executive*
Monty Hanks, *Finance Director*
Sandra Ikeda, *City Accounting Manager*
Brita Bayless, *City Attorney*
Sonia Orozco, *City Clerk*
Michelle Bertolino, *Director, Roseville Electric*
Michael Bloom, *Assistant Director, Roseville Electric*
Sonny Person, *Assistant Director, Roseville Electric*

TRUSTEE

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

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Public Financial Management
San Francisco, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. *No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2014 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.*

No Unlawful Offers or Solicitations. *This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.*

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2014 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the 2014 Bonds since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2014 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Involvement of Underwriters. The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Trust Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

2014 Bonds are Exempt from Securities Laws Registration. The 2014 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Forward-Looking Statements. Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE ELECTRIC SYSTEM."

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	1	Audited Financial Statements	47
Security and Sources of Payments.....	1	Outstanding Indebtedness.....	48
Parity Reserve Fund	2	Rate Stabilization Fund	49
Financing Purpose.....	2	Historic Revenues, Expenses and Debt Service	
Rate Covenants.....	3	Coverage.....	49
Redemption	3	Investment Policy	52
DTC and the Book-Entry Only System	3	DEVELOPMENTS IN THE ENERGY MARKETS.....	53
PLAN OF FINANCING	3	Background; Electric Market	
The Refunding Plan	3	Deregulation	53
ESTIMATED SOURCES AND USES OF FUNDS	4	State Legislation	53
THE 2014 BONDS	5	Additional Developments	58
Authority for Issuance	5	Impact of Developments on the City	59
General Terms.....	6	OTHER FACTORS AFFECTING THE ELECTRIC	
Redemption	7	UTILITY INDUSTRY	59
Debt Service Schedules	9	Energy Policy Act of 1992	59
SECURITY FOR THE 2014 BONDS.....	10	Federal Energy Legislation	60
Assignment to Trustee.....	10	Environmental Issues	60
2014 Payments.....	11	Fuel Risk	62
Rate Covenant.....	13	Other Factors.....	62
Parity Reserve Fund	14	RATE REGULATION	64
Outstanding Senior and Parity Obligations	15	OTHER RISK FACTORS	65
Conditions for Issuing Additional		Limited Obligations	65
Obligations.....	16	Tax Exemption.....	65
Flow of Funds	17	Limitations on Remedies and Limited Recourse on	
Limited Obligations	19	Default	65
THE ELECTRIC SYSTEM	20	Secondary Market	66
History and Background	20	Initiatives	66
Organization and Management	20	Seismic Considerations	66
Employees.....	22	Possible Future Federal Deregulation	
Other Post-Employment Health Benefits	27	and Tax Legislation	67
Service Area, Customer Base and		CONSTITUTIONAL LIMITATIONS ON TAXES	
Demand	31	AND APPROPRIATIONS.....	67
Sources of Power Supply	32	California Constitution Articles XIII A	
Power Supply Risk Management.....	38	and XIII B.....	67
Natural Gas Pre-Payment	39	Constitutional Changes In California	68
Regional Transmission Facilities	40	Future Initiatives	68
City Distribution System	41	TAX MATTERS	69
Dispatch and Scheduling	41	CONTINUING DISCLOSURE	70
Energy Efficiency and Conservation	42	VERIFICATION OF MATHEMATICAL	
Insurance.....	43	COMPUTATIONS	71
CAPITAL PLAN.....	43	OTHER INFORMATION	71
Projected Capital Improvement Plan	43	Certain Legal Matters	71
RATE SETTING	44	Professional Fees.....	71
Electric Rates	44	Absence of Litigation	71
Rate Comparison.....	46	RATINGS	72
Rate Stabilization Fund	46	UNDERWRITING	72
Electricity Rate Regulation	46	FINANCIAL ADVISOR	73
ELECTRIC SYSTEM FINANCIAL INFORMATION	47	EXECUTION	74
Significant Accounting Policies	47		
APPENDIX A - GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE			
APPENDIX B - AUDITED FINANCIAL STATEMENTS			
APPENDIX C - DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS			
APPENDIX D - PROPOSED FORM OF BOND COUNSEL OPINION			
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM			

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$17,000,000*
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the issuance of the above-captioned bonds (the “2014 Bonds”) by the Roseville Finance Authority (the “Authority”). The 2014 Bonds are being issued in accordance with Trust Agreement, dated as of August 1, 2014 (the “Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Capitalized terms used but not defined herein have the meanings set forth in the Trust Agreement. See also “APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS.” This Official Statement contains brief descriptions of, among other things, the City, the Electric System, the Trust Agreement, the Installment Purchase Contract and the 2014 Bonds. These descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2014 Bonds are qualified in their entirety by reference to the form of 2014 Bond included in the Trust Agreement.

Security and Sources of Payment

Revenues. The 2014 Bonds are secured by and payable from “Revenues” available under the Trust Agreement consisting of (a) all of the 2014 Payments pursuant to the Master Installment Purchase Contract (the “Master Contract”), dated as of November 1, 1997, as supplemented to date, including a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014, all entered into between the City of Roseville (the “City”) and the Authority (the “2014 Supplemental Contract” and, collectively with the Master Contract, as previously supplemented, the “Installment Purchase Contract”), and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. See “SECURITY FOR THE 2014 BONDS.”

* Preliminary, subject to change.

2014 Payments. The “2014 Payments” are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2014 Supplemental Contract. The 2014 Payments are payable from and secured by a pledge of “Net Revenues” of the City’s electric utility (the “Electric System”), which are defined generally as Gross Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during each respective 12-month period.

Pursuant to the provisions of the Trust Agreement, the Authority will transfer in trust and assign to the Trustee, for the benefit of the Owners of the 2014 Bonds, all of its rights in the Installment Purchase Contract as supplemented by the 2014 Supplemental Contract, including but not limited to all of the Authority’s rights to receive and collect all of the 2014 Payments.

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The issuance of the 2014 Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The 2014 Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Outstanding Senior Obligations. The “Maintenance and Operation Costs” excluded from Net Revenues include, among other costs, the City’s share of debt service on debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City’s payments of debt service on this joint powers agency debt are payable on a basis senior to the 2014 Payments and other Parity Obligations, as defined below.

Outstanding Parity Obligations. The pledge of Net Revenues for payment of the 2014 Payments is a parity pledge of Net Revenues securing payment of the 2014 Payments and other obligations (collectively, the “Parity Obligations”) incurred by the City under the Installment Purchase Contract. The Parity Obligations include the installment payments securing four series of certificates of participation executed and delivered in 2004, 2005, 2009 and 2012 (collectively, the “Prior Certificates”) and two series of bonds issued in 2010 and 2013 (collectively, the “Prior Bonds”) to finance and refinance improvements to the Electric System.

Future Parity Debt. The Trust Agreement does not provide for the issuance of any obligations payable from the Revenues on parity with the 2014 Bonds. However, the Master Contract permits the City to execute additional Parity Obligations and Parity Payment Agreements, the payments of which are payable from Net Revenues on a parity with the 2014 Payments (all as described below), if the conditions set forth in the Master Contract are met. See “SECURITY FOR THE 2014 BONDS – Additional Debt.”

Parity Reserve Fund

The City maintains a Parity Reserve Fund securing all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates, Prior Bonds and the 2014 Bonds. The Parity Reserve Fund will be fully funded upon issuance of the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – Parity Reserve Fund.”

Financing Purpose

The 2014 Bonds are being issued to (i) refinance certain prior certificates of participation executed and delivered in 2004 for the Electric System, and (ii) pay certain costs incurred in

connection with the issuance of the 2014 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Rate Covenants

Under the Master Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year. See "SECURITY FOR THE 2014 BONDS – Rate Covenant."

Redemption

The 2014 Bonds are subject to optional redemption prior to maturity as more fully described herein. See "THE 2014 BONDS – Redemption."

DTC and the Book-Entry Only System

The 2014 Bonds are being executed and delivered as fully registered securities in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial interests in the book-entry certificates will be made available in authorized denominations to ultimate purchasers under the book-entry-only system maintained by DTC. See "APPENDIX F-DTC AND THE BOOK-ENTRY ONLY SYSTEM."

PLAN OF FINANCING

The Refunding Plan

The Authority has previously executed and delivered the following series of certificates of participation relating to the Electric System: \$39,940,000 original principal amount of Electric System Revenue Certificates of Participation, Series 2004 (the "2004 Certificates"). The net proceeds from the sale of the 2004 Certificates were primarily used to finance improvements to the Electric System. As described below, the net proceeds from the sale of the 2014 Bonds will be used to prepay a portion of the City's obligations under the 2004 Supplemental Agreement resulting in a prepayment of a portion of the remaining outstanding 2004 Certificates.

The 2004 Certificates are subject to prepayment on any date on or after February 1, 2014, at a prepayment price equal to the principal amount evidenced and represented by the 2004 Certificates called for prepayment, plus accrued and unpaid interest to the prepayment date, without premium, and under the 2004 Supplemental Contract, the City has the right to prepay the 2004 Payments coming due on and after February 1, 2015 on any date on or after February 1, 2014, at a prepayment price equal to the principal amount evidenced and represented by the 2004 Payments called for prepayment, plus accrued and unpaid interest, if any, to the prepayment date, without premium. The City has elected to do so, which will in turn facilitate a prepayment of a portion of the 2004 Certificates.

On the date of issuance of the Bonds (the "Closing Date"), the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee for the 2004 Certificates and as escrow agent (the "2004 Escrow Agent") will enter into an Escrow Deposit and Trust Agreement

with respect to the 2004 Certificates. The City will cause a portion of the proceeds of the Bonds to be transferred to the 2004 Escrow Agent for deposit into an escrow fund (the "2004 Escrow Fund"), together with amounts available under the Trust Agreement for the 2004 Certificates. The amounts deposited in the 2004 Escrow Fund plus earnings thereon will be sufficient to defease the 2004 Payments and the 2004 Certificates being prepaid. The 2004 Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in state and local government securities (SLGS). Amounts held in the 2004 Escrow Fund will be applied to pay principal and interest with respect to the 2004 Certificates through the date of prepayment, on or about August 26, 2014, and on that date will be used to prepay a portion of the 2004 Payments and pay the prepayment price for the related 2004 Certificates.

The amounts held and invested by the 2004 Escrow Agent in the 2004 Escrow Fund are pledged solely to the payment of the 2004 Payments and the 2004 Certificates. Neither the funds deposited in the Escrow Funds nor the interest on the invested funds will be available for the payment of debt service on the Bonds.

Grant Thornton, LLP, as verification agent, will verify that the amounts in the 2004 Escrow Account will be sufficient to prepay the applicable 2004 Certificates, as described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" below.

ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of funds with respect to the 2014 Bonds.

Sources of Funds

Par Amount of 2014 Bonds

[Net Premium/Net Discount]

[Funds from Prior Certificates ⁽¹⁾]

Total Sources

Uses of Funds

2004 Escrow Fund ⁽²⁾

Costs of Issuance ⁽³⁾

Total Uses

[(1) Represents a release from the common reserve fund securing the 2014 Bonds and the Parity Obligations. After the release of funds, the amount on deposit in the Parity Reserve Fund will equal the current Reserve Fund Requirement for the 2014 Bonds and the outstanding Parity Obligations. See "SECURITY FOR THE 2014 BONDS –Parity Reserve Fund."]

(2) Includes prepayment of a portion of the outstanding 2004 Certificates as described under "PLAN OF FINANCING – The Refunding Plan."

(3) Includes costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the 2014 Bonds, fees of the Authority, Underwriters' discount and any other cost, charge or fee in connection with the original issuance of the 2014 Bonds.

THE 2014 BONDS

The following is a summary of certain provisions of the 2014 Bonds. Reference is made to the 2014 Bonds for the complete text thereof and to the Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS”.

Authority for Issuance

The 2014 Bonds are being issued under the Trust Agreement. The 2014 Supplemental Contract is being executed and delivered pursuant to a Master Installment Purchase Contract (the "Master Contract") dated as of November 1, 1997, as supplemented by the following contracts, all entered into between the City of Roseville (the "City") and the Authority:

- 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"),
- 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"),
- 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"),
- 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004, with respect to the 2004 Certificates (the "2004 Supplemental Contract"),
- 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005, with respect to the 2005 Certificates (the "2005 Supplemental Contract"),
- 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008, with respect to the 2008 Certificates (the "2008 Supplemental Contract"),
- 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009, with respect to the 2009 Certificates (the "2009 Supplemental Contract"),
- 2010 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2010, with respect to the 2010 Bonds (the "2010 Supplemental Contract"),
- 2012 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2012, with respect to the 2012 Certificates (the "2012 Supplemental Contract"),
- 2013 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2013, with respect to the 2013 Bonds (the "2013 Supplemental Contract"), and

- 2014 Supplemental Installment Purchase Contract to be executed and entered into as of August 1, 2014, with respect to the 2014 Bonds (the “2014 Supplemental Contract”).

The certificates of participation delivered in connection with the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract and the 2008 Supplemental Contract have been fully paid. The 2014 Bonds are being issued to prepay a portion of the outstanding amount of 2004 Certificates delivered in connection with the 2004 Supplemental Contract. After the prepayment of the 2004 Certificates as described, a portion of the obligations under the 2004 Supplemental Contract will remain outstanding. See “PLAN OF FINANCING” and “SECURITY FOR THE 2014 BONDS – Outstanding Senior and Parity Indebtedness.”

The Master Contract and the various supplements thereto are collectively referred to as the “Installment Purchase Contract.” The payments due under the Installment Purchase Contract are collectively referred to as “Payments.”

General Terms

Dated Date and Maturities. The 2014 Bonds will be dated their date of initial delivery. Subject to the redemption provisions outlined below, the 2014 Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

Interest. Interest on each 2014 Bond will accrue at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 of each year, beginning on February 1, 2015 (each, an “Interest Payment Date”).

Each 2014 Bond will bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from the Interest Payment Date next preceding the date of authentication thereof; unless (i) it is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event such 2014 Bonds bear interest from such Interest Payment Date; (ii) it is authenticated on or before the Record Date, in which event such 2014 Bonds will bear interest from the date of delivery; provided, however, that if, as of the date of authentication of any 2014 Bond, interest thereon is in default, such 2014 Bond will bear interest from the date on which interest has been paid in full, payable on each Interest Payment Date.

Principal. The principal of the 2014 Bonds will be payable in lawful money of the United States of America upon the surrender thereof on the respective maturity date or on redemption prior thereto at the Corporate Trust Office of the Trustee.

Denominations. The 2014 Bonds will be issued in the form of fully registered bonds in the denomination of \$5,000 each or any integral multiple of \$5,000; provided that no 2014 Bond will have more than one maturity date.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2014 Bonds. The 2014 Bonds will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). So long as Cede & Co. is the registered owner of the 2014 Bonds, as nominee of DTC, references in this Official Statement to

the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the 2014 Bonds. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Method of Payment. So long as the 2014 Bonds are registered in the name of Cede & Co., principal, premium, if any, and interest on the 2014 Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in APPENDIX F) for subsequent disbursement to the Beneficial Owners of the 2014 Bonds. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The 2014 Bonds maturing on or after February 1, 20__, are subject to optional redemption prior to their stated maturity dates, from prepayment of 2014 Payments made by the City pursuant to the Installment Purchase Contract, as a whole or in part (from such maturity dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such maturity dates, in inverse order of maturity date and by lot within a maturity date) on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the 2014 Bonds called for redemption, plus accrued and unpaid interest to the redemption date, without premium.

Selection of Bonds for Redemption. If less than all Outstanding Bonds of any particular maturity date are to be redeemed at any one time, the Trustee will select the portions of the 2014 Bonds of such maturity date to be redeemed by lot in a manner which the Trustee deems to be fair. For purposes of such selection, all 2014 Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds that may be separately redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of any 2014 Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption. Each notice of redemption will state the date of such notice, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the 2014 Bonds to be redeemed, and, if less than all of the 2014 Bonds of any one maturity date are to be redeemed, the distinctive bond numbers of the 2014 Bonds of such maturity date to be redeemed and, in the case of 2014 Bonds to be redeemed in part only, the respective portions of the principal amount evidenced and represented thereby to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2014 Bonds the redemption price thereof and in the case of a 2014 Bond to be redeemed in part only, the specified portion of the principal amount evidenced and represented thereby to be redeemed, together with accrued and unpaid interest evidenced and represented thereby to the redemption date, and that from and after such redemption date interest evidenced and represented thereby will cease to accrue, and will require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such a redemption notice will not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of 2014 Bonds, the Trustee will mail a notice of redemption upon receipt of a Written Request of the Authority. Conditional notice of optional redemption may be given by the Trustee at the direction of the Authority or the City.

Unless the book-entry only system is discontinued, the City and the Trustee will only recognize DTC or its nominee as an Owner. Conveyance of notices and other communications by DTC to its participants ("DTC Participants") and by DTC Participants to each actual purchaser of each 2014 Bond will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purchase in lieu of Redemption. In lieu of redemption of 2014 Bonds as provided in the Trust Agreement, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of 2014 Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the 2014 Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such 2014 Bonds were redeemed.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the 2014 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2014 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2014 Bonds will cease to accrue, and the Owners of such 2014 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Schedule

The 2014 Bonds are payable from Revenues available under the Trust Agreement, consisting primarily of the 2014 Payments made by the City pursuant to the Installment Purchase Contract. The schedule below shows the annual debt service on the 2014 Bonds (assuming no redemption of the 2014 Bonds) and outstanding Parity Obligations (assuming no optional prepayment of the 2014 Payments or Parity Obligations) after the defeasance and prepayment described under "PLAN OF FINANCING" above.

Fiscal Year Ending June 30	2014 Bonds Interest	2014 Bonds Principal	2014 Bonds Total Debt Service ⁽¹⁾	Outstanding Parity Payments ⁽²⁾	Total Payments

Total

(1) Equal to the total 2014 Payments due in each Fiscal Year.

(2) Represents unrefunded 2004 Payments, 2005 Payments, the 2009 Payments, 2010 Payments, 2012 Payments, and 2013 Payments. See "SECURITY FOR 2014 BONDS – Outstanding Senior and Parity Obligations" and "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

SECURITY FOR THE 2014 BONDS

This section provides summaries of certain provisions of the Trust Agreement, the Installment Purchase Contract and the 2014 Bonds. See APPENDIX C for a summary of additional provisions of the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Revenues

The 2014 Bonds are payable from and secured by a lien on and security interest in the Revenues as provided in the Trust Agreement. "Revenues" consist of (a) all of the 2014 Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. Under the Trust Agreement, all of the Revenues and all amounts (including proceeds of the sale of the 2014 Bonds) held in any fund or account established under the Trust Agreement are pledged to secure the payment of the principal of and interest and premium (if any) on the 2014 Bonds.

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The issuance of the 2014 Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The 2014 Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Assignment to Trustee

Under the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the Revenues (which consist primarily of the 2014 Payments, as more fully described below) and any and all rights and privileges it has under the Installment Purchase Contract, including the right to collect and receive directly all of the 2014 Payments and the right to enforce the provisions of the Installment Purchase Contract.

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

The Trust Agreement provides that the Trustee will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2014 Bonds the Trustee's rights as assignee of the 2014 Payments under the Installment Purchase Contract and as beneficiary of any other rights to security for the 2014 Bonds which the Trustee may receive in the future.

2014 Payments

General. The 2014 Payments represent the purchase price of a portion of the facilities financed from the proceeds of the 2004 Certificates, which the Authority is reselling to the City. The Installment Purchase Contract provides that the City's obligations to make the 2014 Payments is (subject to the provisions of the Installment Purchase Contract relating to defeasance) absolute and unconditional, and until such time as the 2014 Payments are paid in full (or provision for the payment thereof is made under the Installment Purchase Contract), the City will not discontinue or suspend any 2014 Payments required to be paid by it under the Installment Purchase Contract when due, whether or not the Electric System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The 2014 Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding anything contained in the Installment Purchase Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2014 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Pledge of Net Revenues. Under the Installment Purchase Contract, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 2014 Payments and all other payments under the Parity Obligations in accordance with the terms of the Installment Purchase Contract. The Net Revenues of the Electric System may not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Contract. The Installment Purchase Contract provides that this pledge constitutes a parity first pledge of and charge and lien upon the Net Revenues of the Electric System

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

Net Revenues. The Installment Purchase Contract defines "Net Revenues" to mean, for any Fiscal Year or any designated twelve (12) month period in question, the Gross Revenues during such Fiscal Year or twelve (12) month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) month period.

Gross Revenues. "Gross Revenues" as used herein (defined in the Installment Purchase Contract as "Revenues") means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the

Electric System or arising from the Electric System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund.

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

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

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

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

The 2014 Payments are limited obligations of the City and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Revenues.

Rate Covenant

Rate Covenant. Under the Installment Purchase Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield “Adjusted Annual Net Revenues” for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year (the “Rate Covenant”).

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

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

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

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

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

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

Annual Debt Service. The Installment Purchase Contract defines “Annual Debt Service” to mean, for any Fiscal Year or 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the Rate

Covenant, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Rate Stabilization Fund. Under the Installment Purchase Contract, the City is also required to establish and maintain the Rate Stabilization Fund so long as any Parity Obligations remain unpaid. Under the Installment Purchase Contract, amounts in the Rate Stabilization Fund are not pledged as security for the 2014 Payments but may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant.

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

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

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

Parity Reserve Fund

Establishment. Under the trust agreement entered into by the Authority and the Trustee with respect to the 1997 Certificates, the Trustee established and is obligated to maintain the Parity Reserve Fund, which secures all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates, the Prior Bonds and the 2014 Bonds.

Funding of 2014 Parity Reserve Account. After the release of amounts in the Parity Reserve Fund as shown in "ESTIMATED SOURCES AND USES OF FUNDS" herein, the combined amount on deposit in the Parity Reserve Fund will be sufficient to meet the Reserve Fund Requirement for the Parity Obligations, including the 2014 Bonds. As a result, a "2014 Parity Reserve Account" will not be established within the Parity Reserve Fund. The Parity Reserve Fund will be maintained so long as the 2014 Bonds or any Parity Obligations remain outstanding.

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

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

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

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

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

Currently, no portion of the Reserve Fund Requirement is provided by a policy of municipal bond insurance, surety bond or letter of credit.

Disbursement. Amounts in the Parity Reserve Fund will be transferred to the 2014 Debt Service Fund to pay principal and interest on the 2014 Bonds on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also transfer amounts in the Parity Reserve Fund to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made as described in the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference. See " – Outstanding and Senior Parity Obligations" below.

Outstanding Senior and Parity Obligations

Senior Obligations. The City participates in the projects of, and has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the obligations under the Installment Purchase Contract, including the 2014 Payments (and the Parity Obligations described below). Under certain circumstances, payments under these financing agreements are subject to a potential "step- up" as described herein obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Parity Obligations. The 2014 Payments are secured by and payable from Net Revenues on parity with other obligations previously incurred by the City under the Installment Purchase Contract and designated as parity obligations (collectively, the "Parity Obligations"),

including installment payments securing certain outstanding series of certificates of participation and revenue bonds described below. The currently outstanding Parity Obligations were entered into by the City in connection with the following:

2004 Certificates. \$39,940,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2004,” evidencing and representing proportionate interests of the owners thereof in the payments made under the 2004 Supplemental Contract (the “2004 Payments”); principal amount outstanding as of July 1, 2014: \$18,320,000. A portion of the 2004 Certificates will be defeased and prepaid with proceeds of the 2014 Bonds as described under “PLAN OF FINANCING.”

2005A Certificates. \$52,900,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2005A (Fixed Rate),” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2005 Supplemental Contract (the “2005 Payments”); principal amount outstanding as of July 1, 2014: \$3,750,000.

2009 Certificates. \$27,010,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2009,” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2009 Supplemental Contract (the “2009 Payments”); principal amount outstanding as of July 1, 2014: \$19,290,000.

2010 Bonds. \$55,845,000 original principal amount of “Electric System Revenue Refunding Bonds, Series 2010,” secured by and payable from certain payments made under the 2010 Supplemental Contract (the “2010 Payments”); principal amount outstanding as of July 1, 2014: \$54,855,000.

2012 Certificates. \$90,000,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2012,” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2012 Supplemental Contract (the “2012 Payments”); principal amount outstanding as of July 1, 2014: \$90,000,000.

2013 Bonds. \$48,780,000 original principal amount of “Electric System Revenue Refunding Bonds, Series 2013,” secured by and payable from certain payments made under the 2013 Supplemental Contract (the “2013 Payments”); principal amount outstanding as of July 1, 2014: \$48,285,000.

A portion of the 2004 Certificates will be defeased and prepaid with proceeds of the 2014 Bonds. The 2005 Certificates, the 2009 Certificates, the 2012 Certificates, the 2010 Bonds and the 2013 Bonds will remain outstanding.

Conditions for Issuing Additional Obligations

The Trust Agreement does not provide for issuance of additional obligations payable or secured by the Revenues pledged to payment of the 2014 Bonds. However, under the terms of the Master Contract, the City may at any time execute a Supplemental Contract or other Parity Obligation, the payments of which are payable from the Net Revenues on a parity with the other Parity Obligations, including the 2014 Payments, but subject to the conditions precedent set forth in the Master Contract, including the condition that there be on file with the Trustee either:

(1) a Certificate of the City demonstrating that during any twelve consecutive calendar months out of the immediately preceding eighteen 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 Obligation proposed to be executed; or

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

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

Flow of Funds

2014 Debt Service Fund. All Revenues received by the Trustee will be promptly deposited by the Trustee in the "2014 Debt Service Fund" established under the Trust Agreement; *except that* all moneys received by the Trustee and required hereunder or under the 2014 Supplemental Contract to be used for optional redemption of 2014 Bonds will be promptly deposited in a special fund and disbursed for that purpose. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in this Trust Agreement.

All money in the 2014 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2014 Debt Service Fund (each of which is created and maintained by the Trustee under the Trust Agreement) in the following order of priority:

- (i) 2014 Interest Account,
- (ii) 2014 Redemption Account (with a 2014 Principal Subaccount therein), and
- (iii) 2014 Parity Reserve Account.

2014 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Interest Account that amount of money which is equal to the amount of interest on the 2014 Bonds becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 2014 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the 2014 Bonds becoming due and payable on such Interest Payment Date.

All money in the 2014 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it becomes due and payable (including accrued interest on any 2014 Bonds purchased or redeemed prior to their respective maturity dates).

2014 Redemption Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Principal Subaccount in the 2014 Redemption Account an amount of money equal to the principal amount of the Outstanding serial Bonds with a maturity date of such February 1.

No deposit need be made in the 2014 Redemption Account if the amount contained in the 2014 Principal Subaccount therein is at least equal to the aggregate amount of the principal of the Outstanding serial Bonds with a maturity date of such February 1.

All money in the 2014 Principal Subaccount in the 2014 Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the serial 2014 Bonds as they become due and payable, whether at their respective maturity dates or on prior redemption.

2014 Parity Reserve Account. The Trustee will deposit in the 2014 Parity Reserve Account such amounts transferred to the Trustee by the City pursuant to the Master Contract, as directed by the Authority in a Written Request of the Authority, as described under “- Flow of Funds under the Installment Purchase Contract” below. See also “- Parity Reserve Fund” above.

Surplus. Any surplus remaining in the 2014 Debt Service Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under the Trust Agreement, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

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

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

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

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

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

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

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

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

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

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

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

Limited Obligations

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The Authority has no obligation or liability to the Owners of the 2014 Bonds with respect to the payment of the 2014 Payments when due, or with respect to the performance by the City of any other covenant made by it in the Installment Purchase Contract.

Except for the payment of 2014 Payments when due and the performance of the other covenants and agreements of the City contained in the Installment Purchase Contract, the City has no obligation or liability to the Owners of the 2014 Bonds with respect to the Trust Agreement or the execution, delivery or transfer of the 2014 Bonds, or the disbursement of debt

service payments to the Owners by the Trustee. The obligation of the City to make the 2014 Payments is a special obligation of the City secured by a pledge of Net Revenues and payable solely from the Net Revenues and other amounts available under the Trust Agreement, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

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

THE ELECTRIC SYSTEM

History and Background

The City, through its Electric System, has been providing electrical power to its residents, businesses, and the City's street and traffic lighting systems since 1912. In 1956, the City entered into a contract with the Federal Bureau of Reclamation for 69 megawatts ("MW"; a megawatt equals 1 million watts) of electric capacity from the Central Valley hydroelectric project, which consists of a system of dams, reservoirs and power plants within central and northern California (the contract is currently administered through the Western Area Power Administration ("Western")). In the early 1970s, the City's demand for electricity exceeded the Western resource allocation. To help meet this additional need, in 1968 the City became a charter member in the Northern California Power Agency (the "NCPA"), a consortium of municipal electrical utilities. The City participates in several resources developed by NCPA, including its geothermal, combustion turbine, steam-injected gas turbine, and hydroelectric projects. In October of 2007 the City completed construction of a 160 MW natural gas fired combined cycle power plant (the "Roseville Energy Park" or "REP"). REP was built as a reliable, economic alternative to bulk power purchases. REP has a base operating capacity of 120 MW with the ability to peak-fire up to 160 MW. On September 1, 2010, the City assumed full title and ownership of the NCPA Combustion Turbine Project No. 1 (48 MW capacity), which is connected to the Roseville electric distribution system and now referred to as Roseville Power Plant 2, to meet reserve and capacity requirements.

Organization and Management

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

Risk Oversight Committee ("ROC"). The Electric System's risk management strategies and procedures are monitored by the ROC. The ROC meets quarterly and includes two members of the City Council, two members of the Roseville Public Utilities Commission, the City Manager, the Assistant City Manager, the City Treasurer/Financial Executive, the City Attorney, and the Electric Utility Director. The ROC oversees Roseville Electric's risk

management procedures and ensures that Roseville Electric's risk profile is within the parameters set forth in the risk management policies.

Risk Management Committee ("RMC"). The Electric System's risk management activities are reviewed and monitored on a more regular basis by the RMC. The RMC meets monthly and is comprised of one or two delegates from the City Manager's office, one or two delegates from the Finance Department, one or two delegates from the City Attorney's office, and one or two Assistant Electric Utility Directors. The RMC discusses risk mitigation strategies, impacts of various strategies on Roseville Electric's strategic goals and makes recommendations to the ROC, or City Council, as appropriate. The RMC receives position and credit reports on a monthly basis to ensure compliance with risk policies.

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

Michelle Bertolino, Electric Utility Director. Michelle Bertolino has worked at Roseville Electric, in various capacities, since 2002. She was promoted to Director in 2010. In addition to her responsibilities overseeing operations of the utility, she is Chairperson for the Balancing Authority of Northern California ("BANC"), Vice President of the California Municipal Utilities Association ("CMUA") and a member of the Board of Trustees of the Northwest Public Power Association ("NWPPA"). Prior to joining Roseville, Ms. Bertolino was employed by the Sacramento Municipal Utility District and San Francisco Public Utilities Commission. She graduated from the University of California, Santa Barbara and attended the Graduate School of Management at the University of California, Davis. She received her Certified Public Accountant license from the State of California.

Michael Bloom, Assistant Electric Utility Director: Planning and Services. Michael Bloom has served as Assistant Electric Utility Director responsible for the Planning and Services Division since 2011. He began working at Roseville Electric in 1989 as an analyst and served as the Power Supply Manager for several years. Mr. Bloom is responsible for the Electric System's energy supply portfolio, risk management, retail services, rates and financial services, and operations technology systems. Mr. Bloom graduated from California State University, Sacramento with a Bachelor of Science Degree in Mechanical Engineering and Master of Arts Degree in Business Administration.

Sonny Person, Assistant Electric Utility Director: Generation and Distribution. Sonny Person has served as the Assistant Electric Utility Director, responsible for the Generation and Distribution Division since October 2012. In his current role, Mr. Person is responsible for the safe, reliable and cost effective delivery of electricity to Roseville Electric's customers. His areas of responsibility include overseeing the maintenance, construction and operation of the electric distribution system. Mr. Person also provides oversight of the city's two power plant generating facilities, as well as engineering and planning system improvements, preparing budgets, and managing 80 employees. Prior to joining the City of Roseville, Mr. Person was employed for 36 years by Pacific Gas and Electric, and 2-1/2 years by Seattle City Light. During his earlier career, he was responsible for customer service, field service, and electric system operations. He graduated from Morgan State University with a B.A. in Education.

Employees

As of June 30, 2014, 140 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

The bulk of the non-management City personnel working at the Electric System are represented by the International Brotherhood of Electrical Workers ("IBEW"). The current IBEW contract has a term through December 31, 2015. There have been no strikes or other work stoppages at the City, including at the Electric System.

Retirement Benefits

The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Room 1820, Sacramento, CA 95811, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Substantially all permanent City employees, including employees of the Electric System, are eligible to participate in pension plans offered by PERS, an agent-multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Copies of PERS annual financial reports may be obtained from its Executive Office located at 400 Q Street Room 1820, Sacramento, CA 95811.

The City's employees participate in the separate Safety (for its police and fire employees) and Miscellaneous (for all other employees) 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.

The Plans' provisions and benefits in effect for employees hired prior to January 1, 2013, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50-55
Monthly Benefits (as % of Annual Salary)	3.0%	2.0 – 2.7%
Required Employee Contribution Rate	9.0%	8.0%
Required Employer Contribution Rate	31.298%	20.23%

The Plans' provisions and benefits in effect for employees hired after January 1, 2013, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	57	62
Monthly Benefits (as % of Annual Salary)	2.7%	2.0%
Required Employee Contribution Rate	12.25%	6.25%
Required Employer Contribution Rate	31.298%	20.23%
Actuarially Required Contributions [1]	\$10,101,015	\$18,063,140

[1] Updated actuarial report expected in October 2014.

Employees of the Electric System participate in the PERS Miscellaneous Plan described above, and the Electric System pays a percentage of the City's Plan expenses based on the number of employees. However, the Electric System's portion of the unfunded liability under PERS has not been calculated separately from the City's liability. The following discussion pertains to the City's PERS liability as a whole.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by PERS. PERS determines contribution requirements using a modification of the Entry Age Normal Method, which is a projected benefit cost method. This method takes into account the benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll in order to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

Active Safety Plan employees are required to contribute 9.0% (12.25% for employees hired after January 1, 2013) of their annual covered salary, and active Miscellaneous Plan employees are required to contribute 8.0% (6.25% for employees hired after January 1, 2013) of their annual covered salary. The City is required to contribute to each of the Safety and Miscellaneous Plans at an actuarially determined rate. The rate for the fiscal year ended June 30, 2013 was 31.298% of annual covered payroll for Safety Plan employees and 20.23% of annual covered payroll for Miscellaneous Plan employees. The City's total contribution was \$10,101,015 for the Safety Plan and \$18,063,140 for the Miscellaneous Plan for the fiscal year ended June 30, 2013. The City paid 100% of the contributions required by PERS for each of the fiscal years ended June 30, 2013, 2012 and 2011, respectively. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last four fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<i>Safety Plan</i>			
June 30, 2010	\$9,210,220	100%	\$0
June 30, 2011	8,841,881	100	0
June 30, 2012	10,027,631	100	0
June 30, 2013	10,101,015	100	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$14,463,390	100%	\$0
June 30, 2011	14,791,010	100	0
June 30, 2012	18,065,353	100	0
June 30, 2013	18,063,140	100	0

Source: City of Roseville.

Actuarial Valuations. Staff actuaries at PERS prepare annually an actuarial valuation that covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuations delivered to the City in October 2013 with respect to the Miscellaneous Plan, covered PERS' fiscal year ended June 30, 2012). The actuarial valuation expresses the required contribution rates for the City in percentages of payroll, which percentages the City contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the actuarial valuation as of June 30, 2012, which was prepared in October 2013, will be in effect for Fiscal Year 2014-15). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components: the normal cost and the unfunded accrued actuarial value ("UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, such as, among others, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases, and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments, such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement rather than a fixed liability amount the City owes to PERS under the PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the real rate of return during that fiscal year equaled the applicable assumed rate of return (recently revised from 7.75% to 7.50%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies.

Plans' Actuarial Values. The table below shows the recent history of the Plans' actuarial value (which differs from market value) of assets, accrued liability, their relationship, and the relationship of the unfunded liability to payroll for the City, for the four prior years including June 30, 2012 (the most recent date for which such actuarial valuation data is available):

Safety Plan*Actuarial*

<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Asset</u>	<u>Unfunded (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2009	\$166,512,851	\$121,354,582	\$43,158,269	72.9%	\$23,943,280	188.605%
June 30, 2010	176,319,541	133,291,736	43,027,805	75.6	23,685,286	181.665
June 30, 2011	196,208,635	145,495,984	50,712,651	74.2	22,222,636	228.203
June 30, 2012	213,420,106	156,246,641	56,173,465	73.7	23,542,236	238.607

Miscellaneous Plan*Actuarial*

<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Asset</u>	<u>Unfunded (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2009	\$342,328,270	\$241,893,471	\$100,434,799	70.7%	\$64,296,771	156.205%
June 30, 2010	367,490,532	261,053,910	106,436,622	71.0	63,122,632	168.619
June 30, 2011	403,899,989	281,366,830	122,533,159	69.7	62,355,851	196.506
June 30, 2012	429,218,174	302,337,115	126,881,059	70.4	63,780,598	198.934

Source: City of Roseville.

Actuarial Assumptions and Policies. PERS uses a market-related value method of valuing the PERS plan's assets, which smooths the effect of short-term volatility in the market value of investments over a three-year period. The actuarial valuation assumptions used prior to 2012 include (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.55% to 14.45% for miscellaneous members, and from 3.55% to 13.15% for safety members (varying by duration of service); (c) an inflation component of 3%, and (d) 2-3% per year cost-of-living adjustments for retirees. 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.

Complete updated inflation and actuarial assumptions can be obtained by contacting PERS at the address referenced above.

PERS Rate Adjustments. On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions increased by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning Fiscal Year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning Fiscal Year 2013-14. More information about the PERS discount rate adjustment can be accessed through PERS's website. *The reference to this internet website is cited for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions that the City may be required to make. There can be no assurances that the City's annual contributions to PERS will not significantly increase in the future. The actual amount of any increases will depend on a variety of factors, including but not limited to investment returns, actuarial assumptions, experience and retirement benefit adjustments.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that will also amend various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, have a five-year window to negotiate compliance with AB 340 through collective bargaining. The City is currently in compliance with the provisions of AB 340.

PERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's website. *The reference to this internet website is cited for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict what the amount of PERS liabilities will be in the future or the amount of the PERS contributions which the City may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

See also "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, Note 12" for additional information relating to the City's retirement plans.

Other Post-Employment Health Benefits

General. In April 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. Statement No. 43 establishes uniform financial reporting standards for post-employment healthcare and other non-pension benefits ("OPEB") plans. The approach followed in Statement No. 43 is generally consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans.

Subsequently, in June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to OPEB. Statement No. 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Statement No. 45's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

As required, the City adopted GASB 43/45 beginning with Fiscal Year 2007-08.

City Plan Description. The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan (the "**Plan**"), a sole employer defined benefit healthcare plan, which is administered by the City of Roseville. Retirees who have at least five years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses. As of June 30, 2013, there were 525 participants receiving these health care benefits.

Maximum reimbursement amounts differ depending on the labor organization membership and when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$1,284 in monthly reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by the City Council. The City manages the Plan by investing assets in a Retiree Health Plan Trust (the "OPEB Trust"), established pursuant to a Trust Agreement, and managed by the OPEB Trust's administrator, Public Financial Management. The City, as trustee, has elected to invest the OPEB Trust assets in up to six months of cash, cash equivalent and/or money market funds for near-term OPEB Trust benefits and expenses. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long-term investment losses. Financial reports for the Plan and the OPEB Trust are contained in the City's annual Audited Financial Statements. See also "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, Note 13" for additional information relating to the Plan and the Trust.

Annual OPEB Cost and Net OPEB Obligation. The Plan's Annual Required Contribution ("ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Plan members do not make contributions to the Plan; the Plan is

funded entirely by the employer contributions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for Fiscal Year 2012-13, the amount actually contributed to the Plan, and changes in the City's Net OPEB obligation:

Annual required contribution	\$15,995,000
Interest on net OPEB obligation	1,660,212
Adjustment to annual required contribution	(2,338,072)
Annual OPEB cost (expense)	\$15,317,140
Contributions:	
Pay-as-you-go premiums	(5,131,475)
Transfer to OPEB Trust	(2,480,609)
Increase in net OPEB obligation	7,705,056
Net OPEB obligation – beginning of year	25,541,730
Net OPEB obligation – end of year	\$33,246,786

Source: City of Roseville.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last four Fiscal Years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$17,851,892	\$3,839,216	22%	\$45,855,741
June 30, 2011	9,273,292	38,457,645	415	15,409,215
June 30, 2012	15,104,848	4,972,333	33	25,541,730
June 30, 2013	15,317,140	7,612,084	50	33,246,786

Source: City of Roseville.

Funding Policy. There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently, and generally, chosen to both pay Plan benefits on a pay-as-you-go basis and to also fund the OPEB Trust. The City set up and moved \$34 million of accumulated revenues into the OPEB Trust in 2011, to begin setting aside monies to address the City's long-term liability for post-retirement health benefits. This transfer has increased the longer-term investment return on the transferred funds, thus lowering the City's unfunded liability. Since inception, the trust's investments have performed at or better than its long-term return assumption of 6.5%. In addition to one-time monies transferred into this fund, the City has transferred 3% of the total cost of salaries for several years; however, the General Fund transfer was 1% of salaries in Fiscal Year 2013-14 and 2% of salaries in Fiscal Year 2014-15.

The City paid and contributed the following amounts for eligible employees as its regular employer contributions for and over its last five Fiscal Years:

<u>Fiscal Year Ended</u>	<u>No. of Active Employees</u>	<u>No. of Retired Employees</u>	<u>Amount Contributed to OPEB Trust</u>	<u>Amount Paid Under Pay-as-you-go</u>
June 30, 2009 ⁽¹⁾	1,045	464	\$0	\$3,292,355
June 30, 2010 ⁽¹⁾	940	467	0	3,839,216
June 30, 2011	975	545	34,000,000	4,457,645
June 30, 2012	985	539	896,969	4,972,333
June 30, 2013	1,058	536	2,480,609	5,131,475

Source: City of Roseville.

(1) For Fiscal Years 2008-09 and 2009-10, the City had not yet established, and did not contribute to the OPEB Trust.

The City presently anticipates that its pay-as-you-go Plan benefit expense will be approximately \$5,207,001 for Fiscal Year 2013-14, and that it will also contribute \$2,100,000 to the OPEB Trust for this same Fiscal Year.

Funded Status and Funding Progress. As of June 30, 2011, the latest Plan valuation date, the funded status of the Plan, shown below with information for the prior two valuation dates, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>(Underfunded) Actuarial Accrued Liability (A-B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Actuarial Liability as Percentage of Covered Payroll ((A-B)/C)</u>
June 30, 2007	\$0	\$164,567,000	(\$164,567,000)	0.00%	\$80,302,000	-204.94%
June 30, 2009	34,000,000	180,097,000	(146,097,000)	18.88	80,664,000	-181.12
June 30, 2011	34,626,000	176,733,000	(142,107,000)	19.59	74,535,000	-190.66

Source: City of Roseville.

Actuarial valuations of an ongoing Plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Electric System OPEB Obligations. The Electric System and other City utilities make annual contributions for Plan expenses. The Electric System's OPEB obligations as of June 30, 2011, the latest Plan valuation date for the Electric System, were as follows:

<u>Present Value of Benefits</u>	
Actives	\$14,707,000
Retirees	<u>10,351,000</u>
Total	25,058,000

<u>Actuarial Accrued Liability</u>	
Actives	8,564,000
Retirees	<u>10,351,000</u>
Total	18,915,000

Actuarial Value of Assets	3,706,000
UUAL	740,000
Pay-as-you-go Cost	553,000

The Electric System paid and contributed \$612,827 for pay-as-you-go Plan benefit expenses and \$524,146 (4.5% of payroll) to the OPEB Trust in Fiscal Year 2012-13. The Electric System presently anticipates that it will fund 100% of its ARC for Fiscal Years 2013-14 and 2014-15, including all pay-as-you-go Plan benefit expenses and contributions to the OPEB Trust equal to 4.5% of payroll in each Fiscal Year.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used with a 30 year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A healthcare trend of declining annual increases in costs of HMO and PPO plans, ranging from 9.0% to 9.4% in 2013 to 5.0% for years starting 2021, was assumed.
- The CPI was assumed to be a constant at 3% per year.
- Assets in the plan will be invested in a moderately conservative money market portfolio that will provide current income with capital appreciation as a secondary objective.
- 3.25% projected annual salary increase
- 6.5% investment rate of return (net of administrative expenses).

Service Area, Customer Base and Demand

Service Area. The Electric System serves an area of approximately 43 square miles, virtually coterminous with the City's borders. As of June 30, 2014, the Electric System serves an estimated 55,600 customers. See "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE" for background and demographic information about the City.

Customer Base. In Fiscal Years 2010-11, 2011-12 and 2013-14, the Electric System's customer base increased by almost 1.2% per year, and the customer base increased by more than 1.5% in Fiscal Year 2012-13. Population increased by an average of 1,657 for years 2011 and 2012, and increased by an average of 2,427 for years 2013 and 2014. Anticipated residential growth includes over 19,000 new residences associated with approved projects expected to be constructed upon build-out of current and developing specific plans. The City is currently planning the development of the Placer Ranch Specific Plan, which currently expects to add 5,000 new residential units. Recent commercial growth includes the South Placer Justice Center, a shared services center for Sutter Medical, a hardware support and services facility for Cokeva, and a data center for Quest.

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

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

	<u>2010</u>	<u>2011</u>	<u>% Chg</u>	<u>2012</u>	<u>% Chg</u>	<u>2013</u>	<u>% Chg</u>	<u>2014</u> ⁽²⁾	<u>% Chg</u>
Customers ⁽³⁾									
Residential	46,400	47,021	1.34%	47,611	1.25%	48,387	1.63%	49,000	1.27%
Commercial	6,411	6,436	0.40%	6,505	1.06%	6,561	0.86%	6,600	0.59%
Total	52,811	53,457	1.22%	54,115	1.23%	54,948	1.54%	55,600	1.19%
MWh									
Residential	433,494	422,949	-2.43	440,311	4.10%	443,489	0.72%	434,800	-1.96%
Commercial	774,619	742,613	-4.13%	752,001	1.26%	750,694	-0.17%	748,300	-0.32%
Total	1,208,112	1,165,562	-3.52%	1,192,312	2.30%	1,194,183	0.16%	1,183,100	-0.93%
Revenues (\$000s)									
Residential	56,115	60,941	8.60%	65,760	7.91%	66,206	0.68%	66,400	0.29%
Commercial	80,097	85,570	6.83%	88,610	3.55%	89,228	0.70%	92,600	3.78%
Total	136,212	146,511	7.56%	154,369	5.36%	155,434	0.69%	159,000	2.29%
Peak Demand (MW)	323.7	331.4	2.37%	312.0	-5.85%	330.0	5.77%	340.0	3.03%

(1) Revenues listed are as billed. For realized revenues, see Table 8.

(2) Estimated.

(3) Customer counts reported as fiscal year average annual values.

Note: Numbers may not total due to rounding.

Source: City of Roseville.

Ten Largest Customers. The estimated electric usage and type of business of the ten largest customers of the City's Electric System, are shown in Table 2 below. The ten largest customers by usage account for 23.5% of usage and 18.5% of the Electric System's revenues. Certain statutory provisions prohibit the City from disclosing the names of the Electric System's largest customers.

Table 2
Ten Largest Customers
Fiscal Year 2013-14 (Estimated)

Rank	Business Type	Percent of Total kWh Sold	Percent Total Revenue
1	Manufacturing	8.60%	6.37%
2	Admin/Office/R&D	3.57%	2.68%
3	Medical Care	2.36%	1.86%
4	Government and Utilities	2.22%	1.71%
5	Medical Care	1.86%	1.57%
6	Retail and Property Management	1.48%	1.39%
7	Telecommunications	0.88%	0.72%
8	Retail	0.88%	0.73%
9	Grocery	0.84%	0.80%
10	Grocery	0.81%	0.67%
TOTAL		23.50%	18.50%

Source: City of Roseville.

Sources of Power Supply

General. The City has a diverse portfolio of resources that includes large hydro, geothermal, natural gas fired thermal, system power contracts, and additional contracts for renewable supply. In addition, the City purchases its incremental needs through open market purchases. The City owns and operates the Roseville Energy Park and the two units constructed under NCPA Combustion Turbine Project No. 1 (subsequently renamed Roseville Power Plant 2) connected to the Roseville electric distribution system. The City has a long-term contract with Western for a share of the Central Valley Project net generation and entitlements to the output of several NCPA projects. Table 3 provides an estimated summary of the City's sources of power supply for Fiscal Year 2013-14.

Table 3
Sources of Power Supply
Fiscal Year 2013-14 (Estimated)

Source	Type	Area	Capacity Available (MW) ⁽¹⁾	Estimated Power (GWh) ⁽²⁾	% of Total
Roseville Energy Park ⁽³⁾	Natural Gas	Local	155	629	52%
Roseville Power Plant 2	Natural Gas	Local	48	1	0%
Western Area Power Administration ⁽⁴⁾	Hydro	Western	62	107	9%
NCPA					
Geothermal Project	Geothermal	ISO	8	65	5%
Hydroelectric Project	Hydro	ISO	29	23	2%
Steam Injected Gas Turbine Generator Project	Natural Gas	ISO	20	6	1%
Renewable Purchases	Geo/Small Hydro		8	148	12%
Other Purchases					
Long-term hedged ⁽⁵⁾	Various		50	162	14%
Short-term un-hedged	Various		0	78	6%
TOTAL			380	1,220	100%
Peak Demand (MW)			340		
Capacity Reserve Percent			12%		

Source: City of Roseville.

(1) Capacity in MW and available for System Peak.

(2) One gigawatt-hour (GWh) equals one million kilowatt-hours (kWh).

(3) Includes slight de-rating for summer (ambient temperatures).

(4) Includes Reserve Capacity.

(5) Capacity includes long-term and seasonal purchases.

Note: Numbers may not total due to rounding.

Roseville Energy Park.

Description. Roseville Energy Park is a 120 MW base load and 160 MW duct fired combined cycle, natural gas fueled power plant. The Roseville Energy Park power island is comprised of two Siemens SGT 800 combustion turbine units and a Siemens STG 900 steam turbine. The Roseville Energy Park utilizes duct firing within the heat Recovery Steam Generator ("HRSG") and a Liquid Management System ("LMS"). The plant has been in commercial operation since October of 2007 and serves as an intermediate load resource for the City's electric power needs.

Ownership and Management. Roseville Energy Park is owned and operated by the City.

Financing. The City financed the Roseville Energy Park through the issuance of the 2005 Certificates of Participation, Series A, B and C. The Series 2005B and 2005C Certificates have been refunded, and the Series 2005A Certificates are outstanding in the principal amount of \$3,750,000 as of July 1, 2014.

Operation. The Roseville Energy Park is directly connected to the City's distribution system and thus avoids transmission costs and losses. The City schedules and dispatches the plant against the avoided cost of electric market purchases to meet its load requirements,

primarily from the ISO, and taking into account all known costs and constraints. Roseville Energy Park is also used to provide load following reserves to the extent they are not available from the electric markets. The City operates the Roseville Energy Park during periods where the alternative cost of supplying customer loads is higher, and idles the plant when alternative electric purchases are less expensive than Roseville Energy Park operations. The estimated system base capacity factor for Roseville Energy Park for Fiscal Year 2013-14 was approximately 46%. Having the Roseville Energy Park in place allows the City to take advantage of attractive market prices and provides economic flexibility to the plant and overall portfolio.

Roseville Power Plant 2.

The Roseville Power Plant 2 consists of two 24 MW simple cycle combustion turbines for a total of 48 MW of capacity. These units were previously part of the NCPA Combustion Turbine Project No. 1 of which Roseville was a participant. On September 1, 2010 Roseville took ownership of the two units connected to the Roseville electric distribution system and ceased participation in the NCPA project. The units provide capacity and reserves for Roseville and are used for peaking energy and limited high value economic dispatch.

Western Area Power Administration.

The City has long-term contracts with Western that provide a 4.5817% share of the net output of the Central Valley Project ("CVP"), provide for interconnection and interconnected operations with Western's transmission system, and provide for transmission services. The power supply contract provides varying amounts of capacity and energy depending upon hydrological and storage conditions of the CVP. The output is reduced by Western's project use, first preference customer allocations and control area obligations. The City is directly connected to Western's transmission system and acquires reserves under contract that include regulation and frequency response service, and spinning and non-spinning reserves. The term of the power supply contract extends through December 31, 2024.

NCPA Geothermal Project.

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

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

Financing. NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds with a final maturity date of July 1, 2024, of which an estimated \$41.3 million were outstanding as of June 30, 2014. A geothermal improvement

project was financed using bonds with a final maturity date of July 1, 2022, of which an estimated \$3.3 million were outstanding as of June 30, 2014.

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

Operation. Subsequent to the development of the Geothermal Project, declines in steam pressure and quantity of steam have occurred. This decline is due to reduced steam availability and not from the thermal potential of the site, thus the generation capability of the plant benefits from the injection of water to create additional steam. NCPA has managed this decline through additional drilling and maintenance of wells, injection of both plant condensate and supplemental water, and conversion to lower steam turbine operating pressures. NCPA is also upgrading some of the steam turbine equipment to more efficient designs for the available steam conditions.

NCPA is implementing efficiency projects at the Geothermal Project; however, due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease over time. In the calendar year ended December 31, 2013, the NCPA Geothermal Project reached approximately 816,800 MWh (net) of generation and 101.1 MW (gross) of capacity. Generation and capacity are both expected to decline at a 2% approximate annual rate.

Transmission Intertie. In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including the City) undertook the "Geysers Transmission Project," which includes (a) an ownership interest in PG&E's 230 kilovolt ("kV"; 1 kilovolt equals 1,000 volts) line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a central dispatch facility (see "– Dispatch and Scheduling" below). The City is entitled to a 14.18% share of the Geysers Transmission Project transfer capability.

NCPA Hydroelectric Project Number One.

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

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

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

Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project.

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

Financing. NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds with a final maturity date of July 1, 2032, of which an estimated \$401.2 million were outstanding as of June 30, 2014.

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

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

NCPA Steam Injected Gas Turbine Generator Project, Unit One.

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

Financing. NCPA financed the NCPA Steam Injected Gas Turbine Generator Project through the issuance of \$152.3 million of Multiple Capital Facilities Revenue Bonds, all of which have since been refunded or defeased with a subsequent issue of refunding bonds, an estimated \$48.1 million of which was outstanding as of June 30, 2014. The bonds have a final maturity in 2025.

City's Entitlement. The capacity and energy of STIG Unit One is purchased through a contractual arrangement among the City, Alameda, Lompoc and Lodi, under which the City has purchased from NCPA a 36.50% 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.

Long Term Purchases.

The City has historically entered into long term purchases to hedge electricity costs. With the passage of Senate Bill X1 2, the California Renewable Energy Resources Act, the City has additional incentive to enter into long term contracts. Certain contracts over ten years have the ability to have renewable energy “banked” to be used to meet future compliance periods. One requirement for “banking” is a renewable contract must have a term of ten years or greater. The current portfolio has a transaction with Silicon Valley Power for renewable energy that started in 2012 and extends through 2022. The contract delivered 185,000 MWh in 2013 and delivers between 50,000 and 60,000 MWh per year through 2022. Table 3 above reflects only the energy delivered in Fiscal Year 2013-14. The City has also entered into a ten year solar energy purchase with First Solar that expects to deliver over 250,000 MWh over ten years beginning in 2015. See *also* “DEVELOPMENTS IN ENERGY MARKETS – State Legislation” for more information on Senate Bill X1 2.

Open Market Term Purchase and Sale Agreements.

The City enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. Electricity is generally sold or acquired in 25 MW increments on a seasonal or annual basis. The City also typically enters into seasonal and short-term purchases for varying terms from a number of power suppliers. Typical short-term purchase terms range from 1 to 3 months, though these contracts can occasionally be as long as 12 months.

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

Table 4 below shows the City’s energy requirements and resources using projected estimates for the next 9 fiscal years.

Table 4
Energy Requirements and Resources
Projected Fiscal Years 2014-15 through 2022-23
(GWh)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City-Owned Generation									
Roseville Energy Park	488	558	537	577	608	646	705	739	766
Roseville Power Plant 2	3	3	3	6	6	6	6	5	5
Joint Powers Facilities									
Geothermal Project	67	62	63	62	60	57	56	56	55
Hydroelectric Project	46	61	67	67	67	67	66	67	67
Steam Injected Gas Turbine Generator Project	4	1	1	1	2	1	1	2	2
Subtotal	607	685	671	712	743	778	835	868	894
Exchanges									
Western Area Power Administration	96	123	147	147	147	147	147	147	147
Long-Term Purchases	135	142	132	132	51	51	51	51	1
Other Contracts	0	0	0	0	0	0	0	0	0
Subtotal	231	265	279	279	197	197	198	198	148
Net Short Term Market Purchases/(Sales)	410	292	299	261	313	282	234	203	224
Total Energy Resources	1248	1242	1249	1252	1254	1258	1267	1269	1266
Wholesale Sales	14	5	6	7	7	9	17	19	20
Net Energy Requirements	1234	1237	1243	1246	1247	1248	1250	1250	1245

Source: City of Roseville.

Note: Numbers may not foot due to rounding.

Power Supply Risk Management

The Electric System has 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"), as well as extensive risk management policies and procedures. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

All energy purchases are made to supplement existing resources to meet forecasted load requirements. Generally, the City purchases or sells energy that is deficit or surplus to its retail customer needs independently within a 3 year horizon and by using the scheduling and load following services of ACES within a 30 day horizon. The City's risk management policies include short-term and long-term measures.

In general, short-term measures limit exposure due to market prices, hydro conditions, and unit outages for the coming 12 months to 7.5% or less of the City's expected purchased power cost and limit portfolio open volume to no more than +/- 10% of forecast load.

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

Rolling Year	Minimum Hedged Supply	Maximum Hedged Supply
1	90%	110%
2	70%	100%
3	45%	80%

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

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

The City's natural gas procurement strategy primarily involves purchasing natural gas for REP's operation at a daily index price. The City hedges its daily index purchases with monthly financial fixed for floating swap contracts or physical forward purchases in accordance with its Energy Hedge Policy described above. For the period January 1, 2014 through December 31, 2016, the City has fixed the price of approximately 12 million MMBtu of natural gas in this manner. These financial contracts are divided between BP Energy, J Aron and Company, JP Morgan Energy Ventures, Macquarie Energy, and Shell Energy.

Natural Gas Pre-Payment

The Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract in January 2007 with Merrill Lynch Commodities Inc. ("MLCI"). The natural gas the City is obligated to purchase under the prepaid gas supply agreement provides approximately 40% of the City's expected gas requirements for the REP. The natural gas supply contract provides the City with seasonally adjusted fixed monthly quantities of gas at a discounted monthly index price.

Regional Transmission Facilities

Western Area Power Administration Network Integrated Transmission Service Agreement (“NITS”). The City’s electrical system interconnects with the transmission system of Western. The Western transmission system is part of the BANC balancing authority area and interconnects with the ISO Controlled Grid. The City imports all of its requirements, not met by the Roseville Energy Park and the Combustion Turbine Project No 1, over the Western transmission system. The City contracts for transmission service to meet its load under a NITS contract that expires on December 31, 2014. This contract provides for imports of electricity from various delivery points into the City’s electric system. The City pays a proportionate share of Western’s cost for operating and maintaining the system, which is currently \$2.6 million per year.

Balancing Authority of Northern California. The BANC is a Joint Powers Authority consisting of the Sacramento Municipal Utility District (“SMUD”), Modesto Irrigation District, the City of Roseville, the City of Redding and the Trinity Public Utility District. With a peak electricity demand of around 5,000 MW, BANC is the third largest balancing authority in California, serving 763,000 retail customers, and includes more than 1,700 miles of high voltage transmission lines. The City is about 7% of the total BANC member load.

California Independent System Operator (“ISO”) Controlled Grid. The ISO provides a market for the City to purchase its incremental energy needs, and in which to sell the output of its entitlements in NCPA’s generating units, and contract purchases. Under current ISO operating protocols, the City pays per MWh charges for uses of the transmission system for exports from ISO. The City estimates that approximately half of its incremental short-term energy needs are acquired from the ISO Controlled Grid.

TANC California-Oregon Transmission Project.

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

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

City’s Entitlement. Under Project Agreement No. 3 for the COTP (the “TANC Agreement”), the City is entitled to 2.313% of TANC’s share of COTP transfer capability (approximately 29.35 MW). In return, the City has severally agreed to pay, on an unconditional take or pay basis, 2.295% of the construction costs of the COTP, including debt service, and 2.313% of TANC’s COTP operating and maintenance expenses. The City’s share of annual debt service continues to the year 2024 and is approximately \$700,000 per year. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See “ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness” and “– Early Termination of COTP Layoff.”

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

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

City Layoff of COTP and Tesla-Midway Service. In 2009, with the assistance of TANC, the City reached an agreement with SMUD, Turlock Irrigation District (TID) and Modesto Irrigation District (MID) to lay off its COTP and Tesla-Midway Service rights to TANC, and subsequently for TANC to layoff these rights to SMUD, TID and MID. During the 15-year initial term of the agreement and the subsequent 5 year extension if so elected by the parties, SMUD, TID and MID will be responsible for all rights and obligations associated with this entitlement and with the TANC Agreement as specified in the layoff agreement. For the same period, SMUD and TID will assume all rights and obligations and costs associated with Roseville's Tesla-Midway Service rights.

Early Termination of COTP Layoff. In March 2014, the City signed Amendment 1 to the Long Term Layoff Agreement, returning both rights and obligations to the COTP project effective July 1, 2014.

City Distribution System

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The distribution system is connected to the Western transmission system at two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddymont Station. The distribution system consists of over 144 miles of overhead lines, over 703 miles of underground lines and 17 substations. The City performs continued maintenance on its distribution system to sustain service reliability.

Dispatch and Scheduling

The City contracts with ACES to provide scheduling services and discontinued its participation in the NCPA Power Pool. NCPA continues to dispatch the NCPA power plants to meet the schedules of energy delivery prepared and submitted by ACES on the City's behalf. NCPA provides dispatch service from its dispatch control center located at its headquarters in the City.

Energy Efficiency and Conservation

In 1996, Assembly Bill 1890 (“AB 1890”), the California electric utility deregulation law, required the establishment of public benefit programs for investor-owned and public power utilities through 2001. In 2006, Assembly Bill 2021 (also discussed under “- *Energy Procurement and Efficiency Reporting*” below) further required power utilities to set yearly goals for the actual amount of energy efficiency savings (in kWh) to be procured. These requirements have been further codified as part of California’s Public Utility Code. California’s Public Utility Code does not set an expiration/sunset date on these requirements for public power utilities. The City funds these programs at a minimum of 2.85% of budgeted yearly revenues (approximately \$4.5 million in Fiscal Year 2012-13).

The City has developed a full portfolio of public benefits programs for the Electric System since 1996, addressing the following areas of concentration required by state law: energy efficiency programs, renewable energy production, demand reduction, advanced electric technology demonstration, research and development, and low income assistance programs. Residential and commercial energy efficiency offerings focus primarily on summer period consumption reduction and include programs for both existing facilities and new construction.

Under Assembly Bill 2021, the City is required to develop ten year plans for energy efficiency goals and report on these goals to the California Energy Commission (“CEC”) with updates every four years. The CEC has the obligation to develop energy efficiency goals for the entire state, after consultation with utilities and others. The Electric System is participating in the state effort, and the Roseville City Council approved the new ten year energy efficiency goals in March 2013.

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

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

Insurance

The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. General liability claims are covered up to \$40,000,000 with a self-insured retention of \$500,000. For the City's projected Fiscal Year 2013-14, the City's premium was \$429,658 with an additional \$1,625 charge to reflect the fees to access certain online risk management systems. Total premium cost to the City was \$429,658. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$300,000,000 with a self-insured retention of \$25,000. For the City's projected Fiscal Year 2013-14, the City's premium was \$249,319. Boiler and Machinery damage is covered up to \$21,250,000 with a self-insured retention of \$5,000. For the City's projected Fiscal Year 2013-14, the annual premium paid was \$31,170.

Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property. The policy has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the policy term of October 31, 2013 through October 31, 2014, the City's premium was \$419,784. The City purchased fiduciary insurance specifically to cover the OPEB Trust; see "- Other Post-Employment Health Benefits" above. The self-insured retention was \$15,000 per claim up to a \$3,000,000 limit. For the policy term of January 15, 2014 through January 15, 2015, the City's premium was \$33,024.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$350,000 per claim. During Fiscal Year 2013-14, the City projects that it contributed \$552,561 for current year coverage.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, NOTE 14" for additional information about the City's risk management practices.

CAPITAL PLAN

Projected Capital Improvement Plan

The City's currently anticipated capital improvement plan for the Electric System encompasses both improvements to the City's electricity distribution system and rehabilitation projects for assets that can no longer provide the necessary service. As shown in the Capital Improvement Plan Summary below in Table 5, the City has planned electric system capital spending of approximately \$72 million over the next five years, of which \$19 million is included in the Fiscal Year 2014-15 budget. Funds for the additional \$53 million will be requested when necessary.

Table 5
Capital Improvement Plan Summary

Fiscal Year	Planned CIPs
2014-15	\$18,533,000
2015-16	16,637,000
2016-17	14,001,000
2017-18	12,703,000
2018-19	9,876,000
Total	\$71,750,000

The City currently expects to fund the capital expenditures with revenues collected from rates and development fees.

RATE SETTING

Electric Rates

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

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

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

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

Service Charges and Demand Charge as of July 1, 2014. The City's monthly residential electric rates currently include a \$18.00 basic service charge, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.1024 per kWh consumed up to 500 kWh, \$0.1476 per kWh consumed from 501-1000 kWh, and \$0.1672 per kWh for consumption in excess of 1000 kWh. Residential customers meeting certain criteria can apply for special residential rates such as an Electric Rate Assistance Program and Medical Support Rate Reduction.

For small and medium business customers, the monthly basic service charge ranges from \$28.00 to \$76.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.1044 to \$0.1267 per kWh consumed. Medium business customers are also subject to a demand charge of \$4.62 per KW per month.

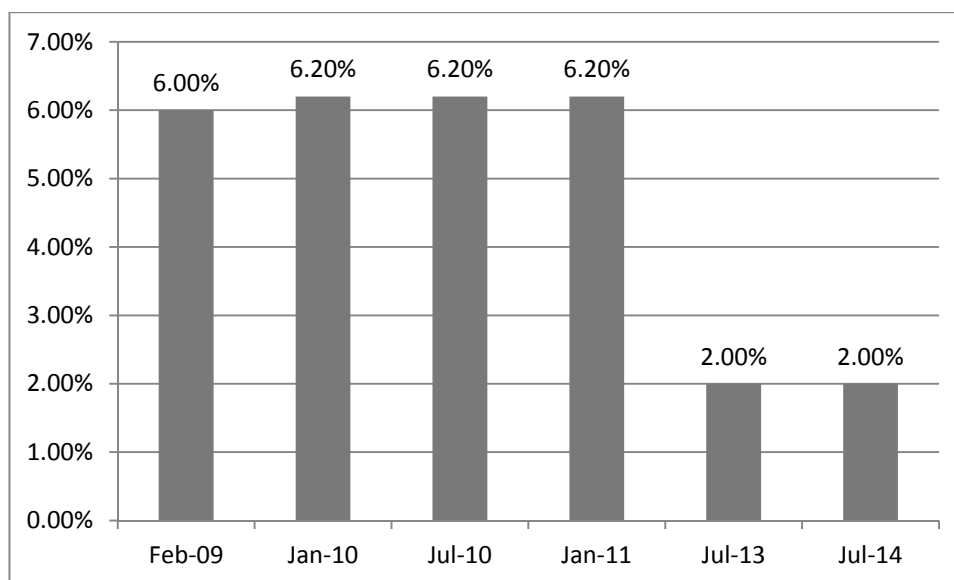
For large business customers, the monthly basic service charge is \$567.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0698 to \$0.1443 per kWh. Large business customers are also subject to a seasonal demand charge of \$3.38 per KW per month in winter and \$11.66 per KW per month in summer.

For very large business customers, the monthly basic service charge is \$684.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0689 to \$0.1428 per kWh. Very large business customers are also subject to a seasonal demand charge of \$3.28 per KW per month in winter and \$11.29 per KW per month in summer.

A hydroelectric adjustment formula was adopted by the City Council in March 2009, to reflect deviations of precipitation from average conditions that significantly change hydroelectric production. This surcharge may change annually, based on annual hydroelectric conditions, up to a maximum of 5% of total electric charges. As a result of low precipitation levels from July 2012 through June 2013, there was a \$0.0013 per kWh surcharge for all customers in effect from July 2013 through June 2014. With low precipitation levels continuing from July 2013 through April 2014, the surcharge recently increased to \$0.00348 per kWh surcharge in effect from July 2014 through June 2015.

Recent History of Electric Rate Adjustments. From Fiscal Year 2008-09 through 2014-15, the City's retail electric rates have increased an average of approximately 4.8% annually. The following is the City's recent rate change history:

**Rate Adjustments
Fiscal Years 2008-09 through 2014-15**



Roseville's two neighboring electric utilities also anticipate rate increases, with one utility increasing rates by 2.5% in 2014 and 2015, and the other utility increasing rates by 6.3% in 2014, 2.4% in 2015, and 2.4% in 2016.

Rate Comparison

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

Table 6
Electric Rate Comparison with PG&E ⁽¹⁾
(cents/kWh)

Customer Type	Roseville Electric Rates	PG&E Rates	% Difference
Residential	15.35	20.94	36%
Commercial	14.29	19.24	35%
Industrial	11.72	14.96	27%

(1) Based on estimated average annual rates as of July 1, 2014.
Source: City of Roseville.

Rate Stabilization Fund

On May 8, 1996, the City Council adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund (the "RSF" or "Rate Stabilization Fund"), in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of the City's electric generating assets. On March 18, 2009 the City Council reviewed the financial policy that defines the range of the RSF balance, reducing the minimum balance from 60% to 40% of operating expenses. This action was taken in conjunction with the implementation of a hydroelectric rate adjustment mechanism that adjusts electric rates up to five percent without further City Council action when hydroelectric conditions increase or decrease electric operating expenses.

Amounts in the Rate Stabilization Fund are not pledged as security for the 2014 Payments, but interest earnings on the Rate Stabilization Fund are considered Gross Revenues (Revenues under the Installment Purchase Contract), and funds in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "SECURITY FOR THE 2014 BONDS – Rate Covenant" for a further description of the Rate Stabilization Fund. The Rate Stabilization Fund has a projected, unaudited balance of \$47 million as of June 30, 2014. See Table 8 for a recent history of balances in the Rate Stabilization Fund.

Electricity Rate Regulation

No Current Direct Regulation. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the 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. See also "RATE REGULATION."

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

ELECTRIC SYSTEM FINANCIAL INFORMATION

Significant Accounting Policies

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

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

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

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

Audited Financial Statements

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

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

The City's Audited Financial Statements for Fiscal Year 2012-13 are attached as APPENDIX B to this Official Statement.

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

Outstanding Indebtedness

Parity Indebtedness. The 2014 Bonds will refund a portion of the outstanding 2004 Payments, and the 2014 Payments are secured on parity with any 2004 Payments remaining outstanding after the prepayment described herein, the 2005A Payments, the 2009 Payments, 2010 Payments, the 2012 Payments, and the 2013 Payments, which are further described below:

	Original Date and Execution and Delivery	Original Principal Amount	Outstanding Principal Amount ⁽¹⁾	Final Maturity Outstanding
2004 Payments	July 13, 2004	\$39,940,000	\$18,320,000	Feb. 1, 2034
2005A Payments	June 30, 2005	52,900,000	3,750,000	Feb. 1, 2015
2009 Payments	Dec. 10, 2009	27,010,000	19,290,000	Feb. 1, 2024
2010 Payments	Oct. 21, 2010	55,845,000	54,855,000	Feb. 1, 2037
2012 Payments	Nov. 7, 2012	90,000,000	90,000,000	Feb. 1, 2035
2013 Payments	Nov. 14, 2013	48,780,000	48,285,000	Feb. 1, 2029

(1) Outstanding principal amounts as of July 1, 2014, prior to the prepayment in part of the 2004 Payments as described in "PLAN OF FINANCING."

See "THE 2014 BONDS – Debt Service Schedule" for the schedule of combined 2004 Payments, 2005A Payments, 2009 Payments, 2010 Payments, 2012 Payments, 2013 Payments and 2014 Payments.

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

The obligations of the City under its agreements with TANC and NCPA constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made under the Installment Purchase Contract, including the 2014 Payments and other Parity Obligations. See "SECURITY FOR THE 2014 BONDS – Outstanding Senior and Parity Obligations" above.

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 previously laid-off all of the debt service payment requirements associated with TANC; however, the City has negotiated an early return of laid off rights and obligations of the COTP. COTP services begin on July 1, 2014 and debt service reporting reflects that change. See also "ELECTRIC SYSTEM - Regional Transmission Facilities."

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

Table 7
CITY SHARE OF
OUTSTANDING DEBT OF JOINT POWERS AGENCIES⁽¹⁾
Fiscal Year 2013-14 (Estimated)
(Dollars in millions)

	Outstanding Debt ⁽²⁾	Roseville Participation ⁽³⁾	Roseville Share of Outstanding Debt ⁽²⁾
NCPA			
Geothermal Project	\$ 41.3	7.88%	\$ 3.3
Hydroelectric Project	401.2	12.00 ⁽⁴⁾	40.1
Capital Facilities Project	48.1	36.50	17.6
TANC			
Bonds ⁽⁵⁾	314.3	2.34	7.3
TOTAL	\$804.9		\$68.3

Source: City of Roseville.

⁽¹⁾ Excludes Roseville Natural Gas Financing Authority. See "Natural Gas Pre-payment" above.

⁽²⁾ Principal only. Does not include obligation for payment of interest on such debt.

⁽³⁾ Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

⁽⁴⁾ Roseville's actual payments represent approximately 9.9% of outstanding debt service as a result of credit received by it as a non-participating member with respect to portion of debt obligation.

⁽⁵⁾ Roseville has negotiated an early termination of COTP layoff effective July 1, 2014. The numbers above reflect remaining debt service as of that date.

Note: Numbers may not total due to rounding.

Rate Stabilization Fund

As described under "RATE SETTING – Rate Stabilization Fund" above, the City Council has adopted a policy establishing, among other policies, a Rate Stabilization Fund. The Rate Stabilization Fund has a projected, unaudited balance of approximately \$47 million as of June 30, 2014. A recent history of balances in the Rate Stabilization Fund is included in Table 8. The City estimates that under current annual revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

Historic Revenues, Expenses and Debt Service Coverage

Table 8 presents a summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 2009-10 through 2012-13 on a historical basis and for Fiscal Year 2013-14 on a projected, unaudited basis. This table is based on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract, and as such, does not match the audited financial statements of the Electric System.

Table 8 also includes a recent history of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without the Rate Stabilization Fund balance.

Table 8 as it is presented is not available in the City's audited financial statements for the Electric System; it has been designed to reflect revenues and coverage in a manner that meets GAAP standards and is reflective of the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract. The figures shown in the table are accounted for in the City's audited financial statements but the presentation in the audited financial statements may not necessarily correlate to the line item designations in Table 8.

Table 8
Electric Fund
Statement of Revenues and Expenses
Fiscal Years 2009-10 through 2013-14
(Dollars in Thousands)

	2009-10	2010-11	2011-12	2012-13	2013-14 ⁽¹⁾
<u>Revenues</u>					
Charges for Services	\$137,660	\$146,734	\$153,913	\$156,986	\$159,000
Sale of Wholesale Power ⁽²⁾	22,798	11,436	0	0	0
Other ⁽³⁾	2,857	5,065	6,228	2,016	2,099
Total Revenues	163,315	163,235	160,141	159,002	161,099
<u>Operating Expenses</u>					
Power Supply	124,842	103,999	95,969	96,314	93,561
Non-Power Costs ⁽⁴⁾	16,164	14,184	18,511	18,744	19,981
Indirect Costs and Transfers ⁽⁵⁾	8,960	9,074	8,835	8,402	9,123
Total Operating Expenses	149,966	127,257	123,315	123,460	122,666
<u>Net Revenue</u>	13,349	35,978	36,826	35,542	38,433
<u>Debt Service</u>	14,608	16,310	17,136	16,942	16,884
<u>Adjusted Net Revenue</u>					
Net Revenue	13,349	35,978	36,826	35,542	38,433
Operating Transfers and Other Expense (net) ⁽⁶⁾	(3,983)	(4,134)	(982)	9	0
Transfers from Rate Stabilization Fund ⁽⁷⁾	17,595	0	0	0	0
Interest Revenue (excluding unrealized gain/loss)	996	306	536	381	313
Adjusted Net Revenue	27,957	32,150	36,380	35,932	38,747
Debt Service Coverage Ratio	1.91	1.97	2.12	2.12	2.29
Rate Stabilization Fund Balance ⁽⁸⁾	24,215	30,918	37,785	41,386	46,994
Transfers (to) Rate Stabilization Fund	0	(6,288)	(6,419)	(3,305)	(5,387)
DSC ratio including Rate Stabilization Fund ⁽⁹⁾	3.57	3.48	3.95	4.37	4.76

Source: City of Roseville.

(1) Fiscal Year 2013-14 projected, unaudited.

(2) Represents multi-year forward energy sale, which ceased after Fiscal Year 2010-11.

(3) Remediation Revenue stopped being reported in Other Revenue in Fiscal Year 2012-13, and is now reflected as a net in the Power Supply Operating Expenses item.

(4) Includes distribution operations and administration expenses, including the Electric System's share of PERS costs.

(5) Represents operating payments to the City as reimbursement for the Electric System's share of certain overhead expenses such as information technology, meter reading, traffic signal transfer, enterprise asset management contribution, facility lease payments, utility exploration center operations, retired employees' health costs, the Electric System's share of GIS system costs, payroll, human resources, OPEB costs, etc.

(6) Represents inter-fund transfers to fund non-capital rehabilitation projects and includes subventions/grants transfers in.

(7) Represents transfers from Rate Stabilization Fund to offset increasing energy costs and mitigate rate impacts.

(8) Represents available resources as of June 30, which includes cash as well as moneys due the fund from internal borrowing.

(9) Funds on deposit in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "RATE SETTING - Rate Stabilization Fund" above and "SECURITY FOR THE 2014 BONDS" – Rate Stabilization Fund.

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:

- U.S. Treasury obligations
- U.S. Agency Securities
- Mortgage Pass-Through Securities
- Obligations of the State of California or any Local Agency within the state
- Repurchase Agreements
- Banker's Acceptances
- Commercial Paper
- Medium-Term Corporate Notes
- Collateralized Time Deposits
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Insured Savings Accounts
- Money Market/Mutual Funds
- Shares in a California Common Law Trust
- City of Roseville Pooled Investment Fund

Criteria for selecting investments and the order of priority are:

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

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

The following table shows the investments in the pooled funds of the City as of March 31, 2014.

City of Roseville Pooled Investment Fund

City Pooled Investment Fund	Par	Cost	Market Value
Certificates of Deposit	\$1,250,000	\$1,250,000	\$1,250,789
Negotiable CDs	52,700,000	52,698,156	52,717,980
Commercial Paper- Interest Bearing	17,750,000	17,750,000	17,741,426
Municipal Bonds	4,515,000	4,515,000	4,528,820
FDIC (Corporate Notes)	77,470,000	78,059,584	78,285,705
Federal Agency Coupon Securities	74,662,000	75,321,133	75,364,894
Treasury Coupon Securities	127,928,000	132,601,534	132,312,247
Money Market Funds	1,718,648	1,718,648	1,718,648
C.A.M.P.	971,249	971,249	971,249
L.A.I.F.	<u>43,149,255</u>	<u>43,149,255</u>	<u>43,149,255</u>
Total:	\$402,144,152	\$408,034,560	\$408,041,013

Source: City of Roseville

As of March 31, 2014, the portion of the City's Pooled Investment Fund allocable to the Electric System was \$66,949,771, or approximately 16.41% of the City's Pooled Investment Fund.

DEVELOPMENTS IN THE ENERGY MARKETS

Background; Electric Market Deregulation

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

Subsequent to the demise of the PX, substantial electric market disruptions occurred in 2000 and 2001. The response to the disruptions was the expansion of the ISO's responsibilities to the creation of new market frameworks, implemented on April 1, 2009 as the Market Redesign and Technology Upgrade ("MRTU"), and adoption of a legislative and regulatory requirement for additional reserve capacity called the Resource Adequacy Standard. The MRTU establishes enhanced unit commitment and balancing markets for energy purchases and sales. The Resource Adequacy Standard ensures that adequate levels of capacity to meet load and reserves are procured by all load serving entities in a timely manner for the purpose of avoiding future shortages. The developments are expected to benefit the City by providing liquid and stable markets for electricity. This market continues to evolve as market needs and regulatory forces influence it to change.

State Legislation

A number of bills affecting the electric utility industry have been enacted by the California Legislature. In general, these bills provide for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives

through more stringent renewable resource portfolio standards. The following is a brief summary of these bills.

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

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

On September 27, 2006 the Governor signed into law Assembly Bill 32 (“AB 32”), the Global Warming Solutions Act of 2006. AB 32 requires all California utilities to inventory and report greenhouse gas emissions beginning January 1, 2008 and requires the California Air Resources Board (“CARB”) to adopt enforceable greenhouse gas emission limits and emission reduction measures by regulation in order to reduce greenhouse gas emissions to 1990 levels by 2020. In December 2008, the CARB adopted the AB 32 Scoping Plan, which serves as California's blueprint for reducing greenhouse gas emissions. The Plan called for essential complementary measures along with the creation of a cap-and-trade program and will be revised every 5 years as CARB proceeds with its next task of designing the mechanisms for returning the state to 80% below 1990 levels by 2050 as directed in Executive Order S-3-05. On December 14, 2010, CARB adopted regulations approving the cap-and-trade program for California. The CARB regulations became enforceable on January 1, 2012.

The cap-and-trade program adopted by CARB will be implemented in phases. The first phase of the program (January 1, 2013 to December 31, 2014) introduces a hard emissions cap on electricity generators and industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases (“CO₂e”) per year. In 2015, the program will be expanded to cover transportation fuels, natural gas, propane and fossil fuels. The cap will decline each year.

The cap-and-trade program includes the distribution of carbon allowances. Each allowance will be equal to one metric ton of CO₂e. Initially, most of the carbon allowances will be distributed for free. Additional allowances will be auctioned quarterly, which began in November 2012. Utilities can acquire more carbon allowances at these auctions. California investor-owned utilities (“IOUs”), as well as publicly-owned utilities (“POUs”) that sell electricity into the ISO markets are required to auction their allowances. They are then required to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers. POUs that do not sell into the ISO markets (such as Roseville Electric) have three options (which are not mutually exclusive) once their allocated allowances are distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations for plants they operate directly, (ii) place allowances in the compliance account of a joint powers agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers.

The cap-and-trade program also allows covered entities to use offset credits for compliance purposes (not exceeding 8% of a covered entity's compliance obligation). Offsets can be generated by emission reduction projects in sectors that are not regulated under the cap-and-trade program. Approved project types include urban forest projects, reforestation projects, destruction of ozone-depleting substances, and livestock methane management projects. CARB is considering additional offset protocols, including emission reductions through changes to rice cultivation practices, and destruction of fugitive coalmine methane. CARB has implemented the trading and tracking system and the City has participated in all auctions through calendar year 2013. CARB may still consider changes to the cap-and-trade program's electricity sector provisions, including provisions relating to electricity imports and "resource shuffling."

On September 29, 2006, the Governor signed into law Senate Bill 1368 ("SB 1368"), the Greenhouse Gas Emissions Performance Standard. SB 1368 sets a greenhouse gas emission performance standard ("EPS") for baseload electric generating resources. Any new investment in baseload generation or contract for baseload generation with a term of over five years must have greenhouse gas emissions at or below that of a baseload, combined cycle power plant. The CEC has established the EPS and associated compliance methodologies for the publicly-owned utilities. The CPUC has the similar responsibility for the IOUs.

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

The City does not anticipate that SB 1368 will have a material impact on current City or NCPA resources. The impact on future resources is unknown at this time. The cap-and-trade program began in 2013. None of the City's NCPA resources are impacted. The Roseville Energy Park is the only City resource that has a compliance obligation. The City receives free allowances which help offset the impact to ratepayers. In calendar year 2013, the free allowances were used to offset 223,000 tons of REP emissions (approximately a \$2.5 million value) and provide a refund to all electric customers (approximately a \$1.4 million value).

Energy Procurement and Efficiency Reporting. Senate Bill 1037 ("SB 1037"), signed by the Governor on September 29, 2005, requires that each municipal electric utility, including the City, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction and renewable resources that are cost effective, reliable and

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

In March 2014, the City submitted its mandated annual report to the CEC per SB 1037 which provided cost-effectiveness analyses of the City's energy efficiency programs for Fiscal Year 2013. Additionally, in March 2012, the City updated the ten year forecast of potential energy efficiency programs in the triennial cycle to the CEC in response to the requirements of AB 2021.

Renewable Portfolio Standards ("RPS"). Senate Bill X1 2 ("SBX1 2"), the California Renewable Energy Resources Act, was signed into law by Governor Jerry Brown on April 12, 2011. SBX1 2 codifies the RPS target for retail electricity sellers to serve 33% of their loads with eligible renewable energy resources by 2020. As enacted, SBX1 2 makes the requirements of the RPS program applicable to POUs (rather than just prescribing that POUs meet the intent of the legislation as under previous statutes). However, the governing boards of POUs are responsible for implementing the requirements, rather than the CPUC, as is the case for the IOUs. In addition, certain enforcement authority with respect to POUs is given to the CEC and CARB, including authority to impose penalties. SBX1 2 requires each POU to adopt and implement a renewable energy resource procurement plan. The plan must require the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, which may include renewable energy credits ("RECs"), as a specified percentage of total kilowatt hours sold to the utility's retail end-use customers to achieve the following targets: (i) an average of 20% for the period January 1, 2011 to December 31, 2013, inclusive; (ii) 25% by December 31, 2016; and (iii) 33% by December 31, 2020 and for all subsequent years. SBX1 2 grandfathers any facility approved by the governing board of a POU prior to June 1, 2010 for procurement to satisfy renewable energy procurement obligations adopted under prior law if the facility is a "renewable electrical generation facility" as defined in the bill (subject to certain restrictions). Renewable electrical generation facilities include certain out-of-state renewable energy generation facilities if the facility: (i) will not cause or contribute to any violation of a California environmental quality standard or requirement, (ii) participates in the accounting system to verify compliance with the RPS program requirements, and (iii) either (a) commenced initial commercial operation after January 1, 2005 or (b) either (x) the electricity is from incremental generation resulting from expansion or repowering of the facility or (y) electricity generated by the facility was procured by a retail seller or POU as of January 1, 2010. The percentage of a retail electricity seller's RPS requirements that may be met with unbundled RECs from generating facilities outside California declines over time, beginning at 25% through 2013 and declining to a level of 10% in 2017 and beyond.

In response to the adoption of SBX1 2, the City passed a Program for Enforcement of the Interim Renewable Portfolio Standards Program on November 16, 2011, and a Renewable Portfolio Standard Procurement Plan on December 5, 2012. The CEC has developed regulatory rules and reporting guidelines to implement SBX1 2. These regulations were approved in June 2013 with an effective start date of October 1, 2013.

The CEC, collaboratively with the Western Governors' Association and the Western Electricity Coordinating Council ("WECC"), has undertaken the development and establishment of the Western Renewable Energy Generation Information System, which will be used to ensure the integrity of RECs and prevent the double counting of the certificates. The electronic tracking system became operational in June of 2007.

Solar Power. The California State Legislature enacted Senate Bill ("SB 1") in 2006 to encourage the installation of 3,000 MW of photovoltaic (PV) solar energy by the year 2017. SB 1 requires all publicly-owned utilities to adopt, finance, and implement a solar initiative program for the purpose of investing in and encouraging the increased installation of residential and commercial solar energy systems. POU's were required to commence a solar initiative program in order to establish the funding of solar energy systems receiving ratepayer funded incentives, which commenced no later than January 1, 2008. A POU was given the choice of selecting an incentive based on the installed capacity, starting at \$2.80 per watt, or based on the energy produced by the solar energy system, measured in kWh. Incentives are required to decrease at a minimum average rate of 7% per year. As of June 1, 2008, the City is required to provide the following information to customers, the CEC and the legislature: (i) the number of photovoltaic solar watts installed, (ii) the number of photovoltaic systems installed, (iii) the number of applicants for incentives, (iv) the amount of awarded incentives, and (v) the contribution towards the program's goals.

The Electric System and other northern California public utilities have performed well in launching their solar energy programs. These programs, while incorporating uniform state guidelines, have been developed to meet the unique needs of the communities they serve. As such, they provide the best opportunity to maximize program results at the local level. Since 2006, the Electric System has spent over \$8 million on incentives for solar systems. Presently, approximately 2.5% of all customers of the Electric System have installed solar electric generation in Roseville.

Smart Grid and Advanced Metering Infrastructure. In 2007 and 2008, CEC held rulemaking proceedings for the definition of load management standards for Advanced Metering Infrastructure ("AMI") and for demand response. The CEC was evaluating the use of advanced technologies for operation and maintenance of the electric grid and impacts to California electricity customers. The largest IOUs in California have deployed smart meters for gas and electric services, and several publicly-owned utilities have implemented such technology. Adoption of AMI technologies may be required in the future to meet electric utility operating requirements. As a result of regulatory trends in the industry, the Electric System is conducting an AMI feasibility study and has budgeted for a capital improvement project to install AMI.

Resource Adequacy. In September 2005, the California Legislature enacted and the Governor signed into law Assembly Bill 380 ("AB 380"), which requires the CPUC to establish resource adequacy requirements for all load-serving entities ("LSEs") within the CPUC's jurisdiction. In addition, AB 380 requires publicly-owned utilities, including the Electric System, to meet the most recent resource adequacy standard as adopted by the WECC. In

October 2005, the CPUC issued a decision stating that LSEs under its jurisdiction would be required, by June 2006, to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a 15% reserve margin. The WECC has yet to formally adopt a resource adequacy requirement.

Notwithstanding the lack of a formal Resource Adequacy Standard, the City has implemented steps to meet its customer's load and reserve requirements in the future. These steps include the construction of the 160 MW REP, the acquisition of 48 MW of capacity in the Roseville Power Plant 2 (formerly NCPA Combustion Turbine Project No. 1), and the procurement of seasonal short-term capacity as needed to protect customers from the impacts of capacity and energy shortages. Results for Fiscal Year 2013-14 indicate that the City has a capacity reserve of 12%, not including 10 MW of regulating capacity and 7% capacity reserve purchased from Western.

Additional Developments

Federal Cybersecurity Policy. On February 13, 2013, President Obama issued an Executive Order entitled "Improving Critical Infrastructure Security." The Executive Order calls for improved sharing and processing of security clearances for owners and operators of critical infrastructure. As required by the Executive Order, the National Institute of Standards and Technology ("NIST") is leading the development of a framework to reduce cyber risks to critical infrastructure.

Roseville Electric places a high priority on all of its security practices to protect electric infrastructure. With respect to cyber-security, these practices include, but are not limited to: performance of periodic security risk assessments and gap analyses to identify security strengths and vulnerabilities; implementation of access controls and restrictions; personnel risk assessments; software patch management; reliance on appropriate malware protection; practices for the designation of and proper safeguards for confidential or sensitive information; practices for the backup and recovery of data; and security awareness training.

Roseville Electric staff will continue to take actions to address new threats as they arise and to close new vulnerabilities as they are identified that are appropriate for the assets owned, operated, and controlled by Roseville Electric.

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

Shortages and Volatility. During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. After the shortages, licenses for new power plants were issued by CEC and other measures were taken to moderate prices and supply. Prices and supplies of natural gas and electricity have moderated; however, no assurance can be given that measures undertaken since 2001, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected the Electric System and other California electric utilities in the past.

Impact of Developments on the City

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

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

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Energy Policy Act of 1992

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

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

Future Federal Energy Legislation

Numerous bills have been under consideration in Congress addressing United States energy policies and various environmental matters, including those related to energy supplies, global warming and water quality. Many of these bills, if enacted into law, could have a material impact on the City and the electric utility industry generally. Proposed energy and climate change-related pieces of legislation have proposed, among other things, a cap-and-trade system to regulate and reduce the emission of carbon dioxide and other greenhouse gases and a federal renewable energy portfolio standard. The impact that federal greenhouse gas cap-and-trade legislation could have on the electric utility industry and business depends largely on the specific provisions of the legislation that ultimately become law. Some of the important factors to be addressed are the timing and magnitude of the emissions cap, the extent to which emissions allowances are either allocated or auctioned to the highest bidder, the extent to which emissions may be offset by other actions, whether there will be a cap on the price of emissions allowances and the allocation of proceeds from the auction of allowances. Other areas of consideration for energy legislation include, but are not limited to, the development and deployment of alternative fuels, renewable energy resources, and energy conservation measures. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any such federal action will have a significant impact on fossil-fueled generation facilities.

Environmental Issues

General. Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any City facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the “EPA”) has taken steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final “endangerment finding,” in which it declared that the weight of scientific evidence requires a finding that six identified greenhouse gases – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The final rule for the “endangerment finding” was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA is authorized to issue regulations limiting carbon dioxide emissions from, among other things, stationary sources such as electric generating facilities, under the federal Clean Air Act. The “Tailoring Rule,” states that greenhouse gas emissions will be regulated from large stationary sources including electric generating facilities based on specified threshold levels of the tons per year of greenhouse gases emitted, using a unit known as the carbon dioxide equivalent, or CO₂e. Large sources with the potential to emit in excess of the applicable threshold will be subject to the major source permitting requirements under the Clean Air Act. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such

permitting requirements include, but are not limited to, the application of Best Available Control Technology (known as BACT) for greenhouse gas emissions, and monitoring, reporting, and recordkeeping for greenhouse gases. The endangerment finding and the Tailoring Rule have been challenged in court, but were upheld on June 26, 2012, in a decision by the U.S. Court of Appeals for the District of Columbia Circuit in *Coalition for Responsible Regulation, Inc., et al v. EPA*. A petition for rehearing was denied on December 20, 2012, and a petition for writ of certiorari was denied by the United States Supreme Court on October 15, 2013.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection to begin on January 1, 2010, and the first annual reports were due March 31, 2011. Such data collection and reporting lays the foundation for controlling and reducing greenhouse gas in the future, whether by way of the EPA regulations under existing Clean Air Act authority or under a new climate change federal law. The City is in compliance with the data collection and reporting requirements applicable to the Electric System.

On September 20, 2013, the EPA issued proposed regulations setting performance standards for new power plants. As proposed, the performance standard will apply only to new power plants; it will not apply to existing, modified or reconstructed power plants. In addition, power plants that have been issued a Prevention of Significant Deterioration permit and commence construction within one year will be exempted from application of the new performance standard. The proposed regulations would restrict CO₂ emissions from natural gas-fired units to 1,000 pounds of CO₂ per MWh for larger units and 1,100 pounds of CO₂ per MWh for smaller units. These emission limits are based on the use of natural gas combined cycle technology. The proposed regulations would restrict CO₂ emissions from coal-fired units to 1,100 pounds of CO₂ per MWh. The EPA states that this emission limit reflects the use of partial carbon capture and sequestration as the best system of emission reduction that has been adequately demonstrated for coal-fired units. The new performance standard would be the most stringent in the country (surpassing the emission performance standard of 1,100 pounds of CO₂ per MWh of electricity produced imposed by the CEC regulations in California as described under "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS - State Legislation - Greenhouse Gas Emissions"). The public comment period for the proposed regulations ended on March 10, 2014.

On June 2, 2014, the EPA issued proposed regulations designed to reduce carbon pollution from existing power plants (the "Clean Power Plan"). The Clean Power Plan focuses primarily on reducing emissions from existing coal-fired plants, but may also affect plants fired by natural gas. The EPA's goal is to reduce carbon pollution from the power sector by 30% from 2005 levels by 2030. If the Clean Power Plan is enacted, states will be required to design implementation plans to meet emission targets; these plans may build upon state initiatives already in place. (See "DEVELOPMENTS IN THE ENERGY MARKETS - State Legislation" above for a discussion of California's existing initiatives.) The public comment period for the proposed regulations will end on October 16, 2014. The City has reviewed the Clean Power Plan and does not currently anticipate any significant impact on the Electric System.

A number of legal and legislative challenges to the EPA's finding and rulemaking are pending. The City is unable to predict the outcome of these challenges to the EPA's endangerment finding and subsequent rulemaking or the effect that any final rules promulgated

by the EPA regulating greenhouse gas emissions from electric generating units and other stationary sources would have on the City's Electric System.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” For example, on January 7, 2010, the EPA released a draft rule proposing stricter NAAQS for ground-level ozone, the main component of smog. On September 2, 2011, President Obama directed the EPA to withdraw its proposal for stricter NAAQS for ozone. As a result of this withdrawal, the EPA resumed the process of issuing non-attainment designations for the ozone NAAQS under the standard set in 2008. On May 29, 2013, the EPA proposed a rule to implement the 2008 ozone NAAQS. Pursuant to a ruling by the U.S. District Court for the Northern District of California, the EPA must issue a revised rule for ozone NAAQS by December 2014 and a final rule by October 1, 2015. As of December 2013, portions of northern California were designated as non-attainment areas, including the Sacramento metro area within Placer County. Additional non-attainment areas for ozone may continue to be designated. The EPA revised the NAAQS for particulate matter in December 2012, the NAAQS for sulfur dioxide in June 2010, the NAAQS for carbon monoxide in August 2011 and the NAAQS for nitrogen dioxide in February 2010, and in each case made the NAAQS more stringent.

The NAAQS limits imposed on the Electric System’s power plants via the Permits to Operate through PCAPCD and the CEC are below the NAAQS standards. This is expected to insulate the City’s Electric System from further action unless the limits are lowered.

Fuel Risk

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

Other Factors

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

- (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;
- (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- (c) changes resulting from a national energy policy;

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

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

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

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

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

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

(j) changes from projected future load requirements;

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

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

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

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

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

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

(q) effects of changes in the economy;

(r) effects of possible manipulation of electric markets;

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

(t) changes to the climate.

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

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

RATE REGULATION

The City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC, and currently neither the CPUC nor any other regulatory authority of the State of California nor FERC approves such rates and charges. Although the retail rates of the City are not subject to approval by any federal agency, the City is subject to certain ratemaking provisions of the federal Public Utility Regulatory Policies Act of 1978 ("PURPA") with respect to the purchase of the output of "qualified facilities" ("QFs") and the Energy Policy Act of 2005 ("EPACT 2005"). EPACT 2005 repealed the mandatory purchase obligation for utilities (including the City) when FERC determines that the QF has access to a competitive sales market and open access transmission. The City is operating in compliance with PURPA. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements.

FERC potentially could assert jurisdiction over rates of licensees of hydroelectric projects (such as NCPA) and customers of such licensees (such as the City) under Part I of the Federal Power Act, although it as a practical matter has not exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. There is a question as to whether FERC has jurisdiction at all to modify rates for municipalities, which are authorized to set their own rates. NCPA is a licensee of hydroelectric projects under Part I, but no jurisdictional authority to regulate their rates has been asserted by FERC.

Under EPACT 1992, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates. Neither the City nor any joint powers agencies with which the City has contracted which developed the transmission assets are providing any such transmission service to others. No assurance can be given that such service will not be requested in the future.

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

OTHER RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2014 Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the 2014 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

Limited Obligations

The 2014 Bonds are limited obligations of the Authority secured by and payable from the Revenues and other amounts available under the Trust Agreement. The Revenues consist generally of 2014 Payments to be made by the City under the Installment Purchase Contract. The 2014 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the 2014 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Contract to pay the 2014 Payments solely from Net Revenues. No representation or assurance can be made that revenues will be realized by the City in amounts sufficient to make payments required by the Installment Purchase Contract and thus to pay maturing principal and interest on the 2014 Payments. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the City and, consequently, its ability to make the 2014 Payments securing payment of the principal of and premium, if any, and interest on 2014 Bonds. There is no assurance that the City can succeed in operating the Electric System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

Tax Exemption

The City and the Authority have each covenanted to take all actions necessary to assure the exclusion of interest on the 2014 Bonds from the gross income of the Owners of the 2014 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986, as amended. If the City or the Authority fails to comply with the tax covenants, the interest on the 2014 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest on the 2014 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the 2014 Payments constitutes an event of default under the Installment Purchase Contract, and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal

amount of the 2014 Payments, there is no assurance that the City would have sufficient funds to pay the accelerated 2014 Payments.

Furthermore, the remedies available to the owners of the 2014 Bonds upon the occurrence of an event of default under the Installment Purchase Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition, the rights and remedies of bondholders under the Trust Agreement and the Installment Purchase Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2014 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION." In the event the City fails to comply with its covenants under the Installment Purchase Contract or fails to pay the 2014 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2014 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds or, if a secondary market exists, that the 2014 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations that could affect the ability of the City to implement rate increases, which could reduce Net Revenues and adversely affect the security for the 2014 Bonds.

Seismic Considerations

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

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

Possible Future Federal Deregulation and Tax Legislation

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

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

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

California Constitution Articles XIII A and XIII B

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

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

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

Constitutional Changes In California

Proposition 218. Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution. Article XIII D 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 XIII D explicitly exempts fees for the provision of electric service from the provisions of such article. Article XIII C expressly extends the people’s initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. The terms “fees and charges” are not defined in Article XIII C, although the California Supreme Court held in Bighorn-Desert View Water Agency v. Verjil, 39 Cal. 4th 205 (2006), that the initiative power described in Article XIII C may apply to a broader category of fees and charges than the property-related fee and charges governed by Article XIII D. Moreover, in the case of Bock v. City Council of Lompoc, 109 Cal. App. 3d 43 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIII C 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 2014 Bonds by virtue of the “impairments clause” of the United States and California Constitutions.

Proposition 26. Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 may, however, be interpreted to limit fees and charges for electric utility services charged by governmental entities such as the City to preclude future transfers of electric utility generated funds to a local government’s general fund and/or require stricter standards for the allocation of costs among customer classes. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impacts will be.

Future Initiatives

Article XIII A, Article XIII B, Articles XIII C and XIII D and Proposition 26, were each adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process. From time to time other initiative measures could be adopted by California voters. The adoption of any such initiatives might place limitations on the ability of the City to increase revenues or to increase appropriations.

TAX MATTERS

Federal Tax Law. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City and the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2014 Bonds. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2014 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2014 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2014 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2014 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2014 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2014 Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2014 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 2014 Bond on the basis of a constant interest rate compounded on each interest or principal

payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2014 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2014 Bonds.

State Tax Law. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from California personal income taxes.

General. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as Appendix D.

CONTINUING DISCLOSURE

The City will covenant in a continuing disclosure certificate, the form of which is set forth in "Appendix E – FORM OF CONTINUING DISCLOSURE CERTIFICATE," for the benefit of holders and beneficial owners of the 2014 Bonds, to provide certain financial information and operating data relating to the Electric System and the 2014 Bonds by not later than seven months after the end of the City's fiscal year, resulting in a deadline of January 31 of each year, beginning with an initial deadline of January 31, 2015. The Continuing Disclosure Certificate also requires the City to provide notices of the occurrence of certain enumerated events.

The covenants of the City in the Continuing Disclosure Certificate will be made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**").

The City and its affiliated entities have failed, on occasion during the past five years, to comply, in all material respects, with these undertakings. The City is currently undertaking a thorough review of its continuing disclosure compliance for all of its outstanding obligations.

More specifically, the City is aware that with respect to its continuing disclosure requirements relating to Electric System obligations, during the last five years:

- The City failed to file notices of rating changes with respect to the bond insurers for the 2004 Certificates and for the 2005 Certificates occurring in fiscal years ending June 30, 2013 and June 30, 2014.
- The City's annual reports for the fiscal year ended June 30, 2009, were filed approximately two weeks late.
- The City properly filed the annual report for fiscal year ended June 30, 2013 in connection with all of the City's Electric System obligations except that the filing was inadvertently not made with respect to the 2013 Bonds.

Supplemental annual reports, notices of the rating changes and filings to correct all of the known failures by the City to comply with its continuing disclosure undertakings have been made. The City expects to engage contract support for the preparation and filing of its continuing disclosure reports in order to ensure compliance with future continuing disclosure obligations.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The sufficiency of amounts on deposit in the 2004 Escrow Fund together with investment earnings thereon to pay the principal and accrued interest with respect to the 2004 Certificates being prepaid on or about August 26, 2014, will be verified by Grant Thornton, LLP, certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the 2014 Bonds.

OTHER INFORMATION

Certain Legal Matters

The validity of the 2014 Bonds, the Trust Agreement and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain matters will also be passed upon for the City by Jones Hall, as disclosure counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP.

Professional Fees

Payment of the compensation of Bond Counsel, Disclosure Counsel, the Underwriters, Underwriters' counsel and the Trustee are contingent upon the execution and delivery of the 2014 Bonds.

Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution, delivery or sale of the 2014 Bonds or the execution of the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City or the Authority taken with respect to any of the foregoing.

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Financial Services LLC ("S&P"), a Division of The McGraw Hill Companies, Inc. have assigned the ratings of "A+" and "___", respectively, to the 2014 Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency. There is no assurance that these ratings will continue for any given period of time, or that these ratings will not be revised downward or withdrawn entirely by the respective rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2014 Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC, on behalf of itself and U.S. Bancorp Investments, Inc., has agreed, subject to certain conditions, to purchase the 2014 Bonds at a price of \$_____ (which is equal to the initial principal amount of the 2014 Bonds less Underwriters' discount of \$_____, plus net original issue premium/less original issue discount of \$_____).

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the 2014 Bonds.

The purchase contract under which the Underwriters are purchasing the 2014 Bonds provides that the Underwriters will purchase all of the 2014 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The public offering prices of the 2014 Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell 2014 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement.

FINANCIAL ADVISOR

The City has retained Public Financial Management Inc., of San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the execution and delivery of the 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Financial Advisor is contingent upon the issuance of the 2014 Bonds.

EXECUTION

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

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

CITY OF ROSEVILLE

By: _____
Treasurer/Finance Executive

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE

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

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 126,956 at January 1, 2014, is the largest city in Placer County, as well as the residential and industrial center of the County.

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

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Consolidated Communications, Inc. (CCI) 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

The City's population has increased substantially over the past five years.

**City of Roseville
Population - 2010 through 2014**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2010	118,180	347,133	37,223,900
2011	120,307	351,463	37,427,946
2012	122,104	355,455	37,668,804
2013	124,673	360,802	37,984,138
2014	126,956	366,115	38,340,074

Source: California State Department of Finance.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2008 through 2012. Effective buying income data is not yet available for calendar year 2013.

Effective Buying Income As of January 1, 2008 through 2012

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of Roseville	\$ 2,934,475	\$56,760
	Placer County	9,416,798	56,445
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Roseville	\$ 3,164,495	\$58,526
	Placer County	9,911,191	59,331
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Roseville	\$ 3,073,595	\$55,878
	Placer County	9,455,123	56,109
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Roseville	\$ 3,030,070	\$56,309
	Placer County	9,797,178	55,993
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Roseville	\$ 3,308,060	\$55,367
	Placer County	9,955,120	55,173
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 7.1 percent in April 2014, down from a revised 8.1 percent in March 2014, and below the year-ago estimate of 8.4 percent. This compares with an unadjusted unemployment rate of 7.3 percent for California and 5.9 percent for the nation during the same period. The unemployment rate was 7.4 percent in El Dorado County, 6.1 percent in Placer County, 7.1 percent in Sacramento County, and 8.3 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Arden Arcade Roseville Metropolitan Statistical Area (which is comprised of Sacramento, Placer and El Dorado Counties) for the years 2009 through 2013.

**Sacramento Arden Arcade Roseville Metropolitan Statistical Area
(El Dorado, Placer, Sacramento, and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
March 2013 Benchmark
(Annual Averages)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force ⁽¹⁾	1,051,500	1,048,900	1,039,400	1,051,600	1,046,600
Employment	934,800	918,000	916,200	942,900	956,400
Unemployment	116,600	130,900	123,200	108,700	90,200
Unemployment Rate	11.1%	12.5%	11.9%	10.3%	8.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	8,300	8,100	8,200	8,600	8,800
Mining and Logging	400	400	500	400	500
Construction	43,500	38,400	36,900	38,400	42,900
Manufacturing	34,400	32,800	33,200	33,900	33,700
Wholesale Trade	24,100	22,800	23,600	25,100	25,000
Retail Trade	87,600	88,000	89,400	91,800	93,900
Transportation, Warehousing and Utilities	23,200	21,700	21,100	21,900	23,200
Information	18,300	17,200	16,300	15,600	15,000
Finance and Insurance	40,200	36,100	34,600	35,700	36,600
Real Estate and Rental and Leasing	12,700	12,200	12,000	12,400	13,000
Professional and Business Services	101,100	102,200	104,200	110,800	114,300
Educational and Health Services	116,600	115,000	116,900	121,300	127,700
Leisure and Hospitality	82,000	80,200	81,700	84,500	88,000
Other Services	28,800	28,100	28,000	28,500	28,900
Federal Government	13,300	14,600	14,000	13,700	13,500
State Government	111,900	110,900	109,600	108,200	109,800
Local Government	110,200	104,700	100,900	99,600	98,700
Total, All Industries	856,500	833,500	831,200	850,400	873,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of 2014.

**County of Placer
Largest Employers
2014
(In Alphabetical Order)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Agilent Technologies Inc	Roseville	Instruments-Measuring (Mfrs)
Alpine Meadows	Alpine Meadows	Resorts
AT&T	Auburn	Telephone Companies
C-Tech Systems Inc	Roseville	Computers-Service & Repair
Composite Engineering Inc	Roseville	Engineers-Professional
Kaiser Roseville Medical Ctr	Roseville	Hospitals
Northstar At Tahoe Resort	Truckee	Resorts
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Fire Dept	Auburn	County Government-Fire Protection
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County of Education	Auburn	Schools
Placer County Sheriff	Auburn	Sheriff
Progressive Technology	Rocklin	Machine Shops (Mfrs)
Resort At Squaw Creek	Alpine Meadows	Hotels & Motels
Ritz-Carlton-Lake Tahoe	Truckee	Hotels & Motels
Roseville Golfand-Sun Splash	Roseville	Water Parks
Roseville Toyota & Scion	Roseville	Automobile Dealers-New Cars
Sheriff's Training	Auburn	Sheriff
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tami Saner & Assoc	Roseville	Real Estate
Thunder Valley Casino	Lincoln	Casinos
Unfi Western Region Div	Rocklin	Food Products (Whls)
Union Pacific Railroad Co	Roseville	Railroads
Walmart Supercenter	Roseville	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

Major Employers

The following table sets forth the largest employers in the City.

City of Roseville Major Employers 2013

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employees</u>
Kaiser Permanente	3,724	1	6.70%
Hewlett-Packard	3,200	2	5.75
Sutter Roseville Medical Center	1,654	3	2.97
Roseville Joint Union High School District	1,299	4	2.34
City of Roseville	1,254	5	2.26
Union Pacific Railroad	1,168	6	2.10
PRIDE	1,021	7	1.84
Roseville Elementary School District	929	8	1.67
Wal-Mart (2 stores)	790	9	1.42
Telefunken Semiconductors America	600	10	1.08
Subtotal	15,639		28.13%
Total Employment	55,604 ^(a)		

(a) Total Employment as used above represents the total employment of all employees located within the City limits.

Source: City of Roseville-City Manager's Office, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2013.

Construction

Placer County's 2013-14 assessment roll totaled \$54,452,236,134 as compared to the prior year's assessment roll of \$51,307,476,072, which reflected a 6.13% increase this year. These numbers over the last two years contrast with the real estate decline years of 2008 and after, where the Placer County assessment roll experienced declines.

The following table shows residential and non-residential building permits issued in the City, for calendar years 2008 through 2012. Annual figures are not yet available for 2013.

City of Roseville Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$155,072.4	\$125,257.4	\$133,206.3	\$91,310.0	\$249,559.2
New Multi-family	25,534.0	3,746.7	0.0	0.0	0.0
Res. Alterations/Additions	<u>2,890.9</u>	<u>1,620.6</u>	<u>2,808.4</u>	<u>7,329.2</u>	<u>3,082.0</u>
Total Residential	\$183,497.2	\$130,624.7	\$136,014.7	\$98,639.2	\$252,641.2
 New Commercial	 \$ 51,017.4	 \$ 1,439.2	 \$ 1,625.8	 \$ 707.9	 \$16,280.4
New Industrial	4,140.4	0.0	0.0	0.0	0.0
New Other	25,126.0	6,435.5	5,026.5	0.0	0.0
Com. Alterations/Additions	<u>81,353.1</u>	<u>49,481.4</u>	<u>46,534.4</u>	<u>67,245.2</u>	<u>31,868.5</u>
Total Nonresidential	\$161,636.8	\$57,356.1	\$53,186.7	\$67,953.1	\$48,148.9
 <u>New Dwelling Units</u>					
Single Family	676	602	635	411	663
Multiple Family	<u>308</u>	<u>49</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Dwelling Units	984	651	635	411	663

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued for Placer County, for calendar years 2008 through 2012. Annual figures are not yet available for 2013.

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

	2008	2009	2010	2011	2012
<u>Permit Valuation</u>					
New Single-family	\$353,462.9	\$257,838.2	\$272,263.0	\$230,831.8	\$431,611.6
New Multi-family	31,846.0	25,595.7	11,385.1	6,549.5	11,368.0
Res. Alterations/Additions	<u>57,459.6</u>	<u>41,270.3</u>	<u>50,586.8</u>	<u>62,155.8</u>	<u>35,481.3</u>
Total Residential	\$442,768.5	\$324,704.2	\$334,234.9	\$299,537.1	\$478,460.9
 New Commercial	 \$120,409.3	 \$ 7,200.2	 \$ 5,551.8	 \$ 7,014.3	 \$ 44,303.0
New Industrial	4,140.4	0.0	0.0	860.0	164.0
New Other	58,423.4	29,275.1	29,303.2	12,112.3	414.5
Com. Alterations/Additions	<u>116,531.9</u>	<u>77,101.0</u>	<u>73,789.4</u>	<u>88,639.9</u>	<u>55,512.0</u>
Total Nonresidential	\$299,505.1	\$113,576.3	\$108,644.4	\$108,626.5	\$100,393.5
 <u>New Dwelling Units</u>					
Single Family	1,330	1,056	1,090	802	1,209
Multiple Family	<u>383</u>	<u>259</u>	<u>79</u>	<u>28</u>	<u>111</u>
TOTAL	1,713	1,315	1,169	830	1,320

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

Total taxable transactions reported in the City during the calendar year 2012 amounted to \$3,772,583,000, a 7.80% increase over the total taxable transactions of \$3,499,616,000 that were reported during the calendar year 2011. A summary of historic taxable sales within the City is shown in the following table. Annual figures are not yet available for 2013.

CITY OF ROSEVILLE
Taxable Transactions
Calendar Years 2008 through 2012
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	2,497	\$2,923,771	4,869	\$3,409,792
2009 ⁽¹⁾	3,400	2,708,864	4,441	3,104,840
2010 ⁽¹⁾	3,640	2,814,546	4,698	3,251,045
2011 ⁽¹⁾	3,405	3,024,189	4,476	3,499,616
2012 ⁽¹⁾	3,765	3,332,827	4,861	3,772,583

(1) Not comparable to prior years. "Retail" category now includes "Food Services".

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

Total taxable transactions reported in Placer County during the calendar year 2012 amounted to \$7,065,597,000, representing an increase of 7.57% from the total taxable transactions of \$6,568,195,000 that were reported during the calendar year 2011. A summary of historic taxable sales within Placer County is shown in the following table. Annual figures are not yet available for 2013.

PLACER COUNTY
Taxable Transactions
Calendar Years 2008 through 2012
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	5,841	\$5,009,849	12,104	\$6,634,810
2009 ⁽¹⁾	7,819	4,453,186	11,135	5,796,644
2010 ⁽¹⁾	8,110	4,678,785	11,439	6,017,542
2011 ⁽¹⁾	7,803	5,112,781	11,120	6,568,195
2012 ⁽¹⁾	8,272	5,613,981	11,621	7,065,597

(1) Not comparable to prior years. "Retail" category now includes "Food Services".

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

Transportation

The County's transportation network is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the County, connecting San Francisco to New York. Highway 65 runs north from I-80 to Lincoln and Marysville. Interstate 5, which is west of the County, runs north to Seattle and south to Los Angeles. In the City, the major highways in the area are Interstate 80 and Interstate 5, and State Highways 65, 50, and 99.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in Roseville, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport is serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2013



Downtown Roseville entrance sign on Riverside Ave.

This Page Left Intentionally Blank

**CITY OF ROSEVILLE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

**Prepared by
FINANCE DEPARTMENT**

This Page Left Intentionally Blank

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	v
Organization Chart.....	xiii
Elected Officials.....	xiv
GFOA Certificate.....	xv

FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1

<i>Management's Discussion and Analysis</i>	5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	22
Statement of Activities	23

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....	26
Reconciliation of Governmental Funds – Fund Balance with the Governmental Activities Net Position.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Change in Net Position of Governmental Activities	29

Major Proprietary Funds:

Statement of Net Position	32
Statement of Revenues, Expenses and Changes in Fund Net Position.....	34
Statement of Cash Flows	36

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

FINANCIAL SECTION (Continued)

Fiduciary Funds:

Statement of Fiduciary Net Position.....40

Statement of Changes in Fiduciary Net Position.....41

Notes to Basic Financial Statements 43

1. Summary of Significant Accounting Policies	43
2. Budgets and Budgetary Accounting.....	50
3. Cash and Investments.....	51
4. Interfund Transactions.....	58
5. Notes Receivable.....	61
6. Developer Permit Fees Receivable.....	64
7. Development Agreements and Land Held for Resale	64
8. Capital Assets.....	65
9. Long-Term Debt.....	70
10. Derivative Instruments	81
11. Net Position and Fund Balances.....	83
12. Pension Plan	87
13. Post-Employment Benefits.....	90
14. Risk Management.....	93
15. Northern California Power Agency (NCPA)	95
16. South Placer Wastewater Authority (SPWA)	98
17. Municipal Solid Waste Landfill Closure and Post Closure Care Costs	99
18. Commitments and Contingent Liabilities.....	99
19. Gas Supply Acquisition and Resale	101
20. Redevelopment Agency Dissolution and Successor Agency Activities	102
21. Subsequent Events.....	109

SUPPLEMENTAL INFORMATION SECTION

Required Supplementary Information:

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual	112
Modified Approach to Reporting Street Pavement Costs and Parks and Landscaping Costs	117

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

SUPPLEMENTAL INFORMATION SECTION (Continued)

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	128
Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances-Budget and Actual	134

Internal Service Funds:

Combining Statement of Net Position.....	146
Combining Statement of Revenues, Expenses and Changes in Net Position.....	148
Combining Statement of Cash Flows.....	150

Private-Purpose Trust Funds:

Combining Statement of Net Position.....	154
Combining Statement of Changes in Net Position	155

Agency Funds:

Statement of Changes in Assets and Liabilities	159

STATISTICAL SECTION

Net Position by Components – Last Ten Fiscal Years.....	171
Changes in Net Position – Last Ten Fiscal Years	172
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	174
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	175
Sales Tax Revenue – Last Ten Fiscal Years	176
Assessment Roll Values – Last Ten Fiscal Years.....	177
Property Tax Rates – Direct & Overlapping Governments Last Ten Fiscal Years.....	178

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

STATISTICAL SECTION (Continued)

Principal Property Tax Payers – Current Year and Nine Years Ago.....	179
Property Tax Levies and Collections – Last Ten Fiscal Years	180
Electric Customers & Revenues.....	181
Residential Energy Prices.....	182
Business Energy Prices.....	183
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	184
Revenue Bond Coverage:	
2013 Refunding Variable Rate-Wastewater Revenue Bonds	
Fiscal Year 2013	185
2011 Refunding Fixed Rate-Wastewater Revenue Bonds – Series C –	
Last Three Fiscal Years	186
2011 Refunding SIFMA Index-Wastewater Revenue Bonds – Series D –	
Last Three Fiscal Years	187
2002 Redevelopment Tax Allocation Bonds – Last Ten Fiscal Years	188
2006A Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years.....	189
2006AT Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years	190
2006HT Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years	191
Computation of Direct and Overlapping Debt	192
Computation of Legal Bonded Debt Margin	193
Demographic and Economic Statistics – Last Ten Fiscal Years	194
Principal Employers – Current Year and Nine Years Ago	195
Full-Time Equivalent City Employees by Function –	
Last Ten Fiscal Years.....	196
Operating Indicators by Function/Program – Last Ten Fiscal Years	197
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	198



December 23, 2013

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

This document, the Comprehensive Annual Financial Report (CAFR) of the City of Roseville, is for the fiscal year ended June 30, 2013. The report was prepared by the Finance Department in conjunction with the City's independent auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association (GFOA) of the United States and Canada.

The report is divided into three sections:

- I. Introductory section, including this letter of transmittal, list of City elected officials, and City's organizational chart.
- II. Financial section, including the auditors' report by Maze & Associates, the City's independent certified public accountants, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplemental information and the combining financial statements for non-major funds.
- III. Statistical section, including a number of tables and graphs of un-audited data depicting 10 years of financial history about the City and information on its overlapping governmental debt.

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

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

THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles (GAAP). It combines the financial statements of the Roseville Finance Authority (the "Authority"), the Roseville Natural Gas Financing Authority (the "RNGFA"), the Roseville Community Development Corporation (the "RCDC") and the City of Roseville Housing Authority (the "Housing Authority") with those of the City to constitute a single reporting entity. The report also includes the Successor Agency to the Redevelopment Agency. In accordance with the criteria of the Government Accounting Standards Board (GASB) Statement 14, the basic financial statements include the financial activity of the City, the Authority, the Housing Authority, the RNGFA and the RCDC. The Authority, the Housing Authority and the RNGFA are separate legal entities from the City, but have the same governing board. The RCDC has a separate governing board; however, the board members are appointed by the City Council. The Successor Agency has a governing board determined by State law that does not report to the City Council. The RNGFA and RCDC issue their own component unit financial statements. Separate financial statements are not issued for the Authority, the Housing Authority, or the Successor Agency.

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

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

Residents of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission, committee, or board. The commissions, committees, and boards act in an advisory capacity to the City Council. They are Hearing Examiners/Appeals Board, Design Committee, Library Board, Parks and Recreation Commission, Personnel Board, Placer Mosquito & Vector Control District, Planning Commission, Public Utilities Commission, Roseville Grants Advisory Commission, Roseville Revitalization Committee, Senior Citizen Commission, and Transportation Commission.

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The economic condition of the City in fiscal year 2013 continued improving. Overall, general fund revenues were higher than 2012 as sales taxes were the largest increase. Property taxes were up and development revenues were up slightly. Overall, general fund revenues reflected a sharp recovery from the recession. Housing starts, including multi-family, were up and commercial development increased over the previous year.

The City continued efforts to reduce costs in order to match total revenues to expenses. General fund expenses were lower than revenues for the year as a whole while increasing taxes contributed to the recovery helping to make up for decreases in indirect charges and the use of one-time money. The combination of savings from vacant positions and reductions in spending on non-personnel items were the primary savings drivers. We were also able to use carryover monies from fiscal year 2012 to avoid dipping into economic reserves.

New housing permits continued to be pulled throughout the year, totaling 679 single-family permits and 103 multi-family permits finalized through June 2013. This represents an increase from the previous year and was stronger than expected. This also accounted for a large percentage of all residential permits pulled in the Sacramento region. Commercial development increased in fiscal year 2013, adding over 70,000 of new commercial square footage to the City. Industrial and business professional development continued to struggle; however, there are significant decreases in vacancy rates throughout the non-residential sector. More activity in the non-residential sector is based on re-leasing existing, vacant space rather than building new space. Several new development proposals may change that in the near future.

The electric utility's budget improved in fiscal year 2013, reflecting reductions in power supply costs and power plant operations. The utility ended the year with a positive available resources balance; however, most of that is tied up in inventory. The revenue to expense outlook for the next several years projects the buildup of the rate stabilization fund back to policy levels, and should result in higher cash balances for the operating fund. Many of the issues that are likely to drive future rate increases will be state and federal mandates related to renewable energy and environmental concerns.

The environmental utilities (water, wastewater, and solid waste) all ended the year within or better than budgeted. These utilities have less volatile costs that allow more predictable cost structures. The water and wastewater utilities debt instruments performed well during fiscal year 2013. The water utility's debt is fixed rate; however, the wastewater utility includes a large amount of variable-rate debt. Some of the variable rate debt was converted to fixed rate debt and a portion of the variable rate debt was sold as index notes, which pay variable rate interest but do not require a letter-of-credit backing. The interest rates on this debt remained low through fiscal year 2013.

The Golf Course enterprise fund ended the year with operating revenues slightly better than operating expenses. This was partially due to the economy, but also reflective of issues with nine holes at Woodcreek Golf Course that severely impacted rounds and revenue for much of last year. The golf courses are expected to operate in a profitable manner as the City has negotiated a revised operating contract. Improvements to the golf courses are planned in the next few years to keep the appearance and overall utility of the courses up-to-date.

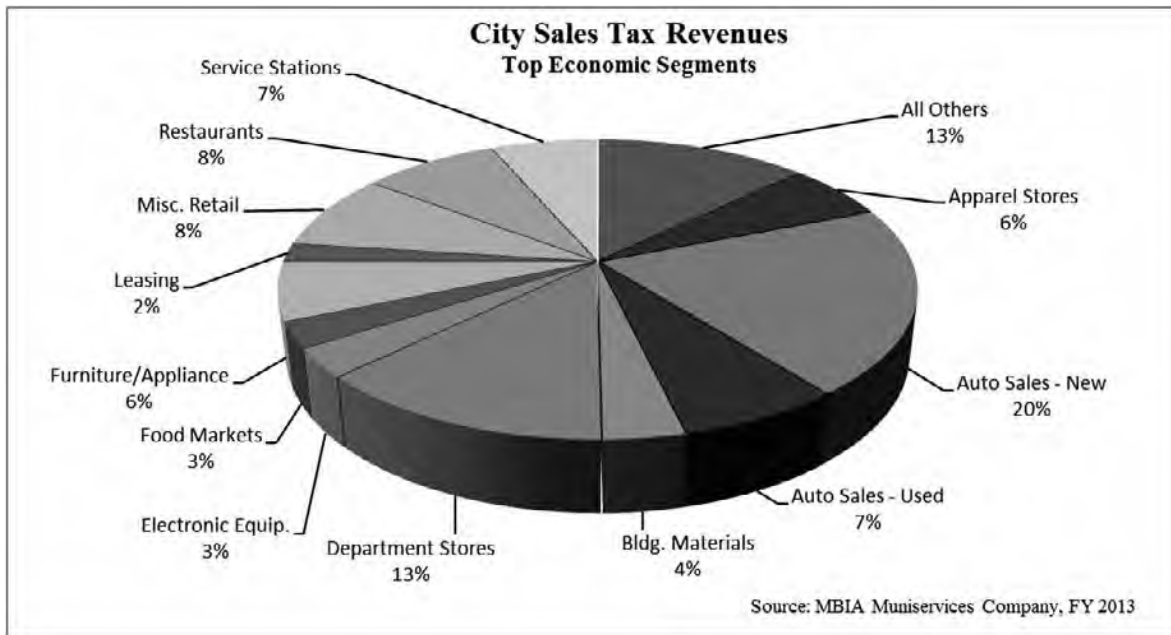
The School-Age Child Care Fund had operating revenues greater than operating expenses; however, the addition of facilities on the Johnson School Site and repayment of loans pushed total expenditures greater than revenue for the year. This program will continue to be monitored for fiscal effectiveness.

The long-term outlook for the City's economy is good. While housing starts are still down from earlier highs, new homes are still being built and sold. Office and retail vacancies remain significant, but this creates capacity for an economic recovery. Several major office vacancies have been recently filled, creating a lower vacancy rate. Sales tax is trending up and new and diverse stores continue to be attracted to the retail core of the City. New auto sales were up in fiscal year 2013 compared to fiscal year 2012. This trend appears to be continuing into fiscal year 2014. Retail hardware sales continued to be down as well due to fallout from the housing slowdown.

On a short-term basis, the City will need to continue cost-cutting measures to bring costs in line with falling revenues. Since 2007, the City has been aggressive and proactive in cutting costs and has aggressively reduced materials and supply costs, defunded approximately 80 General Fund positions through attrition through fiscal year 2012, incentivized 120 employees throughout the organization to retire, and laid off 35 permanent positions in the General Fund. The City is responding to the ongoing economic challenges and maintains a prudent approach with requests for increased budget appropriations.

TOP SALES TAX GENERATORS BY ECONOMIC SEGMENT

The chart below provides an overview of the City's sales tax revenue by economic segment. Most sectors experienced increases over fiscal year 2012. Total sales taxes increased nearly \$4.9 million from 2012, approximately 12.7% increase. In the top ten sales tax categories, nine have experienced increases in taxable sales. New auto sales, the largest sales-tax category, were up 15 percent from last year and up 29 percent from two years ago.



The outlook for the next two years is that sales taxes are most likely to continue increasing. The City is taking a conservative approach on sales taxes in its budgeting process.

MAJOR ACTIVITIES IN THE CITY

Many of the major activities undertaken in fiscal year 2013 are consistent with the City Council's direction to focus on projects and funding that provide economic stability and enhance the City's long-term financial condition while maintaining high levels of service to the older parts of the community. Major projects included:

- Public Works: Completed Town Square, Eureka/I-80 On-ramp widening, Fiddymont Road widening, and Fire Station #9.
- Water: Continued rehabilitation of the 22-inch Atlantic Street water pipe project and water infrastructure improvements for Downtown Specific Plan (DTSP) Phase I.
- Wastewater: Completed secondary clarifier mechanical rehabilitation, completed SCADA master plan and requested proposals to begin SCADA system replacement.
- Electric: Ongoing improvement, maintenance and rehabilitation of electric assets.
- Parks and Recreation: Completion of Heredia Park and renovations of Veterans Park parking lot, Pineschi Park, Weber play area, Silverado play area, Royer Park wooden castle structure and soccer field, Maidu softball field restroom, Lincoln Estates Park concrete slide, Aquatics Complex slide, and 11 tennis courts resurfaced.

Private development increased in fiscal year 2013. Single-family and multi-family residential increased compared to last fiscal year with 679 and 103 new units in 2013 as compared to 621 and 0, respectively in 2012. Commercial development increased over the last year with permits being issued for five new commercial projects; most notably was construction of a new DMV office, medical offices, and an addition to the Bill Santucci Justice Center. Industrial development continued to lag for 2013 with no new industrial inventory being added. The City has experienced a significant increase in permit activity which can be attributed to tenant improvements. This is evidenced by the increase in permit activity this year where 7,268 permits have been applied for, compared to 5,037 applied for last year.

Development Type	Number of Units	New Square Feet Occupied
Single-family residential	679	
Multi-family residential	103	
Industrial		0
Commercial		70,183
Business professional		0

The major growth areas of the Sierra Vista, Creekview, and Amoruso Ranch Specific Plan areas are located on the north and south boundaries of the West Roseville Specific Plan. Sierra Vista is annexed and fully entitled, including the Westbrook portion of the plan area adopted in June 2012. The Creekview Specific Plan, approved by the City Council in September 2012, was officially annexed April 17, 2003. A third development project, Amoruso Ranch, is in the entitlement process. Amoruso Ranch anticipates completing the entitlement process in winter 2014.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

All internal control evaluations occur within the above framework. Finance Department staff remains committed to improving the City's accounting system, maintaining the City's internal accounting controls to adequately safeguard assets, and providing reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by ordinance when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by major summary category. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

Category Fund Type

Governmental Funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Permanent Funds

Proprietary Funds: Enterprise Funds and Internal Service Funds

Fiduciary Funds: Agency Funds, OPEB Trust Fund and Private-Purpose Trust Funds

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

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

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

CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Available cash for operations and capital was invested in the State Treasurer's Local Agency Investment Fund (LAIF), corporate notes, money market funds, municipal bonds, commercial paper, and government securities. Restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio is invested mainly in Federal Agency Issues and U.S. Treasury Coupons. The average annual yield was 0.576% on the City's month-end average investment balances. This compared with a return of 0.758% in the prior year. As of June 30, 2013, the yield to market of outstanding investments was 0.490%. This decrease was the result of an overall falling interest rate environment. Investment income includes changes in the fair market value of investments. Decreases in fair market value during the current year do not necessarily represent trends that will continue. The City's policy is to generally hold investments to maturity, and to limit sales of securities to those that show gains in market value.

Although positive economic news and improvements in the housing market helped boost investor confidence about the economic recovery, the City closely monitors all investments. The City has exposure to financial institutions in the form of corporate notes and negotiable CDs. Additionally, the City owns a good deal of Federal agency bonds and U.S. Treasuries. No losses have occurred in these portfolios. The table below provides a list of the City's investments at the end of June 30, 2013.

**City of Roseville
Portfolio Summary
June 30, 2013**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM
Certificates of Deposit	1,250,000.00	1,254,288.05	1,250,000.00	0.31%	291	112	0.366
C.A.M.P.	970,730.25	970,730.25	970,730.25	0.24%	1	1	0.100
Local Agency Investment Funds	47,080,066.78	47,092,929.38	47,080,066.78	11.66%	1	1	0.244
Money Market	1,861,336.79	1,861,336.79	1,861,336.79	0.46%	1	1	0.001
Negotiable CDs	39,000,000.00	38,978,285.50	38,998,654.37	9.66%	588	494	0.489
Corporate Notes	64,320,000.00	65,045,603.18	65,106,317.18	16.13%	992	693	0.961
Commercial Paper - Interest Bearing	10,000,000.00	10,000,888.89	10,000,000.00	2.48%	185	123	0.100
Commercial Paper Disc. -Amortizing	100,000.00	99,937.50	99,924.06	0.02%	180	127	0.220
Federal Agency Coupon Securities	67,287,000.00	68,365,398.70	68,444,891.73	16.95%	1029	783	0.499
Treasury Coupon Securities	159,488,000.00	167,285,940.05	167,462,714.77	41.48%	1037	748	0.399
Municipal Bonds	2,430,000.00	2,426,881.70	2,430,000.00	0.60%	1250	978	0.788
Investments	393,787,133.82	403,382,219.99	403,704,635.93	100.00%	835	612	0.490

LONG-TERM FINANCIAL PLANNING

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

Operating Reserves: The City maintains an operating reserve in its General Fund of 10 percent of operating expenses, less indirect cost transfers from Enterprise Funds. Additionally, the City attempts to maintain a similar operating reserve in all of the City-owned utilities. These reserves guard against impacts from sudden changes in revenues. The Electric Utility's reserve is housed in its Rate Stabilization Fund.

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

CIP Rehabilitation Fund: The City has set aside approximately \$12.6 million in a CIP Rehabilitation Fund for the purpose of maintaining the City's investments in buildings and park facilities. These funds are used to provide necessary maintenance and improvements to City-owned facilities. The Council's goal is to increase this balance of this fund to keep pace with the improvements needed to maintain City facilities.

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

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

OPEB Trust: The City set up the Post-Retirement Fund in 2002 to begin setting aside monies to address the City's long-term liability for post-retirement health benefits. In addition to one-time monies transferred into this fund, the City has transferred 3 percent of the total cost of salaries for several years; however, the General Fund portion of this transfer was not made in fiscal year 2013. The City is in the process of reviewing its benefit levels. In fiscal year 2011, the City established an irrevocable trust and moved \$34 million of accumulated revenues into the OPEB Trust. This has increased the longer-term investment return on the funds, thus lowering the City's unfunded liability. Since inception, the trust's investments have performed at or better than its long-term return of 6.5%.

INDEPENDENT AUDIT

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

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roseville for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

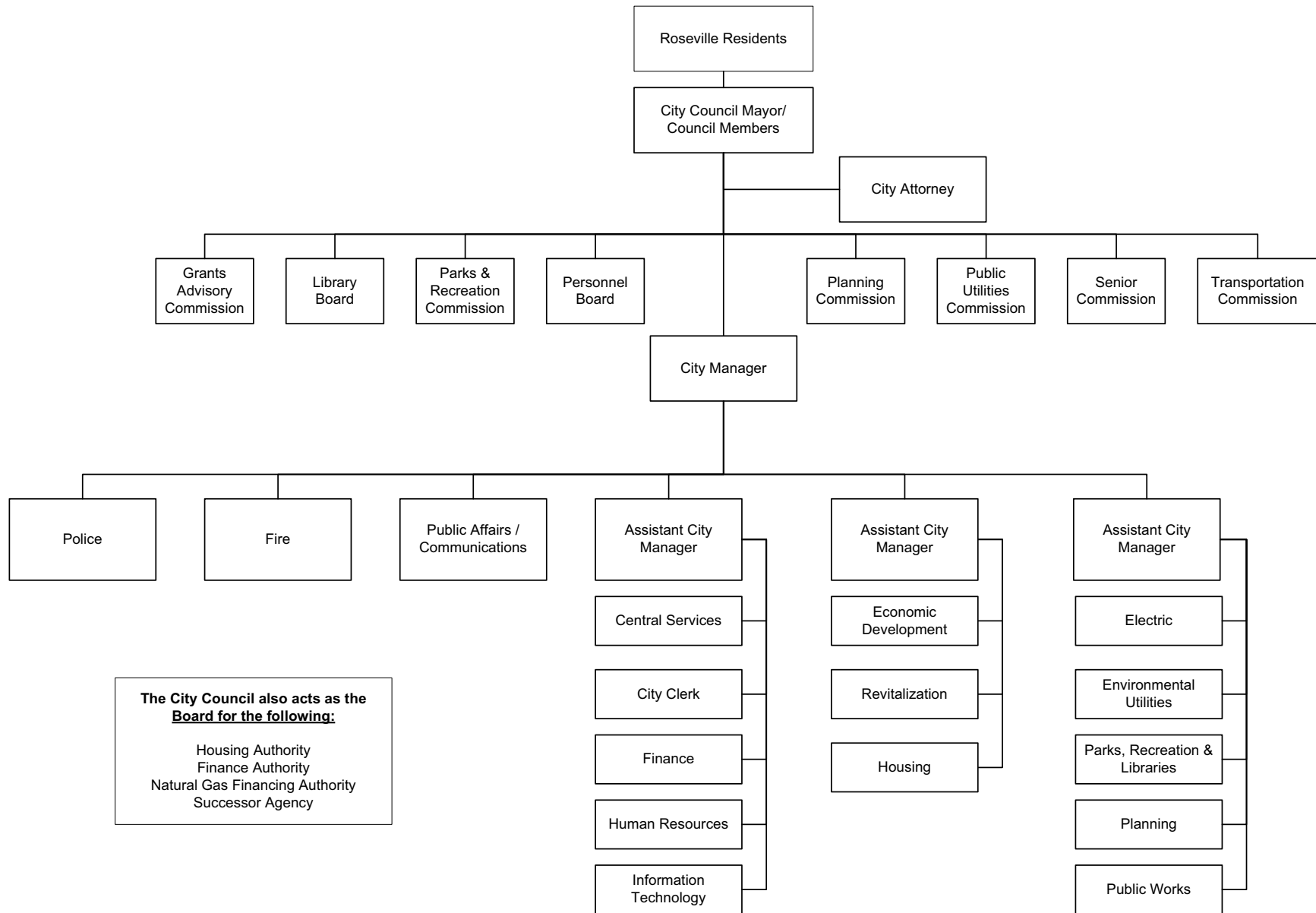
ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Monty Hanks", with a stylized, flowing script.

Monty Hanks
Finance Director



Organizational Chart: City Wide

CITY OF ROSEVILLE

ELECTED OFFICIALS

JUNE 30, 2013

Mayor	Susan Rohan
Vice Mayor	Carol Garcia
Council Member	Bonnie Gore
Council Member	Tim Herman
Council Member	Pauline Roccucci



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Roseville
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

This Page Left Intentionally Blank



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Roseville, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the nomenclature of the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1B and 1F to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that also affected the format and nomenclature of the financial statements and required a restatement of net position:

Statement 65 – Items Previously Report as Assets and Liabilities. See Note 1F and Note 9 to the financial statements for relevant disclosures.

As discussed in Note 8E, the City restated certain capital asset balances.

As discussed in Note 20, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Roseville Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Roseville Redevelopment Agency prior to the date of dissolution, including the repayment of interfund advances and loans made to the City and the Roseville Community Development Corporation, may be subject to review by the State as discussed in Note 20, but the effect of that review cannot be determined as of June 30, 2013.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison information for the General Fund, and the Modified Approach to Reporting Street Pavement Costs and Parks and Landscaping Costs be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
December 20, 2013

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The following discussion provides readers of the City of Roseville's financial statements a narrative overview and analysis of the financial activities of the City of Roseville for the fiscal year ended June 30, 2013. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Even though there have been signs of economic recovery, there have continued to be issues which affect Roseville, in areas such as reduced property taxes and increased retirement expenses, as it has for most of the state. The City's financial highlights are presented below:

FISCAL YEAR 2013 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2013 include the following:

Entity-wide:

- The City's total net position was \$2.4 billion as of June 30, 2013. Of this total, \$1.1 billion were Governmental assets and \$1.3 billion were Business-type assets.
- Governmental revenues include program revenues of \$54.1 million and general revenues and transfers of \$110.3 million for a total of \$164.3 million.
- Governmental expenses were \$176.5 million.
- Business-type program revenues, interest revenue and miscellaneous revenues were \$291.7 million while Business-type expenses, transfers, and special items were \$308.2 million.

Fund Level:

- Governmental Fund balances decreased to \$194.7 million in fiscal year 2013, down \$16.9 million from the prior year.
- Governmental Fund revenues increased to \$135.8 million in 2013, up \$14.2 million from the prior year. Both sales and property taxes increased as the economy has been in an upward growth mode. Charges for services, subventions and grants, contributions from developers, and miscellaneous revenue all increased, while use of money and property continued to decline as interest rates have continued to be extremely low. Governmental Fund expenditures increased to \$164.0 million in fiscal year 2013, up \$17.1 million from the prior year. The increases were primarily due to \$15.4 million in capital outlay; \$1.5 million in general government; \$1.0 million in police; \$1.5 million in fire; \$1.4 million in parks and recreation, which was offset by \$2.3 million reduction in debt service, and a \$1.2 million reduction in community development and planning.
- Other Financing Sources provided a net of \$18.6 million in fiscal year 2013, down \$6.7 million from 2012 as project funding from the enterprise funds did not recur.

General Fund:

- General Fund revenues of \$97.2 million increased by \$8.0 million higher than the prior year due mostly to increased sales taxes and a refund of property tax administrative fees.
- General Fund expenditures of \$114.4 million increased \$3.5 million over the prior year -- \$1.8 million from general government, \$1.5 million from fire, \$1.0 million from police; while capital outlay declined by \$1.1 million.
- Other Financing Sources decreased \$2.1 million to \$17.0 million due to a decline in transfers from other funds.
- The General Fund balance of \$57.3 million as of June 30, 2013 decreased \$7.5 million from fiscal year 2012's fund balance of \$64.8 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is divided into six parts:

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

The Basic Financial Statements

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

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

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

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

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

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

The Entity-wide Financial Statements

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

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

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

The City’s governmental activities also include the activities of three separate legal entities, the Roseville Finance Authority, the City of Roseville Housing Authority and the Roseville Community Development Corporation. The City is financially accountable for these entities.

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

The City’s business-type activities also include the activities of a separate legal entity, the Roseville Natural Gas Financing Authority. The City is financially accountable for this entity.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City’s most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City’s activities.

In the City’s case, the Community Facilities District Projects Fund is the only Major Governmental Fund in addition to the General Fund.

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

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

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

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

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

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by financial reporting standards.

Fiduciary Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Governmental Activities

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

	<u>2013</u>	<u>2012</u>
Cash and Investments	\$231.5	\$238.2
Other Assets	79.5	71.9
Capital Assets	851.6	848.1
Total Assets	1,162.6	1,158.2
Long-Term Debt Outstanding	12.8	13.3
Other Liabilities	92.4	75.4
Total Liabilities	105.2	88.7
Net Assets:		
Net Investment in Capital Assets	838.8	834.8
Restricted	131.4	140.3
Unrestricted	87.2	94.4
Total Net Position	\$1,057.4	\$1,069.5

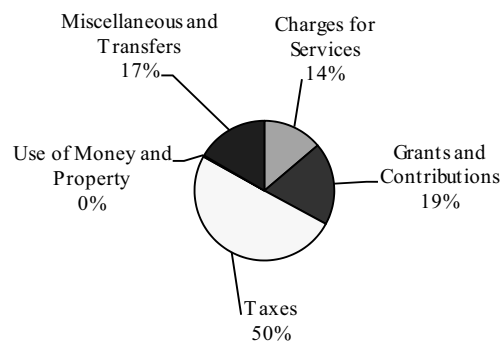
The City's governmental net position amounted to \$1.1 billion as of June 30, 2013, a decrease of \$12.1 million from fiscal year 2012. The City's net position as of June 30, 2013 comprised the following:

- Cash and investments comprised \$227.7 million in the city treasury and \$3.8 million of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.
- Receivables comprised \$16.4 million of which were current, along with developer permit receivables of \$1.6 million, internal balances of \$4.3 million, notes receivable of \$54.2 million that are due over longer periods of time, as explained in Notes 4, 5, and 6 to the financial statements.
- Capital assets of \$851.6 million, net of depreciation charges, includes all of the City's infrastructure as well as other capital assets used in governmental activities, as discussed in Note 8.
- Current liabilities—including accounts payable, accrued liabilities, and other amounts due currently—totaled \$37.8 million.
- Accrued compensated absence liabilities payable to employees of \$11.2 million, as explained in Note 1H to the financial statements.

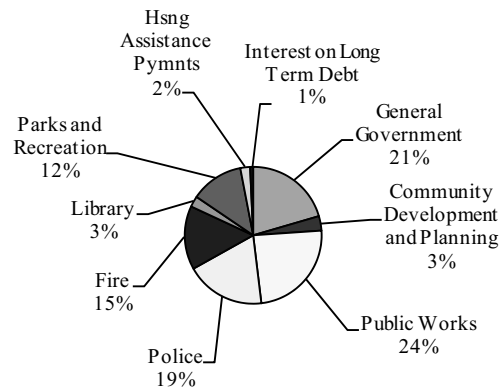
- \$33.2 million of unfunded required contributions to the Other Post-Employment Benefits (OPEB) Trust as required by GASB 45 and detailed in Note 13.
- Long-term debt of \$12.8 million, of which \$11.9 million is due in future years and \$0.9 million is due currently, as detailed in Note 9.
- Net investment in capital assets of \$838.8 million, representing the City's investment in infrastructure and other capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net position totaling \$131.4 million may only be used to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds cannot be changed by the City.
- Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$87.2 million of unrestricted net position as of June 30, 2013. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Fiscal Year 2013 Governmental Activities

Sources of Revenue



Functional Expenses



As the Sources of Revenue Chart above shows, \$82.4 million, or 50% of the City's fiscal year 2013 governmental activities revenue, came from taxes, while \$27.3 million or 17% came from transfers and miscellaneous, \$31.4 million or 19% came from grants and contributions, \$22.7 million, or 14%, came from charges for services, and the remainder came from use of money and property, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, general government was \$36.2 million or 21% of total government expenses, community development and planning was \$6.0 million or 3%, public works was \$42.7 million or 24%, police was \$33.2 million or 19%, fire was \$26.6 million or 15%, parks and recreation was \$22.0 million or 12%, and other governmental programs and functions were the remaining 6%.

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

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Expenses		
General Government	\$36.2	\$35.6
Community Development and Planning	6.0	11.6
Public Works	42.7	32.5
Police	33.2	31.3
Fire	26.6	25.3
Library	4.5	4.6
Parks and Recreation	22.0	20.2
Housing Assistance Payments	4.0	4.2
Interest on Long-Term Debt	1.3	1.0
Total Expenses	176.5	166.3
Revenues		
Program Revenues:		
Charges for Services	22.7	20.6
Operating Grants and Contributions	9.6	3.0
Capital Grants and Contributions	21.8	19.8
Total Program Revenues	54.1	43.4
General Revenues:		
Taxes/Intergovernmental	82.4	78.5
Use of Money and Property	0.5	3.2
Miscellaneous	2.1	1.5
Total General Revenues	85.0	83.2
Total Revenues	139.1	126.6
Changes in Net Position before Transfers	(37.4)	(39.7)
Transfers	25.2	30.4
Extraordinary item-Successor Agency	0	34.2
Change in Net Position	(12.2)	24.9
Net Position-Beginning	1,069.6	1,044.7
Net Position-Ending	\$1,057.4	\$1,069.6

As the Sources of Revenue Chart and **Table 2** above show, \$54.1 million, or 38.9% of the City's fiscal year 2013 governmental revenue, came from program revenues and \$85.0 million, or 61.1%, came from general revenues such as taxes and interest.

Program revenues were composed of charges for services of \$22.7 million that include permit revenues, fees, and charges used to fund expenses incurred in providing services; \$9.6 million of operating grants and contributions which include gas tax revenues, housing, and police grants; and capital grants and contributions of \$21.8 million that consist mainly of street project grants, developer impact fees restricted to capital outlay.

General Revenues-Taxes/Intergovernmental showed an increase of \$3.9 million, as sales and property taxes increased, signs of an economy rebounding. General revenues are not allocable to programs and are used to pay the net cost of governmental programs.

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

Table 3
Governmental Activities
June 30
(in Millions)

	<u>Net (Expense)/Revenues from Services</u>	
	<u>2013</u>	<u>2012</u>
General Government	(\$31.2)	(\$30.9)
Community Development and Planning	(2.4)	(9.2)
Public Works	(24.6)	(15.4)
Police	(30.4)	(28.5)
Fire	(23.2)	(22.9)
Library	(4.1)	(4.2)
Parks and Recreation	(5.6)	(6.6)
Housing Assistance Payments	0.4	(4.2)
Interest on Long Term Debt	(1.3)	(1.0)
Totals	(\$122.4)	(\$122.9)

Business-type Activities

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

Table 4
Business-Type Net Position at June 30
(in Millions)

	<u>2013</u>	<u>2012 (a)</u>
Cash and Investments	\$197.8	\$181.7
Other Assets	381.6	424.2
Capital Assets	1,442.1	1,460.7
Total Assets	2,021.5	2,066.6
Deferred Amount on Refunding	4.8	5.2
Accumulated Decrease in Fair Value of Hedging Derivatives	43.3	77.5
Total Deferred Outflows of Resources	48.1	82.7
Long-Term Debt Outstanding	579.9	587.9
Other Liabilities	97.8	126.1
Total Liabilities	677.7	714.0
Accumulated Increase in Fair Value of Hedging Derivatives	74.8	101.6
Total Deferred Inflows of Resources	74.8	101.6
Net Position:		
Net Investment in Capital Assets	1,046.7	1,065.7
Restricted	27.2	28.9
Unrestricted	243.2	239.1
Total Net Position	\$1,317.1	\$1,333.7

(a) As discussed in Notes 8E and 9 to the financial statements, 2012 amounts have been restated for the implementation of GASB Statements No. 63 and 65 and for prior developer contributions of capital assets.

The net position of business-type activities decreased to \$1.317 billion in fiscal year 2013, a decrease of \$16.6 million. Cash and investments increased by \$16.1 million. Capital assets decreased by \$18.6 million as depreciation expense exceeded current year additions. Long-term debt outstanding decreased by \$7.5 million from scheduled retirements of outstanding debt. Other assets and other liabilities decreased by \$42.6 million and \$28.3 million respectively, as the fair value of hedging derivative assets and liabilities decreased \$27.1 million and \$34.2 million, respectively, and the investment in SPWA reserves decreased \$15.7 million. Also deferred inflows decreased by \$2.7 million.

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

	Business-Type Activities	
	<u>2013</u>	<u>2012</u>
Expenses		
Electric Fund	\$144.2	\$145.0
Water Fund	24.6	24.3
Wastewater Fund	33.8	34.6
Solid Waste Fund	16.2	15.9
Natural Gas	26.4	26.8
Golf Course Fund	2.6	2.5
Local Transportation Fund	7.9	6.7
School-Age Child Care Fund	4.7	4.5
Total Expenses	260.4	260.3
Revenues		
Program Revenues		
Charges for Services	255.6	253.4
Operating Grants and	7.2	13.7
Capital Grants and Contributions	17.5	12.3
Total Program Revenues	280.3	279.4
General Revenues		
Use of Property and Money	11.2	12.7
Miscellaneous Revenues	0.2	
Total Revenues	291.7	292.1
Change in Net Position before	31.3	31.8
Transfers	(25.2)	(30.4)
Special Item	(22.7)	
Changes in Net Position	(16.6)	1.4
Net Position-Beginning, as restated	1,333.7	1,332.3
Net Position-Ending	\$1,317.1	\$1,333.7

Business-type program revenues, interest revenue, and miscellaneous revenues were \$291.7 million while Business-type expenses and transfers were \$285.6 million in 2013. Each program is discussed in the Proprietary Funds section below.

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

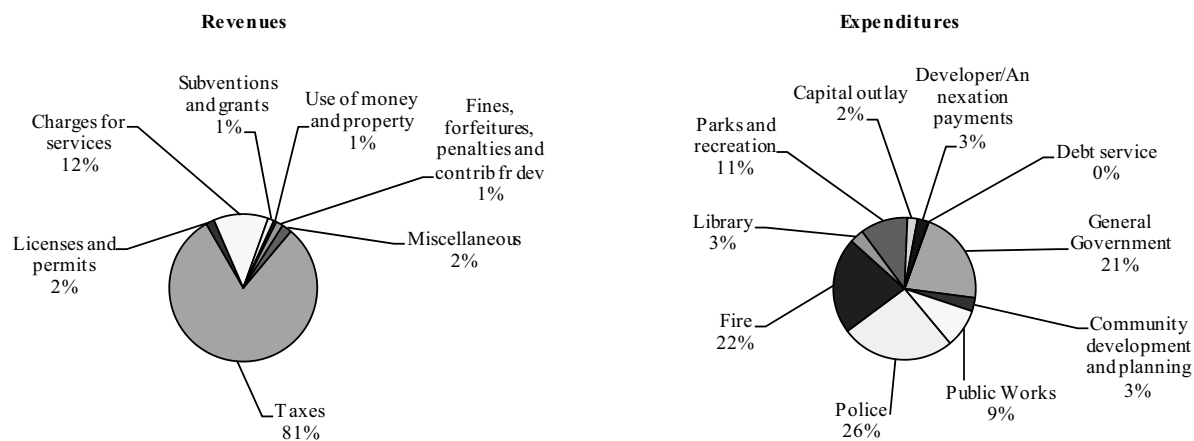
Table 6
Changes in Business-Type Net Position
(in Millions)

	<u>Net (Expense)/Revenues From Services</u>	
	<u>2013</u>	<u>2012</u>
Electric Fund	\$19.6	\$17.1
Water Fund	4.7	(0.5)
Wastewater Fund	(0.2)	0.3
Solid Waste Fund	5.7	5.3
Natural Gas	(9.9)	(10.2)
Golf Course Fund	(0.1)	0.2
Local Transportation Fund	0.0	7.1
School-Age Child Care Fund	0.1	0.2
Totals	\$19.9	\$19.5

Analyses of Major Governmental Funds

General Fund

Fiscal Year 2013 General Fund Activity



General Fund revenues increased by \$8.0 million this fiscal year. Total actual revenues were more than the final budget by \$3.6 million, with the following major breakdown:

- Taxes were more than budget by \$3.6 million, due to both sales and property taxes coming in higher as the economy has been in recovery mode;
- Charges for services and subventions and grants were less than budget by \$0.1 million and \$0.5 million, respectively;
- Licenses and permits and miscellaneous revenues were more than budget by \$0.1 million and \$0.5 million, respectively, due to an increase of development activity and reimbursements.

General Fund expenditures were \$114.4 million, an increase of \$3.5 million from the prior year. Expenditures were also \$7.2 million less than budget. The original budget was increased by a net \$9.2 million, from encumbrances and incomplete capital projects carried over from fiscal year 2012. The following is a list of the major differences:

Salaries and benefits

- Engineering was under budget by \$334 thousand due to unfilled positions.
- Police in aggregate was under budget by \$1.4 million due to unfilled positions.
- Fire operations were under budget by \$362 thousand due to unfilled positions.

Operating services and supplies

- Strategic improvements were under budget by \$245 thousand for program delays.
- Information technology-administration was under budget by \$166 thousand due to upgrade projects and training not completed.
- Building maintenance was under budget by \$200 thousand due to delays in maintenance and remodel projects.
- Economic development was under budget by \$624 thousand as a business development project was delayed.
- Specific plan projects in aggregate were delayed and were \$445 thousand under budget.
- Building plan check services were under budget by \$165 thousand.
- Police administration was under budget by \$126 thousand as contract services were delayed and utility and phone charges decreased.
- Fire operations were under budget by \$170 thousand as gear and safety equipment were not received, system maintenance and training not completed by year-end.
- Aquatics were under budget by \$128 thousand from lower utility costs and delays in system maintenance and concession purchases.
- Open space/tree maintenance was under budget by \$117 thousand as planned maintenance was delayed.

Other financing sources and uses reported net inflows of \$17.0 million in fiscal year 2013, a decrease of \$2.1 million. There was an extraordinary expenditure item of \$7.3 million as a prior year loan repayment by the former Redevelopment Agency was denied by the Department of Finance and the funds were returned to the Successor Agency.

As of June 30, 2013, the General Fund's fund balance totaled \$57.3 million, including \$24.3 million nonspendable, mostly for notes receivable, \$3.0 million assigned to various contracts, and the balance of \$29.9 million considered unassigned. Only the unassigned portion of fund balance represents available liquid resources, since the nonspendable and assigned portions is represented by non-cash assets or by open purchase orders.

Community Facilities District Projects

This Fund accounts for capital expenditures on community facilities districts in the City. The purpose of these districts is to finance the construction of capital improvements within the boundaries of each district, through the contribution of Mello-Roos bond proceeds. The improvements are contributed to the City, which in turn acquires and pays for these facilities from the developers who actually construct the improvements. In fiscal year 2013 fund balance decreased by \$4.7 million. The largest projects underway in fiscal year 2013 were improvements to the Westpark, North Central, and Fiddymont developments.

Other Governmental Funds

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

Proprietary Funds

Electric Fund

Net Position of the Electric Fund increased \$5.0 million in fiscal year 2013 to a total of \$254.9 million. Operating revenues were \$159.0 million, a decrease of \$1.1 million from 2012. Even though charges for services went up \$3.1 million, other revenues decreased by \$4.2 million due to remediation revenue being eliminated. Operating expenses were \$132.9 million in fiscal year 2013, a slight increase of \$320 thousand. This resulted in a net operating income of \$26.0 million. Net nonoperating expenses decreased slightly by \$560 thousand in fiscal year 2013 to \$11.0 million from \$11.6 million in fiscal year 2012. During fiscal year 2013, the City refinanced and retired the 2008 Electric System Revenue Refunding Certificates of Participation, Series A, with the 2012 Electric System Revenue Refunding Certificates of Participation. Rates are anticipated to be increased in fiscal year 2014.

Of the fund's Net Position of \$254.9 million, \$163.2 million was invested in capital assets, \$16.7 million was restricted for debt service, and \$75.0 million was unrestricted.

Water Fund

Net Position of the Water Fund increased \$2.1 million in fiscal year 2013. Operating revenues increased by \$2.9 million in fiscal year 2013 to a total of \$22.9 million, while expenses increased slightly by \$870 thousand to a total of \$22.5 million. The net result was an operating income of \$380 thousand. Rates are anticipated to be increased in fiscal year 2014. In fiscal year 2013, capital connection fees were \$5.0 million, an increase of \$1.3 million; and contributions from developers increased from almost zero in fiscal year 2012 to \$1.3 million, as development picked up in fiscal 2013. In addition, net transfers out were \$3.0 million.

As of June 30, 2013, the Fund's Net Position was \$447.6 million, of which \$386.6 million was invested in capital assets, \$4.3 million was restricted for debt service, and \$56.6 million was unrestricted as to use.

Wastewater Fund

Operating revenues decreased slightly in fiscal year 2013 \$400 thousand to a total of \$27.7 million. Operating expenses decreased to \$29.6 million, down \$680 thousand. The net result was an operating loss of \$1.9 million. Rates are anticipated to be increased in fiscal year 2014. Other items that affected net position were: connection fees of \$5.8 million; capital contributions by developers of \$3.7 million; decrease of \$3.5 million in South Placer Wastewater Authority (SPWA) reserves; net transfers out of \$4.1 million; and a special item expense due to the reallocation of the City's investment in SPWA of \$22.7 million. The reallocation was the result of a change in the SPWA funding agreement that increased the City's share of the SPWA debt from 54.17% to 61.66%, as discussed in Note 16 to the financial statements. The total decrease to net position was \$26.9 million for fiscal year 2013 to a total of \$569.8 million. As of June 30, 2013, of the Fund's Net Position, \$465.7 million was invested in capital assets, \$5.1 million restricted for debt service, and \$99.0 million was unrestricted.

Solid Waste Fund

Operating revenues decreased nominally by \$530 thousand to \$21.4 million while operating expenses increased slightly by \$640 thousand in fiscal year 2013 to \$16.2 million. Net operating income was \$5.2 million. Capital impact fees were \$380 thousand. Net transfers out were \$2.8 million. As of June 30, 2013, total net position was \$20.9 million, an increase of \$2.9 million.

Roseville Natural Gas Financing Authority

This fund was created as the financing mechanism to purchase pre-paid natural gas for the Roseville Energy Park (REP), an electric power plant, through the issuance of revenue bonds. \$184.5 million remains due in bonds payable, while the pre-paid natural gas is \$186.7 million. \$8.2 million in debt service was expensed in 2013 and interest earnings were \$10.2 million. Net position increased by \$300 thousand to \$3.0 million.

Golf Course Fund

Operating revenues decreased slightly by \$240 thousand in fiscal year 2013 to \$2.5 million. Operating expenses increased slightly by \$100 thousand to \$2.3 million, for an operating income \$184 thousand. The Fund is financed in part by advances from other City funds; as a result, it has a deficit in its unrestricted net position, partially offsetting the \$10.1 million it has invested in capital assets, net of the related debt.

Local Transportation Fund

Net Position of the Fund decreased slightly by \$280 thousand in fiscal year 2013. There was a \$6.9 million operating loss in fiscal year 2013, but the loss was offset by subventions and grants of \$6.8 million. As of June 30, 2013, of the Fund's Net Position of \$15.4 million, \$14.3 million was invested in capital assets and \$1.2 million was restricted for use in local transportation.

School-Age Child Care Fund

Net Position of the Fund remained relatively flat with a nominal decrease of \$240 thousand in fiscal year 2013 to a total of \$1.3 million. Operating revenues increased \$430 thousand while operating expenses decreased by \$370 thousand. Of the net position, \$2.1 million were invested in capital assets, which leaves a negative \$874 thousand in unrestricted net position.

CAPITAL ASSETS

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

Table 7
Capital Assets at Year End
(in Millions)

	Balance at June 30, 2013	Balance at June 30, 2012
Governmental Activities		
Land	\$27.1	\$25.8
Streets (modified)	282.7	251.8
Parks (modified)	89.3	85.3
Landscaping (modified)	45.1	44.9
Construction in Progress	42.3	96.5
Buildings	126.6	126.4
Improvements	6.6	6.6
Equipment	73.9	72.3
Bike Paths	8.5	8.5
Bridges	65.3	56.5
Culverts	20.7	20.2
Curb, Gutter, Sidewalk, & Median Curbs	151.1	145.4
Drain Inlets	21.2	20.8
Flood Control Improvements	20.2	20.0
Soundwall	36.1	31.6
Stormdrains	77.8	72.7
Traffic Signals	42.6	33.3
Less: Accumulated Depreciation	(285.5)	(270.5)
Governmental Activity Capital Assets, Net	\$851.6	\$848.1
	Balance at June 30, 2013	Restated Balance at June 30, 2012
Business-Type Activities		
Land	\$16.5	\$16.5
Landscaping (modified)	0.6	0.6
Construction in Progress	21.8	13.6
Buildings	26.7	26.2
Improvements	16.4	17.1
Machinery and Equipment	26.8	24.6
Bike Paths	4.1	4.1
Bridges	1.7	1.7
Culverts, drains, curbs	0.3	0.3
Curb, gutter, sidewalk, and median curbs	0.1	0.1
Flood control improvements	8.8	8.8
Plant and Substations	354.4	352.3
Distribution	1,194.8	1,187.2
Generation	202.0	200.9
Less: Accumulated Depreciation	(432.9)	(393.3)
Business-Type Activity Capital Assets, Net	\$1,442.1	\$1,460.7

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

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

The City uses a computerized Pavement Management System to track the condition levels of each of the street sections. The City has adopted a policy of maintaining arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.4, which means that, on average, the City's streets must be maintained at no less than 78% of pavement in perfect condition.

At June 30, 2013, the City's streets averaged 7.8 PQI for arterial and collector roadways and 7.4 PQI for residential roadways. The City expended \$5.0 million on preservation of its streets in fiscal year 2013, compared to the budgeted amount of \$5.2, and plans to spend \$4.6 million in fiscal year 2014.

The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping. The City has adopted a policy of maintaining parks and landscaping at an average Ground Management Index (GMI) of Level 3, which means that, on average, the City's parks and landscaping must be maintained at no less than 78% of parks and landscaping maintained at a state-of-the-art level.

At June 30, 2013, the City's parks and landscaping averaged 3 GMI. The City expended \$4.9 million on preservation of its parks and landscaping in fiscal year 2013, compared to the budget of \$4.8 million, and plans to spend \$5.0 million in fiscal year 2014.

DEBT ADMINISTRATION

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

Table 8
Outstanding Debt
(in Millions)

	Balance at June 30, 2013	Balance at June 30, 2012
Governmental Activity Debt:		
Certificates of Participation:		
2003A Public Facilities Bond, 2.0%-5.0%, due 8/1/25		\$13.19
Lease:		
2012 Public Facilities Refunding, 2.15%, due 8/1/25	\$11.55	
Installment Purchase Obligations:		
Equipment	0.04	0.13
Land	1.19	
Total Governmental Activity Debt:	\$12.78	\$13.32

	Balance at June 30, 2013	Balance at June 30, 2012
Business-type Activity Debt:		
Certificates of Participation:		
2004 Electric System Revenue, 3.0-5.25%, due 2/1/34	\$37.43	\$37.82
Less deferred amount on refunding	(0.51)	(0.53)
2005 Electric System Revenue, Series A, 3.0-5.0%, due 2/1/23	40.16	43.62
Add deferred bond premium cost	2.62	2.73
2008 Electric System Revenue, Series A, Variable Rate, due 2/1/35		90.00
2009 Electric System Revenue Refunding, 2.0-5.25%, due 2/1/24	20.84	22.35
Add deferred bond premium cost	0.29	0.32
2012 Electric System Revenue Refunding, variable rate, due 2/1/35	90.00	
2003B Golf Course Refunding, 2.0-5.0%, due 8/1/23		5.60
2007 Water Utility Revenue, 4.0%-5.0%, due 12/1/27	44.70	46.66
Add deferred bond premium cost	1.93	2.07
Total Certificates of Participation	237.46	250.64
Revenue Bonds:		
2007 Gas Revenue Bonds		
variable rate, due 2/15/28	174.20	181.87
Add deferred bond premium cost	10.30	11.04
2010 Electric System Revenue Refunding		
2.00%-5.00%, due 2/1/37	55.21	55.54
Add: deferred bond premium cost	2.46	2.56
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds,		
Series A, variable rate, due 11/1/35		16.34
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds,		
Series B variable rate, due 11/1/35		16.34
2011 Refunding Wastewater Revenue Bonds, Series C		
1.00-5.25%, due 11/1/25	37.80	34.86
Add: deferred bond premium cost	2.63	2.48
2011 Refunding Wastewater Revenue Bonds, Series D		
variable rate (SIFMA rate plus 0.83%), due 11/1/14	18.50	16.25
2013 Refunding Wastewater Revenue Bonds		
variable rate, due 11/1/35	36.58	
Total Revenue Bonds	337.68	337.28
Lease:		
2012 Public Facilities Refunding (Golf Course),		
2.15%, due 8/1/25	4.78	
Total Business-type Activity Debt:	\$579.92	\$587.92

COMMUNITY FACILITIES/ASSESSMENT DISTRICTS DEBT

Community facilities districts and assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts. As of June 30, 2013, a total of \$340.8 million in community facilities district and assessment district debt was outstanding, representing fourteen issues by community facilities districts and one issue by assessment districts. This debt is secured only by special tax liens and assessments on the real property in the district issuing the debt and is not the City's responsibility; however, the City does act as the agent in the collection and remittance of special taxes and assessments for these Districts. Further detail on this debt may be found in Note 9 to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ROSEVILLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

CITY OF ROSEVILLE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in City Treasury (Note 3)	\$227,660,294	\$167,533,571	\$395,193,865
Restricted cash and investments with fiscal agents (Note 3)	3,772,060	30,280,880	34,052,940
Receivables:			
Taxes	1,756,273		1,756,273
Accounts, net of allowance for doubtful accounts	1,827,419	34,446,225	36,273,644
Accrued interest	4,346,651	647,326	4,993,977
Due from other government agencies	8,507,844	4,759,344	13,267,188
Internal balances (Note 4D)	4,317,809	(4,317,809)	
Prepays	93,385	2,630,331	2,723,716
Developer permit fees receivable (Note 6)	1,606,038	86,876	1,692,914
Notes receivable (Note 5)	54,203,678		54,203,678
Notes receivable from NCPA (Note 15B)		55,404	55,404
Inventories (Note 11)	1,977,681	8,558,769	10,536,450
Land held for resale (Note 7B)	886,671		886,671
Prepaid purchased gas (Note 19)		186,720,473	186,720,473
Investment in NCPA reserves (Note 15)		3,385,917	3,385,917
Investment in SPWA reserves (Note 16)		69,749,795	69,749,795
Derivative at fair value-asset (Note 10A)		74,846,313	74,846,313
Capital assets (Note 8):			
Capital assets not being depreciated	486,476,329	38,887,899	525,364,228
Capital assets being depreciated, net	365,155,254	1,403,212,304	1,768,367,558
Total assets	1,162,587,386	2,021,483,618	3,184,071,004
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding (Note 9)		4,844,164	4,844,164
Accumulated decrease in fair value of hedging derivatives (Notes 9P and 10A)		43,348,650	43,348,650
Total deferred outflows of resources		48,192,814	48,192,814
LIABILITIES			
Accounts payable	5,681,000	13,120,110	18,801,110
Accrued liabilities	7,333,223	13,119,666	20,452,889
Due to other governments	21,420,414	795,618	22,216,032
Deposits	2,737,287	6,277,200	9,014,487
Unearned revenues	652,384	11,265,624	11,918,008
Derivative at fair value-liability (Notes 9P and 10A)		43,348,650	43,348,650
Landfill closure and post closure liability (Note 17):			
Due in more than one year		2,615,565	2,615,565
Net OPEB obligation (Note 13):			
Due in more than one year	33,246,786		33,246,786
Compensated absences (Note 1H):			
Due within one year	3,993,330	2,570,595	6,563,925
Due in more than one year	7,773,600	4,720,004	12,493,604
Self-insurance claims payable and litigation settlement (Note 14):			
Due within one year	1,473,299		1,473,299
Due in more than one year	8,123,010		8,123,010
Long-term liabilities (Note 9):			
Due within one year	921,748	18,444,153	19,365,901
Due in more than one year	11,861,569	561,471,588	573,333,157
Total liabilities	105,217,650	677,748,773	782,966,423
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives (Note 10A)		74,846,313	74,846,313
NET POSITION (Note 11):			
Net investment in capital assets	838,848,266	1,046,687,207	1,885,535,473
Restricted for:			
Capital projects:			
Expendable	102,783,353		102,783,353
Nonexpendable	17,617,205		17,617,205
Debt service	144,978	26,045,203	26,190,181
Community development projects	10,826,992		10,826,992
Local transportation		1,172,155	1,172,155
Total restricted	131,372,528	27,217,358	158,589,886
Unrestricted	87,148,942	243,176,781	330,325,723
Total net position	\$1,057,369,736	\$1,317,081,346	\$2,374,451,082

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$36,146,055	\$2,650,873	\$31,686	\$2,284,700	(\$31,178,796)		(\$31,178,796)
Community development and planning	6,070,940	1,691,318	1,818,805	106,069	(2,454,748)		(2,454,748)
Public works	42,655,128	3,124,557	150,223	14,821,706	(24,558,642)		(24,558,642)
Police	33,163,354	1,504,357	1,215,095		(30,443,902)		(30,443,902)
Fire	26,611,217	821,543	1,654,189	912,985	(23,222,500)		(23,222,500)
Library	4,537,528	297,467	88,946		(4,151,115)		(4,151,115)
Parks and recreation	22,032,310	12,574,853	204,754	3,661,926	(5,590,777)		(5,590,777)
Housing assistance payments	4,049,279		4,445,702		396,423		396,423
Interest on long-term debt	1,274,294				(1,274,294)		(1,274,294)
Total Governmental Activities	176,540,105	22,664,968	9,609,400	21,787,386	(122,478,351)		(122,478,351)
Business-type Activities:							
Electric	144,141,500	159,002,035	9,410	4,760,985		\$19,630,930	19,630,930
Water	24,569,405	22,899,867	50,374	6,366,042		4,746,878	4,746,878
Wastewater	33,820,510	27,693,272		5,968,120		(159,118)	(159,118)
Solid Waste	16,173,643	21,437,536	67,130	384,614		5,715,637	5,715,637
Natural Gas	26,383,130	16,530,605				(9,852,525)	(9,852,525)
Golf Course	2,617,733	2,460,509				(157,224)	(157,224)
Local Transportation	7,909,058	1,075,864	6,786,021	21,473		(25,700)	(25,700)
School-Age Child Care	4,691,235	4,475,225	262,187			46,177	46,177
Total Business-type Activities	260,306,214	255,574,913	7,175,122	17,501,234		19,945,055	19,945,055
Total	\$436,846,319	\$278,239,881	\$16,784,522	\$39,288,620	(122,478,351)	19,945,055	(102,533,296)
General revenues:							
Taxes:							
Property taxes					31,075,967		31,075,967
Sales taxes					43,002,643		43,002,643
Franchise taxes					1,874,700		1,874,700
Other taxes					6,465,560		6,465,560
Use of money and property					533,505	11,245,022	11,778,527
Miscellaneous revenues					2,113,638	150,119	2,263,757
Transfers					25,212,344	(25,212,344)	
Special Item (Note 16)							
Reallocation of investment in SPWA						(22,715,022)	(22,715,022)
Total general revenues, special item and transfers					110,278,357	(36,532,225)	73,746,132
Change in net position					(12,199,994)	(16,587,170)	(28,787,164)
Net position-Beginning, as restated (Notes 8E and 9)					1,069,569,730	1,333,668,516	2,403,238,246
Net position-Ending					\$1,057,369,736	\$1,317,081,346	\$2,374,451,082

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2013. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

COMMUNITY FACILITIES DISTRICT PROJECTS CAPITAL PROJECTS FUND

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

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments in City Treasury (Note 3)	\$45,396,988	\$9,748,996	\$123,941,026	\$179,087,010
Restricted cash and investments with fiscal agents (Note 3)		1,663,229	2,108,831	3,772,060
Receivables:				
Taxes	1,756,273			1,756,273
Accounts	1,578,611		248,652	1,827,263
Accrued interest	1,978,004	21,076	1,954,364	3,953,444
Due from other government agencies	6,793,783		1,697,103	8,490,886
Due from other funds (Note 4B)	91,067		100,000	191,067
Advances to other funds (Note 4C)	1,530,951		3,995,054	5,526,005
Prepays	93,385			93,385
Developer permit fees receivable (Note 6)	197,700	996	1,407,342	1,606,038
Notes receivable (Note 5)	23,826,961		29,547,516	53,374,477
Inventories (Note 1I)	429,985		776,181	1,206,166
Land held for resale (Note 7B)			886,671	886,671
Total Assets	\$83,673,708	\$11,434,297	\$166,662,740	\$261,770,745
LIABILITIES				
Accounts payable	\$1,997,737	\$42,051	\$3,025,087	\$5,064,875
Accrued liabilities	3,666,675		3,751,499	7,418,174
Due to other funds (Note 4B)	64,328		638,417	702,745
Due to other government agencies	7,329,129		14,091,285	21,420,414
Advances from other funds (Note 4C)		5,000,000	3,018,022	8,018,022
Unearned revenue	487,816		164,568	652,384
Deposits	2,130,154		607,133	2,737,287
Total Liabilities	15,675,839	5,042,051	25,296,011	46,013,901
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1F)	10,687,138		10,386,033	21,073,171
FUND BALANCES (Note 11)				
Nonspendable	24,350,331		17,691,169	42,041,500
Restricted		6,392,246	99,706,832	106,099,078
Committed			2,290,938	2,290,938
Assigned	3,002,686		12,625,416	15,628,102
Unassigned	29,957,714		(1,333,659)	28,624,055
TOTAL FUND BALANCES	57,310,731	6,392,246	130,980,696	194,683,673
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$83,673,708	\$11,434,297	\$166,662,740	\$261,770,745

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
Reconciliation of
GOVERNMENTAL FUNDS -- FUND BALANCE
with the Governmental Activities
NET POSITION
JUNE 30, 2013

TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	\$194,683,673

Amounts reported for Governmental Activities in the Statement of
Net Position are different from those reported in the Governmental Funds
above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	839,739,797

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used
by management to charge the costs of certain activities, such as insurance and
central services and maintenance, to individual governmental funds.
The net current assets of the Internal Service Funds are therefore included
in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	48,573,284
Accounts receivable	156
Accrued interest	3,112,451
Due from other government agencies	16,958
Notes receivable	829,201
Inventories	771,515
Capital assets	11,891,786
Accounts payable	(616,125)
Accrued liabilities	(76,600)
Self-insurance claims payable	(9,596,309)
Compensated absences	(365,865)
Net OPEB obligation	(33,246,786)
Internal balances	7,321,504

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.	18,353,927

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and
therefore are not reported in the Funds:

Long-term debt	(12,783,317)
Interest payable and other accrued liabilities, included in accrued liabilities	(19,542)
Non-current portion of compensated absences	(11,219,972)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$1,057,369,736

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$78,283,027		\$7,338,962	\$85,621,989
Licenses and permits	1,805,452			1,805,452
Charges for services	11,572,161		9,041,034	20,613,195
Subventions and grants	1,312,131		15,995,091	17,307,222
Use of money and property	566,910	\$30,183	1,295,374	1,892,467
Fines, forfeitures and penalties	989,221		458,536	1,447,757
Contributions from developers and others	497,997	1,261,806	1,913,286	3,673,089
Miscellaneous revenues	2,148,834	91,163	1,169,785	3,409,782
Total Revenues	97,175,733	1,383,152	37,212,068	135,770,953
EXPENDITURES				
Current:				
General government	24,608,740		606,860	25,215,600
Community development and planning	3,457,097		2,638,867	6,095,964
Public works	10,124,648		621,841	10,746,489
Public safety:				
Police	29,626,998		11,542	29,638,540
Fire	24,997,829		43,358	25,041,187
Library	3,680,610		45,550	3,726,160
Parks and recreation	12,310,921		7,360,149	19,671,070
Housing assistance payments			4,049,279	4,049,279
Capital outlay	2,592,255	6,037,379	26,249,574	34,879,208
Payments under development agreements (Note 7A)	567,619			567,619
Annexation payments	2,302,077			2,302,077
Debt service (Note 9):				
Principal retirement	82,821		720,000	802,821
Interest and fiscal charges	19,268		1,197,963	1,217,231
Total Expenditures	114,370,883	6,037,379	43,544,983	163,953,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,195,150)	(4,654,227)	(6,332,915)	(28,182,292)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	121,505		37,977	159,482
Issuance of debt (Note 9)			11,549,031	11,549,031
Payment to bond escrow agent			(12,756,326)	(12,756,326)
Transfers in (Note 4A)	26,043,596		12,778,214	38,821,810
Transfers (out) (Note 4A)	(9,132,770)	(5,955)	(10,008,291)	(19,147,016)
Total Other Financing Sources (Uses)	17,032,331	(5,955)	1,600,605	18,626,981
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(162,819)	(4,660,182)	(4,732,310)	(9,555,311)
EXTRAORDINARY ITEM (Note 5F)				
Increase in loan to the Successor Agency	(7,304,420)			(7,304,420)
NET CHANGE IN FUND BALANCES	(7,467,239)	(4,660,182)	(4,732,310)	(16,859,731)
FUND BALANCES AT BEGINNING OF YEAR	64,777,970	11,052,428	135,713,006	211,543,404
FUND BALANCES AT END OF YEAR	\$57,310,731	\$6,392,246	\$130,980,696	\$194,683,673

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$16,859,731)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities the cost of those assets is capitalized and allocated over
their estimated useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance	34,879,208

Non-capitalized capital outlay expenditures were reclassified to various governmental activities	(3,091,632)

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$3,198,026 which has already been allocated to serviced funds.)	(15,740,683)

Capital assets acquired under capital lease are added to fund balance	1,191,322

Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	2,838,884

Loss on retirement of capital assets is deducted from fund balance	(17,184,197)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but
issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of bond principal is an expenditure in the governmental funds, but
in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	802,821
Proceeds from the issuance of debt are deducted from fund balance	(11,549,031)
Issuance of capital lease is deducted from fund balance	(1,191,322)
Payment to bond escrow agent is added to fund balance	12,756,326
Loss on refunding is deducted from fund balance	(286,326)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of
current financial resources and therefore are not reported as revenue or expenditures in
governmental funds (net change):

Long-term compensated absences	21,376
Interest payable and accrued liabilities, included in accrued liabilities	229,263
Unavailable revenues	9,179,978

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities,
such as equipment acquisition, maintenance, and insurance to individual funds.
The portion of the net revenue (expense) of these Internal Service Funds arising out
of their transactions with governmental funds is reported with governmental activities,
because they service those activities.

Change in Net Position - All Internal Service Funds	<u>(8,196,250)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>(\$12,199,994)</u></u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2013.

Financial reporting standards do not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

ELECTRIC FUND

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

WATER FUND

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

WASTEWATER FUND

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

SOLID WASTE FUND

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

ROSEVILLE NATURAL GAS FINANCING AUTHORITY

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

GOLF COURSE FUND

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

LOCAL TRANSPORTATION FUND

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

SCHOOL-AGE CHILD CARE FUND

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

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Roseville Natural Gas Financing Authority
	Electric	Water	Wastewater	Solid Waste	
ASSETS					
Current Assets:					
Cash and investments in City Treasury (Note 3)	\$52,269,386	\$52,056,273	\$33,734,999	\$18,027,774	\$22,227
Restricted cash and investments with fiscal agents (Note 3)	16,621,617	4,975,659			8,683,508
Receivables:					
Accounts, net of allowance for doubtful accounts	23,004,310	4,239,002	3,777,787	2,722,053	
Accrued interest	209,076	221,893	107,092	55,122	20
Due from other government agencies	9,410	56,131	2,184,150		
Prepays	2,472,353	157,978			
Notes receivable			170,215		
Due from other funds (Note 4B)			56,754		
Inventories (Note 11)	8,032,824	332,211		136,980	
Total Current Assets	102,618,976	62,039,147	40,030,997	20,941,929	8,705,755
Noncurrent Assets:					
Developer permit fees receivable (Note 6)	26,908	7,763	52,205		
Notes receivable from NCPA (Note 15B)	55,404				
Prepaid purchased gas (Note 19)					186,720,473
Investment in NCPA reserves (Note 15)	3,385,917				
Investment in SPWA reserves (Note 16)			69,749,795		
Advances to other funds (Note 4C)		2,000,000	224,621		
Derivative at fair value-asset (Notes 9 and 10)	92,171				74,754,142
Capital assets (Note 8):					
Land and construction in progress	15,089,612	4,403,437	10,999,209	363,173	
Capital assets being depreciated, net	396,587,311	428,842,185	550,192,791	4,301,978	
Total Noncurrent Assets	415,237,323	435,253,385	631,218,621	4,665,151	261,474,615
Total Assets	517,856,299	497,292,532	671,249,618	25,607,080	270,180,370
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding (Note 9)	4,325,095	519,069			
Accumulated decrease in fair value of hedging derivatives (Notes 9 and 10)	36,304,054		7,044,596		
Total Deferred Outflows of Resources	40,629,149	519,069	7,044,596		
LIABILITIES					
Current Liabilities:					
Accounts payable	8,373,587	1,137,620	2,257,442	568,610	1,200
Accrued liabilities	4,807,243	1,031,306	1,461,738	269,548	3,266,250
Due to other government agencies	4,264		791,354		
Due to other funds (Note 4B)				105,887	
Current portion of compensated absences (Note 1H)	1,064,538	491,178	461,121	384,711	
Current portion of long-term debt (Note 9)	5,930,000	2,065,000	1,988,535		8,030,000
Deposits	1,608,733	14,500			4,640,000
Unearned revenue	869,137				
Self-insurance claims payable (Note 14)					
Total Current Liabilities	22,657,502	4,739,604	6,960,190	1,328,756	15,937,450
Long-Term Liabilities:					
Advances from other funds (Note 4C)				224,621	
Long-term debt, non-current portion (Note 9)	242,565,732	44,566,417	93,521,734		176,472,745
Landfill closure and post closure liability (Note 17)				2,615,565	
Compensated absences (Note 1H)	2,003,196	925,921	965,351	488,480	
Net OPEB obligations (Note 13)					
Self-insurance claims payable (Note 14):					
Derivative at fair value-liability (Notes 9 and 10)	36,304,054		7,044,596		
Total Long-Term Liabilities	280,872,982	45,492,338	101,531,681	3,328,666	176,472,745
Total Liabilities	303,530,484	50,231,942	108,491,871	4,657,422	192,410,195
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives (Notes 9 and 10)	92,171				74,754,142
NET POSITION (Note 11)					
Net investment in capital assets	163,181,191	386,614,205	465,681,731	4,665,151	
Restricted for debt service	16,655,896	4,315,500	5,073,807		
Restricted for local transportation					
Unrestricted	75,025,706	56,649,954	99,046,805	16,284,507	3,016,033
Total Net Position	\$254,862,793	\$447,579,659	\$569,802,343	\$20,949,658	\$3,016,033

Some amounts reported for *business-type activities* in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.

See accompanying notes to basic financial statements

Golf Course	Local Transportation	School-Age Child Care	Totals	Governmental Activities- Internal Service Funds
\$1,453,090	\$9,969,564	\$258	\$167,533,571	\$48,573,284
96			30,280,880	
244,009	21,532	437,532	34,446,225	156
21,017	33,066	40	647,326	3,112,451
	2,445,802	63,851	4,759,344	16,958
			2,630,331	829,201
			170,215	2,131,378
			8,558,769	771,515
<u>1,718,212</u>	<u>12,469,964</u>	<u>501,681</u>	<u>249,026,661</u>	<u>55,434,943</u>
			86,876	
			55,404	
			186,720,473	
			3,385,917	
			69,749,795	
			2,224,621	3,999,370
			74,846,313	
6,007,666	2,024,802		38,887,899	
8,905,018	12,250,242	2,132,779	1,403,212,304	11,891,786
<u>14,912,684</u>	<u>14,275,044</u>	<u>2,132,779</u>	<u>1,779,169,602</u>	<u>15,891,156</u>
<u>16,630,896</u>	<u>26,745,008</u>	<u>2,634,460</u>	<u>2,028,196,263</u>	<u>71,326,099</u>
			4,844,164	
			43,348,650	
			48,192,814	
81,841	662,090	37,720	13,120,110	616,125
2,081,105	58,781	143,695	13,119,666	76,600
			795,618	
127,000		414,935	647,822	1,142,093
	56,509	112,538	2,570,595	
430,618			18,444,153	
	150	13,817	6,277,200	
	10,396,487		11,265,624	
				1,473,299
<u>2,720,564</u>	<u>11,174,017</u>	<u>722,705</u>	<u>66,240,788</u>	<u>3,308,117</u>
2,877,000		440,000	3,541,621	190,353
4,344,960			561,471,588	
			2,615,565	
	123,792	213,264	4,720,004	365,865
				33,246,786
				8,123,010
			43,348,650	
<u>7,221,960</u>	<u>123,792</u>	<u>653,264</u>	<u>615,697,428</u>	<u>41,926,014</u>
<u>9,942,524</u>	<u>11,297,809</u>	<u>1,375,969</u>	<u>681,938,216</u>	<u>45,234,131</u>
			74,846,313	
10,137,106	14,275,044	2,132,779	1,046,687,207	11,891,786
			26,045,203	
	1,172,155		1,172,155	
(3,448,734)		(874,288)	245,699,983	14,200,182
<u>\$6,688,372</u>	<u>\$15,447,199</u>	<u>\$1,258,491</u>	<u>1,319,604,548</u>	<u>\$26,091,968</u>
			(2,523,202)	
Net position business-type activities			<u>\$1,317,081,346</u>	

CITY OF ROSEVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority
OPERATING REVENUES					
Charges for services	\$156,986,018	\$22,588,904	\$26,607,394	\$20,943,369	\$16,528,511
Other	2,016,017	310,963	1,085,878	494,167	2,094
Total Operating Revenues	159,002,035	22,899,867	27,693,272	21,437,536	16,530,605
OPERATING EXPENSES					
Power supply	96,313,782				
Operations	15,254,411	11,888,463	17,391,130	15,345,686	18,133,391
Administration	3,489,763	2,632,510	648,376	605,220	7,005
Depreciation and amortization	17,900,593	7,999,349	11,551,194	294,930	
Claims expense					
Total Operating Expenses	132,958,549	22,520,322	29,590,700	16,245,836	18,140,396
Operating Income (Loss)	26,043,486	379,545	(1,897,428)	5,191,700	(1,609,791)
NONOPERATING REVENUES (EXPENSES)					
Interest and rents revenue	368,482	433,404	154,598	76,553	10,180,626
Interest and fiscal charges (expense)	(11,283,869)	(2,158,933)	(4,278,778)	(15,541)	(8,242,734)
Subventions and grants	9,410	50,374		67,130	
Cost of issuance	(184,904)		(121,265)		
Gain from sale of property	15,081		117,154	8,144	
Increase (decrease) in NCPA reserves	45,844				
Increase (decrease) in SPWA reserves			(3,517,446)		
Net Nonoperating Revenues (Expenses)	(11,029,956)	(1,675,155)	(7,645,737)	136,286	1,937,892
Income (Loss) Before Contributions and Transfers	15,013,530	(1,295,610)	(9,543,165)	5,327,986	328,101
Contributions					
Capital contributions - connection/impact fees	1,563,615	5,016,183	5,758,055	384,614	
Contributions in aid of construction	1,163,514				
Capital contributions from developers	1,988,012	1,349,859	3,727,511		
Transfers in (Note 4A)		1,655,439	311,053	10,000	
Transfers (out) (Note 4A)	(14,744,102)	(4,612,430)	(4,426,641)	(2,792,791)	(25,372)
Change in net position before special item	4,984,569	2,113,441	(4,173,187)	2,929,809	302,729
Special Item (Note 16)					
Reallocation of investment in SPWA			(22,715,022)		
Change in net position	4,984,569	2,113,441	(26,888,209)	2,929,809	302,729
Total net position-beginning, as restated (Notes 8E and 9)	249,878,224	445,466,218	596,690,552	18,019,849	2,713,304
Total net position-ending	\$254,862,793	\$447,579,659	\$569,802,343	\$20,949,658	\$3,016,033

Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds service

See accompanying notes to basic financial statements

				Governmental Activities- Internal Service Funds
Golf Course	Local Transportation	School-Age Child Care	Totals	
\$2,460,509	\$972,666	\$4,255,157	\$251,342,528	\$12,109,883
	103,198	220,068	4,232,385	9,053,029
2,460,509	1,075,864	4,475,225	255,574,913	21,162,912
			96,313,782	
1,887,773	5,720,393	4,652,044	90,273,291	27,455,956
	557,993		7,940,867	
388,601	1,720,787	66,869	39,922,323	3,198,026
				3,724,409
2,276,374	7,999,173	4,718,913	234,450,263	34,378,391
184,135	(6,923,309)	(243,688)	21,124,650	(13,215,479)
(9,994)	38,807	2,546	11,245,022	256,727
(286,567)		(2,016)	(26,268,438)	
	6,786,021	262,187	7,175,122	
(56,392)			(362,561)	
	9,740		150,119	
			45,844	
			(3,517,446)	
(352,953)	6,834,568	262,717	(11,532,338)	256,727
(168,818)	(88,741)	19,029	9,592,312	(12,958,752)
	21,473		21,473	
			12,722,467	
			1,163,514	
			7,065,382	
	42,434		2,018,926	7,036,670
(120,513)	(252,103)	(257,318)	(27,231,270)	(1,499,120)
(289,331)	(276,937)	(238,289)	5,352,804	(7,421,202)
			(22,715,022)	
(289,331)	(276,937)	(238,289)	(17,362,218)	(7,421,202)
6,977,703	15,724,136	1,496,780		33,513,170
\$6,688,372	\$15,447,199	\$1,258,491		\$26,091,968
			775,048	
Change in net position of business-type activities			(\$16,587,170)	

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$154,723,567	\$22,506,468	\$26,413,743	\$20,609,368	\$16,528,511
Payments to suppliers	(97,156,000)	(6,057,796)	(10,111,281)	(11,464,425)	(10,075,878)
Payments to employees	(16,062,600)	(7,868,674)	(5,882,215)	(5,051,439)	
Payments to OPEB trust					
Claims paid					
Other receipts	2,016,017	310,963	1,085,878	494,167	2,094
Net Cash Flows from Operating Activities	43,520,984	8,890,961	11,506,125	4,587,671	6,454,727
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subventions and grants	1,203	287,475		67,130	
(Increase) decrease in due from other funds			(4,081)		
Increase (decrease) in due to other funds				4,082	
(Increase) decrease in advance to other funds		(2,000,000)	170,215		
Increase (decrease) in advances from other funds				(105,887)	
Transfers in		1,655,439	311,053	10,000	
Transfers (out)	(14,744,102)	(4,612,430)	(4,426,641)	(2,792,791)	(25,372)
Cash Flows from Noncapital Financing Activities	(14,742,899)	(4,669,516)	(3,949,454)	(2,817,466)	(25,372)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	1,163,514				
Acquisition and construction of capital assets	(5,854,993)	(4,064,031)	(3,592,431)	(222,697)	
Proceeds from sale of capital assets	15,081		117,154	8,144	
Transfer of connection fees to SPWA			(5,302,232)		
Change in restricted assets	22,698		2,369,684		
Issuance of debt	90,000,000		36,582,878		
Issuance costs	(184,904)		(121,265)		
Principal payments on capital debt	(95,690,000)	(1,965,000)	(34,552,516)		(7,675,000)
Interest paid on capital debt	(11,283,869)	(2,158,933)	(4,278,778)	(15,541)	(8,978,644)
Connection/impact fees	1,563,615	5,016,183	5,758,055	384,614	
Cash Flows from Capital and Related Financing Activities	(20,248,858)	(3,171,781)	(3,019,451)	154,520	(16,653,644)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and rents received	316,197	374,471	132,596	63,624	10,180,660
Receipts from sale of (payment to acquire) equity instruments, net	305,353	(1,155)			39,613
Cash Flows from Investing Activities	621,550	373,316	132,596	63,624	10,220,273
Net increase (decrease) in cash and cash equivalents	9,150,777	1,422,980	4,669,816	1,988,349	(4,016)
Cash and investments at beginning of period	43,118,609	50,633,293	29,065,183	16,039,425	26,243
Cash and investments at end of period	\$52,269,386	\$52,056,273	\$33,734,999	\$18,027,774	\$22,227
NONCASH TRANSACTIONS:					
Contribution of capital assets from developers	\$1,988,012	\$1,349,859	\$3,727,511		
Retirement of capital assets	(\$688,162)		(\$841,183)		
Increase in long-term debt due to change in SPWA participation			(\$7,410,294)		
Amortization of bond premium	\$242,627	\$137,959	\$201,973		
Amortization of deferred amount on refunding	(\$279,537)	(\$37,076)			\$735,910
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$26,043,486	\$379,545	(\$1,897,428)	\$5,191,700	(\$1,609,791)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	17,900,593	7,999,349	11,551,194	294,930	
Retirement of capital assets	688,162		841,183		
Change in assets and liabilities:					
Receivables, net	(1,999,671)	(84,936)	(193,651)	(301,438)	
Inventories	355,764	(31,180)	(34,186)	(64,368)	
Prepays	(2,472,353)	(157,978)			
Prepays purchased gas					8,207,591
Net OPEB obligations					
Accounts and other payables	3,380,852	786,161	1,239,013	(500,590)	(143,073)
Unearned revenue	(375,849)			(32,563)	
Cash Flows from Noncapital Financing Activities	\$43,520,984	\$8,890,961	\$11,506,125	\$4,587,671	\$6,454,727

See accompanying notes to basic financial statements

				Governmental Activities- Internal Service Funds
Golf Course	Local Transportation	School-Age Child Care	Totals	
\$2,529,706	\$1,969,391	\$4,252,929	\$249,533,683	\$12,120,568
(1,832,002)	(4,892,596)	(541,993)	(142,131,971)	(9,476,498)
	(1,005,078)	(3,926,836)	(39,796,842)	(5,369,915)
				(5,131,475)
				(2,071,396)
	553,231	220,068	4,682,418	9,053,029
697,704	(3,375,052)	4,168	72,287,288	(875,687)
	6,543,749	244,747	7,144,304	
			(4,081)	
		(243,919)	(239,837)	24,403
			(1,829,785)	121,352
(127,000)		240,000	7,113	
	42,434		2,018,926	7,036,670
(120,513)	(252,103)	(257,318)	(27,231,270)	(1,499,120)
(247,513)	6,334,080	(16,490)	(20,134,630)	5,683,305
1	21,473		1,184,987	
	(2,983,537)	(1)	(16,717,689)	(3,787,419)
	9,740		150,119	
			(5,302,232)	
			2,392,382	
4,775,578			131,358,456	
(56,392)			(362,561)	
(5,600,000)			(145,482,516)	
(364,080)		(2,016)	(27,081,861)	
			12,722,467	
(1,244,893)	(2,952,324)	(2,017)	(47,138,448)	(3,787,419)
(13,461)	35,904	2,552	11,092,543	219,594
625,080			968,891	
611,619	35,904	2,552	12,061,434	219,594
(183,083)	42,608	(11,787)	17,075,644	1,239,793
1,636,173	9,926,956	12,045	150,457,927	47,333,491
\$1,453,090	\$9,969,564	\$258	\$167,533,571	\$48,573,284
			\$7,065,382	
	(\$450,033)	(\$190,939)	(\$2,170,317)	(\$7,245)
			(\$7,410,294)	
			\$582,559	
			\$419,297	
\$184,135	(\$6,923,309)	(\$243,688)	\$21,124,650	(\$13,215,479)
388,601	1,720,787	66,869	39,922,323	3,198,026
	450,033	190,939	2,170,317	7,245
69,197	(17,128)	19,756	(2,507,871)	172,243
			226,030	
			(2,630,331)	
			8,207,591	
				7,705,056
55,771	380,667	(17,861)	5,180,940	1,257,222
	1,013,898	(11,847)	593,639	
\$697,704	(\$3,375,052)	\$4,168	\$72,287,288	(\$875,687)

This Page Left Intentionally Blank

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements. The City had the following types of fiduciary funds in Fiscal 2013:

Other Employee Benefit Trust Funds are used to account for assets held by the City as a trustee agent for the members and beneficiaries of other post-employment benefit plans.

Private-Purpose Trust Funds are used to account for trust arrangements under which principal and income benefit private organizations or other governments.

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

The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF ROSEVILLE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Retiree Health Plan Trust Fund	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and investments in Treasury (Note 3)		\$5,252,832	\$124,291,246
Restricted cash and investments with fiscal agents (Note 3)		5,955,371	39,319,806
OPEB Plan Assets (Note 13F)	\$41,641,477		
Accounts receivable		64	216,436
Taxes receivable		3,103	289,190
Accrued interest receivable		184,645	568,193
Permit fees receivable			979,458
Due from other government agencies		7,304,420	1,525,246
Developer permit fees receivable		378	
Notes receivable (Note 20B)		5,089,106	
Land held for resale (Note 20C)		5,419,762	
Capital Assets (Note 20D):			
Land		1,762,188	
Total Assets	<u>41,641,477</u>	<u>30,971,869</u>	<u>\$167,189,575</u>
LIABILITIES			
Accounts payable	12,818	1,836,401	\$996,852
Accrued liabilities		574,563	575,405
Due to other government agencies			13,122
Due to member agencies			107,988,991
Due to bondholders			56,327,402
Due to others			1,287,803
Long-term liabilities (Note 20E):			
Due within one year		592,238	
Due in more than one year		65,333,117	
Total Liabilities	<u>12,818</u>	<u>68,336,319</u>	<u>\$167,189,575</u>
NET POSITION			
Held in trust for retiree health plan benefits	<u>\$41,628,659</u>		
Held in trust for private purposes or for other governments		<u>(\$37,364,450)</u>	

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Retiree Health Plan Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Property taxes		\$3,416,590
Contributions from the City	\$6,715,115	
Subventions and grants		13,541
Investment income	4,079,303	201,090
Other revenues		10,642
Total Additions	<u>10,794,418</u>	<u>3,641,863</u>
DEDUCTIONS		
General government		44,216
Community services		286,122
Retiree health plan benefits	5,252,219	
Pass-through payments and payment to County Auditor-Controller (Note 20)		4,231,128
Debt service:		
Interest and fiscal charges		1,805,719
Total Deductions	<u>5,252,219</u>	<u>6,367,185</u>
Change in Net Position	5,542,199	(2,725,322)
Net Position - Beginning of Year	<u>36,086,460</u>	<u>(34,639,128)</u>
Net Position - End of Year	<u><u>\$41,628,659</u></u>	<u><u>(\$37,364,450)</u></u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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), streets, sanitation, water, solid waste, electric, local transportation, school-age child care, golf course, parks recreation, public improvements, planning and zoning, library, general administration services, redevelopment and housing.

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

A. *Reporting Entity*

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

The **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.

The **Roseville Natural Gas Financing Authority** is a Joint Exercise Powers Agency created on December 6, 2006, for the purpose of acquiring, financing and supplying natural gas to the City of Roseville. The members of the Authority are the City of Roseville and the City of Roseville Redevelopment Agency. The City of Roseville is governed by a five member Board. City Council serves as the governing body of the Authority and officers of the Authority are employees of the City. The financial activities of the Authority have been included in these financial statements in the Roseville Natural Gas Financing Authority Enterprise Fund.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **Roseville Community Development Corporation** is a California 501(c)3 nonprofit public benefit corporation formed in November 2010 by the City and the former Redevelopment Agency under the California Nonprofit Corporation Laws of the State of California. The Corporation was formed for the purpose of implementing the revitalization and economic goals of the City by securing private and public capital through development of both residential and commercial properties as well as developing affordable housing, redeveloping properties to create mixed-use, commercial and office projects, business recruitment and retention, commercial loans, and ongoing property management. As a separate legal entity and non-profit corporation, the corporation can secure funding that is not legally available to the former Redevelopment Agency and its activities can extend outside of the Redevelopment Plan areas.

The Corporation is governed by a volunteer five member board appointed by the City Council. The members, all from the community, have development, financing and business operations related experience. The board has operations, management, budget approval and strategy implementation authority that is separate from the City Council.

The Corporation has established a service agreement with the City to utilize existing City staff to accomplish its initial goals. The financial activities of the Corporation are included in the Roseville Community Development Corporation Special Revenue Fund.

The **City of Roseville Retiree Health Plan Trust** is governed by the City's Resolution 10-275 and is used to account for contributions and investment income restricted to pay medical benefits. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above Resolution. The financial activities of the Plan have been included in these financial statements in the Retiree Health Plan Trust Fund.

Financial statements for the Roseville Natural Gas Financing Authority and Roseville Community Development Corporation may be obtained from the City of Roseville at 311 Vernon Street, Roseville, California, 95678. Separate financial statements for the Redevelopment Agency, Roseville Finance Authority, Roseville Housing Authority and City of Roseville Retiree Health Plan Trust are not issued.

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the City and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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

Fiduciary Funds. These funds account for assets held by the City as an agent for various functions. The Endowment Private-Purpose Trust Fund is used to account for assets held by the City as an agent for various endowment funds for the benefits of certain private-purpose trust funds. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The Retiree Health Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical benefit payments at appropriate amounts and times in the future. The Agency Funds are used to account for assets held by the City as an agency for certain special assessment districts in the City, the City's payroll revolving fund, various joint power authorities, Dry Creek Drainage Basin, Placer County, South Placer County Tourism Business Improvement District (SPCTBID), Placer County Transportation Authority, and various other programs for the benefits of parties outside of the City. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

F. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and accumulated decrease in fair value of hedging derivatives reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The accumulated decrease in fair value of hedging derivatives represents the change in fair value for the City's derivative liabilities that have been determined to be effective.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of these items, the accumulated increase in fair value of hedging derivatives reported in the government-wide and proprietary fund statements of net position, and unavailable revenues reported in the governmental funds. The accumulated increase in fair value of hedging derivatives represents the change in fair value for the City's derivative assets that have been determined to be effective. Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: due from other government agencies, interest receivable and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable revenue was comprised of the following at June 30, 2013:

	Due from Other Government Agencies	Interest Receivable	Loans Receivable	Total
General Fund		\$1,851,767	\$8,835,371	\$10,687,138
Nonmajor Governmental Funds	\$50,798	1,277,973	9,057,262	10,386,033
	<u>\$50,798</u>	<u>\$3,129,740</u>	<u>\$17,892,633</u>	<u>\$21,073,171</u>

G. 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.

H. Compensated Absences

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$11,592,492	\$6,881,671	\$18,474,163
Additions	3,986,675	1,679,861	5,666,536
Payments	<u>(3,812,237)</u>	<u>(1,270,933)</u>	<u>(5,083,170)</u>
Ending Balance	<u>\$11,766,930</u>	<u>\$7,290,599</u>	<u>\$19,057,529</u>
Current Portion	<u>\$3,993,330</u>	<u>\$2,570,595</u>	<u>\$6,563,925</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Inventories

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

J. Recategorized Funds

The Public Facilities, Park Development, Pleasant Grove Drain Basin and Traffic Mitigation Funds previously reported as Special Revenue Funds have been recategorized and are now reported as Capital Projects Funds.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

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

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order and ordinance.
4. The City Manager or designee is authorized to apply prudent monitoring procedures to assure that actual expenditures/expenses of the City do not exceed the appropriations at the major summary categories (salaries and benefits, operating services and supplies, and capital outlay) by organization key within each department in conformance with the adopted policies set by the City Council. Capital Improvement Projects, including annual projects, may not exceed budget at the total project level. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

5. Expenditures may not legally exceed budgeted appropriations at the organization key level by major summary category within each fund.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. Budgets are adopted for all governmental funds, except the FEMA Special Revenue Fund and the Roseville Aquatics Complex Maintenance Permanent Fund. In addition, the Community Facilities District Projects, Building, South Placer Animal Control Shelter, Public Facilities, Park Development, Pleasant Grove Drain Basin, Traffic Mitigation and General Capital Improvement Projects Rehabilitation Capital Projects Funds are budgeted on a project length basis and therefore are not comparable on an annual basis.

B. *Adjustments to GAAP Basis from Budgetary Basis*

City budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that capital projects expenditures are budgeted on a project length basis rather than a fiscal year. The effects of these differences are shown as capital outlay in the budget and actual statements.

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 restricted, committed or assigned fund balances, as applicable, since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

NOTE 3 - CASH AND INVESTMENTS

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

A. Classification

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

Cash and investments in City Treasury	\$395,193,865
Restricted cash and investments with fiscal agents	<u>34,052,940</u>
Total City cash and investments with primary government	429,246,805
Cash and investments in Fiduciary Funds (Separate statement)	<u>174,819,255</u>
Total Cash and Investments	<u><u>\$604,066,060</u></u>

Cash and investments as of June 30, 2013, consist of the following:

Cash in bank and on hand	\$42,320,231
Investments	<u>561,745,829</u>
Total Cash and Investments	<u><u>\$604,066,060</u></u>

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality at Time of Purchase	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations (A)	5 Years	None	None	None
U.S. Agency Securities (A)	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	None	20%	None
Forward Delivery Agreements	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	30 days	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (B)
Medium-Term Notes	5 Years	A	30%	None
Collateralized Time Deposits	5 Years	None	30%	None
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$50 million/account
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Trust	N/A	None	None	None
Interest Rate Swaps (C)	N/A	None	None	None

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

- (A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities. The specified fund accounts are:
- Citizens Benefit Permanent Fund
 - Roseville Aquatics Complex Maintenance Permanent Fund
 - Endowment Private-purpose Trust Fund
 - All future trust and/or endowment funds established by the City with no anticipated use of principal
- (B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.
- (C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund. Currently, the City does not participate in any Forward Delivery Agreements. Pursuant to its function as custodian and investment manager of the South Placer Wastewater Authority, the City invested certain Authority funds in Forward Delivery Agreements which are investments with fixed maturities and which bear interest at a variable rate. To hedge against changes in short-term interest rates, the Authority entered into a swap agreement to create a synthetic fixed interest rate on one of the Forward Delivery Agreements. Risks associated with the Forward Delivery Agreement and associated swap agreement are those of the Authority and not those of the City. Details of the swap agreement and associated risks may be found in the Basic Financial Statements of the Authority.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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

	Remaining Maturity (in Months)				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
U.S. Government Securities	\$2,959,983	\$120,911,996	\$65,109,688		\$188,981,667
Federal Agency Securities	10,969,129	28,721,722	54,054,157		93,745,008
Corporate Notes	14,635,194	22,655,850	35,761,427		73,052,471
Forward Delivery Agreement	4,604,895				4,604,895
Forward Purchase Agreement	4,042,578				4,042,578
Commercial Paper	10,100,826				10,100,826
Guaranteed Investment Contracts				\$6,368,599	6,368,599
Municipal Bonds			2,426,882		2,426,882
Money Market Mutual Funds (U.S. Securities)	6,463,037				6,463,037
Local Agency Investment Fund	72,142,994				72,142,994
California Asset Management Pool	55,089,652				55,089,652
Certificates of Deposit	12,258,909	32,468,311			44,727,220
Total Investments	<u>\$193,267,197</u>	<u>\$204,757,879</u>	<u>\$157,352,154</u>	<u>\$6,368,599</u>	<u>\$561,745,829</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2013 the fair value was \$19,705 more than the City's cost. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2013, the fair value approximated is the City's cost, and these investments had an average maturity of 37 days.

Money market mutual funds were available for withdrawal on demand and at June 30, 2013 and had an average maturity of 57 days for the Dreyfus U.S. Treasury Money Market Fund and 47 days for the First American Money Market Fund.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2013, for each investment type as provided by Standard and Poor's investment rating system:

	AAA/AAAm	AA+/AA/AA-	A+/A/A-	A-1+/A-1	Total
Investments:					
Federal Agency Securities		\$93,745,008			\$93,745,008
Corporate Notes		44,790,003	\$28,262,468		73,052,471
Forward Delivery Agreement		4,604,895			4,604,895
Forward Purchase Agreement		4,042,578			4,042,578
Municipal Bonds	\$2,230,954	195,928			2,426,882
California Asset Management Pool	55,089,652				55,089,652
Money Market Mutual Funds (U.S. Securities)	6,463,037				6,463,037
Commercial Paper				\$10,100,826	10,100,826
Guaranteed Investment Contracts		6,368,599			6,368,599
Certificates of Deposit		9,951,692		33,521,240	43,472,932
Totals	<u>\$63,783,643</u>	<u>\$163,698,703</u>	<u>\$28,262,468</u>	<u>\$43,622,066</u>	299,366,880
Exempt from Credit Rate Disclosure:					
U.S. Government Securities					188,981,667
Not Rated:					
Local Agency Investment Fund					72,142,994
Certificates of Deposit					<u>1,254,288</u>
Total Investments					<u>\$561,745,829</u>

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

Investments in any one issuer, other than U. S. Treasury securities, money market mutual funds, California Local Agency Investment Fund, and California Asset Management Pool, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2013:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$43,391,191
Federal National Mortgage Association	Federal Agency Securities	46,238,448

Investments in any one issuer that represent 5% or more of total investments by individual funds were as follows at June 30, 2013:

Fund	Issuer	Investment Type	Amount
Major Enterprise Funds:			
Roseville Natural Gas Financing Authority	Wachovia Bank	Forward Purchase Agreement	\$4,042,578
Water	FSA Security Assurance	Investment Agreement	4,217,863

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Among Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2013, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	\$5,600,794 (A),(B),(C),(D)
	Electric Enterprise Fund	11,816,681 (B),(C),(E)
	Water Enterprise Fund	3,043,180 (A),(C)
	Wastewater Enterprise Fund	2,045,347 (A),(C)
	Solid Waste Enterprise Fund	1,554,641 (A),(C)
	Roseville Natural Gas Financing Authority Enterprise Fund	25,372 (A)
	Golf Course Enterprise Fund	112,552 (B),(E)
	Local Transportation Enterprise Fund	235,231 (A)
	School-Age Child Care Enterprise Fund	242,628 (A)
	Internal Service Funds	1,367,170 (B),(E)
Non-Major Governmental Funds	General Fund	4,503,783 (B),(E)
	Community Facilities District Capital Projects Fund	594 (B),(E)
	Non-Major Governmental Funds	4,317,574 (B),(D),(E)
	Electric Enterprise Fund	2,063,895 (E)
	Water Enterprise Fund	800,223 (B),(C),(E)
	Solid Waste Enterprise Fund	358,220 (C),(E)
	Wastewater Enterprise Fund	733,925 (B)
Water Enterprise Fund	Non-Major Governmental Funds	
	Solid Waste Enterprise Fund	576,506 (A)
	Wastewater Enterprise Fund	1,078,933 (A)
Wastewater Enterprise Fund	Water Enterprise Fund	297,813 (B)
	Solid Waste Enterprise Fund	13,240 (B)
Solid Waste Enterprise Fund	Non-Major Governmental Funds	10,000 (B),(D)
Local Transportation Enterprise Fund	Community Facilities District Capital Projects Fund	5,361 (E)
	Non-Major Governmental Funds	37,073 (A)
Internal Service Funds	General Fund	4,628,987 (E)
	Non-Major Governmental Funds	42,850 (D),(E)
	Electric Enterprise Fund	863,526 (E)
	Water Enterprise Fund	471,214 (E)
	Wastewater Enterprise Fund	568,436 (E)
	Solid Waste Enterprise Fund	290,184 (E)
	Golf Course Enterprise Fund	7,961 (E)
	Local Transportation Enterprise Fund	16,872 (E)
	School-Age Child Care Enterprise Fund	14,690 (E)
	Internal Service Funds	131,950 (A)
Total Interfund Transfers		<u>\$47,877,406</u>

(A) To fund operations or indirect costs

(B) To fund various projects and/or pay debt service

(C) To transfer in lieu franchise fees or fund indirect costs or capital projects

(D) To transfer FEMA reimbursement back to funds that incurred the original costs

(E) To pay for indirect costs

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, interfund balances comprised the following:

Due From Other Funds	Due To Other Funds	Amount	
General Fund	Traffic Safety Special Revenue Fund	\$91,067	(A)
Capital Projects Fund:			
Public Facilities	Technology Fee Replacement Special Revenue Fund	100,000	(B)
Enterprise Funds:			
Wastewater	General Fund	64,328	(B)
Wastewater	Solid Waste Enterprise Fund	105,887	(B)
Internal Service Funds:			
Automotive Replacement	Community Development Block Grant/HOME Special Revenue Fund	200,054	(A)
Automotive Replacement	Fire Facilities Special Revenue Fund	234,353	(B)
Automotive Replacement	Utility Exploration Center Special Revenue Fund	12,943	(A)
Automotive Replacement	Golf Course Enterprise Fund	127,000	(B)
Automotive Replacement	School-Age Child Care Enterprise Fund	60,000	(B)
Automotive Replacement	School-Age Child Care Enterprise Fund	354,935	(A)
Automotive Replacement	Automotive Services Internal Service Fund	942,093	(A) (B)
Workers Compensation	Unemployment Insurance Internal Service Fund	200,000	(B)
		<u>\$2,492,660</u>	

(A) To temporarily fund short-term cash flow needs.

(B) Current portion of the advances mentioned in 4C below.

C. Long-Term Interfund Advances

At June 30, 2013, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount
Special Revenue Funds:		
Fire Facilities	Automotive Replacement Internal Service Fund	\$492,017
Roseville Community Development Corporation	General Fund	1,530,951
Roseville Community Development Corporation	Affordable Housing Special Revenue Fund	500,000
Technology Fee Replacement	Public Facilities Capital Projects Fund	495,054
Capital Projects Funds:		
Community Facilities Districts	Pleasant Grove Drainage Basin Capital Projects Fund	3,000,000
	Water Enterprise Fund	2,000,000
Enterprise Funds:		
Solid Waste	Wastewater Enterprise Fund	224,621
Golf Course	Automotive Replacement Internal Service Fund	2,877,000
School-Age Child Care	Automotive Replacement Internal Service Fund	440,000
Internal Service Fund:		
Unemployment Reserve	Workers' Compensation Internal Service Fund	190,353
		<u>\$11,749,996</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Fire Facilities advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 5 years beginning in fiscal year 2013.

Roseville Community Development Corporation advances bear interest at the average interest rate of the City's pooled investments plus 1%, adjusted every 5 years. Principal and interest are deferred for the first ten years from the date of disbursement, and are then payable in annual installments over ten years, with one beginning in fiscal year 2021 and the second beginning in 2023.

Technology Fee Replacement advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 7 years beginning in fiscal year 2014.

Community Facilities Districts advance bears interest at the City's pooled interest rate plus 2.5%. It will be repaid over a period of 10 years and will be repaid in 2016.

Solid Waste advance bears interest at 3.94%. It will be repaid over a period of 10 years and will be repaid in 2016.

Golf Course advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 27 years and will be repaid in 2029.

School-Age Child Care advances are being repaid over five years with one beginning in fiscal year 2007 and the other in 2010. A third advance began in 2013 and will be repaid over a 6 year period beginning in 2019. These advances bear interest at the average interest rate of the City's pooled investments and interest is to be paid at the end of the loans.

D. Internal Balances

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE

The City and former Redevelopment 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. With the dissolution of the Redevelopment Agency as discussed in Note 20, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the housing loans of the Redevelopment Agency and a Successor Agency assumed the non-housing loans as of February 1, 2012. Although these notes are expected to be repaid in full, their balances have been offset in the fund financial statements by unavailable revenue, due to other government agencies or fund balance as they are not expected to be repaid during fiscal year 2013. These notes receivable comprised the following at June 30, 2013:

Flood Loan Notes	\$6,633
Housing Rehabilitation and Affordable Housing Notes	14,308,562
First Time Home-Buyer Notes	8,198,098
Housing Elevation Notes	15,000
Roseville Community Development Corporation Notes	2,635,754
Successor Agency	<u>29,039,631</u>
Total	<u><u>\$54,203,678</u></u>

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 nonspendable fund balance. The balance of these notes receivable at June 30, 2013 was \$6,633.

B. Housing Rehabilitation and Affordable Housing Notes Receivable

The City and Agency engage 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 or Agency'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 Government Agencies, as they are not expected to be repaid during fiscal year 2013 and any repayments will be used to reduce future grant draw-downs by the City. With the dissolution of the Agency effective February 1, 2012, the assets of the Low and Moderate Income Housing Fund, including affordable housing notes receivable, were assumed by the Low and Moderate Income Housing Asset Fund as discussed in Note 20. The balance of the notes receivable arising from these programs at June 30, 2013, was \$14,308,562.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

C. *First Time Home-Buyer Notes Receivable*

The City and the Agency engage in a first time home-buyer program designed to encourage home ownership among low-income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and unavailable revenue as they are not expected to be repaid during fiscal year 2013, and any repayments will be used to reduce future grant draw-downs by the City. With the dissolution of the Agency effective February 1, 2012, the assets of the Low and Moderate Income Housing Fund, including \$1,657,453 in First Time Home Buyer notes receivable, were assumed by the Low and Moderate Income Housing Asset Fund as discussed in Note 20. The balance of the notes receivable arising from this program at June 30, 2013, was \$8,198,098.

D. *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 \$5,000 per household, with the total federal share not to exceed \$1,493,096. The City provides matching funds to each eligible household at a maximum of \$5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See Note 5A above). As of June 30, 2013, eleven loans funded through the FEMA Hazard Mitigation Grant Program were outstanding with a total balance of \$15,000.

E. *Roseville Community Development Corporation Notes*

As of June 30, 2012, the Corporation purchased properties located at 240 Vernon Street and 242-246 Vernon Street on behalf of 240 Vernon Street LLC and 242-246 Vernon Street LLC in the amount of \$602,435 and \$541,047, respectively. Both of these purchases have been recorded as a Notes Receivable from each of the LLCs. The cost of the properties is expected to be paid back to the Corporation when the properties are sold or through a monthly rental agreement. The outstanding balance of the loans at June 30, 2012 was \$1,123,254

On February 22, 2012, the Corporation entered into a loan agreement with Innova Vernon LP for costs associated with fees, improvements, modifications, upgrades and equipment for the purpose of operating a restaurant called “*Sammy’s Rockin’ Island Bar and Grill*” at the property referred to as 238 *Vernon Street*. The total loan is for \$1,512,500 and will be disbursed per a *Funding Release Schedule*. The Loan will be repaid over sixty-six months beginning with the nineteenth month after the date of the Note. Interest at 4% will accrue and be capitalized to the principal. A balloon payment comprised of accrued interest and principal will be paid on or before the *Maturity Date* (7 years after the *Date of the Note*). As of June 30, 2013, \$1,512,500 had been disbursed.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

F. Successor Agency Loans

Prior to July 1, 2011, the Redevelopment Agency had received six advances from various City funds: (1) Advances in the amount of \$5,422,789 were to be repaid in fiscal year 2029. This advance bore interest at the average interest rate of the City's pooled investments. (2) Advance in the amount of \$915,049 bore interest at 3.15% and was to be repaid in fiscal year 2023. (3) Advance in the amount of \$3,900,000 bears no interest and was to be repaid in fiscal year 2029. (4) Advance in the amount of \$3,000,000 bears no interest and was to be repaid in fiscal year 2034. (5) Advance in the amount of \$4,966,402 will be repaid in fiscal year 2031. This advance bore interest at the average rate of the City's pooled investments, plus 1%. (6) Advances in the amount of \$9,774,347 were to be repaid in fiscal year 2040. These advances bear interest at the average interest rate of the City's pooled investments.

Principal and accrued interest on the advances totaled \$32,768,517 at July 1, 2011. During fiscal year 2012, the City and Redevelopment Agency determined that certain advances should have instead been funded by bond proceeds of the Agency. Therefore, the Redevelopment Agency repaid advances from the City in the amount of \$7,309,447 prior to the dissolution of the Agency on January 31, 2012.

The balance of the advances, including principal and accrued interest, was \$25,603,129 as of January 31, 2012. These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is based upon whether the Successor Agency to the Redevelopment Agency receives a Finding of Completion from the State as discussed in Note 20. In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore the loan balances were adjusted to reflect the revised interest rate during fiscal year 2012. During fiscal year 2013, the State Department of Finance denied this repayment and required the return of \$7,304,420 to the Successor Agency. The General Fund returned the cash to the Successor Agency during fiscal year 2013 and recorded the payment as an extraordinary item and increased the balance of the loans receivable. The principal balance of the loans as of June 30, 2013 is \$28,549,529. Accrued interest on the loans as of June 30, 2013 is \$3,555,724 and has been included in accrued interest receivable.

In addition, during the fiscal year ending June 30, 2010, the Agency approved an interfund advance authorizing the Roseville Redevelopment Project Area Fund and the Roseville Flood Control Project Area to borrow \$558,381 and \$258,455, respectively, from the Low and Moderate Income Housing Fund to assist in making the Agency's fiscal year 2009-10 SERAF payment. These loans do not bear interest and were repayable in five equal annual installments, and were required to be repaid prior to June 30, 2015. The balance of the loans as of June 30, 2013 totaled \$490,102.

With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the above advances and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 20 below. These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is also based upon whether the Successor Agency to the Redevelopment Agency receives a Finding of Completion from the State, as discussed in Note 20. The Successor Agency received its Finding of Completion in August 2013 and the loans are now enforceable obligations.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advances and has recorded loans payable to the City as discussed in Note 20E below.

NOTE 6 – DEVELOPER PERMIT FEES RECEIVABLE

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by unavailable revenue in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The long-term portion of these receivables at June 30, 2013, was \$163,073 which has been classified as developer permit fees receivable, and the short-term portion of these receivables, which totaled \$26,102 at June 30, 2013, is included in accounts receivable.

In response to the state wide slowdown of the housing market, the City has also established a Single Family Residential Fee Deferral Program which offers deferred payment of permit fees for new single-family residences. The deferred fees will be paid to the City (1) prior to the final building inspection on the home; or (2) at close of escrow or within a year of the deed of trust being recorded whichever occurs first. As of June 30, 2013, these deferred fees were \$1,529,841.

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR RESALE

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

A. *Galleria at Roseville*

In fiscal 2001, the City entered into a lease agreement with the Galleria at Roseville regional mall. The purpose of this agreement was to share revenue with the mall developers based on the generation of certain levels of sales tax. The Developer agreed to construct the mall, along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the revenue sharing agreement commenced on that date. The remaining portion of sales tax revenues to be returned approximated to \$2,814,415 at June 30, 2013. 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 2013, payments made to the developer under the agreement totaled \$567,619.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR RESALE (Continued)

B. Land held for Resale

The former Redevelopment Agency purchased 304 Washington Boulevard in June 2011. The 304 Washington Boulevard parcel will be developed by a private developer into 71 Mixed Use residential units with commercial and parking on the first floor. With the dissolution of the Redevelopment Agency as discussed in Note 20, the City, as housing successor, assumed the low and moderate income housing set-aside-funded assets of the Redevelopment Agency as of February 1, 2012, including 304 Washington Boulevard. As of June 30, 2013, the total carrying value of the housing property held by the City amounted to \$861,245. The property is held for resale in the future.

In fiscal year 2013, the Roseville Community Development Corporation purchased a vacant lot for \$25,426 for future development along the Vernon Street corridor.

These properties are accounted for at the lower of cost, market or net realizable value.

NOTE 8 – CAPITAL ASSETS

A. Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

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

	<u>Useful Lives</u>	<u>Capitalization Thresholds</u>
Buildings	20-40 years	\$10,000
Improvements	40 years	10,000
Machinery and Equipment	3-20 years	5,000
Bike Paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Curb, Gutter, Sidewalks and Median Curbs	20 years	10,000
Drain Inlets	50 years	10,000
Flood Control Improvements	75 years	10,000
Soundwalls	35 years	10,000
Stormdrains	75 years	10,000
Traffic Signals	20 years	10,000
Plants and Substations:		
Electric	10-120 years	10,000
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Distribution Systems:		
Electric	7-100 years	10,000
Sewer	75 years	10,000
Water	75 years	10,000
Electric Generation	10-40 years	10,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

B. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Governmental activities					
Capital assets not being depreciated:					
Land	\$25,838,639	\$1,211,322			\$27,049,961
Streets (modified)	251,781,385	1,080,890		\$29,806,983	282,669,258
Parks (modified)	85,296,698	1,398,457		2,636,891	89,332,046
Landscaping (modified)	44,927,282	89,044	(\$7,653)	80,170	45,088,843
Construction in progress	96,498,138	27,156,563	(17,154,443)	(64,164,037)	42,336,221
Total capital assets not being depreciated	504,342,142	30,936,276	(17,162,096)	(31,639,993)	486,476,329
Capital assets being depreciated:					
Buildings	126,447,323			189,058	126,636,381
Improvements	6,637,436				6,637,436
Equipment	72,275,314	5,484,183	(4,037,536)	178,283	73,900,244
Bike paths	8,484,971				8,484,971
Bridges	56,529,847			8,771,881	65,301,728
Culverts	20,206,079			517,735	20,723,814
Curb, gutter, sidewalk, and median curbs	145,420,065	212,837		5,494,054	151,126,956
Drain inlets	20,752,050	195,926		218,255	21,166,231
Flood control improvements	20,007,644			216,941	20,224,585
Soundwall	31,569,614			4,492,878	36,062,492
Stormdrains	72,713,379	2,568,328		2,475,303	77,757,010
Traffic signals	33,333,369	207,651		9,085,605	42,626,625
Total capital assets being depreciated	614,377,091	8,668,925	(4,037,536)	31,639,993	650,648,473
Less accumulated depreciation for:					
Buildings	(45,704,079)	(3,131,071)			(48,835,150)
Improvements	(1,687,261)	(161,381)			(1,848,642)
Equipment	(53,294,911)	(5,438,993)	4,008,190		(54,725,714)
Bike paths	(5,850,580)	(333,510)			(6,184,090)
Bridges	(8,949,549)	(676,843)			(9,626,392)
Culverts	(5,002,901)	(272,866)			(5,275,767)
Curb, gutter, sidewalk, and median curbs	(100,782,904)	(4,696,618)			(105,479,522)
Drain inlets	(7,767,078)	(419,183)			(8,186,261)
Flood control improvements	(2,699,012)	(268,215)			(2,967,227)
Soundwall	(8,434,018)	(966,173)			(9,400,191)
Stormdrains	(13,405,346)	(1,003,136)			(14,408,482)
Traffic signals	(16,985,061)	(1,570,720)			(18,555,781)
Total accumulated depreciation	(270,562,700)	(18,938,709)	4,008,190		(285,493,219)
Net capital assets being depreciated	343,814,391	(10,269,784)	(29,346)	31,639,993	365,155,254
Governmental activity capital assets, net	\$848,156,533	\$20,666,492	(\$17,191,442)		\$851,631,583

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2012 (As Restated)	Additions	Retirements	Transfers	Balance at June 30, 2013
<i>Business-type activities</i>					
Capital assets, not being depreciated:					
Land	\$16,514,858				\$16,514,858
Landscaping (modified)	576,843				576,843
Streets (modified)	24,914				24,914
Construction in progress	13,602,027	\$13,622,854	(\$567,474)	(\$4,886,123)	21,771,284
Total capital assets not being depreciated	30,718,642	13,622,854	(567,474)	(4,886,123)	38,887,899
Capital assets, being depreciated:					
Buildings	26,201,337		(215,142)	672,568	26,658,763
Improvements	17,068,378			(655,899)	16,412,479
Machinery and equipment	24,589,417	2,573,977	(377,831)	(16,669)	26,768,894
Bike paths	4,078,094				4,078,094
Bridges	1,702,403				1,702,403
Culverts	305,328				305,328
Curb, gutter, sidewalk, and median curbs	110,989				110,989
Drain inlets	24,663				24,663
Flood control improvements	8,830,439				8,830,439
Storm drains	38,069				38,069
Plants and substations	352,271,728			2,162,927	354,434,655
Distribution	1,187,202,202	7,552,108	(1,616,091)	1,630,235	1,194,768,454
Generation	200,882,798	34,129		1,092,961	202,009,888
Total capital assets being depreciated	1,823,305,845	10,160,214	(2,209,064)	4,886,123	1,836,143,118
Less accumulated depreciation for:					
Buildings	(6,918,216)	(659,351)	24,203	(75,664)	(7,629,028)
Improvements	(5,388,948)	(439,802)		58,995	(5,769,755)
Machinery and equipment	(14,701,549)	(2,053,671)	323,729	16,669	(16,414,822)
Bike paths	(1,016,826)	(201,570)			(1,218,396)
Bridges	(66,205)	(18,916)			(85,121)
Culverts	(17,855)	(4,071)			(21,926)
Curb, gutter, sidewalk, and median curbs	(6,487)	(5,549)			(12,036)
Drain inlets	(3,356)	(493)			(3,849)
Flood control improvements	(58,870)	(117,739)			(176,609)
Storm drains	(3,655)	(508)			(4,163)
Plants and substations	(93,256,022)	(8,018,060)			(101,274,082)
Distribution	(225,425,410)	(17,999,528)	258,289		(243,166,649)
Generation	(46,485,370)	(10,669,008)			(57,154,378)
Total accumulated depreciation	(393,348,769)	(40,188,266)	606,221		(432,930,814)
Net capital assets being depreciated	1,429,957,076	(30,028,052)	(1,602,843)	4,886,123	1,403,212,304
Business-type activity capital assets, net	\$1,460,675,718	(\$16,405,198)	(\$2,170,317)		\$1,442,100,203

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

General government	\$1,481,065
Community development and planning	488,951
Public works	11,416,627
Police	803,214
Fire	610,048
Library	574,739
Parks and recreation	366,039
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	3,198,026
Total Governmental Activities	<u>\$18,938,709</u>

Business-Type Activities

Electric	\$17,863,681
Water	8,100,231
Wastewater	11,753,167
Solid Waste	294,930
Golf Course	388,601
Local Transportation	1,720,787
School-age Child Care	66,869
Total Business-Type Activities	<u>\$40,188,266</u>

D. Streets, Parks and Landscaping Covered By the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads. The City's policy based on current funding is to maintain the arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.8, instead of providing depreciation. During fiscal 2013 the City expended \$4,980,690 to preserve its roads. The City estimates that it will be required to expend approximately \$4,570,018 in fiscal 2014 to maintain its roads at this condition level.

The City has also elected to use the modified approach with respect to its parks and landscaping. The City's policy based on current funding is to maintain the parks and landscape at an average Ground Management Index (GMI) of Level 3, instead of providing depreciation. During fiscal 2013 the City expended \$4,868,908 to preserve its parks and landscaping. The City estimates that it will be required to expend approximately \$5,012,552 in fiscal 2014 to maintain its parks at this condition level.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

E. *Restatement of Capital Assets*

During the fiscal year ended June 30, 2013, the City determined that developer contributions of distribution capital assets in the Wastewater Enterprise Fund had been understated in the amount of \$11,348,697, net of accumulated depreciation, and that buildings in the School Age Childcare Enterprise Fund had been understated in the amount of \$1,171,724, net of accumulated depreciation. Therefore, the beginning balances of Capital Assets and Net Position of the respective Funds have been increased and restated in those amounts as of July 1, 2012.

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.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

The deferred charge on refunding was previously reported as a component of the long-term debt balance. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the balance of deferred charge on refunding is to be reported as an asset or liability, as applicable. Another provision of GASB Statement No. 65 requires that bond issuance costs, other than prepaid insurance, be expensed in the year incurred. As a result of the implementation, bond issuance costs as of July 1, 2012 in the amounts of \$1,676,644, \$566,982 and \$167,505, in the Electric, Wastewater and Golf Enterprise Funds, respectively, have been removed and net position of the funds has been reduced and restated in those amounts.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2012 (As restated)	Additions	Retirements	Balance June 30, 2013	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
2003A Public Facilities Refunding, 2.0%-5.0%, due 8/1/25	\$18,275,000	\$13,190,000		\$13,190,000		
Lease:						
2012 Public Facilities Refunding, 2.15%, due 8/1/25	11,549,031		\$11,549,031		\$11,549,031	\$878,784
Installment Purchase Obligations:						
Equipment	2,239,765	125,785		82,821	42,964	42,964
Land (Fulcrum Property)	1,191,322		1,191,322		1,191,322	
Total Governmental Activity Debt:	<u>\$33,255,118</u>	<u>\$13,315,785</u>	<u>\$12,740,353</u>	<u>\$13,272,821</u>	<u>\$12,783,317</u>	<u>\$921,748</u>
Business-type Activity Debt:						
Certificates of Participation:						
2004 Electric System Revenue, 3.00%-5.25%, due 2/1/34	\$39,940,000	\$37,825,000		\$395,000	\$37,430,000	\$405,000
Less: deferred bond discount	(728,254)	(534,053)		(24,275)	(509,778)	
2005 Electric System Revenue, Series A 3.00%-5.00%, due 2/1/23	52,900,000	43,615,000		3,450,000	40,165,000	3,625,000
Add: deferred bond premium cost	3,528,055	2,731,398		113,808	2,617,590	
2008 Electric System Revenue, Series A variable rate, due 2/1/35	90,000,000	90,000,000		90,000,000		
2009 Electric System Revenue Refunding 2.00%-5.25%, due 2/1/24	27,010,000	22,350,000		1,515,000	20,835,000	1,545,000
Add: deferred bond premium cost	396,611	317,288		26,441	290,847	
2012 Electric System Revenue Refunding variable rate, due 2/1/35	90,000,000		\$90,000,000		90,000,000	
2003B Golf Course Refunding, 2.0%-5.0%, due 8/1/23	8,240,000	5,600,000		5,600,000		
2007 Water Utility Revenue, 4.0%-5.0%, due 12/1/27	53,695,000	46,665,000		1,965,000	44,700,000	2,065,000
Add: deferred bond premium cost	2,759,170	2,069,376		137,959	1,931,417	
Total Certificates of Participation	<u>367,740,582</u>	<u>250,639,009</u>	<u>90,000,000</u>	<u>103,178,933</u>	<u>237,460,076</u>	<u>7,640,000</u>
Revenue Bonds:						
2007 Gas Revenue Bonds 4.00-5.00%, due 2/15/28	209,350,000	181,875,000		7,675,000	174,200,000	8,030,000
Add: deferred bond premium cost	15,454,116	11,038,655		735,910	10,302,745	
2010 Electric System Revenue Refunding 2.00%-5.00%, due 2/1/37	55,845,000	55,540,000		330,000	55,210,000	355,000
Add: deferred bond premium cost	2,764,207	2,559,451		102,378	2,457,073	
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds, Series A variable rate, due 11/1/35	16,340,380	16,340,380		16,340,380		
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds, Series B variable rate, due 11/1/35	16,337,672	16,337,672		16,337,672		
2011 Refunding Wastewater Revenue Bonds, Series C 1.00-5.25%, due 11/1/25	36,315,568	34,858,395	4,819,815	1,874,464	37,803,746	1,988,535
Add: deferred bond premium cost	2,839,017	2,484,139	343,479	201,973	2,625,645	
2011 Refunding Wastewater Revenue Bonds, Series D variable rate (SIFMA rate plus 0.83%), due 11/1/14	16,251,000	16,251,000	2,247,000		18,498,000	
2013 Refunding Wastewater Revenue Bonds variable rate, due 11/1/35	36,582,878		36,582,878		36,582,878	
Total Revenue Bonds	<u>408,079,838</u>	<u>337,284,692</u>	<u>43,993,172</u>	<u>43,597,777</u>	<u>337,680,087</u>	<u>10,373,535</u>
Lease:						
2012 Public Facilities Refunding (Golf Course), 2.15%, due 8/1/25	4,775,578		4,775,578		4,775,578	430,618
Total Business-type Activity Debt:	<u>\$780,595,998</u>	<u>\$587,923,701</u>	<u>\$138,768,750</u>	<u>\$146,776,710</u>	<u>\$579,915,741</u>	<u>\$18,444,153</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

B. 2003A Public Facilities Refunding Certificates of Participation (COP's)

On July 17, 2003, the City issued \$18,275,000 of Public Facilities Refunding COPs to advance refund the outstanding 1993 Public Facilities COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Principal payments were payable annually and interest payments were due semi-annually on February 1 and August 1 through 2025. The COP's were refunded and retired by the 2012 Public Facilities Refunding Lease.

C. 2012 Public Facilities Refunding Lease

On June 1, 2013, the City entered into a Lease and Sublease Agreement in the amount of \$16,324,609 to refund the outstanding 2003A Public Facilities Refunding Certificates of Participation (2003A COPs) and the 2003B Golf Course Refunding Certificates of Participation (2003B COPs). The refunding of the 2003A COPs reduces the total debt service payments over 13 years by \$1,477,987 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,482,732. The refunding of the 2003B COPs reduces the total debt service payments over 11 years by \$756,555 and to obtain an economic gain of \$754,811. The 2003A and 2003B COPs were called on August 1, 2013. The Lease is repayable from any source of available funds of the City which includes the General Fund, however the Golf Course Enterprise Fund is expected to repay the portion of the lease related to the refunding of the 2003B Certificates of Participation. Principal and interest payments are payable semi-annually on February 1 and August 1 through 2025.

D. Installment Purchase Obligations

The City has purchased various pieces of computer equipment on the installment basis. The City has also entered into long-term contracts for the lease/purchase of various public safety equipment.

Fulcrum Property Corporation purchased commercial property for the development of a conference center and subsequently assigned the commercial property to the City, and the City assumed all of Fulcrum's rights and obligations to the property, including the associated installment purchase obligation. The installment purchase obligation is due in a lump sum of \$1,191,322, plus simple interest of 5% per year from December 21, 2012 to December 31, 2016, and the outstanding principal and interest is due on December 31, 2016. Fulcrum has the option to purchase a portion of the property and for this, Fulcrum is to pay the City \$10,000 on or before each December 31 during the option term which ends December 31, 2016, or \$70,000 if terminated earlier. The option consideration is non-refundable, and is not applied to the purchase price.

E. 2004 Electric System Revenue Certificates of Participation

On July 1, 2004, the City issued \$39,940,000 of Certificates of Participation to finance capital improvements to the City's Electric System. The COP's are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00% - 5.25% and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 through February 2034.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

F. 2005 Electric System Revenue Certificates of Participation, Series A

On May 26, 2005, the City issued Certificates of Participation, Series A, in the original principal amount of \$52,900,000 to finance certain Electric System improvements, primarily including construction of the Roseville Energy Park.

The Series A COPs bear interest at 3.00%-5.00% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2008 through 2023.

G. 2008 Electric System Revenue Refunding Certificates of Participation Series A and Electric System Revenue Refunding Certificates of Participation Series B

On May 12, 2008, the City issued variable rate Certificates of Participation (COP's) Series A and B in the original principal amounts of \$90,000,000, and \$64,500,000, respectively. The Series B COPs were refinanced by the 2010 Electric System Revenue Refunding Bonds, discussed in Note 9I below.

The Series 2008A Bonds were issued to refund the remaining outstanding balance of the 2005 Electric System Revenue Certificates of Participation, Series B.

The Series A COPs were issued as variable rate securities with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 27-year interest rate swap agreement for the entire amount of the Series A COP's. The combination of the variable rate Series A COPs and a floating rate swap creates synthetic fixed-rate debt for the City. Principal payments were due annually on February 1 beginning February 1, 2023 through 2035. The Series A COPs were refinanced in fiscal year 2013 by the 2012 Electric System Revenue Refunding Certificates of Participation, as discussed in Note 9J below.

H. 2009 Electric System Revenue Refunding Certificates of Participation

On November 24, 2009, the City issued Certificates of Participation (COP's) in the original principal amount of \$27,010,000.

The COPs were issued to refinance the remaining outstanding balance of the 2002 Electric System Revenue Certificates of Participation.

The COPs bear interest at 2.00%-5.25% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2010 through 2024.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

I. 2010 Electric System Revenue Refunding Bonds

On October 21, 2010, the City issued Revenue Bonds in the original principal amount of \$55,845,000.

The Bonds were issued to refinance the remaining outstanding balance of the 2008 Electric System Revenue Refunding Certificates of Participation Series B, discussed above in Note 9 F.

The Revenue Bonds bear interest at 2.00%-5.00% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2012 through 2037.

J. 2012 Electric System Revenue Refunding Certificates of Participation

On November 7, 2012 the City issued Certificates of Participation (COPs) in the original principal amount of \$90,000,000. The COPs were issued to refund and retire the outstanding balance of the 2008A Electric System Revenue COPs. The refunding did not change the total debt service payments and there was no economic gain or loss (difference between the present values of the debt service payments on the old and new debt). The 2008A COPs were called on November 7, 2012 with the termination of the letter of credit.

The COPs were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Trust Agreement to mean a per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of (a) the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus (b) the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The LIBOR Index is defined as the London interbank offered rate for U.S. dollar deposits for a one-month period, as reported on Reuters Screen LIBOR01 Page or any successor thereto, which will be that one-month LIBOR rate in effect two London Business Days prior to the LIBOR Index Reset Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. The interest rate of the COPs cannot exceed 12% per year and may be converted by the City into a daily rate, weekly rate, commercial paper rate or index rate, subject to certain conditions defined in the Trust agreement. The interest rate at June 30, 2013 was 0.765%.

The City originally entered into a 27-year interest rate swap agreement for the entire amount of the 2008A COPs, and the interest rate swap agreement remains outstanding after the refunding, but the notional amount of the swap is based on the notional amount of the 2008A COPs. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 3.971% at June 30, 2013. The COPs are subject to mandatory prepayment annually beginning February 1, 2023 through 2035.

As of June 30, 2013, the total principal and interest remaining to be paid on the 2004 Electric System Revenue COP's, 2005 Electric System Revenue COP's, 2009 Electric System Revenue Refunding COP's, 2010 Electric System Revenue Refunding Revenue Bonds and 2012 Electric System Revenue Refunding COPs was \$404,051,370. As disclosed in the official statements, all net revenues of the Electric System are expected to provide coverage over debt service of 110% over the lives of the Bonds. For fiscal year 2013, net revenues amount to \$33,781,411 which represent coverage of 193% over the \$17,483,647 in debt service.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

K. 2003B Golf Course Refunding Certificates of Participation

On July 17, 2003, the City issued \$8,240,000 of Golf Course Refunding COPs, the proceeds of which are to be used to advance refund the outstanding 1993 Golf Course COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Interest payments were due semi-annually on February 1 and August 1. Principal payments were due annually on August 1 through 2024. The COPs were refunded by the 2012 Public Facilities Refunding lease discussed in 9C above.

L. 2007 Water Utility Revenue Certificates of Participation

The City issued Certificates of Participation in the original principal amount of \$53,695,000 on October 16, 2007, to refund the remaining balance of 1997 Water Utility Revenue Certificates of Participation, and to finance the acquisition and the construction of certain capital improvements and additions to the City's Water Utility System. The COP's are 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, 2027.

As of June 30, 2013, the total principal and interest remaining to be paid on the bonds was \$63,228,507. As disclosed in the official statement, all net revenues of the Water Utility System are expected to provide coverage over debt service of 120% over the life of the Bonds. For fiscal year 2013 net revenues amounted to \$10,317,340 which represented coverage of 258% over the \$3,999,604 in debt service.

M. 2007 Roseville Natural Gas Financing Authority Gas Revenue Bonds

On January 24, 2007, the Authority issued \$209,350,000 of Gas Revenue Bonds, Series 2007, to finance a lump sum prepayment to a Gas Supplier (See Note 19A) in order to acquire a supply of natural gas to be delivered over a period of twenty-years. The gas purchased by the Authority will be sold to the City pursuant to a Natural Gas Supply Agreement (See Note 19B) to produce revenues to be used for debt service on the Bonds.

Principal payments are due annually commencing on February 15, 2009 through 2028 and interest is payable semiannually on February 15 and August 15, commencing August 15, 2007. As of June 30, 2013, the total principal and interest to be paid on the bonds was \$251,838,995. For fiscal year 2013, net revenues amounted to \$26,709,137 which represented coverage of 1.60% over the \$16,653,644 in debt service.

N. 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A, B, C, and D

On April 7, 2011, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2011A and 2011B in the original principal amounts of \$30,165,000 and \$30,160,000, respectively, and Revenue Refunding Bonds Series 2011C and 2011D (SIFMA Index Bonds) in the original principal amount of \$67,040,000 and \$30,000,000, respectively. The City's share of this obligation was determined to be 54.17% when the Bonds were issued. The Authority amended the Funding Agreement and the members entered into a Reallocation and Repayment Agreement during fiscal year 2012 which changed the proportionate share of the member obligations prospectively effective October 1, 2012. As a result, the City's share of the obligation increased to 61.66% and the liabilities for the 2011C and 2011D Bonds have been increased \$4,819,815 and \$2,247,000, respectively.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

The Series 2011ABCD Bonds were issued to refund the remaining outstanding balance of the 2008 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds Series A and Series B. During fiscal year 2013, the 2011 A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds.

Interest rates on the Series 2011D Bonds will be a per annum rate equal to the Adjusted SIFMA Rate (the sum of the SIFMA Index Rate and an additional interest rate of 0.832%), applied on the basis of the actual number of days in the applicable Interest Period divided by 365 or 366, as applicable. "SIFMA Index" is defined under the Indenture to mean the SIFMA Municipal Swap Index (formerly The Bond Market Association Municipal Swap Index), a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there will be used in its place such index as the Trustee, following consultation with the Authority and the Calculation Agent, as applicable for the applicable Interest Rate Period, from time to time determines most closely approximates the SIFMA Index. The interest rate at June 30, 2013 was 0.892%.

O. 2013 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds

On April 1, 2013, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2013, in the original principal amount of \$59,330,000. The City's share of this obligation was determined to be 61.66%. The 2013 Bonds were issued to refund the remaining outstanding balance of the 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A and B. The refunding reduces the total debt service payments over 23 years by \$10,250,750 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,280,943. The 2011A and 2011B Bonds were called on April 1, 2013.

The 2013 Bonds were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Indenture to mean the per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The interest rate of the Bonds cannot exceed 12% per year and may be converted by the Authority into a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate, subject to certain conditions defined in the Indenture. The interest rate at June 30, 2013 was 0.761%. The Bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

The Authority originally entered into a 19 year interest rate swap agreement for the entire amount of the 2008B Bonds, and as part of the issuance of the 2011 ABCD Bonds, the swap agreement was amended and remains in effect, but the notional amount of the swap is based on the notional amount of the 2008 B Bonds. The interest rate swap agreement remains outstanding after the refunding and issuance of the 2013 Bonds, and the notional amount of the swap continues to be based on the notional amount of the 2008B Bonds. The combination of the variable rate bonds and the floating rate swap creates a synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the 2011 C and 2013 Bonds at June 30, 2013 was 4.05%.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

As of June 30, 2013, the total principal and interest remaining to be paid on the 2011 Series C, 2011 Series D Bonds and the 2013 Bonds was \$135,086,526. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds, however the Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. As discussed in Note 16, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share. For fiscal year 2013, \$6,151,669 in debt service was paid from the Rate Stabilization Account.

P. Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2008 Electric Revenue Certificates of Participation, Series A. In addition, the City has a 61.66% interest in the Authority which entered into an interest swap agreement in connection with the 2008 Refunding Wastewater Revenue Bonds, Series B. The Authority amended the swap with the issuance of the 2013 Bonds, but the swap continues to be based on the notional amount of the 2008 B Bonds.

These transactions allow the City to create synthetic fixed rates on the COPs and Revenue Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below.

Terms. The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2013, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issues.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	\$36,000,000	5/13/2008	Bank of America, N.A.	A	3.364%	70.5% of 1m LIBOR	2/1/2035
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	54,000,000	5/13/2008	Morgan Stanley Capital Services Inc.	A-	3.321%	70.5% of 1m LIBOR	2/1/2035
2011 Refunding Wastewater Revenue Bonds, series C and D and 2013 Refunding Wastewater Revenue Bonds (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B)	50,961,990 (A)	9/17/2003, amended 4/10/2008	Morgan Stanley Capital Services Inc.	A-	3.665%	62% of 1m LIBOR plus 26 bps	11/1/2027
	<u>\$140,961,990</u>						

(A) The Authority's swap agreement is based on the notional amount of \$82,650,000 related to the 2008B Bonds. The City's share of these underlying Bonds is 61.66%, or \$50,961,990. Only the City's portion of the swap agreement is shown above, since the City was only obligated for that portion of the Authority's bonds.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

Based on the swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

Fair value. Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by each swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2013, the fair value of the swaps were not in favor of the City as follows:

Related Bond Issue	Fair Value	
	2013	2012
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)		
Bank of America N.A.	(\$5,503,837)	(\$9,492,812)
Morgan Stanley Capital Services Inc.	(7,952,467)	(13,898,939)
2011 Refunding Wastewater Revenue Bonds, series C and D and 2013 Refunding Wastewater Revenue Bonds (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B) (A)	(7,044,596)	(8,898,587)
	<u>(\$20,500,900)</u>	<u>(\$32,290,338)</u>

(A) The Authority's swap agreement is based on the notional amount of \$82,650,000 equivalent to the notional balance on the 2008B Bonds. The City's share of these underlying Bonds was 61.66%, or \$50,961,990. Only the City's portion of the fair value of the swap agreement is shown above, since the City is only obligated for that portion of the Authority's 2011 and 2013 bonds.

Credit risk. The City would be exposed to credit risk on the outstanding swaps if the swaps had positive fair values. These amounts may increase if interest rates increase in the future. However, if interest rates decline and fair values of the swaps were to become negative, the City would no longer be exposed to credit risk. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

Termination risk. The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2008 Refunding Wastewater Revenue Bonds, Series B, associated with the 2011 C and D Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on November 1, 2027 while the 2011 A and B mature on November 1, 2035, the 2011 C Bonds mature on November 1, 2025 and the 2011 D Bonds mature on November 1, 2014, and the 2013 Bonds mature on November 1, 2035.

Swap payments and associated debt. Using rates as of June 30, 2013, debt service requirements of the City's outstanding swap-related variable-rate and fixed rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at June 30, 2013:

For the Year Ending June 30	Variable-Rate and Fixed Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2014	\$1,988,535	\$3,264,653	\$4,302,510	\$9,555,698
2015	20,631,436	3,061,545	4,225,246	27,918,227
2016	2,287,586	2,901,291	4,145,164	9,334,041
2017	2,457,151	2,787,945	4,062,412	9,307,508
2018	2,635,965	2,660,616	3,976,398	9,272,979
2019 - 2023	21,227,232	11,022,798	18,411,955	50,661,985
2024 - 2028	40,748,841	6,148,278	12,714,643	59,611,762
2029 - 2033	75,892,994	3,592,783	5,902,342	85,388,119
2034 - 2036	51,597,762	499,941	595,771	52,693,474
Totals	<u>\$219,467,502</u>	<u>\$35,939,850</u>	<u>\$58,336,441</u>	<u>\$313,743,793</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

Q. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$921,748	\$203,063	\$18,444,153	\$24,197,727
2015	795,562	284,700	37,775,565	23,307,819
2016	2,005,995	267,493	20,245,257	22,334,069
2017	831,485	190,321	21,317,141	21,359,319
2018	846,038	172,366	22,372,190	20,321,674
2019 - 2023	4,473,864	575,962	130,500,039	83,977,695
2024 - 2028	2,908,625	105,022	152,312,979	49,373,704
2029 - 2033			80,926,497	22,658,309
2034 - 2037			76,306,381	7,157,912
Total	<u>\$12,783,317</u>	<u>\$1,798,927</u>	560,200,202	<u>\$274,688,228</u>
Reconciliation of long-term debt				
Less deferred bond discount			(509,778)	
Add deferred bond premium costs			<u>20,225,317</u>	
Net long-term debt			<u>\$579,915,741</u>	

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

R. Special Assessment Districts

Special Assessment Districts, including Mello Roos Districts, in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2013, is as follows:

North Roseville Community Facilities District #1	\$15,030,000
North Central Roseville Community Facilities District #1, Series 2010	17,000,000
Woodcreek West Community Facilities District #1, Series 2005	16,590,000
Stone Point Community Facilities District # 1	8,970,000
Fiddymment Ranch Community Facilities District # 1	76,160,000
Westpark Community Facilities District # 1	75,290,000
Roseville Finance Authority Revenue Bonds, Series 2006 A and B	30,510,000
Stone Point Community Facilities District #5, Series 2006	5,170,000
Diamond Creek Community Facilities District #1, Series 2007	6,940,000
Special Tax Revenue Refunding Bonds, Series 2007 A Senior Lien Bonds	37,565,000
Special Tax Revenue Refunding Bonds, Series 2007 B Junior Lien Bonds	8,800,000
Fountains Community Facilities District No.1 Special Tax Bonds Series 2008	11,200,000
Roseville Automall Community Facilities District #1 Special Tax Bonds	2,285,000
Roseville Finance Authority Special Tax Revenue Refunding Bonds, Series 2012	21,000,000
Longmeadow Parkside Community Facilities District #1 Special Tax Refunding Bonds, Series 2013	8,290,000
Total	<u>\$340,800,000</u>

NOTE 10 – DERIVATIVE INSTRUMENTS

A. Summary of Notional Amounts and Fair Values

The City enters into contracts to hedge its price exposures to power and natural gas, and to procure energy supplies. These contracts are evaluated pursuant to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, to determine whether they meet the definition of derivative instruments, and, if so, whether they effectively hedge the expected cash flows associated with interest rate and energy exposures.

The City applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the consolidated statement of net position. For the reporting period, all of the City's derivatives meet the effectiveness tests.

For energy derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants or provided in relevant industry publications.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – DERIVATIVE INSTRUMENTS (Continued)

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2013.

	2013 Change in Fair Value		Fair Value, End of Fiscal Year 2013	
	Classification	Amount	Classification	Amount
Effective Cash Flow Hedges				
Electric Fund				
Pay Fix SWAP, Natural Gas	Deferred Outflow	\$22,418,129	Derivative	<u>(\$22,847,750)</u>
Receive Fixed SWAP, Electric	Deferred Inflow	92,171	Derivative	<u>\$92,171</u>
Roseville Natural Gas Financing Authority				
Pay Fixed SWAP, Natural Gas	Deferred Inflow	(\$2,431,676)	Derivative	\$20,099,009
Receive Fixed SWAP, Natural Gas	Deferred Inflow	(24,374,329)	Derivative	<u>54,655,133</u>
				<u>\$74,754,142</u>

B. Objective and Terms of Hedging Derivative Instruments

The objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2013, are summarized in the next table. The table is aggregated by the credit ratings of the City's counterparties. For counterparties having multiple ratings, the rating indicating the greatest degree of risk is used.

Objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2013 are summarized in the table below:

Type and Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty	Counterparty Rating
Forward Contracts, Gas:						
Hedge Cash Flows on PG&E citygate Gas	\$990,000	8/1/2012	3/31/2014	Pay \$6.63; Receive NGI PG&E citygate price	BP Corporation	BBB+
Hedge Cash Flows on PG&E citygate Gas	183,000	8/1/2012	9/30/2013	Pay \$5.67; Receive NGI PG&E citygate price	ConocoPhillips	A
Hedge Cash Flows on PG&E citygate Gas	828,000	10/1/2012	12/31/2013	Pay \$4.81; Receive NGI PG&E citygate price	J Aron & Company	A-
Hedge Cash Flows on PG&E citygate Gas	1,087,500	8/1/2012	3/31/2014	Pay \$5.10; Receive NGI PG&E citygate price	J.P. Morgan Ventures Energy Corporation	A
Hedge Cash Flows on PG&E citygate Gas	3,515,000	1/1/2013	2/28/2014	Pay \$4.98; Receive NGI PG&E citygate price	Macquarie Energy	A
Hedge Cash Flows on PG&E citygate Gas	367,000	8/1/2012	12/31/2013	Pay \$5.37; Receive NGI PG&E citygate price	Powerex Corporation	AAA
Hedge Cash Flows on PG&E citygate Gas	6,424,000	8/1/2012	5/31/2014	Pay \$6.52; Receive NGI PG&E citygate price	Shell Energy North America	A-
Hedge Cash Flows on NP15 Power	36,600	5/1/2014	5/31/2014	Pay \$34.59; Receive NP15 price	Shell Energy North America	A
Commodity Swaps, Gas:						
Prepayment 20-year supply of Natural Gas	34,513,500	1/1/2008	12/31/2027	Pay index minus 0.68; Receive NGI	Merrill Lynch	A+
Hedge on Cash Flows on prepayment of 20-year supply of Natural Gas	From 76,000 to 372,000 per month	1/24/2007	1/25/2028	Pay NGI PG&E citygate price; Receive \$7.7224 per MMBtu	JPMorgan Chase Bank, NA	A

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – DERIVATIVE INSTRUMENTS (Continued)

C. *Risks of Derivative Instruments*

Credit risk – Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The City seeks to minimize credit risk by transacting with creditworthy counterparties. Interest rate swap counterparties are evaluated at the time of transaction execution. The procedure prohibits the City from executing energy hedge transactions with counterparties rated lower than BBB by Standard & Poor's or Fitch rating services, or Baa2 by Moody's. Subsequent to entering into transactions, the credit ratings of one or more counterparties may deteriorate. If so, the City's credit risk management policies increase the amount of collateral that the counterparty must post with the City when the counterparty owes the City, thereby reducing credit risk associated with the decline in the counterparty's credit worthiness.

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, and mergers in which the successor entity does not meet credit criteria. One aspect of termination risk is that the City would lose the hedging benefit of a derivative that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination the mark-to-market value of the derivative was a liability to the City, the City could be required to pay that amount to the counterparty. Termination risk is associated with all of the City's derivatives up to the fair value amounts.

NOTE 11 – NET POSITION AND FUND BALANCES

A. *Net Position*

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects (expended) or contributions received in permanent funds (unexpended), debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances, Reserves and Designations

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council, such as an Ordinance, which may be altered only by the same formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or the Finance Director. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are below:

Fund Balance Classifications	General Fund	Capital Projects	Other Governmental Funds	Total
		Community Facilities District Projects		
Nonspendable:				
Items not in spendable form:				
Prepaid expenses	\$93,385			\$93,385
Notes receivable	23,826,961			23,826,961
Inventories	429,985		\$776,181	1,206,166
Subtotal	24,350,331		776,181	25,126,512
Amounts required to be maintained intact:				
Permanent funds			16,914,988	16,914,988
Total Nonspendable Fund Balances	24,350,331		17,691,169	42,041,500
Restricted for:				
Community facilities districts		\$6,392,246		6,392,246
Debt service			144,978	144,978
Lighting and landscaping			9,519,456	9,519,456
Street projects			11,320,381	11,320,381
Affordable housing			5,483,482	5,483,482
Library services and projects			471,718	471,718
Public safety services and projects			3,870,025	3,870,025
Bike trail/open space maintenance			978,389	978,389
Animal control shelter			572,870	572,870
Traffic projects			19,721,605	19,721,605
Public facilities			11,988,870	11,988,870
Park development			23,053,888	23,053,888
Pleasant Grove drain basin			8,425,592	8,425,592
Tree propagation			2,607,918	2,607,918
Community development block grant and HOME programs			(14,612)	(14,612)
Aquatics Complex Maintenance			24,913	24,913
Citizens' Benefits			677,304	677,304
Other capital projects			860,055	860,055
Total Restricted Fund Balances		6,392,246	99,706,832	106,099,078
Committed to:				
Utility exploration center			66,779	66,779
Park services and projects			407,251	407,251
Building projects			1,816,908	1,816,908
Total Committed Fund Balances			2,290,938	2,290,938
Assigned to:				
Information systems upgrades and improvements	174,441			174,441
Annual park repairs	126,765			126,765
Building maintenance	110,437			110,437
Police patrol supplies	119,992			119,992
Fire operations and supplies	166,091			166,091
Economic development	586,966			586,966
Plan check and inspection	100,221			100,221
Various contracts	1,617,773			1,617,773
Building and general rehabilitation projects			12,625,416	12,625,416
Total Assigned Fund Balances	3,002,686		12,625,416	15,628,102
Unassigned:				
General fund	29,957,714			29,957,714
Other governmental fund deficit residuals			(1,333,659)	(1,333,659)
Total Unassigned Fund Balances	29,957,714		(1,333,659)	28,624,055
Total Fund Balances	\$57,310,731	\$6,392,246	\$130,980,696	\$194,683,673

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

C. *Economic Reserves*

The Ordinance adopting the City's annual budget requires the City to implement and maintain fund balances of approximately 10% of General Fund and Utility Fund operating expenditures for economic uncertainties. As of June 30, 2013, the General Fund Reserve for Economic Uncertainties, which is reported within the unassigned fund balance of the General Fund, had a balance of \$9,598,800. As of June 30, 2013, the Utility Fund Economic Uncertainties balances, which are reported within the unrestricted net position of the Electric, Water, Wastewater and Solid Waste Enterprise Funds had balances of \$14,174,500, \$2,005,200, \$2,832,800, and \$2,000,000, respectively.

D. *Fund Balance and Net Position Deficits*

The Community Development Block Grant/HOME Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$14,612. Future grant revenues are expected to eliminate this deficit.

The Roseville Community Development Corporation Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$904,548. Future contributions and revenues are expected to eliminate this deficit.

The Technology Replacement Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$429,111. Future permit fees are expected to offset this deficit.

The Automotive Services Internal Service Fund had deficit net position at June 30, 2013 of \$688,836. Rental Rates will be evaluated in future years.

The Unemployment Reserve Internal Service Fund had deficit net position at June 30, 2013 of \$225,417. Increasing future premium amounts and reducing loan payment amounts are expected to eliminate this deficit.

The Post Retirement Internal Service Fund had deficit net position at June 30, 2013 of \$30,774,587. Future increases in contribution rates will eliminate this deficit.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had deficit net position at June 30, 2013 of \$39,828,848. Future tax revenues are expected to eliminate this deficit.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or 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, 2013, are summarized as follows:

	Safety	
Hire Date	Prior to January 1, 2013	After January 1, 2013
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	3%	2.0% - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	31.298%	31.298%

	Safety
Actuarially required contributions	\$10,101,015

	Miscellaneous	
Hire Date	Prior to January 1, 2013	After January 1, 2013
Benefit vesting Schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	20.230%	20.230%

	Miscellaneous
Actuarially required contributions	\$18,063,140

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. The City paid 100% of the contributions required by CALPERS, for the years ended June 30, 2013, 2012 and 2011. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the last three fiscal years were as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<i>Safety Plan</i>			
June 30, 2011	\$8,841,881	100%	\$0
June 30, 2012	10,027,631	100%	0
June 30, 2013	10,101,015	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2011	\$14,791,010	100%	0
June 30, 2012	18,065,353	100%	0
June 30, 2013	18,063,140	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. 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.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN (Continued)

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

Safety Plan (3% @ 50):

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$176,319,541	\$133,291,736	\$43,027,805	75.6%	\$23,685,286	181.665%
2011	196,208,635	145,495,984	50,712,651	74.2%	22,222,636	228.203%
2012	213,420,106	157,246,641	56,173,465	73.7%	23,542,236	238.607%

Miscellaneous Plan (2.7% @ 55):

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$367,490,532	\$261,053,910	\$106,436,622	71.0%	\$63,122,632	168.619%
2011	403,899,989	281,366,830	122,533,159	69.7%	62,355,851	196.506%
2012	429,218,174	302,337,115	126,881,059	70.4%	63,780,598	198.934%

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 13 – POST-EMPLOYMENT BENEFITS

A. Plan Provisions

The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. The Plan does not issue separate financial statements. As of June 30, 2013, there were 525 participants receiving these health care benefits.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans. A summary of eligibility and benefits offered are shown below:

■ Eligibility	• Service or disability retirement from City (or 5 years City service if hired after January 1, 2004)																															
■ Benefit	<u>Hired before January 1, 2004 (a)</u> • City paid premium, subject to the following caps: <table><thead><tr><th>Group</th><th>2013</th></tr></thead><tbody><tr><td>Management/Confidential</td><td>\$1,116.75</td></tr><tr><td>Stationary Engineers Local 39</td><td>1,284.00</td></tr><tr><td>Roseville Police Association</td><td>1,088.50</td></tr><tr><td>Roseville Police Officers Association</td><td>1,162.62</td></tr><tr><td>Roseville Firefighters Association</td><td>1,200.00</td></tr><tr><td>International Brotherhood of Electrical Workers</td><td>1,200.00</td></tr></tbody></table> (a) January 1, 2005 for Police Officers Association and Local 39	Group	2013	Management/Confidential	\$1,116.75	Stationary Engineers Local 39	1,284.00	Roseville Police Association	1,088.50	Roseville Police Officers Association	1,162.62	Roseville Firefighters Association	1,200.00	International Brotherhood of Electrical Workers	1,200.00	<u>Hired after January 1, 2004 (a)</u> • 100/90 formula, subject to vesting schedule: <table><thead><tr><th>CalPERS Service</th><th>Vesting</th></tr></thead><tbody><tr><td>10 to 20 years</td><td>50% to 100%</td></tr></tbody></table> • 100/90 formula rates: <table><thead><tr><th></th><th>2012</th><th>2013</th></tr></thead><tbody><tr><td>Single</td><td>\$566</td><td>\$566</td></tr><tr><td>Two-Party</td><td>1,074</td><td>1,074</td></tr><tr><td>Family</td><td>1,382</td><td>1,382</td></tr></tbody></table> • Five years City service required	CalPERS Service	Vesting	10 to 20 years	50% to 100%		2012	2013	Single	\$566	\$566	Two-Party	1,074	1,074	Family	1,382	1,382
Group	2013																															
Management/Confidential	\$1,116.75																															
Stationary Engineers Local 39	1,284.00																															
Roseville Police Association	1,088.50																															
Roseville Police Officers Association	1,162.62																															
Roseville Firefighters Association	1,200.00																															
International Brotherhood of Electrical Workers	1,200.00																															
CalPERS Service	Vesting																															
10 to 20 years	50% to 100%																															
	2012	2013																														
Single	\$566	\$566																														
Two-Party	1,074	1,074																														
Family	1,382	1,382																														
■ Dental, Vision and Life	• None																															
■ Surviving Spouse Continuation	• Retiree medical benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.																															

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3.00% of general inflation increase, and (d) a healthcare trend of declining annual increases ranging from 9.00% to 9.40% in 2013 to 5.00% for years starting 2021. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, on a closed basis, using a 30 year amortization period with 26 years remaining.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

C. Trend Information

The following table provides three years of historical information of the Annual OPEB Cost:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2011	\$9,273,292	\$38,457,645	415%	\$15,409,215
6/30/2012	15,104,848	4,972,333	33%	25,541,730
6/30/2013	15,317,140	7,612,084	50%	33,246,786

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	(Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2007	\$0	164,567,000	(\$164,567,000)	0.00%	\$80,302,000	-204.94%
6/30/2009	34,000,000	180,097,000	(146,097,000)	18.88%	80,664,000	-181.12%
6/30/2011	34,626,000	176,733,000	(142,107,000)	19.59%	74,535,000	-190.66%

D. Funding Progress and Funded Status

During the fiscal year ended June 30, 2013, the City has recorded a Net OPEB Obligation in the Post Retirement Internal Service Fund, representing the difference between the ARC and actual contributions, as presented below:

Annual required contribution	\$15,995,000
Interest on net OPEB obligation	1,660,212
Adjustment to annual required contribution	<u>(2,338,072)</u>
Annual OPEB cost	15,317,140
Contributions:	
Pay-as-you-go premiums	(5,131,475)
Contribution to the Trust	<u>(2,480,609)</u>
Change in net OPEB obligation	7,705,056
Net OPEB obligation at June 30, 2012	<u>25,541,730</u>
Net OPEB Obligation at June 30, 2013	<u>\$33,246,786</u>
Percentage of annual OPEB cost contributed	<u>50%</u>

The Net OPEB Obligation is liquidated by the fund that has recorded the liability. The long-term portion of governmental activities Net OPEB Obligation is liquidated primarily by the General Fund.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

E. Investments Authorized for the Retiree Health Plan Trust

The authorized investments for the Retiree Health Plan Trust were established pursuant to the Trust Agreement. The City, as trustee, has elected to invest the Trust assets in up to six months of cash, cash equivalent and/or money market funds for near term Trust benefits and expenses. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries. To achieve the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to attempt to achieve a long-term average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate as described above.

Asset Classes	Asset Weightings	
	Range	Target
Domestic Equity	18-38%	28%
International Equity	7-27%	17%
REITs	0-10%	2.50%
Inflation Hedge	0-10%	2.50%
Fixed Income	35-75%	50%
Cash Equivalent	0-20%	0%

F. Retiree Health Plan Assets

At June 30, 2013, the Plan reported assets available for benefits of \$41,641,477. The composition of these assets at June 30, 2013, is shown below. For actuarial purposes, the value of the Plan's assets was determined to be fair value.

Domestic Equity	\$15,622,248
International Equity	8,661,477
REITs	1,202,545
Fixed Income Securities	16,058,592
Cash Equivalent	96,615
Assets available for benefits at June 30, 2013	<u>\$41,641,477</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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.

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

The contributions made to the risk pools below equal the ratio of the respective member 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.

A. Risk Coverage

General Liability, Property and Boiler and Machinery

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims, property, and boiler and machinery losses. Once the City's SIR is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool and more information may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

General Liability Coverage

The City has a self-insured retention (SIR) of \$500,000 per claim up to a \$40,000,000 limit. The City's premium was \$423,865 with an additional \$1,625 charge to reflect the fees to access CSRM Risk Control Online Services. The total premium cost to the City was \$425,490.

Property Coverage

CJPRMA has purchased commercial insurance against property damage. The City has a self-insured retention (SIR) of \$25,000 per claim up to a \$300,000,000 limit. The City's premium for coverage is \$241,608.

Boiler and Machinery Coverage

CJPRMA has purchased commercial insurance against boiler and machinery claims. The City has a self-insured retention (SIR) of \$5,000 per claim up to a \$21,250,000 limit. The annual premium paid was \$31,058.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 14 - RISK MANAGEMENT (Continued)

Roseville Energy Park Property Coverage

The City purchased commercial property insurance specifically to cover the Roseville Energy Park. The City has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. The City's premium for coverage is \$407,008.

Fiduciary Coverage

The City purchased fiduciary insurance specifically to cover the OPEB Trust. The self-insured retention is \$25,000 per claim up to a \$3,000,000 limit. The City's premium for coverage is \$27,864.

Workers' Compensation

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$5,000,000 and has excess coverage through CSAC-EIA up to statutory limit. The City has a self-insured retention of \$350,000 per claim. The City's premium of \$492,772 was for current year coverage, plus \$26,106 towards a 1998-99 assessment. The total premium charge to the City was \$518,878.

Financial statements for the risk pool and more information may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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

	<u>2013</u>	<u>2012</u>
Claims liability, beginning of year	\$6,309,143	\$5,853,000
Current year claims	2,363,000	2,335,000
Change in prior year claims	127,859	(725,327)
Claims paid, current year claims	(331,860)	(331,063)
Claims paid, prior year claims	<u>(764,438)</u>	<u>(822,467)</u>
Claims liability, end of year	<u>\$7,703,704</u>	<u>\$6,309,143</u>
Current claims liabilities	<u>\$924,444</u>	<u>\$757,097</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 14 - RISK MANAGEMENT (Continued)

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

	2013	2012
Claims liability, beginning of year	\$1,555,904	\$1,792,000
Current year claims	1,119,000	755,000
Change in prior year claims	2,549,950	175,876
Claims paid, current year claims	(105,869)	(83,354)
Claims paid, prior year claims	(3,226,380)	(1,083,618)
Claims liability, end of year	<u>\$1,892,605</u>	<u>\$1,555,904</u>
Current claims liabilities	<u>\$548,855</u>	<u>\$451,212</u>

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

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

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

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 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 member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine the City's equity in NCPA as a whole. NCPA reports only the City's share of its General Operating Reserve, comprised of cash and investments, and the City's share of those Projects in which the City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

During the year ended June 30, 2013, the City incurred expenses totaling \$9,115,663 for purchased power and assessments and prepaid assets paid to NCPA.

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

	<u>June 30, 2013</u>
General Operating Reserve (including advances)	\$1,503,041
Associated Member Services (including advances)	82,641
Purchased Power and Transmission	21,954
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	734,813
Calaveras Hydroelectric Project	881,554
Combustion Turbine Project No. 2	<u>161,914</u>
	<u><u>\$3,385,917</u></u>

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

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. 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, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In March 2009, NCPA issued \$35,610,000 Geothermal Project Number 3 Revenue Bonds (2009 Series A). The proceeds were used to finance and operate the two NCPA 110 MW geothermal steam powered generating plants, Plant Number 1 and Plant Number 2. The City is obligated to pay its contractual share of 7.883% of the operating costs and debt service until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$103,560,994 while its long-term debt totaled \$44,638,207 and other liabilities totaled \$34,233,065. The City's share of the Project's long-term debt amounted to \$3,518,830 at that date.

On October 28, 2004, NCPA approved a resolution to finance the expansion and remodeling of the NCPA main office building located in Roseville. The expansion is included as part of the Geothermal Projects funded by the bonds mentioned above. The City will recover its 7.883% share of the cost of the expansion which was \$204,958, with a 5% return on the investment over a ten year period. As of June 30, 2013, the City was owed \$55,404.

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. In January 2012, NCPA refunded the outstanding Revenue Bonds with the \$83,785,000 2012 Hydroelectric Project Number One Revenue Bonds. At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$412,763,311 while its long-term debt totaled \$364,437,666 and other liabilities totaled \$19,286,461. The City's share of the Project's long-term debt amounted to \$43,732,520 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. In January 2010, NCPA refinanced the outstanding Capital Facilities Revenue Bonds by the issuance of the \$55,120,000 Capital Facilities Revenue Bonds Series A (2010 Refunding Series A). 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% of the natural gas purchase contract.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$53,496,340, while its long-term debt totaled \$50,198,898 and other liabilities totaled \$1,318,846. The City's share of the Project's long-term debt amounted to \$18,322,598 at that date.

C. NCPA Financial Information

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

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY

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

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of \$97,000,000. The purpose of the 2003 bonds is to advance refund the 2000 Revenue Bonds Series A. On April 3, 2008, the SPWA issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2008A and 2008B in the original principal amounts of \$72,504,000 and \$92,850,000 respectively. The purpose of the 2008A bonds is to refund the remaining outstanding balance of the 2000 Revenue Bonds Series B. The 2008B bonds were issued to refund the remaining outstanding balance of the 2003 Refunding Revenue Bonds and to advance refund the remaining outstanding balance of the 2000 Revenue Bonds Series A. On April 7, 2011 the SPWA issued Refunding Wastewater Revenue Bonds Series A, B, C and D in the original principal amounts of \$30,165,000, \$30,160,000, \$67,040,000 and \$30,000,000, respectively. The purpose of the 2011 Bonds was to refund the remaining outstanding balance of the 2008A and 2008B Bonds. On April 1, 2013, the SPWA issued Refunding Wastewater Bonds, Series 2013, in the original principal amount of \$59,330,000 to refund the outstanding balance of the 2011 Series A and B Bonds. The three agencies are responsible for the repayment of all of these Revenue Bonds. The City's share of this obligation was originally 54.17%, but with the amendment to the funding agreement discussed below, the City's obligation is now 61.66%. 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, 2013, the City paid \$5,510,747 to SPWA based on connection fees collected during the fiscal year.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY (Continued)

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Net Position. The members of the SPWA entered into an Amended and Restated Funding Agreement and a Reallocation and Repayment Agreement effective October 1, 2012. The Amended and Restated Funding Agreement changed the proportionate shares of each member for the cost allocations and the City's share was increased to 61.66%. As a result, the City's investment in SPWA reserves and obligations increased by \$30,125,316 and \$7,410,294, respectively, and the net of \$22,715,022 has been reported as a special item. The City's investment in SPWA Reserves at June 30, 2013, was \$69,749,795.

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

NOTE 17 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Solid Waste Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. During fiscal year 2013, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$2,753,558
Deductions	<u>(137,993)</u>
Ending Balance	<u><u>\$2,615,565</u></u>

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES

A. *NCPA and Western Area Power Administration*

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 2013, was \$65,753,948. 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.

In addition, the City has a long-term obligation to the United States Department of Energy, Western Area Power Administration, for 4.5817% of the output of the Central Valley Project, California. This contract, also known as the Western Base Resource, obligates the City to make payments on a "take-or-pay" basis through December 31, 2024. The City expects to pay approximately \$3.5 million annually for the term of this contract. The City receives approximately 153,000 MWh of energy per year under average hydro and storage conditions.

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended 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.

C. Litigation

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.

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end may be reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2013, by individual major funds and non-major funds in total were as follows:

Major Governmental Funds:	
General Fund	\$3,002,686
Community Facilities Districts Projects	11,787
Non-Major Governmental Funds	<u>13,955,992</u>
Total Encumbrances	<u><u>\$16,970,465</u></u>

E. Other Commitments

The City had the following outstanding significant commitments at June 30, 2013:

Projects	(in millions)
REP long-term service agreement	\$19.0 - 43.0
Net power purchase contracts	46.0
Natural Gas Forward Obligations	78.5

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE

The City operates certain electrical generating plants which provide power for sale to the public and needs reliable, economic supplies of natural gas to generate the needed electricity. In pursuit of that objective the City and its component unit, the City of Roseville Redevelopment Agency formed the Authority for the purpose of acquiring, financing and supplying natural gas to the City. Summarized below are various agreements entered into by the Authority to achieve its purpose.

A. *Prepaid Gas Agreement*

Pursuant to an Agreement for the Purchase and Sale of Natural Gas dated January 24, 2007, the Authority used a portion of the proceeds of its \$209,350,000 of Gas Revenue Bonds, Series 2007 (the Bonds) to prepay Merrill Lynch Commodities, Inc. (Gas Supplier) for a twenty year supply of natural gas. Commencing January 1, 2008, and continuing through December 31, 2027, the Gas Supplier is obligated to deliver daily contract quantities of natural gas on a firm basis to the designated delivery point. Daily contract quantities vary from month to month but not from year to year. This commitment totals 2,352,000 MMBtus (millions of British thermal units) per year or 47,040,000 MMBtus for the twenty year contract period. The Authority has recorded a Prepaid Natural Gas asset which is to be amortized as daily contract quantities are delivered.

The agreement provides for payments to be made by the Gas Supplier if it fails to deliver the daily contract quantities and may be terminated by the Authority in the event of non-performance by the Supplier. The Agreement will automatically terminate if there is a termination of the Commodity Swap (See Note 19 D below) which is not due to default by the Authority or if there is an event of default under the swap agreement entered into by the Gas Supplier and a third party. Upon early termination, whether due to the above or due to any other optional termination event as defined in the agreement, the Gas Supplier is required to make a termination payment to the Authority that is expected to be sufficient, together with other available funds, to redeem the Bonds. The Gas Supplier's commitments under this agreement are guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

As of June 30, 2013, prepaid gas under this agreement amounted to \$186,720,473.

B. *Funding Agreement*

Under certain conditions specified in a Funding and Assignment Agreement dated January 24, 2007 between the Authority and Gas Supplier, the Gas Supplier has agreed to advance funds to the Trustee to pay debt service when due or to redeem bonds in the event of early termination. Advances are required under covered swap deficiencies and covered termination deficiencies and optional advances may also be made. Advances are repayable from by the responsible party causing the deficiency requiring an advance under this agreement. This agreement is coterminous with the Bonds. The Gas Supplier's commitment under this agreement is guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

There were no advances outstanding as of June 30, 2013.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE (Continued)

C. *Supply Agreement*

Pursuant to a Natural Gas Supply Agreement dated February 1, 2007, the Authority has agreed to sell to the City a twenty year supply of natural gas. This Supply Agreement is coterminous with and provides for the delivery of natural gas in quantities which are matched to the Prepaid Gas Agreement, discussed above. For each MMBtu delivered (sold) to the City, the Authority will receive a variable revenue stream based on a first of the month index for the delivery location.

The Agreement terminates upon termination of the Prepaid Gas Agreement or upon the City's failure to make any required payment within two business days of the due date.

D. *Commodity Swap Agreement*

In order to have its gas price exposure consistent with prevailing market rates, the Authority entered into a natural gas Commodity Swap Agreement with JPMorgan Chase Bank (Counterparty). For the term of deliveries under the Prepaid Gas Agreement and the Supply Agreement, the Authority will pay an index price per MMBtu to the Counterparty, and the Counterparty will pay a fixed price to the Authority. The index price paid by the Authority is expected to approximate the price paid by the City under the Supply Agreement.

The monthly quantity and term of the Commodity Swap Agreement are matched to those of the Supply Agreement.

Detail of the commodity swap agreement is discussed in Note 10.

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *REDEVELOPMENT DISSOLUTION*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain housing assets of the Redevelopment Agency were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, the housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in March 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

With the dissolution of the Redevelopment Agency, pass-through payments to affected taxing entities become the responsibility of the County. However, the County had remitted pass-through payment funding to the Successor Agency, and during fiscal year 2013 the Successor Agency made pass-through payments of \$446,470.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of \$1,953,159 to the County in January 2013. The Department of Finance approved the Non-housing DDR in July 2013, after making adjustments, which indicated that the City had to return the prior year advance payments of \$7,304,420 as discussed in Note 20E below, and the Successor Agency had unencumbered balances of \$1,831,499, which was remitted to the County in August 2013 and has been reported as an accrued liability as of June 30, 2013.

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

B. NOTES RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners, developers or others who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable were \$5,089,106 at June 30, 2012.

Included in the notes receivable above is a loan to the Roseville Community Development Corporation in the amount of \$3,469,049. The Agency had entered into an agreement with the Corporation, a component unit of the City, under which the Agency agreed to provide funding to the Corporation in the form of a start-up loan not to exceed five million dollars (\$5,000,000). The loan is a 20 year loan deferred for 10 years with accrued interest and principal due beginning January 1, 2021. The Agency Board approved the execution of the loan agreement in May 2011. A State Supreme Court decision on August 11, 2011 suspended all redevelopment activity effective June 28, 2011. However, the Successor Agency continued to make disbursements related to the loan agreement after that date, because it had been approved by the Agency Board prior to the Court decision.

Under the provisions of Health and Safety Code Section 34171(d)(2), agreements between the City or any of its component units and the Agency that were executed after December 31, 2010 are no longer enforceable obligations and Health and Safety Code Section 34167.5 requires that if the City or component unit is not contractually committed to a third party for the expenditure or encumbrance of those funds that they be returned to the Successor Agency.

The State Department of Finance has denied that this loan agreement is an enforceable obligation of the Successor Agency. The City contends that the loan agreement was lawfully entered into at the time of its execution and therefore transactions executed with the Corporation were not reversed in the current fiscal year and remain in the Corporation as of June 30, 2013. The Successor Agency has requested a "meet and confer" with the Department of Finance regarding the issue, which is currently in process.

C. LAND HELD FOR REDEVELOPMENT

The Successor Agency assumed the land held for redevelopment of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Capital assets as of June 30, 2013 were comprised of land in the amount of \$1,762,188.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

E. LONG-TERM OBLIGATIONS

The Successor Agency assumed the long-term debt and loans of the Redevelopment Agency as of February 1, 2012.

1. Tax Allocation Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the Redevelopment Agency. The Bonds and Loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Tax Allocation Bonds:					
2002 Redevelopment Project Tax Allocation Bonds, 3%-5.14%, due 9/1/33	\$11,955,000		\$340,000	\$11,615,000	\$355,000
2006 Redevelopment Project Tax Allocation Bonds, Series A 4.5%-5.00%, due 9/1/40	13,155,000			13,155,000	
2006 Redevelopment Project Taxable Tax Allocation Bonds, Series A-T 5.31%-5.90%, due 9/1/28	2,680,000		105,000	2,575,000	110,000
2006 Redevelopment Project Taxable Tax Allocation Housing Bonds, Series H-T 5.31%-6.07%, due 9/1/40	6,070,000		85,000	5,985,000	90,000
Total Tax Allocation Bonds	33,860,000		530,000	33,330,000	555,000
Advances from the City of Roseville					
Loans from the City	24,772,384	\$7,332,869		32,105,253	37,238
SERAF Loans from the Housing Successor	490,102			490,102	
Total	<u>\$59,122,486</u>	<u>\$7,332,869</u>	<u>\$530,000</u>	<u>\$65,925,355</u>	<u>\$592,238</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

2. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Successor Agency loans, because the ultimate repayment terms cannot be determined at this time as discussed in the Loans from the City section below.

For the Year Ending June 30	Principal	Interest
2014	\$555,000	\$1,710,555
2015	580,000	1,682,920
2016	610,000	1,652,969
2017	635,000	1,621,289
2018	670,000	1,587,184
2019 - 2023	3,920,000	7,349,131
2024 - 2028	5,080,000	6,154,919
2029 - 2033	6,585,000	4,626,074
2034 - 2038	8,480,000	2,679,606
2039 - 2041	6,215,000	461,349
Total	<u>\$33,330,000</u>	<u>\$29,525,996</u>

3. 2002 Roseville Redevelopment Project Tax Allocation Bonds

On October 23, 2002, the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to properties within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage over debt service over the life of the Bonds. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

4. 2006 Roseville Redevelopment Project Tax Allocation Bonds

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds were used to fund redevelopment activities of benefit to properties within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds were used to pay the costs of low-and-moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage over debt service over the life of the Bonds. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A is payable annually on September 1 beginning 2028 through 2040. Principal for the Series H-T bonds is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028.

As discussed above, the Agency has pledged all future tax increment revenues of the Roseville Redevelopment Project Area, less amounts required to be set aside for Low and Moderate Income Housing, for the repayment of the 2002 Tax Allocation Bonds and the 2006 Series A and Series A-T Tax Allocation Bonds, which are considered parity obligations. The pledge of all future tax increment revenues ends upon repayment of the remaining debt service on the Bonds which is expected in 2040. Also as discussed above, the Agency has pledged the tax increment revenue set aside for Low and Moderate Income Housing for the repayment of the 2006 Series H-T Tax Allocation Bonds.

The pledge of all future tax increment revenue ends upon repayment of the \$62,855,996 remaining debt service on the bonds which is scheduled to occur in fiscal year 2040. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed and housing set-aside amounts are no longer required, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The Successor Agency only receives the funds necessary to fulfill its approved obligations. In fiscal year 2013, total taxes received by the Successor Agency were \$3,416,590, which represented coverage of 1.46 of the \$2,335,719 of debt service.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

5. *Loans from the City*

Prior to July 1, 2011, the Redevelopment Agency had received six advances from various City funds: (1) Advances in the amount of \$5,422,789 were to be repaid in fiscal year 2029. This advance bore interest at the average interest rate of the City's pooled investments. (2) Advance in the amount of \$915,049 bore interest at 3.15% and was to be repaid in fiscal year 2023. (3) Advance in the amount of \$3,900,000 bears no interest and was to be repaid in fiscal year 2029. (4) Advance in the amount of \$3,000,000 bears no interest and was to be repaid in fiscal year 2034. (5) Advance in the amount of \$4,966,402 will be repaid in fiscal year 2031. This advance bore interest at the average rate of the City's pooled investments, plus 1%. (6) Advances in the amount of \$9,774,347 were to be repaid in fiscal year 2040. These advances bear interest at the average interest rate of the City's pooled investments.

Principal and accrued interest on the advances totaled \$32,768,517 at July 1, 2011. During fiscal year 2012, the City and Redevelopment Agency determined that certain advances should have instead been funded by bond proceeds of the Agency. Therefore, the Redevelopment Agency repaid advances from the City in the amount of \$7,309,447 prior to the dissolution of the Agency on January 31, 2012. The balance of the advances, including principal and accrued interest, was \$25,230,453 as of February 1, 2012. During fiscal year 2013, the State Department of Finance denied the fiscal year 2012 repayment and required the return of \$7,304,227 to the Successor Agency. The City's General Fund returned the cash to the Successor Agency during fiscal year 2013 and the balance of the loans payable to the City have been increased in that amount.

These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is based upon whether the Successor Agency receives a Finding of Completion from the State. In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. The balance of the loans, including principal and accrued interest, as of June 30, 2013 is \$32,105,253.

In addition, during the fiscal year ending June 30, 2010, the Agency approved an interfund advance authorizing the Roseville Redevelopment Project Area Fund and the Roseville Flood Control Project Area to borrow \$558,381 and \$258,455, respectively, from the Agency's Low and Moderate Income Housing Fund to assist in making the Agency's fiscal year 2009-10 SERAF payment. These loans do not bear interest and were repayable in five equal annual installments, and were required to be repaid prior to June 30, 2015. The City assumed the housing assets of the Agency, and the loans are now payable to the City's Low and Moderate Income Housing Assets Special Revenue Fund. The balance of the loans as of June 30, 2013 totaled \$490,102.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The loans had previously been reported as an interfund advance between the City and Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term obligations of the Successor Agency. The loans were originally required to be repaid by the dates noted above, however repayment is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the Oversight Board finds that the loans are enforceable obligations, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years, beginning with the SERAF loans, followed by all other loans. Repayment cannot begin prior to fiscal year 2014 and the maximum annual repayment amount is limited based on calculations in the Code Section.

The Successor Agency received its Finding of Completion in August 2013 and the Oversight Board found they were for legitimate redevelopment purposes in April 2013, and the loans are now considered enforceable obligations of the Successor Agency.

F. STATE APPROVAL OF ENFORCEABLE OBLIGATIONS

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 21 – SUBSEQUENT EVENTS

Electric System Revenue Refunding Bonds, Series 2013

On November 14, 2013, the Roseville Finance Authority issued the Electric System Revenue Refunding Bonds, Series 2013, in the principal amount not to exceed \$48,780,000 to refund a portion of the 2004 Electric System Revenue and 2005 Electric System Revenue, Series A, Certificates of Participation.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$72,347,423	\$74,673,223	\$78,283,027	\$3,609,804
Licenses and permits	1,482,200	1,692,200	1,805,452	113,252
Charges for services	9,800,682	11,712,947	11,572,161	(140,786)
Subventions and grants	832,441	1,816,810	1,312,131	(504,679)
Use of money and property	540,007	530,007	566,910	36,903
Fines, forfeitures and penalties	1,012,050	982,700	989,221	6,521
Contributions from developers	530,000	500,000	497,997	(2,003)
Miscellaneous revenues	1,750,786	1,651,917	2,148,834	496,917
TOTAL REVENUES	88,295,589	93,559,804	97,175,733	3,615,929
EXPENDITURES				
Current:				
Salaries And Benefits				
General Government				
City Council	37,717	38,317	38,239	78
City Manager - Administration	578,851	582,864	582,849	15
Communications-Government Relations	699,616	672,855	642,032	30,823
City Attorney	1,387,296	1,348,164	1,347,027	1,137
Human Resources-Admin	1,114,422	1,180,722	1,180,717	5
Risk Mgmt - Administration	132,834	138,721	133,294	5,427
IT Administration	511,598	486,923	470,400	16,523
IT-Data Center	578,050	563,412	551,729	11,683
IT-Communications	810,795	757,250	742,907	14,343
IT-Public Safety	419,723	303,394	300,415	2,979
IT-GIS/Web	552,541	583,032	569,270	13,762
IT-Customer Service	733,799	750,822	741,191	9,631
IT-Applications	787,851	759,029	751,489	7,540
City Clerk - Administration	660,002	675,412	675,368	44
Central Services - Administration	480,556	482,511	482,315	196
Purchasing	376,342	379,802	378,782	1,020
Central Stores	173,052	178,549	178,544	5
Building Maintenance	699,786	701,415	700,046	1,369
Janitorial	524,428	551,665	551,640	25
Finance Administration	515,544	537,175	527,104	10,071
Budget	375,611	370,014	350,068	19,946
Payroll	402,176	403,678	400,085	3,593
Licensing	83,093	87,094	86,101	993
Cash Management	183,686	190,991	187,110	3,881
Util Billing & Services-Field Services	837,981	887,900	878,257	9,643
Util Billing & Services - Billing	521,773	520,495	490,504	29,991
Util Billing & Services-Services	902,800	871,143	871,034	109
Gen Acct - Administration	255,744	261,765	254,824	6,941
Gen Acct - Accounts Payable	388,336	409,196	406,771	2,425
Gen Acct - Accounting	366,016	369,672	338,287	31,385
Community Events		2		2
Neighborhood Services	98,234	104,591	104,580	11
Economic Development	534,443	438,799	376,482	62,317
Utility Billing and Services		71,868	57,939	13,929
Community Development And Planning				
Development & Operations-Admin	810,197	954,504	954,647	(143)
Housing Admin	120,727	204,487	204,397	90
Planning	1,535,157	1,693,734	1,688,462	5,272

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works				
Public Works - Administration	62,127	284,141	279,431	4,710
Building Inspection	2,146,667	2,227,726	2,129,552	98,174
Engineering	3,099,900	3,118,886	2,785,377	333,509
Flood Alert	115,571	121,284	120,562	722
Streets - Administration	653,426	466,842	456,789	10,053
Street Drainage	154,605	190,130	190,087	43
Paving	992,744	1,126,427	1,126,064	363
Street Signs	234,980	260,001	259,996	5
Street Markings	320,636	327,022	303,431	23,591
Public Safety				
Police				
Police - Administration	1,605,647	1,658,531	1,601,532	56,999
Records-Property	1,132,961	1,125,470	1,017,725	107,745
Jail	1,061,449	902,274	782,855	119,419
Police Communications	2,520,153	2,567,223	2,461,234	105,989
Community Services	1,242,872	1,254,691	1,171,458	83,233
Patrol	12,714,066	13,311,457	12,942,669	368,788
Investigations	3,804,990	4,005,125	3,830,729	174,396
Animal Control	296,302	296,386	248,125	48,261
Police Traffic	2,070,690	2,108,327	1,788,444	319,883
Fire				
Fire - Administration	798,710	822,522	812,182	10,340
Fire Prevention	1,353,767	1,387,689	1,288,264	99,425
Fire Operations	18,340,203	20,483,090	20,120,900	362,190
Fire Training	232,635	288,109	267,490	20,619
Library				
Library - Admin/Tech Services	813,737	830,385	814,332	16,053
Library-Public Services	2,004,550	1,979,265	1,912,068	67,197
Maidu Museum-Historic Site	310,160	329,167	327,399	1,768
Parks And Recreation				
Parks & Rec - Administration	1,051,873	1,058,791	1,011,411	47,380
Park Development	283,074	286,477	274,726	11,751
Adult Sports	252,995	237,417	215,148	22,269
Youth Sports				
Adult & Senior Activities	140,544	127,835	113,272	14,563
Youth & Teen Services	179,365	175,861	156,739	19,122
Youth Classes	387,201	363,848	331,456	32,392
Maidu Community Center/Sports Courts	259,775	263,385	233,177	30,208
Roseville Sports Center	573,652	559,665	510,095	49,570
Aquatics	1,035,954	1,050,614	1,043,117	7,497
Park Operations - Admin	707,182	637,595	629,557	8,038
Open Space/Tree Maintenance	578,899	527,084	459,682	67,402
Parks - Maintenance	2,114,075	2,254,963	2,195,237	59,726
Community Special Events	81,798	78,172	74,518	3,654
Town Square	99,392	96,417	86,140	10,277
Operating Services And Supplies				
General Government				
City Council	268,014	279,915	260,201	19,714
Community Grants	30,000	45,117	25,793	19,324
Strategic Improvements	122,160	1,888,111	1,643,050	245,061
City Manager - Administration	66,259	113,332	96,688	16,644
Conference Center Dr-Parcel 40a				
Communications-Government Relations	34,784	102,684	39,507	63,177
City Attorney	104,378	185,478	185,476	2
Human Resources-Admin	379,063	396,004	332,776	63,228
Risk Mgmt - Administration	13,214	13,214	6,642	6,572
IT Administration	278,937	475,015	308,791	166,224
IT-Data Center	682,734	800,920	728,028	72,892
IT-Communications	301,899	369,899	332,136	37,763
IT-Public Safety	6,834	6,834	6,834	

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
IT-GIS/Web	7,384	7,384	7,280	104
IT-Customer Service	323,834	354,053	325,555	28,498
IT-Applications	261,434	284,426	247,683	36,743
City Clerk - Administration	94,876	96,876	61,550	35,326
Elections	121,500	121,500	91,167	30,333
Central Services - Administration	19,947	20,969	16,574	4,395
Purchasing	18,200	20,201	19,742	459
Central Stores	70,441	68,965	57,796	11,169
Obsolete/Surplus Matl & Supp		1,476	1,475	1
Building Maintenance	1,394,973	1,574,928	1,376,297	198,631
Janitorial	394,055	417,559	404,408	13,151
Finance Administration	74,472	101,203	90,760	10,443
Budget	41,004	51,404	23,753	27,651
Payroll	14,013	26,002	17,792	8,210
Licensing	34,761	39,761	35,575	4,186
Cash Management	117,979	132,770	95,961	36,809
Utility Billing & Services - Admin	1,454	1,504	1,484	20
Utility Billing & Services-Field Services	131,964	131,464	116,820	14,644
Utility Billing & Services - Billing	810,915	812,350	812,348	2
Utility Billing & Services-Services	30,720	30,720	28,810	1,910
General Accounting - Administration	120,444	131,264	109,330	21,934
General Accounting - Accounts Payable	14,953	18,033	14,480	3,553
General Accounting - Accounting	8,238	9,238	6,428	2,810
Community Events				
Neighborhood Services	6,347	6,347	4,018	2,329
Economic Development	81,900	952,331	328,332	623,999
Community Development And Planning				
Development & Operations-Admin	205,161	84,299	84,298	1
Permit Center	8,500	8,500	7,937	563
Housing Admin	72,881	80,172	53,924	26,248
Planning	93,221	123,227	119,594	3,633
Sierra Vista Specific Plan	30,000	13,000	8,806	4,194
Creekview Specific Plan	15,000	40,000	39,190	810
Downtown Vernon/Historic Old Town	4,705	4,705	4,705	
Amoruso/Brookfield	180,000	315,000	103,318	211,682
Westbrook-SVSP	10,000	15,000	9,869	5,131
Planning-Full Cost Projects	60,000	401,198	177,950	223,248
Public Works				
Public Works - Administration	6,613	7,363	7,120	243
Building Inspection	227,705	587,705	549,362	38,343
Engineering	232,925	237,425	172,749	64,676
Flood Alert	50,486	53,312	49,480	3,832
Streets - Administration	90,498	93,605	93,365	240
Street Drainage	241,380	242,078	201,211	40,867
Paving	964,717	985,767	930,864	54,903
Street Signs	150,787	156,186	138,000	18,186
Street Markings	252,815	260,519	230,718	29,801
Traffic Study Dep/Consultant			65,517	(65,517)
Bldg Plan Check Services		200,000	34,578	165,422
Floodplain Management			395	(395)
Public Safety				
Police				
Police - Administration	805,265	833,065	706,980	126,085
Records-Property	91,086	91,086	66,838	24,248
Jail	84,145	84,145	74,246	9,899
Police Communications	124,271	132,271	110,318	21,953
Community Services	50,983	41,525	36,567	4,958
Patrol	537,359	605,950	539,505	66,445
Investigations	107,112	108,112	69,225	38,887
Animal Control	513,839	681,438	649,381	32,057
Police Traffic	43,118	43,102	37,850	5,252
Police - vehicles	1,750,031	1,584,231	1,491,317	92,914

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire				
Fire - Administration	85,813	85,813	82,951	2,862
Fire Prevention	178,390	199,342	113,395	85,947
Fire Operations	2,011,726	2,168,760	1,998,481	170,279
Fire Training	110,377	110,377	100,567	9,810
Fire Services	182,377	182,377	125,328	57,049
Emergency Preparedness	98,325	110,160	88,271	21,889
Library				
Library - Admin/Tech Services	238,778	304,310	277,965	26,345
Library-Public Services	264,112	282,308	271,870	10,438
Maidu Museum-Historic Site	97,412	93,412	76,976	16,436
Parks And Recreation				
Parks & Rec - Administration	192,391	212,144	183,601	28,543
Park Development	25,607	77,617	65,422	12,195
Adult Sports	161,149	154,624	138,163	16,461
Adult & Senior Activities	55,934	28,134	25,370	2,764
Youth & Teen Services	57,227	57,227	56,643	584
Youth Classes	139,078	155,078	150,668	4,410
Maidu Community Center/Sports Courts	68,512	68,512	63,087	5,425
Roseville Sports Center	235,101	247,057	229,670	17,387
Aquatics	634,673	737,605	609,455	128,150
Park Operations - Admin	80,108	80,108	68,450	11,658
Open Space/Tree Maintenance	434,207	545,044	427,832	117,212
Parks - Maintenance	2,801,744	2,908,772	2,828,041	80,731
Community Special Events	87,069	172,399	96,762	75,637
Town Square	101,998	101,998	33,482	68,516
Payments under development agreements	567,619	567,619	567,619	
Annexation payments	2,250,000	2,302,100	2,302,077	23
Debt service:				
Principal retirement	84,805	90,080	82,821	7,259
Interest and fiscal charges	16,750	16,927	19,268	(2,341)
TOTAL EXPENDITURES	109,770,073	118,965,402	111,778,628	7,186,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,474,484)	(25,405,598)	(14,602,895)	10,802,703
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			121,505	121,505
Transfers in	25,577,315	30,324,574	26,043,596	(4,280,978)
Transfers (out)	(7,158,705)	(11,568,053)	(9,132,770)	2,435,283
Total Other Financing Sources (Uses)	18,418,610	18,756,521	17,032,331	(1,724,190)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(3,055,874)	(6,649,077)	2,429,436	9,078,513
EXTRAORDINARY ITEM				
Return of funds to Successor Agency			(7,304,420)	(7,304,420)
NET CHANGE IN FUND BALANCE	(\$3,055,874)	(\$6,649,077)	(4,874,984)	\$1,774,093
Adjustment to budgetary basis:				
Capital outlay			2,592,255	
Fund balance at beginning of year			64,777,970	
Fund balance at end of year			\$57,310,731	

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

MODIFIED APPROACH TO REPORTING STREET PAVEMENT COSTS AND PARKS AND LANDSCAPING COSTS

GASB Statement 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

- 1) The City must have an asset management system (AMS) with certain features.
 - ✓ It must maintain an up-to-date inventory of the infrastructure assets.
 - ✓ It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
 - ✓ The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
 - ✓ The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.

- 2) The City must document that the roads, parks and landscaping are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

Street Pavement

The City has elected to use the Modified Approach to report street pavement costs. The City uses a computerized Pavement Management System to track the condition levels of each of the street sections.

The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 10 for pavement with perfect condition. The condition index is used to classify pavement in good or better condition (7.0-10.0), fair condition (5.5–6.9), and substandard condition (less than 5.5).

The City's maintenance costs are budgeted to be \$4,570,018 in fiscal 2014. The Pavement Quality Index (PQI) for the City's street pavement for the last ten years is as follows:

Year	PQI		Maintenance Budget	Actual Maintenance
	Arterial/ Collector	Residential		
03/04	7.6	7.6	\$5,733,500	\$2,925,909
04/05	7.5	7.9	6,499,729	4,284,993
05/06	7.5	7.9	7,794,196	7,213,261
06/07	7.7	8.0	5,521,428	10,289,440
07/08	7.9	8.0	5,929,683	5,641,810
08/09	7.8	7.9	4,728,208	4,749,229
09/10	8.2	7.9	4,736,644	6,044,401
10/11	8.3	7.8	4,241,928	6,426,462
11/12	8.3	7.8	5,489,639	5,149,814
12/13	7.8	7.4	5,185,511	4,980,690
13/14	8.1	7.0	4,570,018	N/A

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

The City's policy based on current funding is to maintain arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.4. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$4,980,690 for street preservation in fiscal 2013.

Parks and Landscaping

The City has also elected to use the Modified Approach to report parks and landscaping costs. The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping.

The condition of the parks and landscaping is based on a weighted average of six levels of condition. The ground management system uses a measurement scale that is based on various levels ranging from six for an undeveloped natural area to one for parks and landscaping with high-quality, diverse landscaping with state-of-the art maintenance. The condition index is used to classify parks and landscaping in the following levels: state-of-the-art to high-level maintenance (1-2), moderate to moderately low level maintenance (3-4), minimum-level maintenance (5), and natural area that is not developed (6).

The City's maintenance costs are budgeted to be \$5,012,552 in fiscal 2014. The Ground Management Index (GMI) for the City's parks and landscaping maintenance for the last ten years is as follows:

Fiscal Year	GMI (Level) Parks and Landscaping	Maintenance Budget	Actual Maintenance
03/04	2	\$3,946,547	\$3,648,683
04/05	2	4,349,147	3,879,242
05/06	2	4,633,558	4,309,606
06/07	2	5,111,124	5,028,402
07/08	2	5,309,367	5,314,121
08/09	3	5,019,740	4,445,082
09/10	3	4,483,608	4,154,376
10/11	3	4,651,367	4,435,937
11/12	3	4,764,762	4,766,512
12/13	3	4,853,428	4,868,908
13/14	3	5,012,552	N/A

The City's policy based on current funding is to maintain parks and landscape at an average Ground Management Index (GMI) of Level 3. This rating allows for moderate maintenance and is the recommended level for most organizations. The City expended \$4,868,908 for maintenance for fiscal 2013.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Lighting and Landscape and Service Districts Fund. To account for the collection of assessment revenue from property owners for the maintenance of surrounding park and landscaping improvements within the boundaries of each district.

State Gasoline Tax Fund. To account for revenue apportioned to the City from the State-collected gas tax revenues and spent for construction and maintenance of City streets.

Home Improvement Fund. To account for loan activities for the production of affordable housing under the City's former program that was discontinued.

California Library Services Fund. To account for revenues and grants from the State to be expended for library related materials

Traffic Safety Fund. To account for the City's share of fines generated from violations of the State Motor Vehicle Code.

Trench Cut Recovery Fund. To account for the collection of fees charged by the City for cutting trenches in paved roadway and spent for maintaining the street if useful life is decreased.

Law Enforcement Block Grants Fund. To account for the collection of grants from the Federal Department of Justice Assistance and expended for front line law enforcement.

Fire Facilities Fund. To account for fees applied to new construction and expended for construction or repair of fire facilities and equipment for which it creates a need.

Utility Exploration Center Fund. To account for the operations of the state-of-the-art Utilities Exploration Center, funded by the utility funds.

Tree Propagation Fund. To account for fees assessed on oak tree removal and expended on the continuation and preservation of tree planting within the City.

Air Quality Mitigation Fund. To account for mitigation fees to fund future emission reduction projects for air quality.

Community Development Block Grant/HOME Fund. To account for monies received from the Department of Housing & Urban Development and expended for programs and activities to benefit low-income residents, and to account for funds received from the Federal government used to produce affordable housing and rehabilitate existing residential units.

Housing Authority Section 8 Fund. To account for monies received from the U.S. Department of Housing and Urban Development and expended for rental assistance to low income households within the Roseville and Rocklin areas.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Affordable Housing Fund. To account for monies received from property whose land use was changed from residential to commercial and from affordable housing agreements. These monies are then used to fund other affordable housing projects.

Miscellaneous Fire Fund. To account for various Fire funds including child car seat safety and fire museum donations.

Miscellaneous General Government Fund. To account for Cable TV PEG funds.

Miscellaneous Library Fund. To account for an adult literacy program for the Library.

Miscellaneous Police Fund. To account for confiscated property and evidence funds for the Police department.

Miscellaneous Park Fund. To account for donations and revenues for Park and Recreation facilities and youth sports, and the Olympus Pointe Sculpture Park maintenance.

Storm Water Management Fund. To accumulate expenditures for future storm water mandates.

Traffic Signal Fund. To account for traffic signal coordination and maintenance funded by developers and the Electric Fund.

Bike Trail/Open Space Maintenance Fund. To account for the accumulation of funding for the maintenance of the City's bike trails and open spaces.

Roseville Community Development Corporation Fund. To account for revenues and expenditures of the Corporation for economic development, affordable housing and other community programs.

Low/Mod Income Housing Asset Fund. To account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of Roseville.

Technology Replacement Fund. To account for the activities related to the City's permit system funded by a 3% technology fee on permits.

DEBT SERVICE FUND

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Roseville Finance Authority Fund. To account for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Building Fund. To account for approved capital projects within the City funded by various fees and other sources.

South Placer Animal Control Shelter Fund. To account for the collection of fees for the construction of an animal shelter.

Public Facilities Fund. To account for fees applied to new construction and expended for the development of public facilities for which it creates a need.

Park Development Fund. To account for collection fees applied to new construction and expended for neighborhood and community park and recreation facilities.

Pleasant Grove Drain Basin Fund. To account for collection of fees applied to new construction and expended for mitigation of developmental impacts on the Pleasant Grove watershed.

Traffic Mitigation Fund. To account for revenues and expenditures related to major roadways and related structures such as bridges or interchanges.

General Capital Improvement Projects Rehabilitation Fund. To account for the approved rehabilitation of existing City property funded by the General Fund.

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

Roseville Aquatics Complex Maintenance Fund. A permanent fund established to account for contribution from the High School District. Only the interest earnings can be spent on helping maintain the Aquatics Complex.

Citizens' Benefit Fund. A permanent fund established to account for the proceeds from the sale of any municipally owned Hospital and interest earnings expended for improving the quality of life for the citizens of the City of Roseville.

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
ASSETS					
Cash and investments in City Treasury	\$9,721,592	\$7,397,966	\$79,735	\$208,658	
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	168,132				
Accrued interest	19,713	893,828	433	710	
Due from other government agencies					\$92,326
Due from other funds					
Advances to other funds					
Developer permit fees receivable					
Notes receivable		3,900,000	29,888		
Inventories					
Land held for resale					
Total Assets	<u>\$9,909,437</u>	<u>\$12,191,794</u>	<u>\$110,056</u>	<u>\$209,368</u>	<u>\$92,326</u>
LIABILITIES					
Accounts payable	\$388,302	\$3,936		\$9,416	\$1,259
Accrued liabilities					
Due to other funds					91,067
Due to other government agencies					
Advances from other funds					
Deposits	1,679				
Unearned revenue					
Total Liabilities	<u>389,981</u>	<u>3,936</u>		<u>9,416</u>	<u>92,326</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue		867,477			
FUND BALANCES					
Nonspendable					
Restricted	9,519,456	11,320,381	\$110,056	199,952	
Committed					
Assigned					
Unassigned					
TOTAL FUND BALANCES	<u>9,519,456</u>	<u>11,320,381</u>	<u>110,056</u>	<u>199,952</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$9,909,437</u>	<u>\$12,191,794</u>	<u>\$110,056</u>	<u>\$209,368</u>	<u>\$92,326</u>

SPECIAL REVENUE FUNDS						
Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Utility Exploration Center	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME
\$105,152	\$103,597	\$4,079,538	\$96,791	\$2,619,426	\$238,165	
338	739 96,283	17,337	27	6,588 10,029 100,000	704	237,510
		149,565			5,905	13,710,974
<u>\$105,490</u>	<u>\$200,619</u>	<u>\$4,246,440</u>	<u>\$96,818</u>	<u>\$2,736,043</u>	<u>\$244,774</u>	<u>\$13,948,484</u>
		\$3,702	\$3,783	\$128,125		\$47,251
		234,353	13,313			4,817
		492,017	12,943			200,054
						13,710,974
	\$164,568					
	164,568	730,072	30,039	128,125		13,963,096
\$105,490	36,051	3,516,368	66,779	2,607,918	\$244,774	(14,612)
<u>105,490</u>	<u>36,051</u>	<u>3,516,368</u>	<u>66,779</u>	<u>2,607,918</u>	<u>244,774</u>	<u>(14,612)</u>
<u>\$105,490</u>	<u>\$200,619</u>	<u>\$4,246,440</u>	<u>\$96,818</u>	<u>\$2,736,043</u>	<u>\$244,774</u>	<u>\$13,948,484</u>

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Housing Authority Section 8	Affordable Housing	Miscellaneous Fire	Miscellaneous General Government	Miscellaneous Library
ASSETS					
Cash and investments in City Treasury	\$590,421	\$3,454,270	\$31,065	\$456,930	\$270,850
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	701			54,536	
Accrued interest		192,810	114	1,311	916
Due from other government agencies	3,675				
Due from other funds					
Advances to other funds		500,000			
Developer permit fees receivable					
Notes receivable		3,833,173			
Inventories					
Land held for resale					
Total Assets	<u>\$594,797</u>	<u>\$7,980,253</u>	<u>\$31,179</u>	<u>\$512,777</u>	<u>\$271,766</u>
LIABILITIES					
Accounts payable	\$18,435	\$4,900		\$2,986	
Accrued liabilities	81,558				
Due to other funds					
Due to other government agencies		380,311			
Advances from other funds					
Deposits					
Unearned revenue					
	<u>99,993</u>	<u>385,211</u>		<u>2,986</u>	
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue		4,109,636			
FUND BALANCES					
Nonspendable					
Restricted	494,804	3,485,406	\$31,179	509,791	\$271,766
Committed					
Assigned					
Unassigned					
TOTAL FUND BALANCES	<u>494,804</u>	<u>3,485,406</u>	<u>31,179</u>	<u>509,791</u>	<u>271,766</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$594,797</u>	<u>\$7,980,253</u>	<u>\$31,179</u>	<u>\$512,777</u>	<u>\$271,766</u>

SPECIAL REVENUE FUNDS

Miscellaneous Police	Miscellaneous Park	Storm Water Management	Traffic Signal	Bike Trail/ Open Space Maintenance	Roseville Community Development Corporation	Low/Mod Income Housing Asset
\$285,728	\$405,976	\$16,060	\$2,760,366	\$1,003,054	\$2,026,457	\$41,805
872	1,275		4,102 11,284	3,228	82,715	\$410,561
			2,982 776,181		2,635,754	5,437,727
					25,426	861,245
<u>\$286,600</u>	<u>\$407,251</u>	<u>\$16,060</u>	<u>\$3,554,915</u>	<u>\$1,006,282</u>	<u>\$4,770,352</u>	<u>\$6,751,338</u>
\$173		\$2,776 13,284	\$20,619 41,378	\$27,893	\$53,334 3,585,161	
					2,030,951 5,454	
<u>173</u>		<u>16,060</u>	<u>61,997</u>	<u>27,893</u>	<u>5,674,900</u>	
						\$5,358,122
\$286,427	\$407,251		776,181 2,716,737	978,389		1,393,216
					(904,548)	
<u>286,427</u>	<u>407,251</u>		<u>3,492,918</u>	<u>978,389</u>	<u>(904,548)</u>	<u>1,393,216</u>
<u>\$286,600</u>	<u>\$407,251</u>	<u>\$16,060</u>	<u>\$3,554,915</u>	<u>\$1,006,282</u>	<u>\$4,770,352</u>	<u>\$6,751,338</u>

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	Technology Replacement	Roseville Finance Authority	Building	South Placer Animal Control Shelter	Public Facilities
ASSETS					
Cash and investments in City Treasury	\$214,727	\$74,592	\$2,057,288	\$547,889	\$12,201,029
Restricted cash and investments with fiscal agents		82,374			
Receivables:					
Accounts					
Accrued interest	992		5,822	1,597	41,834
Due from other government agencies					
Due from other funds					100,000
Advances to other funds					495,054
Developer permit fees receivable				23,384	345,214
Notes receivable					
Inventories					
Land held for resale					
Total Assets	<u>\$215,719</u>	<u>\$156,966</u>	<u>\$2,063,110</u>	<u>\$572,870</u>	<u>\$13,183,131</u>
LIABILITIES					
Accounts payable	\$49,776		\$246,202		\$1,194,261
Accrued liabilities		\$11,988			
Due to other funds	100,000				
Due to other government agencies					
Advances from other funds	495,054				
Deposits					
Unearned revenue					
Total Liabilities	<u>644,830</u>	<u>11,988</u>	<u>246,202</u>		<u>1,194,261</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue					
FUND EQUITY					
Nonspendable					
Restricted		144,978		\$572,870	11,988,870
Committed			1,816,908		
Assigned					
Unassigned	(429,111)				
TOTAL FUND BALANCES	<u>(429,111)</u>	<u>144,978</u>	<u>1,816,908</u>	<u>572,870</u>	<u>11,988,870</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$215,719</u>	<u>\$156,966</u>	<u>\$2,063,110</u>	<u>\$572,870</u>	<u>\$13,183,131</u>

CAPITAL PROJECTS FUNDS				PERMANENT FUNDS		Total Nonmajor Governmental Funds
Park Development	Pleasant Grove Drain Basin	Traffic Mitigation	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens' Benefit	
\$22,780,968	\$5,399,659	\$15,959,021	\$12,583,780	\$624,452	\$17,530,476	\$123,941,026 2,108,831
		14,593				248,652
73,078	25,933	48,678	45,209	461	61,816	1,954,364
		1,167,309				1,697,103
						100,000
	3,000,000					3,995,054
503,872		376,420				1,407,342
						29,547,516
						776,181
						886,671
<u>\$23,357,918</u>	<u>\$8,425,592</u>	<u>\$17,566,021</u>	<u>\$12,628,989</u>	<u>\$624,913</u>	<u>\$17,592,292</u>	<u>\$166,662,740</u>
\$304,030		\$510,355	\$3,573			\$3,025,087
						3,751,499
						638,417
						14,091,285
						3,018,022
				\$600,000		607,133
						164,568
<u>304,030</u>		<u>510,355</u>	<u>3,573</u>	<u>600,000</u>		<u>25,296,011</u>
		50,798				10,386,033
23,053,888	\$8,425,592	17,004,868		24,913	\$16,914,988 677,304	17,691,169 99,706,832
			\$12,625,416			2,290,938
						12,625,416
						(1,333,659)
<u>23,053,888</u>	<u>8,425,592</u>	<u>17,004,868</u>	<u>12,625,416</u>	<u>24,913</u>	<u>17,592,292</u>	<u>130,980,696</u>
<u>\$23,357,918</u>	<u>\$8,425,592</u>	<u>\$17,566,021</u>	<u>\$12,628,989</u>	<u>\$624,913</u>	<u>\$17,592,292</u>	<u>\$166,662,740</u>

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
REVENUES					
Taxes	\$6,468,606				
Charges for services		\$748			
Subventions and grants		4,749,961			
Use of money and property	24,869	39,135	\$426	\$808	
Fines, forfeitures and penalties					\$451,866
Contributions from developers and others	1,785,800				
Miscellaneous revenues	9,738			11,580	
Total Revenues	8,289,013	4,789,844	426	12,388	451,866
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public works					
Public safety:					
Fire					
Police					
Library				35,550	
Parks and recreation	4,314,422				
Housing assistance payments					
Capital outlay		4,912,857		49,075	
Debt service:					
Principal retirement					
Interest and fiscal charges	97,771				
Total Expenditures	4,412,193	4,912,857		84,625	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,876,820	(123,013)	426	(72,237)	451,866
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt					
Payment to bond escrow					
Transfers in		2,200,000			
Transfers (out)	(2,117,006)	(2,984,065)	(135,747)	(3,610)	(451,866)
Total Other Financing Sources (Uses)	(2,117,006)	(784,065)	(135,747)	(3,610)	(451,866)
Net change in fund balances	1,759,814	(907,078)	(135,321)	(75,847)	
Fund balances (deficits) at the beginning of the year	7,759,642	12,227,459	245,377	275,799	
Fund balances (deficits) at the end of year	\$9,519,456	\$11,320,381	\$110,056	\$199,952	

SPECIAL REVENUE FUNDS

Trench Cut Recovery	Law Enforcement Block Grants	Fire Facilities	Utility Exploration Center	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME
		\$870,356				
\$28,759		15,576	\$18,763	\$42,598	\$42,854	
	\$204,150	216,000		100,000		\$583,211
\$459	990	21,575	11	12,585	922	6,210
			21,273	15,256		353,818
29,218	205,140	1,123,507	40,047	170,439	43,776	943,239
						973,001
		10,196	400,381	609,225		
		345,401		228,828		
		17,414				
		373,011	400,381	838,053		973,001
29,218	205,140	750,496	(360,334)	(667,614)	43,776	(29,762)
		30,000				
(49)	(169,532)	(2,489,450)	377,673 (28,694)	(106,888)	(125)	7,540 (52,754)
(49)	(169,532)	(2,459,450)	348,979	(106,888)	(125)	(45,214)
29,169	35,608	(1,708,954)	(11,355)	(774,502)	43,651	(74,976)
76,321	443	5,225,322	78,134	3,382,420	201,123	60,364
\$105,490	\$36,051	\$3,516,368	\$66,779	\$2,607,918	\$244,774	(\$14,612)

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Housing Authority Section 8	Affordable Housing	Miscellaneous Fire	Miscellaneous General Government	Miscellaneous Library
REVENUES					
Taxes					
Charges for services					
Subventions and grants	\$4,445,702				
Use of money and property	6	(\$15,908)	\$151	\$1,789	\$1,193
Fines, forfeitures and penalties			6,570		
Contributions from developers and others		94,916			
Miscellaneous revenues	84,641	128,196		237,237	
Total Revenues	4,530,349	207,204	6,721	239,026	1,193
EXPENDITURES					
Current:					
General government				101,995	
Community development and planning	582,516	598,374			
Public works					
Public safety:					
Fire					
Police			11,542		
Library					10,000
Parks and recreation					
Housing assistance payments	4,049,279				
Capital outlay				1,360	
Debt service:					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	4,631,795	598,374	11,542	103,355	10,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(101,446)	(391,170)	(4,821)	135,671	(8,807)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt					
Payment to escrow					
Transfers in					
Transfers (out)	(57,824)	(55,742)			
Total Other Financing Sources (Uses)	(57,824)	(55,742)			
Net change in fund balances	(159,270)	(446,912)	(4,821)	135,671	(8,807)
Fund balances (deficits) at the beginning of the year	654,074	3,932,318	36,000	374,120	280,573
Fund balances (deficits) at the end of year	\$494,804	\$3,485,406	\$31,179	\$509,791	\$271,766

SPECIAL REVENUE FUNDS

Miscellaneous Police	Miscellaneous Park	Storm Water Management	Traffic Signal	Bike Trail/ Open Space Maintenance	Roseville Community Development Corporation	Low/Mod Income Housing Asset
	\$46,640	\$23	\$7,642			
\$10,857					168,000	
1,131	1,707	(14) 100	15,958	\$3,808	\$98,716	\$8,947
			32,570			
74,621	38,596	100	27,542	30,675	12,008	80,128
86,609	86,943	209	83,712	34,483	278,724	89,075
		564,018	12,381		484,976	
43,358						
10,834		6,970	1,419,460	523,704		46,745
		53,395	277,455			
54,192		624,383	1,709,296	523,704	484,976	46,745
32,417	86,943	(624,174)	(1,625,584)	(489,221)	(206,252)	42,330
			4,397	3,580		
		672,233	1,878,590	514,468		
	(34,288)	(33,805)	(167,247)	(35,214)		
	(34,288)	638,428	1,715,740	482,834		
32,417	52,655	14,254	90,156	(6,387)	(206,252)	42,330
254,010	354,596	(14,254)	3,402,762	984,776	(698,296)	1,350,886
\$286,427	\$407,251		\$3,492,918	\$978,389	(\$904,548)	\$1,393,216

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	Technology Replacement	Roseville Finance Authority	Building	South Placer Animal Control Shelter	Public Facilities
REVENUES					
Taxes					
Charges for services				\$122,480	\$1,950,461
Subventions and grants					
Use of money and property	\$1,703	\$386,529	\$7,488	2,143	54,586
Fines, forfeitures and penalties					
Contributions from developers and others					
Miscellaneous revenues					8,640
Total Revenues	1,703	386,529	7,488	124,623	2,013,687
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public works					
Public safety:					
Fire					
Police					
Library					
Parks and recreation					7,226
Housing assistance payments					
Capital outlay	218,287		2,701,408		5,198,895
Debt service:					
Principal retirement		720,000			
Interest and fiscal charges		1,082,778			
Total Expenditures	218,287	1,802,778	2,701,408		5,206,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(216,584)	(1,416,249)	(2,693,920)	124,623	(3,192,434)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt		11,549,031			
Payment to escrow		(12,756,326)			
Transfers in		1,238,198	2,701,408		1,793,888
Transfers (out)			(6,494)		(7,935)
Total Other Financing Sources (Uses)		30,903	2,694,914		1,785,953
Net change in fund balances	(216,584)	(1,385,346)	994	124,623	(1,406,481)
Fund balances (deficits) at the beginning of the year	(212,527)	1,530,324	1,815,914	448,247	13,395,351
Fund balances (deficits) at the end of year	(\$429,111)	\$144,978	\$1,816,908	\$572,870	\$11,988,870

CAPITAL PROJECTS FUNDS				PERMANENT FUNDS		Total Nonmajor Governmental Funds
Park Development	Pleasant Grove Drain Basin	Traffic Mitigation	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens' Benefit	
						\$7,338,962
\$3,547,782	\$444,652	\$2,772,056				9,041,034
		5,517,210				15,995,091
290,938	143,917	64,989	\$58,000	\$1,160	\$58,447	1,295,374
						458,536
						1,913,286
5,316		12,474			17,946	1,169,785
3,844,036	588,569	8,366,729	58,000	1,160	76,393	37,212,068
					504,865	606,860
		45,442				2,638,867
						621,841
						43,358
						11,542
						45,550
10,986						7,360,149
						4,049,279
2,000,974	6,519	9,248,573	1,006,547			26,249,574
						720,000
						1,197,963
2,011,960	6,519	9,294,015	1,006,547		504,865	43,544,983
1,832,076	582,050	(927,286)	(948,547)	1,160	(428,472)	(6,332,915)
						37,977
						11,549,031
						(12,756,326)
85,772		1,308,444				12,778,214
(37,180)	(4,613)	(129,944)	(898,219)			(10,008,291)
48,592	(4,613)	1,178,500	(898,219)			1,600,605
1,880,668	577,437	251,214	(1,846,766)	1,160	(428,472)	(4,732,310)
21,173,220	7,848,155	16,753,654	14,472,182	23,753	18,020,764	135,713,006
\$23,053,888	\$8,425,592	\$17,004,868	\$12,625,416	\$24,913	\$17,592,292	\$130,980,696

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	LIGHTING AND LANDSCAPE SERVICE DISTRICTS			STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$7,071,867	\$6,468,606	(\$603,261)			
Charges for services					\$748	\$748
Subventions and grants				\$3,396,974	4,749,961	1,352,987
Use of money and property	35,675	24,869	(10,806)	42,764	39,135	(3,629)
Fines, forfeitures and penalties						
Contributions from developers		1,785,800	1,785,800			
Miscellaneous revenues		9,738	9,738	2,343,160		(2,343,160)
Total Revenues	7,107,542	8,289,013	1,181,471	5,782,898	4,789,844	(993,054)
EXPENDITURES						
Current:						
Operating services and supplies						
Planning						
Home Improvement						
Main Library - Library Fund						
Parks And Recreation						
Olympus Pointe Lld Zone A	160,519	153,913	6,606			
Olympus Pointe Lld Zone D	50,324	39,825	10,499			
Nwrld Zone A	402,549	402,205	344			
Nwrld Zone B	17,539	15,996	1,543			
Johnson Ranch Lld Zone A	2,758	2,610	148			
Johnson Ranch Lld Zone B	1,799	1,729	70			
Johnson Ranch Lld Zone C	1,442	1,284	158			
Johnson Ranch Lld Zone D	88	3	85			
Johnson Ranch Lld Zone E	1,724	1,721	3			
Ncrlld Zone A	347,272	343,691	3,581			
Ncrlld Zone B	108,300	89,723	18,577			
Ncrlld Zone F	17,472	12,499	4,973			
Ncrlld Zone G	11,940	9,795	2,145			
Infill Lld Zone A	12,231	5,259	6,972			
Infill Lld Zone B	11,792	5,989	5,803			
Infill Lld Zone C	13,819	4,910	8,909			
Nrcfd 2 Sd Zone A	43,739	32,210	11,529			
Nrcfd 2 Sd Zone B	57,903	55,496	2,407			
Nrcfd 2 Sd Zone C	138,611	136,297	2,314			
Historic District Lld	26,903	20,298	6,605			
Riverside District Lld	19,865	18,868	997			
Stone Point Cfd #4 (Sd)	7,204	6,926	278			
Infill Cfd4-Wdcrk Oaks Preser	10,626	10,476	150			
Stoneridge Cfd #1 Srv Dist	410,758	357,998	52,760			
Stoneridge Parcel 1 Cfd #2 Sd	21,515	19,574	1,941			
Woodcrk West - Services District	311,454	274,744	36,710			
Crocker Ranch Services District	216,101	214,089	2,012			
Highland Res North Srv Dist	430,857	443,628	(12,771)			
Vernon St Lighting/Landscape	26,369	21,308	5,061			
Woodcreek East Services Dist	133,889	126,524	7,365			
Stone Point Cfd #2 Srv Dist	35,531	32,240	3,291			
Westpark Cfd #2 Services Dist	540,130	523,621	16,509			
Fiddymnt Ranch Cfd #2 Sd	571,281	560,551	10,730			
Municipal Services Cfd #3	20,203	19,925	278			
Longmeadow Cfd #2 Sd	48,111	43,999	4,112			
Infill Services Cfd	28,891	25,102	3,789			
NWRSP-Landscaping and Lighting District	400,000	279,396	120,604			
Gas Tax Operating Expenditures				11,600		11,600
Debt service:						
Interest and fiscal charges	113,703	97,771	15,932			
Total Expenditures	4,775,212	4,412,193	363,019	11,600		11,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,332,330	3,876,820	1,544,490	5,771,298	4,789,844	(981,454)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	1,785,800		(1,785,800)			
Transfers in				2,258,446	2,200,000	(58,446)
Transfers (out)	(2,335,560)	(2,117,006)	218,554	(3,019,022)	(2,984,065)	34,957
Total Other Financing Sources (Uses)	(549,760)	(2,117,006)	(1,567,246)	(760,576)	(784,065)	(23,489)
NET CHANGE IN FUND BALANCES	\$1,782,570	1,759,814	(\$22,756)	\$5,010,722	4,005,779	(\$1,004,943)
Adjustment to budgetary basis						
Capital outlay					(4,912,857)	
Fund balances (deficits) at beginning of year		7,759,642			12,227,459	
Fund balances (deficits) at end of year		\$9,519,456			\$11,320,381	

110,000	110,000	42,855	35,550	7,305

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	TRENCH CUT RECOVERY			LAW ENFORCEMENT BLOCK GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services		\$28,759	\$28,759			
Subventions and grants				\$100,000	\$204,150	\$104,150
Use of money and property	\$478	459	(19)	907	990	83
Miscellaneous revenues						
Total Revenues	478	29,218	28,740	100,907	205,140	104,233
EXPENDITURES						
Current:						
Salaries and benefits						
Parks And Recreation						
Utility Exploration Center						
Fire Tax Equipment						
Operating services and supplies						
Parks And Recreation						
Utility Exploration Center						
RUEC School Tour Annual						
Public Buildings - Fire Facilities						
Native Tree Projects						
Non-Native Tree Projects						
Debt service:						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	478	29,218	28,740	100,907	205,140	104,233
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in						
Transfers (out)	(49)	(49)		(100,144)	(169,532)	(69,388)
Total Other Financing Sources (Uses)	(49)	(49)		(100,144)	(169,532)	(69,388)
NET CHANGE IN FUND BALANCES	\$429	29,169	\$28,740	\$763	35,608	\$34,845
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		76,321			443	
Fund balances (deficits) at end of year		\$105,490			\$36,051	

FIRE FACILITIES			UTILITY EXPLORATION CENTER			TREE PROPAGATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$570,000	\$870,356	\$300,356						
15,500	15,576	76	\$10,500	\$18,763	\$8,263	\$9,200	\$42,598	\$33,398
216,000	216,000					100,000	100,000	
40,528	21,575	(18,953)	440	11	(429)	23,246	12,585	(10,661)
			56,000	21,273	(34,727)		15,256	15,256
842,028	1,123,507	281,479	66,940	40,047	(26,893)	132,446	170,439	37,993
16,220	9,827	6,393	353,343	315,269	38,074			
				4,975	(4,975)			
			133,480	78,053	55,427			
	369	(369)	15,000	2,084	12,916			
						716,007	531,096	184,911
						136,995	78,129	58,866
17,414	17,414							
33,634	27,610	6,024	501,823	400,381	101,442	853,002	609,225	243,777
808,394	1,095,897	287,503	(434,883)	(360,334)	74,549	(720,556)	(438,786)	281,770
	30,000	30,000						
(4,305,501)	(2,489,450)	1,816,051	767,652	377,673	(389,979)	(106,888)	(106,888)	
			(28,694)	(28,694)				
(4,305,501)	(2,459,450)	1,846,051	738,958	348,979	(389,979)	(106,888)	(106,888)	
(\$3,497,107)	(1,363,553)	\$2,133,554	\$304,075	(11,355)	(\$315,430)	(\$827,444)	(545,674)	\$281,770
	(345,401)							
	5,225,322			78,134			3,382,420	
	\$3,516,368			\$66,779			\$2,607,918	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	AIR QUALITY MITIGATION			COMMUNITY DEVELOPMENT BLOCK GRANT / HOME		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services	\$33,000	\$42,854	\$9,854			
Subventions and grants				\$1,418,000	\$583,211	(\$834,789)
Use of money and property	1,098	922	(176)		6,210	6,210
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues				400,000	353,818	(46,182)
Total Revenues	34,098	43,776	9,678	1,818,000	943,239	(874,761)
EXPENDITURES						
Current:						
Salaries and benefits						
Planning						
CDBG				96,677	90,546	6,131
Affordable Housing						
Housing Authority						
Operating services and supplies						
Planning						
Rehabilitation Account				400,000	207,078	192,922
CDBG				549,618	291,823	257,795
Home Program				669,739	383,554	286,185
Cal/Home				50,000		50,000
Housing Trust Fund						
Affordable Housing						
Housing Authority						
Public Safety:						
Fire						
Fire Museum Donation Fund						
Buckle Up Baby Fund						
Parks And Recreation						
Air Quality Mitigation	15,385		15,385			
Housing assistance payments						
Total Expenditures	15,385		15,385	1,766,034	973,001	793,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,713	43,776	25,063	51,966	(29,762)	(81,728)
OTHER FINANCING SOURCES (USES)						
Transfers in				14,210	7,540	(6,670)
Transfers (out)	(125)	(125)		(59,424)	(52,754)	6,670
Total Other Financing Sources (Uses)	(125)	(125)		(45,214)	(45,214)	
NET CHANGE IN FUND BALANCES	\$18,588	43,651	\$25,063	\$6,752	(74,976)	(\$81,728)
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		201,123			60,364	
Fund balances (deficits) at end of year		\$244,774			(\$14,612)	

HOUSING AUTHORITY SECTION 8			AFFORDABLE HOUSING			MISCELLANEOUS FIRE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,558,858	\$4,445,702 6	(\$113,156) 6	\$22,808	(\$15,908)	(\$38,716)	\$230	\$151	(\$79)
			44,000	94,916	50,916	15,000	6,570	(8,430)
25,600	84,641	59,041	10,000	128,196	118,196	10,000		(10,000)
4,584,458	4,530,349	(54,109)	76,808	207,204	130,396	25,230	6,721	(18,509)
526,400	476,315	50,085	737	737				
			190,000	40,776	149,224			
57,687	106,201	(48,514)	813,056	556,861	256,195			
						2,119	2,119	
						17,981	9,423	8,558
4,014,889	4,049,279	(34,390)						
4,598,976	4,631,795	(32,819)	1,003,793	598,374	405,419	20,100	11,542	8,558
(14,518)	(101,446)	(86,928)	(926,985)	(391,170)	535,815	5,130	(4,821)	(9,951)
(57,824)	(57,824)		(55,742)	(55,742)				
(57,824)	(57,824)		(55,742)	(55,742)				
(\$72,342)	(159,270)	(\$86,928)	(\$982,727)	(446,912)	\$535,815	\$5,130	(4,821)	(\$9,951)
	654,074			3,932,318			36,000	
	\$494,804			\$3,485,406			\$31,179	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	MISCELLANEOUS GENERAL GOVERNMENT			MISCELLANEOUS LIBRARY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services						
Subventions and grants						
Use of money and property	\$1,469	\$1,789	\$320	\$1,784	\$1,193	(\$591)
Miscellaneous revenues	168,320	237,237	68,917			
Total Revenues	169,789	239,026	69,237	1,784	1,193	(\$591)
EXPENDITURES						
Current:						
Salaries and benefits						
Public Works						
Storm Water Management Program						
Operating services and supplies						
General Government						
Cable Tv Peg Funds	256,585	101,995	154,590			
Public Works						
Storm Water Management Program						
Public Safety:						
Police						
Forfeited Property						
Police Evidence Funds						
Library						
Harrigan Trust-Adult Literacy				10,000	10,000	
Parks And Recreation						
Air Quality Mitigation						
Federal Asset Seizure Acct						
Environmental Utility Proj-Stormwater						
Grants	50,000	1,360	48,640			
Total Expenditures	306,585	103,355	203,230	10,000	10,000	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(136,796)	135,671	272,467	(8,216)	(8,807)	(\$591)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	(\$136,796)	135,671	\$272,467	(\$8,216)	(8,807)	(\$591)
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		374,120			280,573	
Fund balances (deficits) at end of year		\$509,791			\$271,766	

MISCELLANEOUS POLICE			MISCELLANEOUS PARK			STORM WATER MANAGEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$41,500	\$46,640	\$5,140		\$23	\$23
\$5,918	\$10,857	\$4,939				\$314,717		(314,717)
1,502	1,131	(371)	2,072	1,707	(365)	95	(14)	(109)
37,378	74,621	37,243		38,596	38,596		200	200
44,798	86,609	41,811	43,572	86,943	43,371	314,812	209	(314,603)
						334,997	335,364	(367)
						350,526	228,654	121,872
63,139	43,358	19,781						
1		1						
13,000	10,834	2,166					6,970	(6,970)
76,140	54,192	21,948				685,523	570,988	114,535
(31,342)	32,417	63,759	43,572	86,943	43,371	(370,711)	(570,779)	(200,068)
			(66,000)	(34,288)	31,712	593,765	672,233	78,468
						(33,805)	(33,805)	
			(66,000)	(34,288)	31,712	559,960	638,428	78,468
(\$31,342)	32,417	\$63,759	(\$22,428)	52,655	\$75,083	\$189,249	67,649	(\$121,600)
							(53,395)	
	254,010			354,596			(14,254)	
	\$286,427			\$407,251				

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	TRAFFIC SIGNAL			BIKE TRAIL/OPEN SPACE MAINTENANCE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services	\$5,000	\$7,642	\$2,642			
Subventions and grants						
Use of money and property	18,047	15,958	(2,089)	\$6,433	\$3,808	(\$2,625)
Contributions from developers	24,000	32,570	8,570			
Miscellaneous revenues		27,542	27,542		30,675	30,675
Total Revenues	47,047	83,712	36,665	6,433	34,483	28,050
EXPENDITURES						
Current:						
Salaries and benefits						
Planning						
Roseville Community Development Corporation						
Parks And Recreation						
Traffic Signals	976,939	951,340	25,599			
Operating services and supplies						
Planning						
Roseville Community Development Corporation						
Public Works						
Traffic Signal Maintenance Fd		12,381	(12,381)			
Parks and Recreation						
Traffic Signals	498,817	468,071	30,746			
Traffic Signal Maintenance/Upgrades		49	(49)			
Bike Trail Maintenance				90,109	54,182	35,927
Open Space Maintenance				635,825	469,522	166,303
Low & Moderate Income Housing Successor Agency						
Total Expenditures	1,475,756	1,431,841	43,915	725,934	523,704	202,230
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,428,709)	(1,348,129)	80,580	(719,501)	(489,221)	230,280
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property		4,397	4,397		3,580	3,580
Transfers in	1,878,590	1,878,590		545,262	514,468	(30,794)
Transfers (out)	(169,138)	(167,247)	1,891	(32,596)	(35,214)	(2,618)
Total Other Financing Sources (Uses)	1,709,452	1,715,740	6,288	512,666	482,834	(29,832)
NET CHANGE IN FUND BALANCES	\$280,743	367,611	\$86,868	(\$206,835)	(6,387)	\$200,448
Adjustment to budgetary basis						
Capital outlay		(277,455)				
Fund balances (deficits) at beginning of year		3,402,762			984,776	
Fund balances (deficits) at end of year		\$3,492,918			\$978,389	

ROSEVILLE COMMUNITY DEVELOPMENT CORPORATION			LOW/MOD INCOME HOUSING ASSET			TECHNOLOGY REPLACEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$188,000	\$168,000	(\$20,000)						
120,000	98,716	(21,284)	\$1,000	\$8,947	\$7,947	\$1,882	\$1,703	(\$179)
12,000	12,008	8	20,500	80,128	59,628			
320,000	278,724	(41,276)	21,500	89,075	67,575	1,882	1,703	(179)
237,150	272,372	(35,222)						
729,666	212,604	517,062						
			78,468	46,745	31,723			
966,816	484,976	481,840	78,468	46,745	31,723			
(646,816)	(206,252)	440,564	(56,968)	42,330	99,298	1,882	1,703	(179)
			60,532		(60,532)			
			60,532		(60,532)			
(\$646,816)	(206,252)	\$440,564	\$3,564	42,330	\$38,766	\$1,882	1,703	(\$179)
							(218,287)	
	(698,296)			1,350,886			(212,527)	
	(904,548)			\$1,393,216			(\$429,111)	

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	ROSEVILLE FINANCE AUTHORITY			CITIZENS' BENEFIT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property		\$386,529	\$386,529	\$209,608	\$58,447	(\$151,161)
Miscellaneous revenues				13,933	17,946	4,013
Total Revenues		<u>386,529</u>	<u>386,529</u>	<u>223,541</u>	<u>76,393</u>	<u>(147,148)</u>
EXPENDITURES						
Current:						
Operating services and supplies						
General government						
Citizens Benefit				514,365	504,865	9,500
Debt service:						
Principal retirement	720,000	720,000				
Interest and fiscal charges	<u>584,533</u>	<u>1,082,778</u>	<u>(498,245)</u>			
Total Expenditures	<u>1,304,533</u>	<u>1,802,778</u>	<u>(498,245)</u>	<u>514,365</u>	<u>504,865</u>	<u>9,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,304,533)</u>	<u>(1,416,249)</u>	<u>(111,716)</u>	<u>(290,824)</u>	<u>(428,472)</u>	<u>(137,648)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt		11,549,031	11,549,031			
Payment to escrow		(12,756,326)	(12,756,326)			
Transfers in	<u>1,304,533</u>	<u>1,238,198</u>	<u>(66,335)</u>			
Total Other Financing Sources (Uses)	<u>1,304,533</u>	<u>30,903</u>	<u>(1,273,630)</u>			
NET CHANGE IN FUND BALANCES		<u>(1,385,346)</u>	<u>(\$1,385,346)</u>	<u>(\$290,824)</u>	<u>(428,472)</u>	<u>(\$137,648)</u>
Fund balances (deficits) at beginning of year		<u>1,530,324</u>			<u>18,020,764</u>	
Fund balances (deficits) at end of year		<u>\$144,978</u>			<u>\$17,592,292</u>	

INTERNAL SERVICE FUNDS

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

Financial reporting standards require that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Automotive Services Fund. To account for the maintenance of vehicles used by City departments. Funds are received by means of a rental fee charged to the various departments.

Automotive Replacement Fund. To accumulate resources and account for the purchase of vehicles used by City departments. The source of revenue for this fund is replacement fees charged to City vehicles.

Workers' Compensation Fund. To account for the City's self-insurance program for Workers' Compensation benefits and for the administration of various preventative programs.

General Liability Fund. To account for the cost of claims and administrative costs of the City's self-insured general liability program.

Unemployment Reserve Fund. To account for State and Federal mandated unemployment insurance benefits for employees.

Vision Fund. To account for the City's insurance program for Vision benefits.

Dental Fund. To account for the City's insurance program for Dental benefits.

Section 125 Fund. To account for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

Post Retirement Fund. To account for the contributions and benefits paid in relation to accrued employee retirement compensation.

Central Stores Fund. To account for stores inventory that gets allocated out at year-end to the General Fund and Enterprise Funds.

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds	
			Workers' Compensation	General Liability
ASSETS				
Current Assets				
Cash and investments in City Treasury		\$32,891,272	\$8,132,597	\$3,585,889
Receivables:				
Accounts		156		
Accrued interest		3,067,170	26,928	10,747
Due from other government agencies	\$16,958			
Due from other funds		1,931,378	200,000	
Notes receivable		829,201		
Inventories	771,515			
	<u>788,473</u>	<u>38,719,177</u>	<u>8,359,525</u>	<u>3,596,636</u>
Total Current Assets				
Non Current Assets				
Advances to other funds		3,809,017	190,353	
Capital assets, net of accumulated depreciation	7,544	11,880,949	3,293	
	<u>796,017</u>	<u>54,409,143</u>	<u>8,553,171</u>	<u>3,596,636</u>
Total Assets				
LIABILITIES				
Current Liabilities				
Accounts payable	155,858	207,731	11,798	12,529
Accrued liabilities	70,026		3,281	3,293
Due to other funds	942,093			
Self-insurance claims payable			924,444	548,855
	<u>1,167,977</u>	<u>207,731</u>	<u>939,523</u>	<u>564,677</u>
Total Current Liabilities				
Long-term Liabilities				
Advances from other funds				
Compensated absences	316,876		40,332	8,657
Net OPEB obligations				
Self-insurance claims payable			6,779,260	1,343,750
	<u>1,484,853</u>	<u>207,731</u>	<u>7,759,115</u>	<u>1,917,084</u>
Total Liabilities				
NET POSITION				
Net investment in capital assets	7,544	11,880,949	3,293	
Unrestricted	(696,380)	42,320,463	790,763	1,679,552
	<u>(\$688,836)</u>	<u>\$54,201,412</u>	<u>\$794,056</u>	<u>\$1,679,552</u>
Total Net Position				

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
\$164,661	\$298,895	\$739,688	\$64,079	\$2,468,794	\$227,409	\$48,573,284
275	961	2,041	141	4,188		156
						3,112,451
						16,958
						2,131,378
						829,201
						771,515
164,936	299,856	741,729	64,220	2,472,982	227,409	55,434,943
						3,999,370
						11,891,786
164,936	299,856	741,729	64,220	2,472,982	227,409	71,326,099
		28,050		783	199,376	616,125
200,000						76,600
						1,142,093
						1,473,299
200,000		28,050		783	199,376	3,308,117
190,353						190,353
				33,246,786		365,865
						33,246,786
						8,123,010
390,353		28,050		33,247,569	199,376	45,234,131
(225,417)	299,856	713,679	64,220	(30,774,587)	28,033	11,891,786
						14,200,182
(\$225,417)	\$299,856	\$713,679	\$64,220	(\$30,774,587)	\$28,033	\$26,091,968

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds Workers' Compensation	General Liability
OPERATING REVENUES				
Charges for services	\$7,095,456	\$5,014,398	\$29	
Other	72,179		2,781,360	\$2,146,190
Total Operating Revenues	7,167,635	5,014,398	2,781,389	2,146,190
OPERATING EXPENSES				
Operations	6,613,763	610,329	2,541,716	1,338,925
Depreciation and amortization	36,349	3,158,637	3,040	
Claims expense			1,394,561	641,456
Total Operating Expenses	6,650,112	3,768,966	3,939,317	1,980,381
Operating Income (Loss)	517,523	1,245,432	(1,157,928)	165,809
NONOPERATING (EXPENSES)				
Interest and rents revenue	26,489	181,436	29,914	12,564
Net Nonoperating Revenues (Expenses)	26,489	181,436	29,914	12,564
Income (Loss) Before Contributions and Transfers	544,012	1,426,868	(1,128,014)	178,373
Transfers in		349,593		
Transfers (out)	(1,165,483)	(143,362)	(27,409)	(100,511)
Change in Net Position	(621,471)	1,633,099	(1,155,423)	77,862
Net position (deficit) - beginning	(67,365)	52,568,313	1,949,479	1,601,690
Net position (deficit) - ending	(\$688,836)	\$54,201,412	\$794,056	\$1,679,552

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
						\$12,109,883
\$470,021	\$150,581	\$1,427,033	\$392,470	\$1,613,195		9,053,029
470,021	150,581	1,427,033	392,470	1,613,195		21,162,912
	151,337	159,682		16,040,204		27,455,956
166,723		1,137,180	384,489			3,198,026
166,723	151,337	1,296,862	384,489	16,040,204		3,724,409
303,298	(756)	130,171	7,981	(14,427,009)		34,378,391
381	1,202	2,660	185	1,896		(13,215,479)
381	1,202	2,660	185	1,896		256,727
303,679	446	132,831	8,166	(14,425,113)		256,727
(3,895)	(1,796)	(13,563)	(3,902)	6,687,077 (39,199)		(12,958,752)
299,784	(1,350)	119,268	4,264	(7,777,235)		7,036,670
(525,201)	301,206	594,411	59,956	(22,997,352)	\$28,033	(1,499,120)
(\$225,417)	\$299,856	\$713,679	\$64,220	(\$30,774,587)	\$28,033	(7,421,202)
						33,513,170
						\$26,091,968

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds	
			Workers' Compensation	General Liability
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$7,106,297	\$5,014,242	\$29	
Payments to suppliers	(4,533,229)	(1,037,503)	(2,450,352)	(\$1,280,507)
Payments to employees	(1,879,747)		(87,475)	(86,681)
Payments to OPEB trust				
Claims paid				(304,755)
Other receipts (payments)	72,179		2,781,360	2,146,190
Net Cash Provided (Used) by Operating Activities	765,500	3,976,739	243,562	474,247
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to other funds	371,955	(347,552)	(100,000)	
(Increase) decrease in advances to other funds		121,352	200,000	
Transfers in		349,593		
Transfers (out)	(1,165,483)	(143,362)	(27,409)	(100,511)
Cash Flows from (Used for) Noncapital Financing Activities	(793,528)	(19,969)	72,591	(100,511)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets, net	(1)	(3,787,419)	1	
Cash Flows (Used for) Capital and Related Financing Activities	(1)	(3,787,419)	1	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and rents received	26,489	145,136	29,005	10,553
Cash Flows from Investing Activities	26,489	145,136	29,005	10,553
Net increase (decrease) in cash and cash equivalents	(1,540)	314,487	345,159	384,289
Cash and investments at beginning of period	1,540	32,576,785	7,787,438	3,201,600
Cash and investments at end of period		\$32,891,272	\$8,132,597	\$3,585,889
NONCASH TRANSACTIONS:				
Retirement of capital assets		(\$7,245)		
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$517,523	\$1,245,432	(\$1,157,928)	\$165,809
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	36,349	3,158,637	3,040	
Retirement of capital assets		7,245		
Change in assets and liabilities:				
Receivables, net	172,399	(156)		
Net OPEB obligations				
Accounts and other payables	39,229	(434,419)	1,398,450	308,438
Net cash provided by operating activities	\$765,500	\$3,976,739	\$243,562	\$474,247

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
						\$12,120,568
	(\$151,337)	(\$159,296)			\$135,726	(9,476,498)
				(\$3,316,012)		(5,369,915)
				(5,131,475)		(5,131,475)
(\$244,972)		(1,137,180)	(\$384,489)			(2,071,396)
470,021	150,581	1,427,033	392,470	1,613,195		9,053,029
225,049	(756)	130,557	7,981	(6,834,292)	135,726	(875,687)
100,000						24,403
(200,000)						121,352
				6,687,077		7,036,670
(3,895)	(1,796)	(13,563)	(3,902)	(39,199)		(1,499,120)
(103,895)	(1,796)	(13,563)	(3,902)	6,647,878		5,683,305
						(3,787,419)
						(3,787,419)
122	1,118	2,144	169	4,858		219,594
122	1,118	2,144	169	4,858		219,594
121,276	(1,434)	119,138	4,248	(181,556)	135,726	1,239,793
43,385	300,329	620,550	59,831	2,650,350	91,683	47,333,491
\$164,661	\$298,895	\$739,688	\$64,079	\$2,468,794	\$227,409	\$48,573,284
						(\$7,245)
\$303,298	(\$756)	\$130,171	\$7,981	(\$14,427,009)		(\$13,215,479)
						3,198,026
						7,245
				7,705,056		172,243
(78,249)		386		(112,339)	\$135,726	7,705,056
\$225,049	(\$756)	\$130,557	\$7,981	(\$6,834,292)	\$135,726	1,257,222
						(875,687)

This Page Left Intentionally Blank

PRIVATE-PURPOSE TRUST FUNDS

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

The Endowment Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit private organizations.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Roseville.

CITY OF ROSEVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Endowment Private-Purpose Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Total
ASSETS			
Cash and investments in Treasury	\$2,457,576	\$2,795,256	\$5,252,832
Restricted cash and investments with fiscal agents		5,955,371	5,955,371
Taxes receivable		64	64
Accounts receivable		3,103	3,103
Accrued interest receivable	6,444	178,201	184,645
Due from other governments		7,304,420	7,304,420
Developer permit fee receivable	378		378
Notes receivable		5,089,106	5,089,106
Land held for resale		5,419,762	5,419,762
Capital Assets:			
Land		1,762,188	1,762,188
Total Assets	<u>2,464,398</u>	<u>28,507,471</u>	<u>30,971,869</u>
LIABILITIES			
Accounts payable		1,836,401	1,836,401
Accrued liabilities		574,563	574,563
Long-term liabilities:			
Due in one year		592,238	592,238
Due in over one year		65,333,117	65,333,117
Total Liabilities		<u>68,336,319</u>	<u>68,336,319</u>
NET POSITION(DEFICIT)			
Held in trust for private purposes or for other governments	<u>\$2,464,398</u>	<u>(\$39,828,848)</u>	<u>(\$37,364,450)</u>

CITY OF ROSEVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Endowment Private-Purpose Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Total
ADDITIONS			
Property taxes		\$3,416,590	\$3,416,590
Subventions and grants	\$13,541		13,541
Investment income	11,511	189,579	201,090
Other receipts		10,642	10,642
Total additions	25,052	3,616,811	3,641,863
DEDUCTIONS			
General government	44,216		44,216
Community services		286,122	286,122
Pass-through payments and payment to County Auditor-Controller		4,231,128	4,231,128
Debt service:			
Interest and fiscal charges		1,805,719	1,805,719
Total deductions	44,216	6,322,969	6,367,185
Change in net position	(19,164)	(2,706,158)	(2,725,322)
Net position (deficit) - beginning of period	2,483,562	(37,122,690)	(34,639,128)
Net position (deficit) - end of period	\$2,464,398	(\$39,828,848)	(\$37,364,450)

This Page Left Intentionally Blank

AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessments/Community Facility Districts (CFDs)

These funds account for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

Payroll Revolving Fund

This fund accounts for the payroll deductions and contributions that are held in transit.

Highway 65 JPA (Bizz Johnson JPA)

This JPA, which consists of the City, City of Rocklin and Placer County, was formed to fund interchanges off of Highway 65. The City acts as lead agency and treasurer. The fees are collected via building permits.

Dry Creek Drainage Basin

Fees are collected via building permits for the Dry Creek area and submitted quarterly to Placer County for drainage mitigation.

County Capital Facilities Fee

This fee was established by the County to fund future county capital facilities from development. It is collected via building permits and submitted quarterly to the County.

South Placer Wastewater Authority (SPWA)

SPWA is a Joint Powers Authority comprised of the City, Placer County and South Placer Public Utilities District. The City is acting as the treasurer and construction manager. This JPA was formed to issue debt to facilitate the construction of the regional wastewater infrastructure. The agencies collect regional wastewater connection fees and submit them to SPWA which is used for debt service payments and for the future expansion of facilities.

Special Sewer Benefit Area #3

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the northeast portion of the City. The reimbursements are made to various project participants.

Special Sewer Benefit Area #4

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the southeast portion of the City. The reimbursements are made to Southfork Partnership.

AGENCY FUNDS (Continued)

South Placer County Tourism Business Improvement District (SPCTBID)

All hotels in the region are assessed fees for the purpose of promoting tourism in the area. These fees are forwarded to the City quarterly and then submitted quarterly to the SPCTBID.

South Placer County Safe Kids Coalition

The fees are collected for and submitted to an organization in Placer County for child safety programs.

South Placer Regional Traffic Fee

This fee is collected via building permits and submitted quarterly to Placer County Transportation Authority to fund regional traffic mitigation.

City/County Traffic Mitigation Fund (TMF)

The fee is collected via building permits and submitted quarterly to Placer County to fund regional traffic mitigation due to new development.

Placer County Air Pollution Control Fund

The fee is collected to contribute towards construction of a future animal shelter in South Placer County.

Sierra College Boulevard Fund

To account for contributions to provide maintenance of bike trails and open space.

Other

To account for fees collected for Placer County's administration of the City's Special Assessments.

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Foothills Boulevard Special Assessment District</u>				
Taxes receivable	\$1,243	\$1,243	\$1,243	\$1,243
Total Assets	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>
Due to bondholders	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>
<u>North Roseville/Rocklin Sewer Special Assessment District</u>				
Cash and investments in City Treasury	\$11,186	\$670	\$11,837	\$19
Taxes receivable	<u>375</u>	<u>362</u>	<u>\$375</u>	<u>362</u>
Total Assets	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
Due to bondholders	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
Total Liabilities	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
<u>Champion Oaks Special Assessment District</u>				
Cash and investments in City Treasury	<u>\$19,287</u>			<u>\$19,287</u>
Due to bondholders	<u>\$19,287</u>			<u>\$19,287</u>
<u>Foothills Boulevard Extension Special Assessment District</u>				
Cash and investments in City Treasury	\$195,916	\$424	\$196,340	
Taxes receivable	<u>5,992</u>	<u>6,407</u>	<u>5,992</u>	<u>\$6,407</u>
Accrued interest receivable	<u>15</u>		<u>15</u>	
Total Assets	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
Due to bondholders	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
Total Liabilities	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
<u>Northeast Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$594	(\$1)	\$593	
Taxes receivable	<u>88</u>	<u>106</u>	<u>88</u>	<u>\$106</u>
Total Assets	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>
Due to bondholders	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>
Total Liabilities	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Northwest Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$2,443,111	\$885,540	\$1,280,001	\$2,048,650
Restricted cash and investments with fiscal agents	2,298,788		706,250	1,592,538
Taxes receivable	30,731	36,264	30,731	36,264
Accrued interest receivable	4,171	2,775	4,171	2,775
Total Assets	<u>\$4,776,801</u>	<u>\$924,579</u>	<u>\$2,021,153</u>	<u>\$3,680,227</u>
Accounts payable		\$2,200		\$2,200
Due to bondholders	<u>\$4,776,801</u>	<u>922,379</u>	<u>\$2,021,153</u>	<u>3,678,027</u>
Total Liabilities	<u>\$4,776,801</u>	<u>\$924,579</u>	<u>\$2,021,153</u>	<u>\$3,680,227</u>
<u>Stoneridge East Community Facilities District #1</u>				
Cash and investments in City Treasury	\$986,372	\$722,768	\$760,300	\$948,840
Restricted cash and investments with fiscal agents	1,176,603	74		1,176,677
Taxes receivable	8,311	7,646	8,311	7,646
Accrued interest receivable	1,658	1,645	1,658	1,645
Total Assets	<u>\$2,172,944</u>	<u>\$732,133</u>	<u>\$770,269</u>	<u>\$2,134,808</u>
Accounts payable	\$35	\$1,950	\$35	\$1,950
Due to bondholders	<u>2,172,909</u>	<u>730,183</u>	<u>770,234</u>	<u>2,132,858</u>
Total Liabilities	<u>\$2,172,944</u>	<u>\$732,133</u>	<u>\$770,269</u>	<u>\$2,134,808</u>
<u>Northeast Roseville Community Facilities District #2</u>				
Cash and investments in City Treasury	\$898,616	\$318,384	\$408,929	\$808,071
Restricted cash and investments with fiscal agents	953,896		299,026	654,870
Taxes receivable	5,985	1,511	5,985	1,511
Accrued Interest receivable	1,534	923	1,534	923
Total Assets	<u>\$1,860,031</u>	<u>\$320,818</u>	<u>\$715,474</u>	<u>\$1,465,375</u>
Accounts payable	\$482	\$2,235	\$482	\$2,235
Due to bondholders	<u>1,859,549</u>	<u>318,583</u>	<u>714,992</u>	<u>1,463,140</u>
Total Liabilities	<u>\$1,860,031</u>	<u>\$320,818</u>	<u>\$715,474</u>	<u>\$1,465,375</u>
<u>North Central Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$5,149,414	\$998,450	\$2,025,094	\$4,122,770
Restricted cash and investments with fiscal agents	2,310,777	224,404		2,535,181
Taxes receivable	31,905	24,947	31,905	24,947
Accrued interest receivable	8,678	9,471	8,678	9,471
Total Assets	<u>\$7,500,774</u>	<u>\$1,257,272</u>	<u>\$2,065,677</u>	<u>\$6,692,369</u>
Accounts payable	\$35	\$142	\$35	\$142
Due to bondholders	<u>\$7,500,739</u>	<u>1,257,130</u>	<u>2,065,642</u>	<u>6,692,227</u>
Total Liabilities	<u>\$7,500,774</u>	<u>\$1,257,272</u>	<u>\$2,065,677</u>	<u>\$6,692,369</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
North Roseville Community Facilities District #1				
Cash and investments in City Treasury	\$1,851,710	\$658,693	\$747,193	\$1,763,210
Restricted cash and investments with fiscal agents	1,743,959		\$975	1,742,984
Accounts receivable				
Taxes receivable	10,651	7,938	10,651	7,938
Accrued interest receivable	3,031	3,400	3,031	3,400
Total Assets	\$3,609,351	\$670,031	\$761,850	\$3,517,532
Accounts payable	\$71		\$71	
Due to bondholders	3,609,280	670,031	761,779	\$3,517,532
Total Liabilities	\$3,609,351	\$670,031	\$761,850	\$3,517,532
Woodcreek West Community Facilities District #1				
Cash and investments in City Treasury	\$1,266,444	\$750,935	\$838,524	\$1,178,855
Restricted cash and investments with fiscal agents	1,408,573		\$5,919	1,402,654
Taxes receivable	7,722	7,449	7,722	7,449
Accrued interest receivable	2,145	2,112	2,145	2,112
Total Assets	\$2,684,884	\$760,496	\$854,310	\$2,591,070
Accounts payable		\$71		\$71
Accrued Liabilities	\$4,871			4,871
Due to bondholders	2,680,013	760,425	\$854,310	2,586,128
Total Liabilities	\$2,684,884	\$760,496	\$854,310	\$2,591,070
Highland Reserve North Community Facilities District #1				
Cash and investments in City Treasury	\$2,333,303	\$1,202,238	\$1,323,182	\$2,212,359
Restricted cash and investments with fiscal agents	2,544,811		\$1,627	2,543,184
Taxes receivable	11,512	11,580	11,512	11,580
Accrued interest receivable	4,217	4,011	4,217	4,011
Total Assets	\$4,893,843	\$1,217,829	\$1,340,538	\$4,771,134
Accounts payable	\$71	\$1,950	\$71	\$1,950
Due to bondholders	4,893,772	1,215,879	1,340,467	4,769,184
Total Liabilities	\$4,893,843	\$1,217,829	\$1,340,538	\$4,771,134
Stoneridge Parcel 1 Community Facilities District #1				
Cash and investments in City Treasury	\$154,111	\$83,920	\$94,067	\$143,964
Restricted cash and investments with fiscal agents	138,060		\$92	137,968
Taxes receivable	135	191	135	191
Accrued interest receivable	318	310	318	310
Total Assets	\$292,624	\$84,421	\$94,612	\$282,433
Accounts payable		\$1,950		\$1,950
Due to bondholders	\$292,624	82,471	\$94,612	280,483
Total Liabilities	\$292,624	\$84,421	\$94,612	\$282,433

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Woodcreek East Community Facilities District #1				
Cash and investments in City Treasury	\$540,179	\$236,354	\$281,489	\$495,044
Restricted cash and investments with fiscal agents	486,393		342	486,051
Taxes receivable	5,280	3,469	5,280	3,469
Accrued interest receivable	1,107	1,073	1,107	1,073
Total Assets	<u>\$1,032,959</u>	<u>\$240,896</u>	<u>\$288,218</u>	<u>\$985,637</u>
Accounts payable	\$1,950	\$1,950	\$1,950	\$1,950
Due to bondholders	1,031,009	238,946	286,268	983,687
Total Liabilities	<u>\$1,032,959</u>	<u>\$240,896</u>	<u>\$288,218</u>	<u>\$985,637</u>
Stoneridge West Community Facilities District #1				
Cash and investments in City Treasury	\$1,069,356	\$663,840	\$589,525	\$1,143,671
Restricted cash and investments with fiscal agents	920,718		\$398	920,320
Taxes receivable	151,133	162,071	151,133	162,071
Accrued interest receivable	1,921	2,444	1,921	2,444
Total Assets	<u>\$2,143,128</u>	<u>\$828,355</u>	<u>\$742,977</u>	<u>\$2,228,506</u>
Accounts payable	\$71	\$1,950	\$71	\$1,950
Due to bondholders	\$2,143,057	826,405	\$742,906	2,226,556
Total Liabilities	<u>\$2,143,128</u>	<u>\$828,355</u>	<u>\$742,977</u>	<u>\$2,228,506</u>
Crocker Ranch Community Facilities District #1				
Cash and investments in City Treasury	\$1,123,189	\$1,019,538	\$1,023,266	\$1,119,461
Restricted cash and investments with fiscal agents	1,390,895		\$211	1,390,684
Taxes receivable	6,455	6,802	6,455	6,802
Accrued interest receivable	1,515	1,929	1,515	1,929
Total Assets	<u>\$2,522,054</u>	<u>\$1,028,269</u>	<u>\$1,031,447</u>	<u>\$2,518,876</u>
Accounts payable	\$71	\$1,985	\$71	\$1,985
Due to bondholders	\$2,521,983	1,026,284	\$1,031,376	2,516,891
Total Liabilities	<u>\$2,522,054</u>	<u>\$1,028,269</u>	<u>\$1,031,447</u>	<u>\$2,518,876</u>
Stone Point Community Facilities District #1				
Cash and investments in City Treasury	\$981,978	\$477,265	\$612,572	\$846,671
Restricted cash and investments with fiscal agents	905,441	1,588		907,029
Accrued interest receivable	2,055	1,857	2,055	1,857
Total Assets	<u>\$1,889,474</u>	<u>\$480,710</u>	<u>\$614,627</u>	<u>\$1,755,557</u>
Accounts payable		\$1,950		\$1,950
Due to bondholders	\$1,889,474	478,760	\$614,627	1,753,607
Total Liabilities	<u>\$1,889,474</u>	<u>\$480,710</u>	<u>\$614,627</u>	<u>\$1,755,557</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Stone Point Community Facilities District #5</u>				
Cash and investments in City Treasury	\$222,926	\$342,885	\$299,340	\$266,471
Restricted cash and investments with fiscal agents	495,647		(866)	496,513
Accrued interest receivable	248	396	248	396
Total Assets	<u>\$718,821</u>	<u>\$343,281</u>	<u>\$298,722</u>	<u>\$763,380</u>
Accounts payable		\$1,950		\$1,950
Due to bondholders	<u>\$718,821</u>	<u>341,331</u>	<u>\$298,722</u>	<u>761,430</u>
Total Liabilities	<u>\$718,821</u>	<u>\$343,281</u>	<u>\$298,722</u>	<u>\$763,380</u>
<u>Westpark Community Facilities District #1</u>				
Cash and investments in City Treasury	\$3,562,249	\$4,134,452	\$4,117,148	\$3,579,553
Restricted cash and investments with fiscal agents	5,555,177	9,744		5,564,921
Taxes receivable	7,401	7,003	7,401	7,003
Accrued interest receivable	4,914	4,968	4,914	4,968
Total Assets	<u>\$9,129,741</u>	<u>\$4,156,167</u>	<u>\$4,129,463</u>	<u>\$9,156,445</u>
Accounts payable		\$79		\$79
Due to bondholders	<u>\$9,129,741</u>	<u>4,156,088</u>	<u>\$4,129,463</u>	<u>9,156,366</u>
Total Liabilities	<u>\$9,129,741</u>	<u>\$4,156,167</u>	<u>\$4,129,463</u>	<u>\$9,156,445</u>
<u>Fiddymment Ranch Community Facilities District #1</u>				
Cash and investments in City Treasury	\$3,315,552	\$3,981,298	\$4,119,906	\$3,176,944
Restricted cash and investments with fiscal agents	6,709,646		219,871	6,489,775
Taxes receivable	1,911	1,498	1,911	1,498
Accrued interest receivable	60,352	243,138	60,352	243,138
Total Assets	<u>\$10,087,461</u>	<u>\$4,225,934</u>	<u>\$4,402,040</u>	<u>\$9,911,355</u>
Accounts payable		\$35		\$35
Due to bondholders	<u>10,087,461</u>	<u>4,225,899</u>	<u>4,402,040</u>	<u>9,911,320</u>
Total Liabilities	<u>\$10,087,461</u>	<u>\$4,225,934</u>	<u>\$4,402,040</u>	<u>\$9,911,355</u>
<u>Longmeadow Community Facilities District #1</u>				
Cash and investments in City Treasury	\$410,096	\$475,296	\$584,476	\$300,916
Restricted cash and investments with fiscal agents	593,964		19,685	574,279
Taxes receivable	2,448	2,703	2,448	2,703
Accrued interest receivable	493	379	493	379
Total Assets	<u>\$1,007,001</u>	<u>\$478,378</u>	<u>\$607,102</u>	<u>\$878,277</u>
Accounts payable		\$2,200		\$2,200
Due to bondholders	<u>\$1,007,001</u>	<u>476,178</u>	<u>\$607,102</u>	<u>876,077</u>
Total Liabilities	<u>\$1,007,001</u>	<u>\$478,378</u>	<u>\$607,102</u>	<u>\$878,277</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Diamond Creek Community Facilities District #1</u>				
Cash and investments in City Treasury	\$378,948	\$269,034	\$376,455	\$271,527
Restricted cash and investments with fiscal agents	640,556	11,324		651,880
Accrued interest receivable	714	694	714	694
Total Assets	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
Due to bondholders	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
Total Liabilities	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
<u>Fountains Community Facilities District #1</u>				
Cash and investments in City Treasury	\$426,438	\$782,530	\$775,037	\$433,931
Restricted cash and investments with fiscal agents	1,121,349		\$628	1,120,721
Accrued interest receivable	554	639	554	639
Total Assets	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
Due to bondholders	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
Total Liabilities	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
<u>Automall Community Facilities District #1</u>				
Cash and investments in City Treasury	\$763,609	(\$64,553)	\$185,404	\$513,652
Accrued interest receivable	749	1,421	749	1,421
Total Assets	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
Due to bondholders	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
Total Liabilities	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
<u>Payroll Revolving</u>				
Cash and investments in City Treasury	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>
Total Assets	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>
Accounts payable		\$5,592		\$5,592
Due to others	<u>\$951,135</u>	<u>22,121</u>		<u>973,256</u>
Total Liabilities	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Highway 65 JPA				
Cash and investments in City Treasury	\$730,315	\$818,239	\$213,923	\$1,334,631
Accrued interest receivable	4,238	3,258	4,238	3,258
Permit fees receivable				
Due from other government agencies	99,866	94,266	99,866	94,266
Total Assets	\$834,419	\$915,763	\$318,027	\$1,432,155
Accounts payable	\$135	\$842	\$135	\$842
Due to member agencies	834,284	914,921	317,892	1,431,313
Total Liabilities	\$834,419	\$915,763	\$318,027	\$1,432,155
Dry Creek Drainage Basin				
Cash and investments in City Treasury	\$1,257	\$817		\$2,074
Accrued interest receivable	3	10	\$3	10
Total Assets	\$1,260	\$827	\$3	\$2,084
Accounts Payable	\$1,232	\$1,655	\$1,232	\$1,655
Due to others	28	(828)	(1,229)	429
Total Liabilities	\$1,260	\$827	\$3	\$2,084
County Capital Facilities Fee				
Cash and investments in City Treasury	\$425,975	\$351,388	\$346,796	\$430,567
Accrued interest receivable	754	1,160	754	1,160
Total Assets	\$426,729	\$352,548	\$347,550	\$431,727
Accounts payable	\$345,778	\$351,794	\$345,778	\$351,794
Due to others	80,951	754	1,772	79,933
Total Liabilities	\$426,729	\$352,548	\$347,550	\$431,727
South Placer Wastewater Authority				
Cash and investments in City Treasury	91,057,152	\$15,139,081	\$10,641,002	\$95,555,231
Restricted cash and investments with fiscal agents	9,804,924		873,347	8,931,577
Accounts receivable		1,654		1,654
Accrued interest receivable	213,949	278,603	213,949	278,603
Permit fees receivable	1,377,933		403,724	974,209
Due from other government agencies	802,818	1,430,980	802,818	1,430,980
Total Assets	\$103,256,776	\$16,850,318	\$12,934,840	\$107,172,254
Accounts payable	\$118,946	\$44,042	\$118,946	\$44,042
Accrued liabilities	560,334	570,534	560,334	570,534
Due to member agencies	102,577,496	16,235,742	12,255,560	106,557,678
Total Liabilities	\$103,256,776	\$16,850,318	\$12,934,840	\$107,172,254

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Special Sewer Benefit Area #3				
Cash and investments in City Treasury	\$5,031	\$1,925		\$6,956
Accrued interest receivable	12	19	\$12	19
Permit fees receivable		5,249		5,249
Total Assets	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Due to others	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Total Liabilities	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Special Sewer Benefit Area #4				
Cash and investments in City Treasury	\$152,329	\$589	\$1	\$152,917
Accrued interest receivable	445	506	445	506
Total Assets	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
Due to others	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
Total Liabilities	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
South Placer County Tourism Business Improvement District (SPCTBID)				
Cash and investments in City Treasury	\$14,230	\$214,238	\$214,700	\$13,768
Accounts receivable	189,798	214,782	189,798	214,782
Accrued interest receivable	170	248	170	248
Total Assets	<u>\$204,198</u>	<u>\$429,268</u>	<u>\$404,668</u>	<u>\$228,798</u>
Accounts payable	\$190,512	\$24,270		\$214,782
Due to others	13,686	\$404,998	404,668	14,016
Total Liabilities	<u>\$204,198</u>	<u>\$429,268</u>	<u>\$404,668</u>	<u>\$228,798</u>
South Placer County Safe Kids Coalition				
Cash and investments in City Treasury	\$10,451	\$5,502	\$9,389	\$6,564
Accrued interest receivable	12	30	12	30
Total Assets	<u>\$10,463</u>	<u>\$5,532</u>	<u>\$9,401</u>	<u>\$6,594</u>
Accounts payable	\$149	\$92	\$149	\$92
Due to others	10,314	5,440	9,252	6,502
Total Liabilities	<u>\$10,463</u>	<u>\$5,532</u>	<u>\$9,401</u>	<u>\$6,594</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>South Placer Regional Traffic Fee</u>				
Cash and investments in City Treasury	\$192,501	\$278,210	\$192,525	\$278,186
Accounts receivable	1,121		1,121	
Accrued interest receivable	324	622	324	622
Total Assets	<u>\$193,946</u>	<u>\$278,832</u>	<u>\$193,970</u>	<u>\$278,808</u>
Accounts payable	\$192,524	\$278,979	\$192,524	\$278,979
Due to others	1,422	(147)	1,446	(171)
Total Liabilities	<u>\$193,946</u>	<u>\$278,832</u>	<u>\$193,970</u>	<u>\$278,808</u>
<u>City/County TMF</u>				
Cash and investments in City Treasury	\$56,622	\$76,566	\$56,962	\$76,226
Accrued interest receivable	89	152	89	152
Total Assets	<u>\$56,711</u>	<u>\$76,718</u>	<u>\$57,051</u>	<u>\$76,378</u>
Accounts payable	\$56,628	\$76,477	\$56,628	\$76,477
Due to others	83	241	423	(99)
Total Liabilities	<u>\$56,711</u>	<u>\$76,718</u>	<u>\$57,051</u>	<u>\$76,378</u>
<u>Placer County Air Pollution Control</u>				
Cash and investments in City Treasury	\$26,418	\$10,325		\$36,743
Total Assets	<u>\$26,418</u>	<u>\$10,325</u>		<u>\$36,743</u>
Due to others	\$26,418	\$10,325		\$36,743
Total Liabilities	<u>\$26,418</u>	<u>\$10,325</u>		<u>\$36,743</u>
<u>Sierra College Boulevard</u>				
Cash and investments in City Treasury	\$13,028		\$1,481	\$11,547
Total Assets	<u>\$13,028</u>		<u>\$1,481</u>	<u>\$11,547</u>
Due to others	\$13,028		\$1,481	\$11,547
Total Liabilities	<u>\$13,028</u>		<u>\$1,481</u>	<u>\$11,547</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Other				
Cash and investments in City Treasury	\$13,122			\$13,122
Total Assets	<u>\$13,122</u>			<u>\$13,122</u>
Due to other government agencies	\$13,122			\$13,122
Total Liabilities	<u>\$13,122</u>			<u>\$13,122</u>
Total Agency Funds				
Cash and investments in City Treasury	\$121,754,150	\$34,864,553	\$32,327,457	\$124,291,246
Restricted cash and investments with fiscal agents	41,200,177	247,134	2,127,505	39,319,806
Accounts receivable	190,919	216,436	190,919	216,436
Taxes receivable	289,278	289,190	289,278	289,190
Accrued interest receivable	320,385	568,193	320,385	568,193
Permit fees receivable	1,377,933	5,249	403,724	979,458
Due from other government agencies	902,684	1,525,246	902,684	1,525,246
Total Assets	<u>\$166,035,526</u>	<u>\$37,716,001</u>	<u>\$36,561,952</u>	<u>\$167,189,575</u>
Accounts payable	\$908,690	\$806,340	\$718,178	\$996,852
Accrued liabilities	565,205	570,534	560,334	575,405
Due to other government agencies	13,122			13,122
Due to member agencies	103,411,780	17,150,663	12,573,452	107,988,991
Due to bondholders	59,881,847	18,737,272	22,291,717	56,327,402
Due to others	1,254,882	451,192	418,271	1,287,803
Total Liabilities	<u>\$166,035,526</u>	<u>\$37,716,001</u>	<u>\$36,561,952</u>	<u>\$167,189,575</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and electric revenue:

1. Sales Tax Revenue
2. Assessed Value and Estimated Value of Taxable Property
3. Property Tax Rates, All Direct and Overlapping Governments
4. Principal Property Tax Payers
5. Property Tax Levies and Collections
6. Electric Customers and Revenues
7. Residential Energy Prices
8. Business Energy Prices

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 2013 Refunding Variable Rate Wastewater Revenue Bonds
3. Revenue Bond Coverage – 2011 Refunding Fixed Rate Wastewater Revenue Bonds – Series C
4. Revenue Bond Coverage – 2011 Refunding SIFMA Index Wastewater Revenue Bonds – Series D
5. Bonded Debt Pledged Revenue Coverage – 2002 Redevelopment Tax Allocation Bonds
6. Bonded Debt Pledged Revenue Coverage – 2006A Redevelopment Tax Allocation Bonds
7. Bonded Debt Pledged Revenue Coverage – 2006AT Redevelopment Tax Allocation Bonds
8. Bonded Debt Pledged Revenue Coverage – 2006HT Redevelopment Tax Allocation Bonds
9. Computation of Direct and Overlapping Debt
10. Computation of Legal Bonded Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION (Continued)

Operating Information

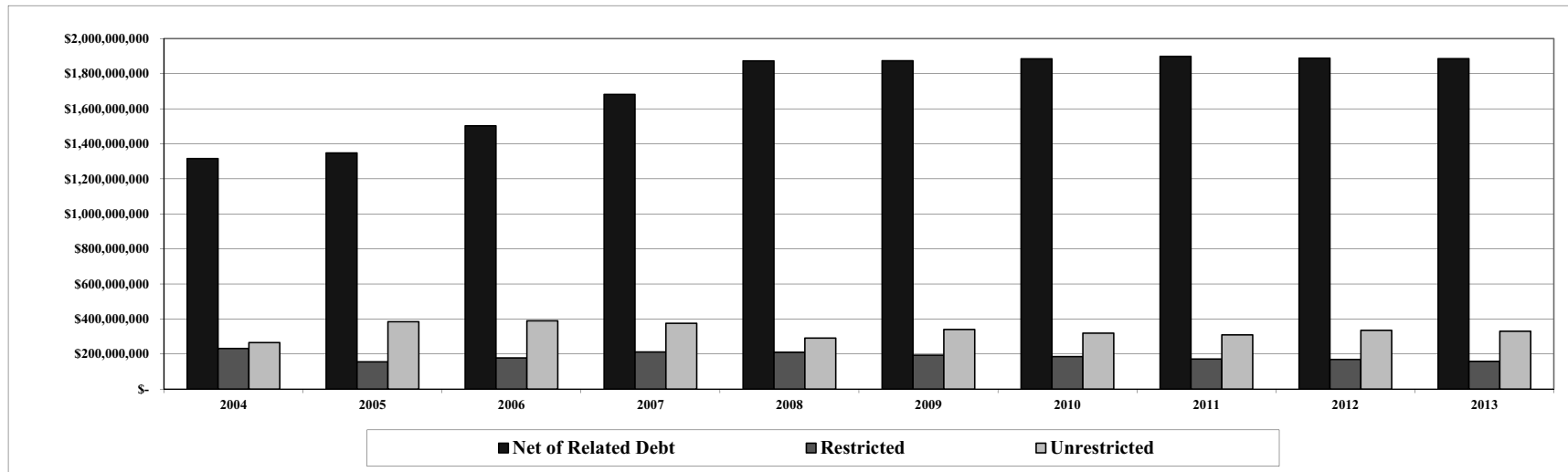
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF ROSEVILLE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**



	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$540,714,647	\$579,757,919	\$664,131,414	\$742,822,158	\$775,922,473	\$809,874,186	\$821,029,885	\$827,793,866	\$834,840,748	\$838,848,266
Restricted	142,404,742	124,527,445	149,738,041	177,189,997	165,833,165	149,364,179	141,943,254	144,584,184	140,299,702	131,372,528
Unrestricted	73,230,549	89,038,317	109,395,679	107,064,085	131,434,721	114,855,293	100,170,093	84,860,426	94,429,280	87,148,942
Total governmental activities net position	<u>\$756,349,938</u>	<u>\$793,323,681</u>	<u>\$923,265,134</u>	<u>\$1,027,076,240</u>	<u>\$1,073,190,359</u>	<u>\$1,074,093,658</u>	<u>\$1,063,143,232</u>	<u>\$1,057,238,476</u>	<u>\$1,069,569,730</u>	<u>\$1,057,369,736</u>
Business-type activities										
Net investment in capital assets	\$774,624,921	\$767,628,987	\$838,373,690	\$938,933,934	\$1,096,922,321	\$1,063,872,692	\$1,063,903,341	\$1,070,888,251	\$1,053,701,396	\$1,046,687,207
Restricted	89,408,729	31,082,339	28,178,946	34,553,611	44,622,022	43,873,415	43,565,544	26,825,766	28,837,472	27,217,358
Unrestricted	191,964,333	295,600,560	280,399,506	268,413,147	159,481,947	225,358,784	219,151,174	224,337,296	241,020,358	243,176,781
Total business-type activities net position	<u>\$1,055,997,983</u>	<u>\$1,094,311,886</u>	<u>\$1,146,952,142</u>	<u>\$1,241,900,692</u>	<u>\$1,301,026,290</u>	<u>\$1,333,104,891</u>	<u>\$1,326,620,059</u>	<u>\$1,322,051,313</u>	<u>\$1,323,559,226</u>	<u>\$1,317,081,346</u>
Primary government										
Net investment in capital assets	\$1,315,339,568	\$1,347,386,906	\$1,502,505,104	\$1,681,756,092	\$1,872,844,794	\$1,873,746,878	\$1,884,933,226	\$1,898,682,117	\$1,888,542,144	\$1,885,535,473
Restricted	231,813,471	155,609,784	177,916,987	211,743,608	210,455,187	193,237,594	185,508,798	171,409,950	169,137,174	158,589,886
Unrestricted	265,194,882	384,638,877	389,795,185	375,477,232	290,916,668	340,214,077	319,321,267	309,197,722	335,449,638	330,325,723
Total primary government net position	<u>\$1,812,347,921</u>	<u>\$1,887,635,567</u>	<u>\$2,070,217,276</u>	<u>\$2,268,976,932</u>	<u>\$2,374,216,649</u>	<u>\$2,407,198,549</u>	<u>\$2,389,763,291</u>	<u>\$2,379,289,789</u>	<u>\$2,393,128,956</u>	<u>\$2,374,451,082</u>

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

Source: The City's Comprehensive Annual Financial Report

**CITY OF ROSEVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$19,299,495	\$22,350,454	\$25,437,535	\$30,929,747	\$34,826,790	\$35,306,470	\$31,596,121	\$30,387,717	\$35,564,864	\$36,146,055
Community development and planning	10,370,401	10,131,568	11,893,312	13,171,347	16,004,720	16,399,001	20,004,902	13,441,264	11,625,120	6,070,940
Public Works	21,567,351	39,391,505	33,498,385	42,070,119	33,682,426	35,299,262	33,143,591	30,932,981	32,524,417	42,655,128
Police	19,351,991	22,761,768	24,500,396	27,440,631	33,717,164	36,257,952	34,190,552	31,720,789	31,262,454	33,163,354
Fire	12,768,918	15,226,498	16,435,774	20,572,207	26,372,987	27,405,634	27,543,494	25,191,924	25,282,596	26,611,217
Library	2,839,127	2,996,195	3,156,087	3,552,614	5,506,954	5,184,868	4,692,455	3,933,549	4,631,691	4,537,528
Parks and recreation	13,257,771	14,001,045	16,052,655	17,634,887	20,021,127	20,607,763	18,358,870	17,664,088	20,209,935	22,032,310
Community facilities districts										
Payments under developer agreements	2,607,608	3,093,615								
Housing assistance payments	3,127,150	3,050,762	2,974,236	3,328,656	3,399,145	3,530,527	3,628,510	3,643,394	4,232,695	4,049,279
Interest on long-term debt	1,813,647	1,760,833	1,933,654	4,920,776	6,858,207	5,847,054	7,131,216	3,181,266	999,436	1,274,294
Total Governmental Activities Expenses	\$107,003,459	\$134,764,243	\$135,882,034	\$163,620,984	\$180,389,520	\$185,838,531	\$180,289,711	\$160,096,972	\$166,333,208	\$176,540,105
Business-Type Activities:										
Electric	\$69,630,286	\$93,061,537	\$97,101,941	\$131,224,885	\$155,579,953	\$163,739,748	\$172,512,453	\$148,271,687	\$144,985,608	\$144,141,500
Water	15,748,289	16,719,257	18,510,040	15,855,579	25,826,409	21,842,893	23,025,281	22,335,757	24,311,517	24,669,405
Wastewater	18,050,409	23,885,474	27,207,717	28,948,611	37,098,813	28,512,359	29,169,860	29,516,033	34,587,583	33,820,510
Solid Waste	11,614,060	12,749,998	14,220,731	15,182,395	15,743,209	14,914,734	15,172,092	14,979,891	15,855,280	16,173,643
Natural Gas				5,152,447	15,123,490	27,665,056	27,398,886	27,106,564	26,792,658	26,383,130
Golf Course	2,365,048	2,473,835	2,479,378	2,351,603	2,883,713	3,003,690	2,814,274	2,828,099	2,487,080	2,617,733
Local Transportation	3,768,970	4,106,631	4,415,411	5,410,630	5,872,368	6,221,260	7,084,490	6,609,048	6,727,985	7,909,058
School-age Child Care	3,824,316	4,211,285	4,430,801	4,825,366	5,575,761	4,649,458	4,258,304	4,277,245	4,461,275	4,691,235
Total Business-Type Activities Expenses	125,001,378	157,208,017	168,366,019	208,951,516	263,703,716	270,549,198	281,435,640	255,924,324	260,208,986	260,306,214
Total Primary Government Expenses	\$232,004,837	\$291,972,260	\$304,248,053	\$372,572,500	\$444,093,236	\$456,387,729	\$461,725,351	\$416,021,296	\$426,542,194	\$436,846,319
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$1,318,112	\$1,570,571	\$3,364,921	\$3,980,445	\$2,658,458	\$3,780,716	\$2,655,834	\$2,914,657	\$2,778,080	\$2,650,873
Community development and planning	2,988,881	3,652,829	4,312,464	3,543,270	3,386,649	1,903,124	2,704,794	2,564,206	1,983,989	1,691,318
Public Works	6,612,890	6,814,277	7,959,770	9,246,666	5,843,426	3,327,869	2,841,931	2,913,603	2,919,180	3,124,557
Police	1,581,324	2,009,281	1,900,144	2,346,493	1,845,245	2,346,230	2,088,346	1,525,433	1,319,271	1,504,357
Fire	945,366	1,082,211	1,253,881	1,505,547	1,402,158	1,362,379	1,185,742	1,203,109	1,009,954	821,543
Library	136,710	162,479	188,738	235,231	272,057	230,290	216,064	228,343	339,589	297,467
Parks and recreation	5,508,574	6,224,464	7,315,217	4,167,719	9,986,005	9,728,400	9,843,940	10,057,346	10,242,291	12,574,853
Community facilities districts										
Operating Grants and Contributions	8,476,255	9,449,752	7,717,503	7,246,321	9,514,427	12,465,557	12,354,931	10,943,019	2,984,979	9,609,400
Capital Grants and Contributions	35,094,840	41,143,945	113,531,406	101,768,467	59,279,903	22,813,349	27,053,063	11,716,689	19,862,713	21,787,386
Total Government Activities Program Revenues	62,662,952	72,109,809	147,544,044	134,040,159	94,188,328	57,957,914	60,944,645	44,066,405	43,440,046	54,061,754
Business-Type Activities:										
Charges for Services:										
Electric	94,387,590	98,949,341	102,772,594	130,264,098	143,898,715	155,843,041	163,315,149	163,234,969	160,141,372	159,002,035
Water	11,804,088	13,163,434	13,450,264	14,938,665	16,925,351	17,765,674	17,473,099	17,967,074	19,954,068	22,899,867
Wastewater	14,739,888	16,355,694	19,025,742	22,455,645	24,014,362	27,087,117	24,961,516	30,472,704	28,088,503	27,693,272
Solid Waste	14,678,394	15,244,048	17,558,492	18,575,194	19,562,798	19,951,063	20,082,492	20,682,638	20,903,993	21,437,536
Natural Gas				4,059,943	4,059,943	16,528,513	16,557,517	16,528,513	16,563,722	16,530,605
Golf Course	2,436,735	2,564,469	2,747,851	3,162,637	3,182,357	2,953,223	2,801,963	2,415,583	2,702,741	2,460,509
Local Transportation	526,204	530,516	601,087	739,826	863,606	1,184,861	861,730	949,192	974,344	1,075,864
School-age Child Care	3,810,089	4,193,923	4,833,884	4,845,460	5,193,488	4,779,262	4,358,762	4,296,761	4,047,021	4,475,225
Operating Grants and Contributions	6,717,432	7,104,895	2,299,189	14,328,217	13,630,808	10,139,913	6,327,458	6,174,016	13,729,467	7,175,122
Capital Grants and Contributions	52,603,696	49,828,229	68,914,968	108,453,838	88,497,473	55,050,971	26,604,588	16,234,957	12,323,429	17,501,234
Total Business-Type Activities Program Revenue	201,704,116	207,934,549	232,204,071	317,763,580	319,828,901	311,283,638	283,344,274	278,956,407	279,428,660	280,251,269
Total Primary Government Program Revenues	\$264,367,068	\$280,044,358	\$379,748,115	\$451,803,739	\$414,017,229	\$369,241,552	\$344,288,919	\$323,022,812	\$322,868,706	\$334,313,023
Net (Expense)/Revenue										
Governmental Activities	(\$44,340,507)	(\$62,654,434)	\$11,662,010	(\$29,580,825)	(\$86,001,192)	(\$127,880,617)	(\$119,345,066)	(\$116,030,567)	(\$122,893,162)	(\$122,478,351)
Business-Type Activities	76,702,738	50,726,532	63,838,052	108,812,064	56,125,185	40,734,440	1,908,634	23,032,083	19,219,674	19,945,055
Total Primary Government Net Expense	\$32,362,231	(\$11,927,902)	\$75,500,062	\$79,231,239	(\$29,876,007)	(\$87,146,177)	(\$117,436,432)	(\$92,998,484)	(\$103,673,488)	(\$102,533,296)

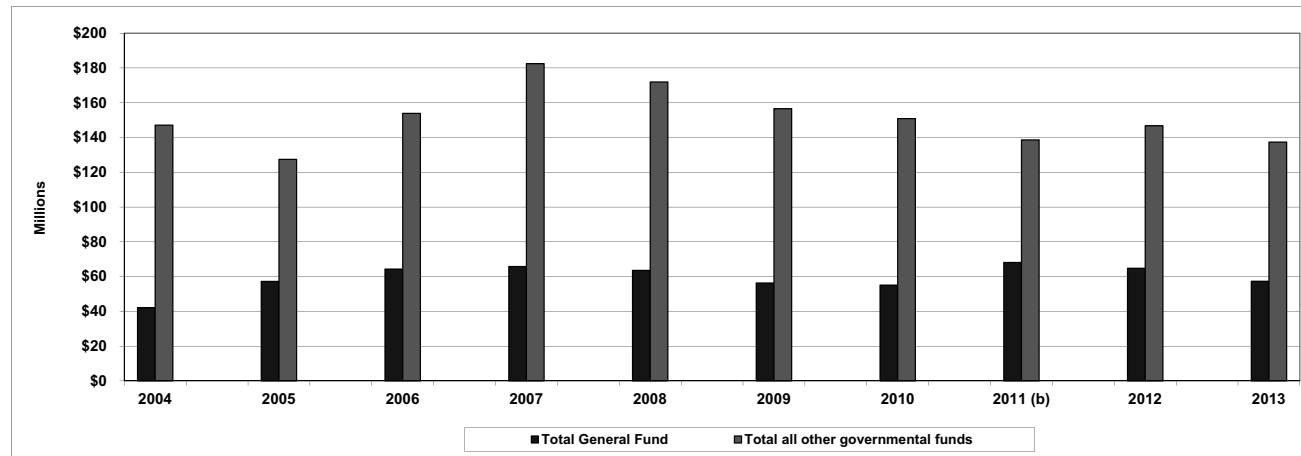
Source: The City's Comprehensive Annual Financial Report.

**CITY OF ROSEVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$20,101,838	\$26,548,498	\$30,867,256	\$38,737,491	\$41,066,666	\$39,688,660	\$38,102,029	\$34,721,253	\$31,758,352	\$31,075,967
Less Education Revenue Augmentation Fund Payment	(143,182)	(260,676)								
Sales taxes	38,031,918	40,973,365	42,642,034	44,772,743	40,982,384	36,024,500	32,139,544	37,332,222	38,129,931	43,002,643
Franchise taxes	954,396	1,060,903	1,267,707	1,429,155	1,607,214	930,003	1,615,166	1,735,495	1,822,869	1,874,700
Motor fuel taxes	1,775,122	1,897,211	3,116,638	1,999,542	1,985,315	1,855,462	2,909,176			
Motor vehicle in lieu (Intergovernmental- unrestricted)	4,152,209	2,123,202	710,510	565,719	471,834	373,495	332,224	523,609	122,230	
Other Taxes	2,978,450	3,671,924	3,630,534	3,529,485	3,306,271	2,974,201	2,779,885	2,936,778	6,626,071	6,465,560
Licenses and permits										
Use of money and property	2,992,312	5,631,061	8,077,599	14,208,032	16,918,766	14,048,619	4,737,938	3,645,241	3,243,932	533,505
Miscellaneous revenues	12,975	664,191	1,680,851	2,926,467	887,173	4,568,055	1,934,366	1,089,608	1,511,125	2,113,638
Transfers	15,605,538	17,318,498	23,582,576	25,223,297	24,622,443	28,320,921	23,844,312	26,144,153	30,374,582	25,212,344
Extraordinary item										
Assets transferred to/liabilities assumed by										
Successor Agency									34,223,315	
Gain/(Loss) from sales of capital assets	92,324		2,703,738							
Bond issuance premium	351,119									
Extraordinary item - litigation settlement										
Total Government Activities	86,905,019	99,628,177	118,279,443	133,391,931	131,848,066	128,783,916	108,394,640	108,128,359	147,812,407	110,278,357
Business-Type Activities:										
Use of money and property	1,096,493	4,487,348	10,559,581	11,359,783	27,622,856	19,665,082	15,450,846	12,812,162	12,662,821	11,245,022
Miscellaneous revenues			1,825,199							150,119
Provision for disputed SCS charges		418,521								
Transfers	(15,605,538)	(17,318,498)	(23,582,576)	(25,223,297)	(24,622,443)	(28,320,921)	(23,844,312)	(26,144,153)	(30,374,582)	(25,212,344)
Gain/(Loss) from sales of capital assets	(227,334)									
Special Item	(7,394,906)									(22,715,022)
Total Business-Type Activities	(22,131,285)	(12,412,629)	(11,197,796)	(13,863,514)	3,000,413	(8,655,839)	(8,393,466)	(13,331,991)	(17,711,761)	(36,532,225)
Total Primary Government	\$64,773,734	\$87,215,548	\$107,081,647	\$119,528,417	\$134,848,479	\$120,128,077	\$100,001,174	\$94,796,368	\$130,100,646	\$73,746,132
Change in Net Position										
Governmental Activities	\$42,564,512	\$36,973,743	\$129,941,453	\$103,811,106	\$45,846,874	\$903,299	(\$10,950,426)	(\$7,902,208)	\$24,919,245	(\$12,199,994)
Business-Type Activities	\$4,571,453	\$8,313,903	\$2,640,256	\$9,948,550	\$9,125,598	\$2,078,601	(6,484,832)	9,700,092	1,507,913	(16,587,170)
Total Primary Government	\$97,135,965	\$75,287,646	\$182,581,709	\$198,759,656	\$104,972,472	\$32,981,900	(\$17,435,258)	\$1,797,884	\$26,427,158	(\$28,787,164)

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

**CITY OF ROSEVILLE
FUND BALANCES OF GOVERNMENT FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011 (b)	2012	2013
General Fund										
Reserved	\$18,414,069	\$18,449,612	\$16,669,748	\$13,421,646	\$10,786,244	\$13,472,640	\$13,730,063			
Unreserved	23,647,906	38,788,181	47,642,690	52,376,837	52,774,303	42,850,836	41,375,295	\$23,734,548	\$17,036,815	\$24,350,331
Nonspendable								5,328,824	2,944,900	3,002,686
Assigned								39,068,183	44,796,255	29,957,714
Unassigned										
Total General Fund	\$42,061,975	\$57,237,793	\$64,312,438	\$65,798,483	\$63,560,547	\$56,323,476	\$55,105,358	\$68,131,555 (a)	\$64,777,970 (a)	\$57,310,731
All Other Governmental Funds										
Reserved	\$23,989,841	\$27,132,041	\$53,194,568	\$71,775,257	\$56,547,018	\$56,058,554	\$51,548,654			
Unreserved, reported in:										
Special Revenue Funds	87,880,374	66,266,786	64,447,245	73,726,293	79,723,403	65,941,856	64,422,284			
Capital Projects	19,522,248	17,733,928	19,807,821	20,128,123	18,146,007	16,456,146	16,542,186			
Permanent Funds	15,725,381	16,318,672	16,425,999	16,833,979	17,495,650	18,066,202	18,353,285			
Nonspendable								\$17,411,864	\$17,503,760	\$17,691,169
Restricted								108,226,582	113,465,925	106,099,078
Committed								2,195,164	2,248,644	2,290,938
Assigned								14,890,220	14,472,182	12,625,416
Unassigned								(4,081,313)	(925,077)	(1,333,659)
Total all other governmental funds	\$147,117,844	\$127,451,427	\$153,875,633	\$182,463,652	\$171,912,078	\$156,522,758	\$150,866,409	\$138,642,517 (a)	\$146,765,434	\$137,372,942

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

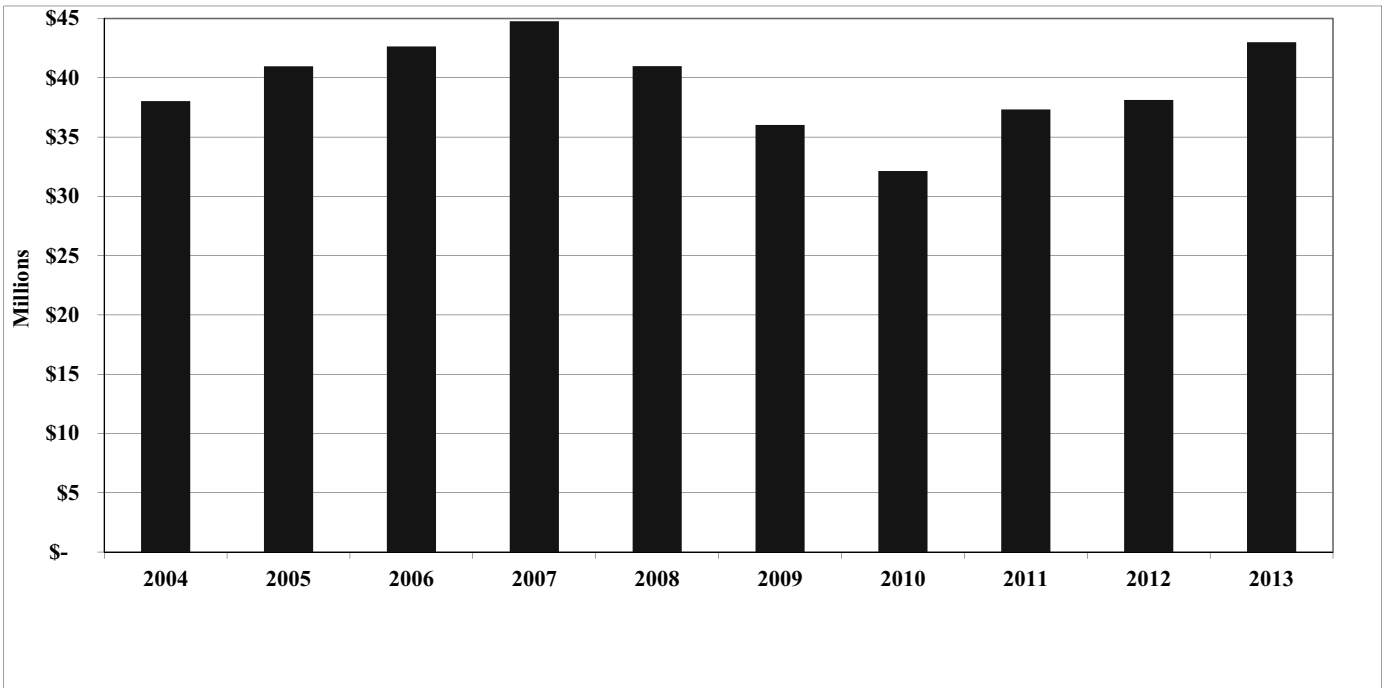
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation.

CITY OF ROSEVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal year ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$65,815,061	\$75,900,403	\$82,770,691	\$93,500,227	\$93,457,602	\$85,601,833	\$79,623,097	\$82,023,333	\$80,584,812	\$85,621,989
Less Educational Revenue Augmentation	(143,182)	(260,676)	(323,743)							
Licenses, permits and fees	2,784,570	2,591,354	2,020,467	2,762,883	2,537,988	1,832,029	1,624,422	1,651,822	1,756,255	1,805,452
Charges for services	27,343,649	26,814,640	31,295,267	40,301,825	31,892,013	18,899,792	18,080,957	17,111,034	17,222,182	20,613,195
Subventions and grants	13,758,850	12,630,086	10,351,281	12,744,920	12,819,741	16,909,738	22,554,411	13,612,705	11,835,085	17,307,222
Use of money and property	3,455,309	4,922,685	7,784,975	16,943,196	19,198,906	16,183,845	9,528,347	3,107,947	3,271,208	1,892,467
Fine, forfeitures and penalties	1,471,716	1,803,562	1,953,405	2,358,742	2,147,695	2,283,349	2,115,882	1,829,785	1,502,408	1,447,757
Contributions from property owners	2,574,635	7,841,639	92,645,369	71,488,795	9,100,000					
Contributions from developers	2,662,371	4,373,481	3,337,645	1,591,059	2,070,716	957,680	706,385	1,483,872	2,900,578	3,673,089
Miscellaneous revenues	3,331,708	4,213,970	7,899,568	9,286,123	12,455,601	7,264,395	5,991,250	3,032,677	2,458,788	3,409,782
Total Revenues	123,054,687	140,831,144	239,734,925	250,977,770	185,680,262	149,932,661	140,224,751	123,853,175	121,531,316	135,770,953
Expenditures										
Current:										
General government	20,766,474	19,962,845	24,103,076	27,910,341	28,222,016	26,639,267	21,737,861	21,840,332	23,676,727	25,215,600
Community development and planning	10,807,567	9,751,722	10,888,062	11,961,479	16,710,067	13,481,274	17,310,689	10,229,425	7,303,223	6,095,964
Public works	10,956,006	10,817,148	15,396,696	16,947,884	16,228,157	16,022,025	10,700,041	11,013,467	10,597,421	10,746,489
Public safety:										
Police	19,051,384	21,547,825	25,567,869	28,988,754	30,498,603	30,408,122	28,564,889	27,411,509	28,650,241	29,638,540
Fire	12,602,614	13,753,902	16,915,393	20,719,718	24,352,812	24,527,743	23,349,639	23,264,497	23,573,792	25,041,187
Library	2,842,537	2,762,274	3,133,367	3,520,834	4,542,287	3,449,204	3,224,523	2,855,794	3,560,396	3,726,160
Parks and recreation	13,249,576	13,507,359	16,007,377	17,955,082	19,092,606	17,979,576	16,199,096	15,610,257	18,320,063	19,671,070
Housing assistance payments	3,127,150	3,050,762	2,974,236	3,328,656	3,399,145	3,530,527	3,628,510	3,643,394	4,232,695	4,049,279
Capital outlay	41,149,143	58,729,356	108,314,784	125,426,074	63,142,168	49,795,093	36,534,025	20,416,652	19,529,120	34,879,208
Payments under development agreements	2,607,608	5,389,110	2,592,039	2,396,314	2,157,821	1,601,494	1,445,960	1,146,915	880,852	567,619
Annexation payments	153,085	285,335	835,780	1,810,538	2,138,963	1,959,852	2,131,802	2,045,843	2,228,371	2,302,077
Debt service:										
Principal repayment	1,439,690	1,264,702	941,946	1,206,803	1,590,991	1,392,486	1,397,222	1,402,625	2,694,645	802,821
Interest and fiscal charges	1,912,196	1,789,098	1,941,002	4,523,725	6,873,248	7,090,871	7,396,273	2,932,461	1,612,858	1,217,231
Total Expenditures	140,665,030	162,611,438	229,611,627	266,696,202	218,948,884	197,877,534	173,620,530	143,813,171	146,860,404	163,953,245
Excess (deficiency) of revenues over (under) expenditures	(17,610,343)	(21,780,294)	10,123,298	(15,718,432)	(33,268,622)	(47,944,873)	(33,395,779)	(19,959,996)	(25,329,088)	(28,182,292)
Other Financing Sources (Uses)										
Proceeds from capital lease		147,266	2,239,765			385,538				
Proceeds from issuance of bonds				23,215,524						
Proceeds from sale of property			3,503,467		129,284	12,040	10,000			159,482
Proceeds from debt issuance	18,275,000									
Transfers in	27,934,748	26,116,934	38,439,158	54,227,228	42,487,182	53,047,351	42,615,799	44,206,780	43,818,402	38,821,810
Transfers (out)	(23,543,935)	(8,974,505)	(20,806,837)	(31,650,256)	(22,404,599)	(28,126,447)	(18,935,737)	(23,444,479)	(18,447,291)	(19,147,016)
Payment to refunded bond escrow	(18,080,000)									
Issuance of debt										11,549,031
Payment to bond escrow agent										(12,756,326)
Contributions from developers							2,831,250			
Bond issuance premium	351,119									
Total other financing sources (uses)	4,936,932	17,289,695	23,375,553	45,792,496	20,211,867	25,318,482	26,521,312	20,762,301	25,371,111	18,626,981
Net Change in fund balances before extraordinary item	(12,673,411)	(4,490,599)	33,498,851	30,074,064	(13,056,755)	(22,626,391)	(6,874,467)	802,305	42,023	(9,555,311)
Extraordinary items										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor									4,727,309	
Increase in loan to the Successor Agency										(7,304,420)
Net Change in fund balances	(\$12,673,411)	(\$4,490,599)	\$33,498,851	\$30,074,064	(\$13,056,755)	(\$22,626,391)	(\$6,874,467)	\$802,305	\$4,769,332	(\$16,859,731)
Debt service as a percentage of noncapital expenditures	3.5%	3.0%	2.5%	4.3%	5.8%	5.3%	5.7%	3.5%	3.4%	1.5%

Source: The City's Comprehensive Annual Financial Report

**CITY OF ROSEVILLE
SALES TAX REVENUE
Last Ten Fiscal Years**



<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 38,031,918
2005	40,973,365
2006	42,642,035
2007	44,772,743
2008	40,982,384
2009	36,024,500
2010	32,139,544
2011	37,332,222
2012	38,129,931
2013	43,002,643

Source: The City's Comprehensive Annual Financial Report

**CITY OF ROSEVILLE
ASSESSMENT ROLL VALUES
Last Ten Fiscal Years**

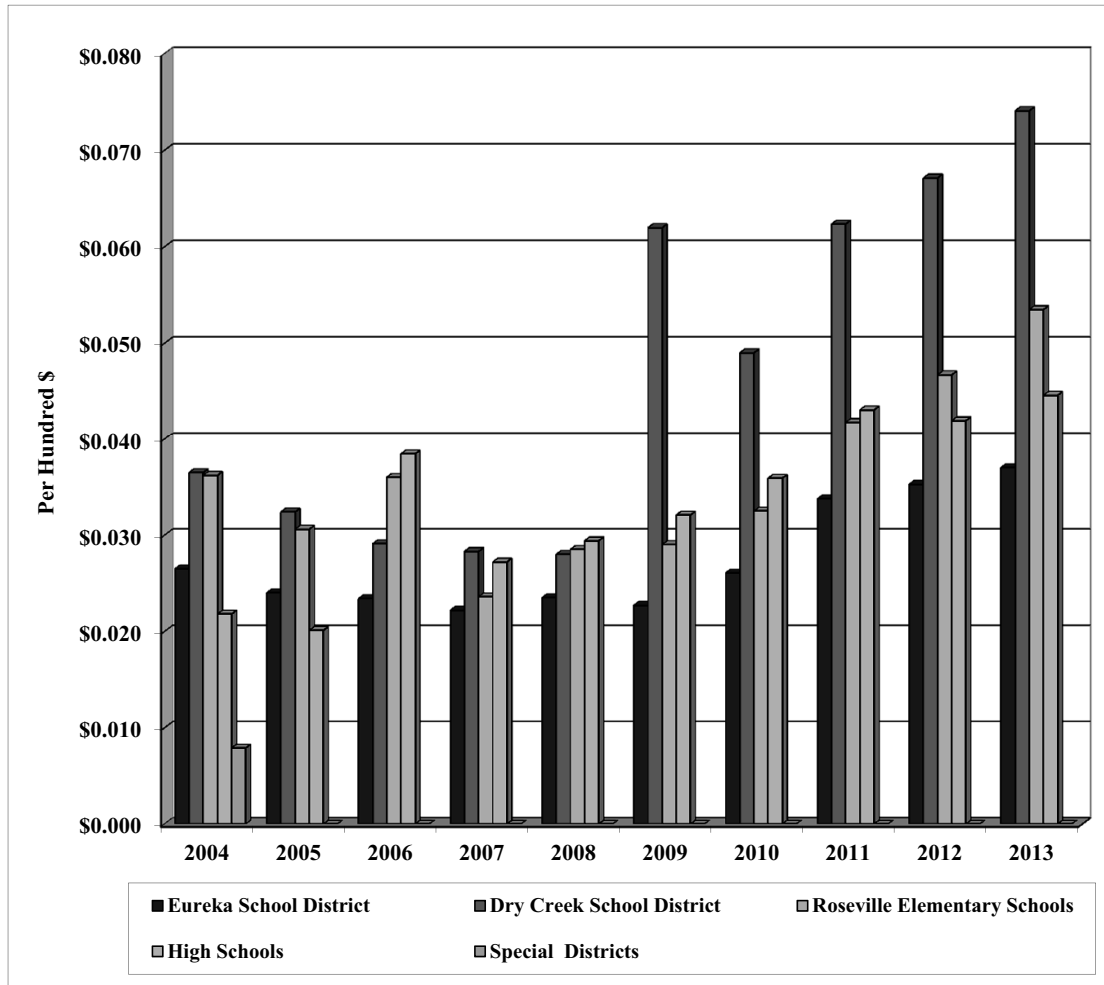
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Secured										
Land	\$ 3,061,114,759	\$ 3,418,314,468	\$ 3,913,353,838	\$ 4,975,004,883	\$ 5,277,609,490	\$ 5,022,518,855	\$ 4,702,676,886	\$ 4,258,240,370	\$ 4,138,902,907	\$ 4,139,152,114
Structure	7,430,126,682	8,499,941,082	9,524,344,265	10,721,828,793	11,554,289,752	11,950,909,732	12,095,007,943	11,439,696,023	10,859,970,035	10,942,930,883
Growing Imp.				3						
Fixtures	112,206,794	114,463,857	100,605,428	156,459,551	96,186,460	172,326,456	121,330,197	122,138,875	86,539,606	86,949,612
Personal Property	445,929,780	397,085,676	377,171,200	356,221,219	424,035,810	439,345,074	397,416,205	398,032,391	195,128,458	185,441,743
Gross	11,049,378,015	12,429,805,083	13,915,474,731	16,209,514,449	17,352,121,512	17,585,100,117	17,316,431,231	16,218,107,659	15,280,541,006	15,354,474,352
Exemptions	(678,676,580)	(716,288,525)	(741,780,248)	(795,302,289)	(876,567,514)	(1,037,586,092)	(1,185,170,787)	(1,271,501,002)	(1,183,664,559)	(1,216,280,788)
Net Value	10,370,701,435	11,713,516,558	13,173,694,483	15,414,212,160	16,475,553,998	16,547,514,025	16,131,260,444	14,946,606,657	14,096,876,447	14,138,193,564
Unsecured										
Land	38,767,508	14,182,736	13,788,052	13,914,030	9,561,508	9,752,733	9,938,066	9,918,107	10,652,978	15,107,515
Structure	5,098,218	18,355,347	18,174,770	18,345,848	18,712,755	19,086,998	19,483,398	19,054,920	19,198,391	40,452,068
Fixtures	115,637,346	131,950,837	137,587,407	143,205,188	151,270,219	170,668,416	195,965,488	204,471,411	278,372,656	204,335,331
Personal Property	287,440,808	303,697,290	311,390,275	379,757,859	386,574,785	420,787,592	404,628,665	427,041,927	456,724,821	440,681,012
Gross	446,943,880	468,186,210	480,940,504	555,222,925	566,119,267	620,295,739	630,015,617	660,486,365	764,948,846	700,575,926
Exemptions	(5,966,951)	(9,564,930)	(17,829,447)	(25,233,403)	(28,052,319)	(40,368,799)	(69,496,206)	(98,512,303)	(88,790,688)	(92,879,612)
Net Value	440,976,929	458,621,280	463,111,057	529,989,522	538,066,948	579,926,940	560,519,411	561,974,062	676,158,158	607,696,314
Total Net										
Assessed Value (a)	\$ 10,811,678,364	\$ 12,172,137,838	\$ 13,636,805,540	\$ 15,944,201,682	\$ 17,013,620,946	\$ 17,127,440,965	\$ 16,691,779,855	\$ 15,508,580,719	\$ 14,773,034,605	\$ 14,745,889,878
Direct Tax Rate (b)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(a) Article XIII A, added to the California Constitution by Proposition 13 in 1978 fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1975/76 assessment roll. Thereafter, full cash value can be increased to reflect:

- annual inflation up to 2%; or
- market value at the time of ownership change; or
- market value for new construction.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF ROSEVILLE
PROPERTY TAX RATES
DIRECT & OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**



Fiscal Year	Direct Rate	Overlapping Rates					Total**
	Basic County Wide Levy	Eureka School District	Dry Creek School District	Roseville Elementary Schools	High Schools	Special Districts	
2004	1.0000	0.0265	0.0365	0.0362	0.0218	0.0079	1.0628
2005	1.0000	0.0240	0.0324	0.0306	0.0201	N/A*	1.0491
2006	1.0000	0.0234	0.0291	0.0360	0.0384	N/A*	1.0679
2007	1.0000	0.0222	0.0283	0.0236	0.0272	N/A*	1.0519
2008	1.0000	0.0235	0.0280	0.0285	0.0294	N/A*	1.0561
2009	1.0000	0.0227	0.0620	0.0290	0.0321	N/A*	1.0700
2010	1.0000	0.0261	0.0490	0.0325	0.0359	N/A*	1.0718
2011	1.0000	0.0338	0.0624	0.0418	0.0431	N/A*	1.0890
2012	1.0000	0.0353	0.0671	0.0467	0.0420	N/A*	1.0917
2013	1.0000	0.0370	0.0741	0.0535	0.0446	N/A*	1.0995

* San Juan Water bond matured and paid in 2004/05

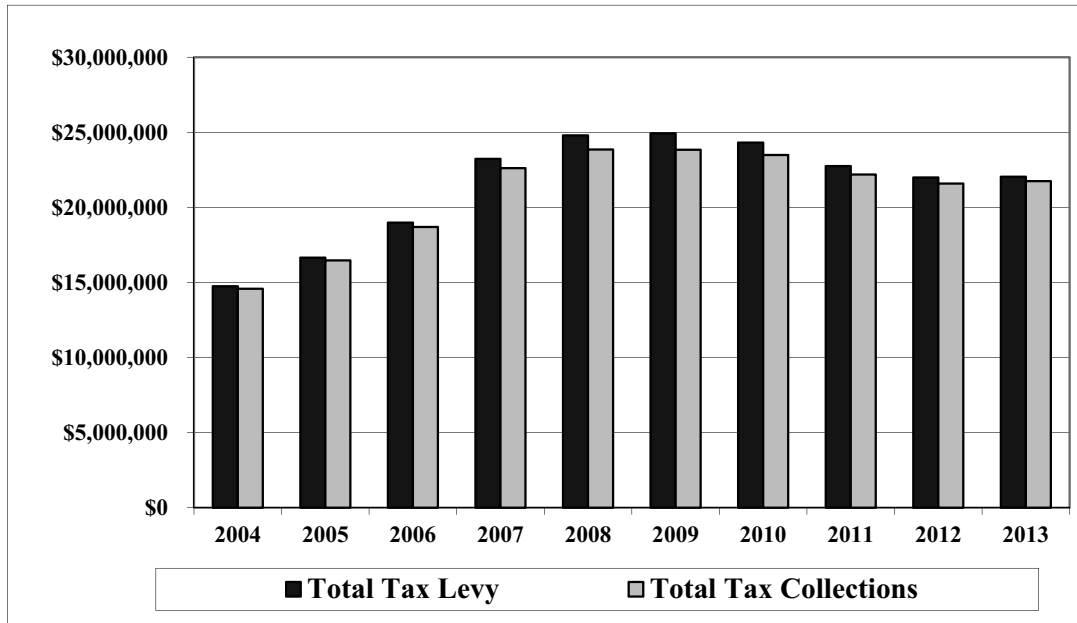
** Total Overlapping Rates uses an average of Eureka School District, Dry Creek School District and Roseville Elementary School

CITY OF ROSEVILLE
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago

			2013			2004		
Property Owner	Primary Land Use	Rank	Percent of		Rank	Percent of		
			Taxable Assessed Value	Total City Taxable Assessed Value		Taxable Assessed Value	Total City Taxable Assessed Value	
Roseville Shoppingtown LLC	Shopping Center	1	\$330,836,869	2.31%	3	\$ 214,981,460	2.04%	
Hewlett Packard Co.	Industrial	2	127,794,526	0.89%	2	368,032,445	3.50%	
W2005 Fargo Hotels Pool C Realty LP	Hotel	3	87,497,560	0.61%				
Slate Creek Roseville LLC	Apartments	4	78,209,289	0.55%				
Roseville Fountains LP	Shopping Center	5	63,200,078	0.44%				
CPT Creekside Town Center LLC	Shopping Center	6	60,077,000	0.42%				
UCM Caiprosemeade LLC	Apartments	7	55,892,220	0.39%				
Timberpine Holdings LLC	Industrial	8	47,500,000	0.33%				
Walmart Stores Inc.	Commercial	9	46,237,979	0.32%				
John L. Sullivan Family LP	Auto Dealership	10	44,692,023	0.31%				
Safeway Inc.	Commercial	11	38,270,033	0.27%				
Realty Associates Fund IX LP	Apartments	12	35,700,000	0.25%				
NNN Parkway Corporate Plaza LLC	Office Building	13	34,550,000	0.24%				
JB Management LP	Shopping Center	14	33,443,155	0.23%	19	29,764,333	0.28%	
Conam Highland Park LLC	Apartments	15	33,062,664	0.23%				
Rreef America REIT II Corp.	Office Building	16	32,600,000	0.23%				
Hines Summit at Douglas LP	Office Building	17	31,050,000	0.22%				
Hines Douglas Corporate Center LP	Office Building	18	31,000,000	0.22%				
Eureka Development Company LLC	Shopping Center	19	30,972,725	0.22%				
Terraces at Highland Property Owner LLC	Apartments	20	30,647,130	0.21%				
NEC Electronics USA Inc.					1	409,950,443	3.90%	
Spieker Properties					4	69,348,000	0.66%	
Creekside Center LLC					5	58,485,379	0.56%	
SI VII LLC					6	54,548,600	0.52%	
Evergreen Britanna Land Joint Venture					7	54,099,081	0.51%	
John Mourier Construction Inc.					8	52,610,666	0.50%	
Rosemead LLC					9	47,313,135	0.45%	
Demmon Haverhill Partners LP					10	44,152,510	0.42%	
Homarose LP					11	40,107,420	0.38%	
Kobra Properties					12	39,768,837	0.38%	
Nordstrom Inc.					13	36,036,923	0.34%	
Property Reserve Inc.					14	32,313,600	0.31%	
Macys West Inc.					15	32,148,014	0.31%	
Preserve at Creekside LLC					16	32,056,536	0.30%	
Lennar Renaissance Inc.					17	30,579,077	0.29%	
SMII Highland Reserve LLC					18	30,182,718	0.29%	
Autumn Oaks 200 LLC / Autumn Oaks 216 Ltd.					20	29,034,551	0.28%	
			\$1,273,233,251	8.90%	\$1,705,513,728 16.21%			
Local Secured Assessed Valuation:			\$ 14,313,557,564		\$ 10,522,257,652			

Source: California Municipal Statistics, Inc.

**CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2004	\$ 14,747,241	\$ 14,582,072	98.88%
2005	16,653,884	16,469,026	98.89%
2006	18,987,819	18,695,407	98.46%
2007	23,231,927	22,616,281	97.35%
2008	24,795,852	23,856,089	96.21%
2009	24,932,869	23,840,809	95.62%
2010	24,317,144	23,490,361	96.60%
2011	22,749,169	22,191,814	97.55%
2012	21,991,913	21,585,063	98.15%
2013	22,044,604	21,749,207	98.66%

Notes:

Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

Placer County uses an estimate for the delinquency rate and compiles delinquency as a lump sum.

Subsequent collections are not broken out by fiscal year from the County. This information is not available.

**CITY OF ROSEVILLE
ELECTRIC CUSTOMERS & REVENUES**

Ten Largest Electric Customers as of 6/30/2013

Rank	Business Type (a)	kWh	Percent Total kWh	Revenue	Percent to Total Revenue
1	Manufacturing	100,650,000	8.43%	\$9,218,211	5.93%
2	Admin/Office/R&D	41,847,000	3.50%	\$4,135,219	2.66%
3	Medical Care	31,950,088	2.68%	\$3,343,671	2.15%
4	Government and Utilities	25,882,400	2.17%	\$2,598,630	1.67%
5	Medical Care	22,300,917	1.87%	\$2,459,244	1.58%
6	Retail and Property Management	18,972,727	1.59%	\$2,330,450	1.50%
7	Telecommunications	12,335,452	1.03%	\$1,309,183	0.84%
8	Retail	11,559,932	0.97%	\$1,369,092	0.88%
9	Grocery	10,298,200	0.86%	\$1,297,871	0.84%
10	Grocery	9,621,000	0.81%	\$1,043,220	0.67%

Electric Sales Revenue as of 06/30/2013

Residential	\$ 66,205,815
Commercial	89,227,695
Total Electric Revenue	<u><u>\$ 155,433,509</u></u>

(a) Customer's name not shown to follow the City's Administrative Regulation regarding confidentiality of customers.

Source: City of Roseville Electric Department

**City of Roseville
Residential Energy Prices
Effective January 1, 2011**

Residential	
Basic Service Charge (per meter, per month)	\$10.00
Energy Charge (\$/kWh)	
Tier 1- up to 500 kWh/month	\$0.1083
Tier 2- 501 to 1,000 kWh/month	\$0.1541
Tier 3- greater than 1,000 kWh/month	\$0.1756
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029

Special Residential Rates

Electric Rate Assistance Program ⁽³⁾	
Basic Service Charge (per meter, per month)	\$8.50
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0913
Tier 2- 501 to 1,000 kWh/month	\$0.1302
Tier 3- greater than 1,000 kWh/month	\$0.1485
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029
Medical Support Rate Reduction ⁽⁴⁾	
Basic Service Charge (per meter, per month)	\$10.00
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0516
Tier 2- 501 to 1,000 kWh/month	\$0.1302
Tier 3- greater than 1,000 kWh/month	\$0.1485
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029
Senior Citizen Rate Reduction ⁽⁵⁾	
Basic Service Charge (per meter, per month)	\$8.80
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0947
Tier 2- 501 to 1,000 kWh/month	\$0.1350
Tier 3- greater than 1,000 kWh/month	\$0.1539
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029

NOTES

- 1 There is no hydroelectric adjustment in effect through June 2013.
- 2 Customers enrolled in Roseville Electric's green energy program, Green Roseville, and pay to have 100% of their energy provided by renewable resources are exempt from the Climate Change Mitigation Charge.
- 3 An application must be submitted along with a copy of the most recent energy bill and proof of income. For complete program guidelines or to receive an application, call the City of Roseville's Housing and Redevelopment Office at 774-5270. This rate is 15% credit on all electric service charges.
- 4 An application must be completed for the Medical Support Rate reduction. A doctor's certification is also required. For more information or an application, please call the City of Roseville Finance Department at 774-5300.
This rate is a 50% credit on the first 500 kWh per month and 15% credit for usage >500 kWh.
- 5 Rate closed July 1, 1998. Seniors receive a twelve percent credit on all electric service charges.

Source: City of Roseville Electric Department

**City of Roseville
Business Energy Prices
Effective January 1, 2011**

Small General Service (GS-1) (Demand < 20 kW) Basic Service Charge (per meter, per month) Energy Charge (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	\$15.50 \$0.1174 \$0.00000 \$0.00500 \$0.00029																															
Medium General Service (GS-2) (20 kW < Demand ≤ 500 kW) Basic Service Charge (per meter, per month) Demand Charge (\$/kW-month) Energy Charge (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	\$42.00 \$4.48 \$0.1121 \$0.00000 \$0.00500 \$0.00029																															
Large General Service (GS-3) (500 kW < Demand ≤ 1000 kW) Basic Service Charge (per meter, per month) Demand Charge (\$/kW-month) Energy Charge Off Peak (\$/kWh) On Peak (\$/kWh) Super Peak (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	<table border="1"> <thead> <tr> <th></th><th>Winter</th><th>Summer</th></tr> </thead> <tbody> <tr> <td>Basic Service Charge (per meter, per month)</td><td>\$315.00</td><td>\$315.00</td></tr> <tr> <td>Demand Charge (\$/kW-month)</td><td>\$3.28</td><td>\$11.32</td></tr> <tr> <td>Energy Charge</td><td></td><td></td></tr> <tr> <td> Off Peak (\$/kWh)</td><td>\$0.0715</td><td>\$0.0827</td></tr> <tr> <td> On Peak (\$/kWh)</td><td>\$0.0921</td><td>\$0.1100</td></tr> <tr> <td> Super Peak (\$/kWh)</td><td>\$0.0921</td><td>\$0.1418</td></tr> <tr> <td>Hydroelectric Adjustment (\$/kWh)</td><td>\$0.00000</td><td>\$0.00000</td></tr> <tr> <td>Environmental Compliance Charge (\$/kWh)</td><td>\$0.00500</td><td>\$0.00500</td></tr> <tr> <td>State Energy Surcharge (\$/kWh)</td><td>\$0.00029</td><td>\$0.00029</td></tr> </tbody> </table>			Winter	Summer	Basic Service Charge (per meter, per month)	\$315.00	\$315.00	Demand Charge (\$/kW-month)	\$3.28	\$11.32	Energy Charge			Off Peak (\$/kWh)	\$0.0715	\$0.0827	On Peak (\$/kWh)	\$0.0921	\$0.1100	Super Peak (\$/kWh)	\$0.0921	\$0.1418	Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000	Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500	State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029
	Winter	Summer																														
Basic Service Charge (per meter, per month)	\$315.00	\$315.00																														
Demand Charge (\$/kW-month)	\$3.28	\$11.32																														
Energy Charge																																
Off Peak (\$/kWh)	\$0.0715	\$0.0827																														
On Peak (\$/kWh)	\$0.0921	\$0.1100																														
Super Peak (\$/kWh)	\$0.0921	\$0.1418																														
Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000																														
Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500																														
State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029																														
Very Large General Service (GS-4) (Demand > 1000 kW) Basic Service Charge (per meter, per month) Demand Charge (\$/kW-month) Energy Charge Off Peak (\$/kWh) On Peak (\$/kWh) Super Peak (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	<table border="1"> <thead> <tr> <th></th><th>Winter</th><th>Summer</th></tr> </thead> <tbody> <tr> <td>Basic Service Charge (per meter, per month)</td><td>\$380.00</td><td>\$380.00</td></tr> <tr> <td>Demand Charge (\$/kW-month)</td><td>\$3.18</td><td>\$10.96</td></tr> <tr> <td>Energy Charge</td><td></td><td></td></tr> <tr> <td> Off Peak (\$/kWh)</td><td>\$0.0695</td><td>\$0.0801</td></tr> <tr> <td> On Peak (\$/kWh)</td><td>\$0.0895</td><td>\$0.1068</td></tr> <tr> <td> Super Peak (\$/kWh)</td><td>\$0.0895</td><td>\$0.1375</td></tr> <tr> <td>Hydroelectric Adjustment (\$/kWh)</td><td>\$0.00000</td><td>\$0.00000</td></tr> <tr> <td>Environmental Compliance Charge (\$/kWh)</td><td>\$0.00500</td><td>\$0.00500</td></tr> <tr> <td>State Energy Surcharge (\$/kWh)</td><td>\$0.00029</td><td>\$0.00029</td></tr> </tbody> </table>			Winter	Summer	Basic Service Charge (per meter, per month)	\$380.00	\$380.00	Demand Charge (\$/kW-month)	\$3.18	\$10.96	Energy Charge			Off Peak (\$/kWh)	\$0.0695	\$0.0801	On Peak (\$/kWh)	\$0.0895	\$0.1068	Super Peak (\$/kWh)	\$0.0895	\$0.1375	Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000	Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500	State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029
	Winter	Summer																														
Basic Service Charge (per meter, per month)	\$380.00	\$380.00																														
Demand Charge (\$/kW-month)	\$3.18	\$10.96																														
Energy Charge																																
Off Peak (\$/kWh)	\$0.0695	\$0.0801																														
On Peak (\$/kWh)	\$0.0895	\$0.1068																														
Super Peak (\$/kWh)	\$0.0895	\$0.1375																														
Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000																														
Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500																														
State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029																														

Note: General Service Customers include all commercial, industrial, governmental and other non-residential customers.

Time of Use (TOU) seasons, days, hours, holidays:

Winter - bills with meter read dates October through May

Summer - bills with meter read date June through September

Off Peak: 10:00pm to 7:00am Monday through Friday (Except Holidays)

All Day Saturday, Sunday, and Holidays

On Peak: 7:00am to 3:00pm AND 7:00pm to 10:00pm

Monday through Friday (Except Holidays)

Super Peak: 3:00pm to 7:00pm Monday through Friday (Except Holidays)

Holidays are defined as: New Years Day, Martin Luther King Day, Presidents' Day, Memorial Day, Labor Day,

Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

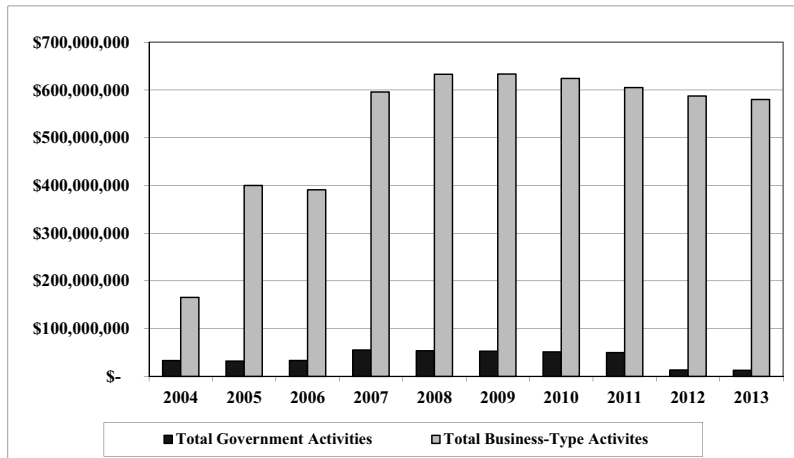
There is no hydroelectric adjustment in effect through June 2013.

The California State Energy Surcharge may change from time to time as specified in State law.

A 2% discount is available for primary service customers.

Source: City of Roseville Electric Department

CITY OF ROSEVILLE
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years



Fiscal Year	Governmental Activities					Total
	Tax Allocation Bonds	Certificates of Participation	Installment Purchase Obligations	Other Long Term Obligations	2013 Pub Fac Lease	
2004	\$ 14,180,000	\$ 18,275,000	\$ 635,743	\$ 9,083		\$ 33,099,826
2005	13,960,000	17,710,000	306,140	6,250		31,982,390
2006	13,735,000	17,105,000	2,436,986	3,223		33,280,209
2007	36,405,000	16,490,000	2,390,707			55,285,707
2008	35,745,000	15,860,000	2,089,716			53,694,716
2009	35,305,000	15,220,000	2,145,277			52,670,277
2010	34,845,000	14,560,000	1,868,055			51,273,055
2011	34,365,000	13,885,000	1,620,430			49,870,430
2012	[c]	13,190,000	125,785			13,315,785
2013	[c]	[d]	1,234,286		\$ 11,549,031	12,783,317

Fiscal Year	Business-Type Activities						Total	Total Primary Government	Percentage of Placer County Personal Income [a]	Debt Per Capita [a]
	Electric System Revenue	Golf Course Refunding Bonds	Water Utility Revenue	Wastewater Revenue Bonds	Gas Revenue Bond	Other Long Term Obligations				
2004	\$ 35,808,204	\$ 8,240,000	\$ 27,350,000	\$ 93,738,248		\$ 192,155	\$ 165,328,607	\$ 198,428,433	16.63%	\$ 2,054
2005	273,325,043	7,945,000	26,075,000	92,390,603		182,351	399,917,997	431,900,387	33.04%	4,226
2006	267,326,882	7,630,000	24,740,000	90,977,962		172,056	390,846,900	424,127,109	29.77%	4,053
2007	266,098,723	7,310,000	23,345,000	89,494,883	\$209,350,000	161,246	595,759,852	651,045,559	43.11%	6,127
2008	271,323,395	6,985,000	55,611,761	89,572,262	209,350,000		632,842,418	686,537,134	42.24%	6,290
2009	267,662,000	6,650,000	53,860,879	89,193,072	215,951,385		633,317,336	685,987,613	43.15%	6,106
2010	268,431,581	6,310,000	52,039,997	88,800,339	208,565,475		624,147,392	675,420,447	41.02%	5,834
2011	260,127,436	5,960,000	50,149,114	87,906,198	200,914,565		605,057,313	654,927,743	37.83%	5,431
2012	254,404,084	5,600,000	48,178,231	86,271,586	192,913,655		587,367,556	600,683,341	[b]	4,921
2013	248,495,732	4,775,578	46,631,417	95,510,269	184,502,745		579,915,741	592,699,058	[b]	4,770

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

[a] These ratios are calculated using personal income and population as shown on the Demographics Statistics page.

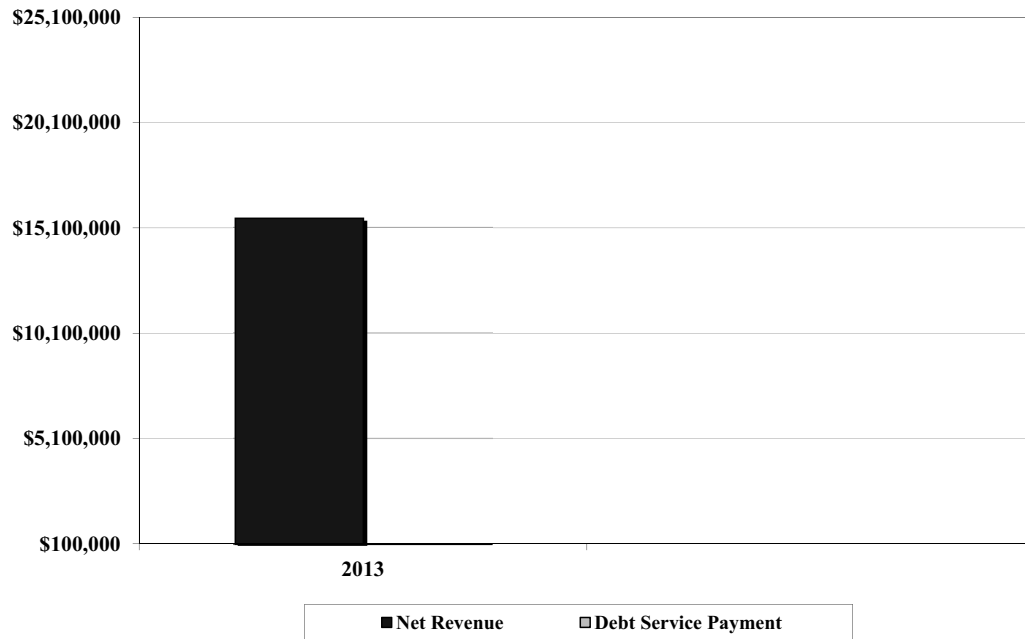
[b] Total personal income information not available.

[c] Tax Allocation Bonds are zero; The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

[d] The Certificates of Participation were refunded by the 2013 Lease.

Sources: *The City's Comprehensive Annual Financial Reports*
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

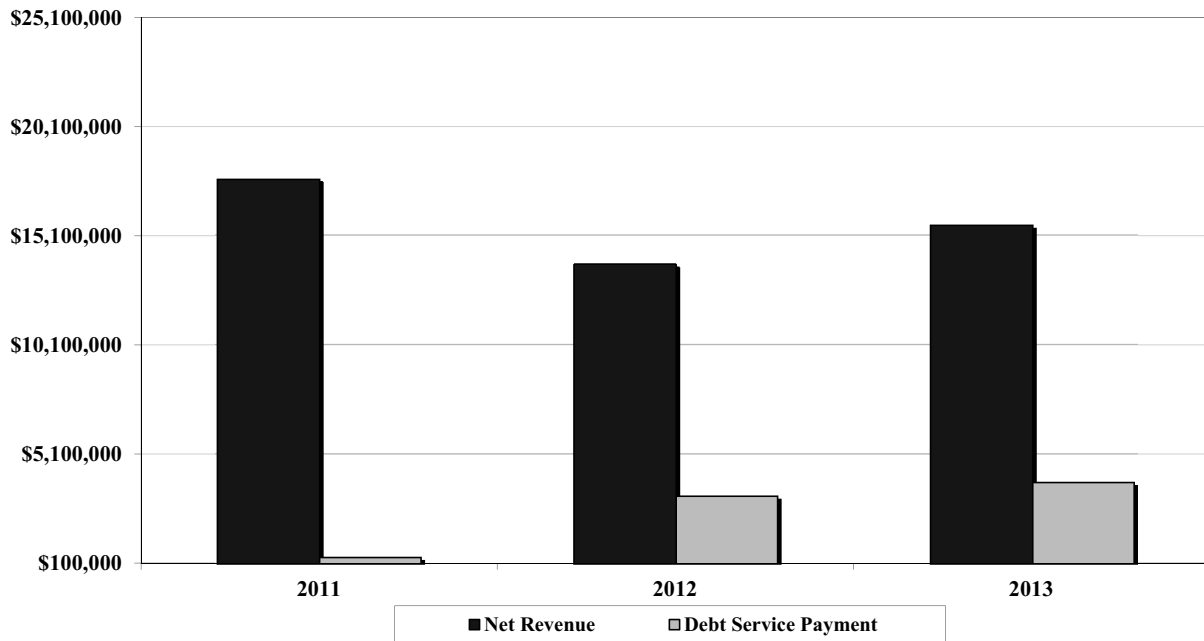
**CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2013 REFUNDING VARIABLE RATE WASTEWATER REVENUE BONDS
Fiscal Year 2013 (1)**



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2013	\$33,605,925	\$18,039,506	\$15,566,419	\$0	\$112,244	\$112,244	138.68

Notes: (1) Series 2013 refunded the 2011 A/B Series on April 3, 2013
(2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
(3) Includes all Wastewater Operating Expenses less Depreciation and Interest

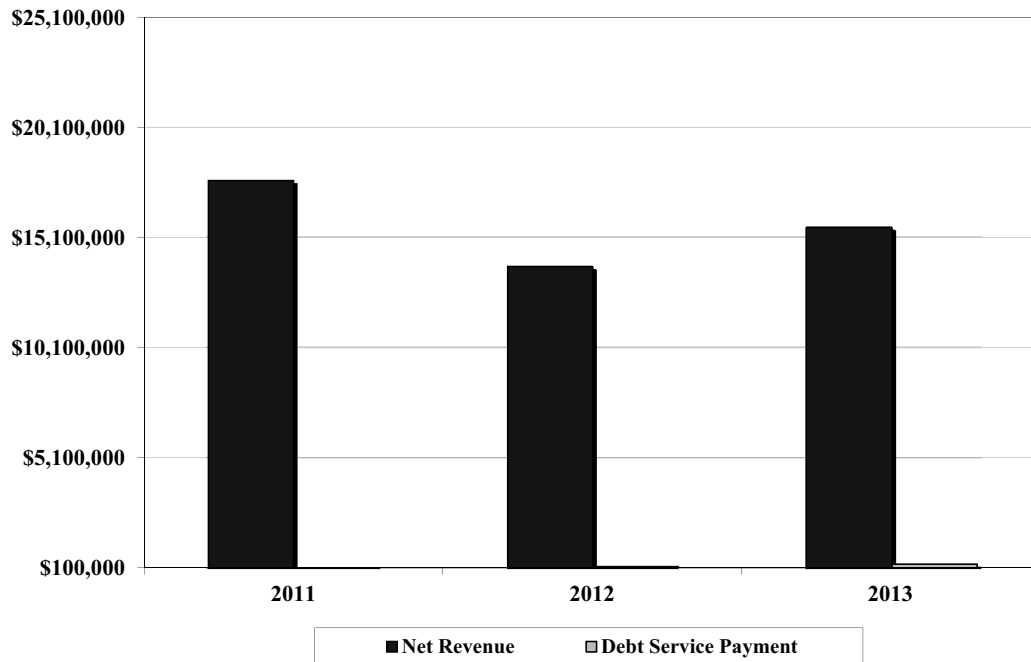
**CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2011 REFUNDING FIXED RATE WASTEWATER REVENUE BONDS SERIES C
Last Three Fiscal Years ⁽¹⁾**



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$34,177,527	\$16,494,109	\$17,683,418	\$0	\$400,337	\$400,337	44.17
2012	32,738,613	18,957,898	13,780,715	1,457,173	1,721,010	3,178,183	4.34
2013	33,605,925	18,039,506	15,566,419	1,874,464	1,922,096	3,796,560	4.10

- Notes:
- (1) Ten years of data are not available due to the bonds being issued on April 7, 2011
 - (2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
 - (3) Includes all Wastewater Operating Expenses less Depreciation and Interest

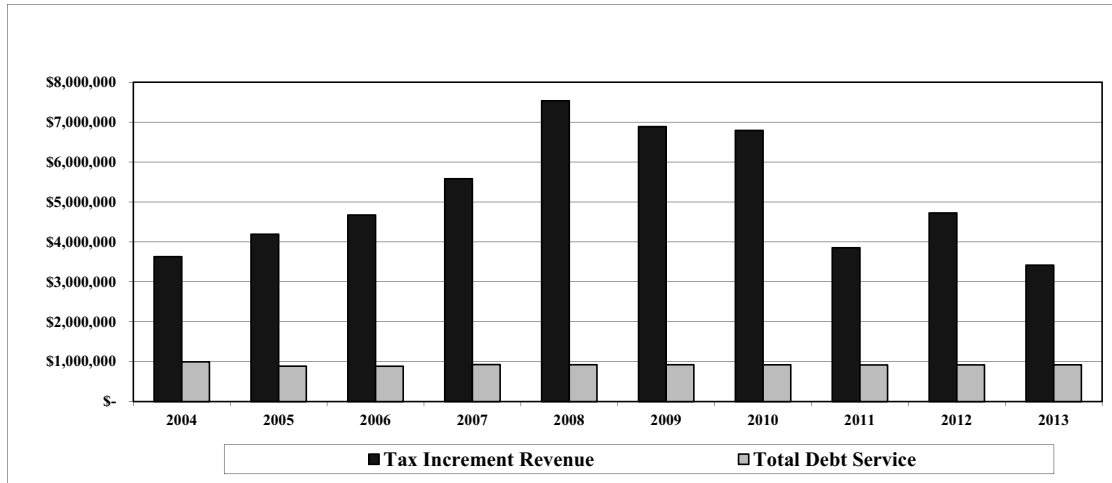
CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2011 REFUNDING SIFMA INDEX WASTEWATER REVENUE BONDS SERIES D
Last Three Fiscal Years ⁽¹⁾



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$34,177,527	\$16,494,109	\$17,683,418	\$0	\$38,820	\$38,820	455.53
2012	32,738,613	18,957,898	13,780,715	0	160,193	160,193	86.03
2013	33,605,925	18,039,506	15,566,419	0	291,218	291,218	53.45

Notes: (1) Ten years of data are not available due to the bonds being issued in April 7, 2011
(2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
(3) Includes all Wastewater Operating Expenses less Depreciation and Interest

CITY OF ROSEVILLE
2002 REDEVELOPMENT TAX ALLOCATION BONDS
Last Ten Fiscal Years



Fiscal Year	Tax Incremental Revenue	Debt Service Requirements				Coverage
		Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	
2004	\$ 3,630,050	\$ 320,000	\$ 674,550	\$ 994,550	\$ 14,180,000	0.04
2005	4,190,987	220,000	666,450	886,450	13,960,000	0.05
2006	4,673,904	225,000	659,775	884,775	13,735,000	0.05
2007	5,581,407 (a)	275,000	651,875	926,875	13,460,000	0.06
2008	7,535,590 (a)	280,000	642,750	922,750	13,180,000	0.08
2009	6,888,510 (a)	290,000	632,125	922,125	12,890,000	0.07
2010	6,792,567 (a)	300,000	619,875	919,875	12,590,000	0.07
2011	3,853,172 (a)	310,000	607,225	917,225	12,280,000	0.04
2012	4,724,200 (a) (b)	325,000	594,050	919,050 (b)	11,955,000	0.05
2013	3,416,590 (c)	340,000	580,069	920,069 (c)	11,615,000	0.04

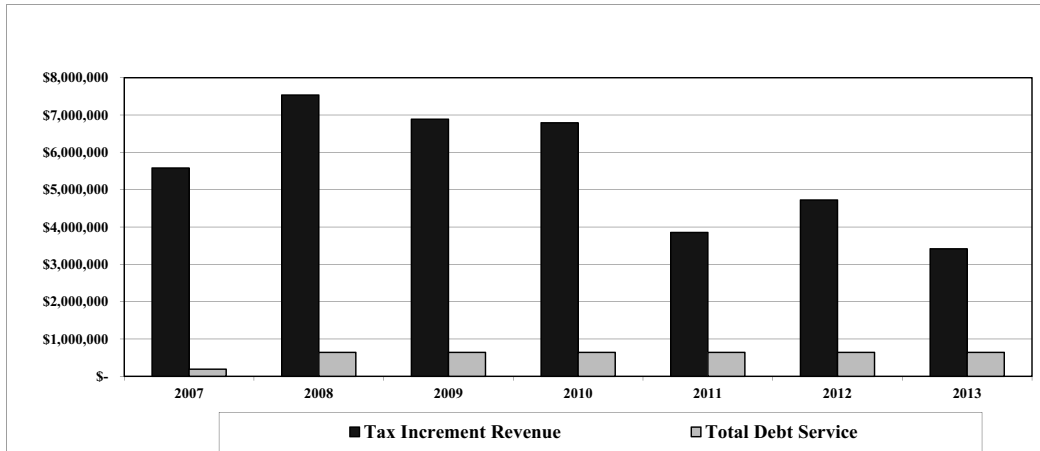
(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006A REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (c)



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$5,581,407 (a)	\$0	\$190,408	\$190,408	\$13,155,000	0.29
2008	7,535,590 (a)	0	640,625	640,625	13,155,000	0.12
2009	6,888,510 (a)	0	640,625	640,625	13,155,000	0.11
2010	6,792,567 (a)	0	640,625	640,625	13,155,000	0.11
2011	3,853,172 (a)	0	640,625	640,625	13,155,000	0.06
2012	4,724,200 (a)(b)	0	640,625	640,625 (b)	13,155,000	0.07
2013	3,416,590 (d)	0	640,625	640,625 (d)	13,155,000	0.05

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

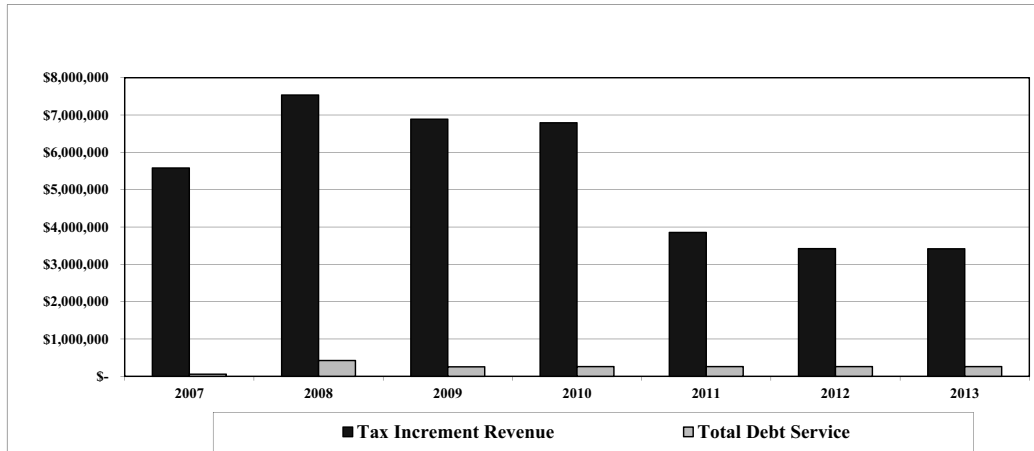
(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Bond issued November 14, 2006

(d) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006AT REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (c)



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$5,581,407 (a)	\$0	\$56,168	\$56,168	\$3,285,000	0.99
2008	7,535,590 (a)	240,000	182,605	422,605	3,045,000	0.18
2009	6,888,510 (a)	80,000	174,109	254,109	2,965,000	0.27
2010	6,792,567 (a)	90,000	169,596	259,596	2,875,000	0.26
2011	3,853,172 (a)	95,000	164,684	259,684	2,780,000	0.15
2012	3,419,138 (a)(b)	100,000	159,507	259,507 (b)	2,680,000	0.13
2013	3,416,590 (d)	105,000	154,064	259,064 (d)	2,575,000	0.13

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

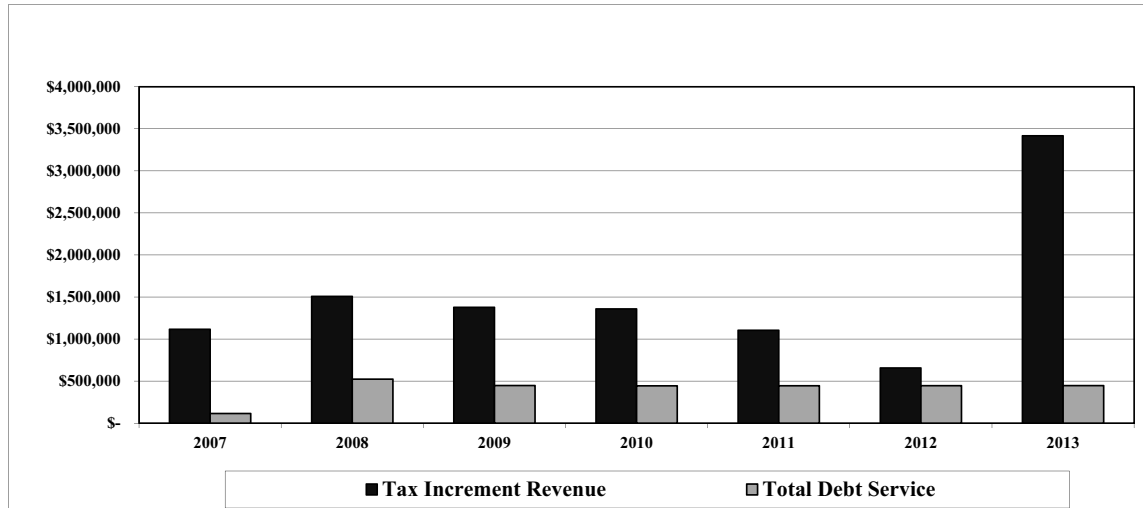
(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Bond issued November 14, 2006

(d) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006HT REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (b)



Fiscal Year	20% Set Aside	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$1,116,281	\$0	\$114,895	\$114,895	\$6,505,000	0.10
2008	1,507,118	140,000	382,846	522,846	6,365,000	0.03
2009	1,377,575	70,000	377,270	447,270	6,295,000	0.03
2010	1,358,641	70,000	373,553	443,553	6,225,000	0.03
2011	1,103,919	75,000	369,703	444,703	6,150,000	0.02
2012	656,429	80,000	365,588	445,588 (a)	6,070,000	0.01
2013	3,416,590 (c)	85,000	361,207	446,207 (c)	5,985,000	0.08

(a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include debt service of both the former Redevelopment Agency and the Successor Agency.

(b) Bond issued November 14, 2006

(c) Amounts reported here include tax revenue and debt service of the Successor Agency.

After January 31, 2012, the Successor Agency is no longer required to set-aside 20% of tax revenue for low and moderate income housing, but the tax revenue collected by the Successor Agency is pledged for the repayment of the 2006HT Bonds.

CITY OF ROSEVILLE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2013

2012-13 Assessed Valuation: \$ 14,926,038,431

	Total Debt 6/30/2013	% Applicable [1]	City's Share of Debt 6/30/2013
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Roseville Joint Union High School District	\$ 89,038,664	74.333%	\$ 66,185,110
Roseville Joint Union High School District SFID No. 1	4,730,624	94.114%	4,452,179
Rocklin Unified School District	69,463,935	0.601%	417,478
Dry Creek Joint School District	46,496,660	58.558%	27,227,514
Eureka Union School District	4,617,368	35.860%	1,655,788
Roseville City School District	27,472,522	96.948%	26,634,061
City of Roseville Community Facilities Districts	340,303,500	100.000%	340,303,500
California Statewide Communities Development Authority Assessment Districts	14,714,238	5.225%-100%	8,798,425
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 475,674,055</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Placer County Certificates of Participation	\$ 43,720,000	28.760%	\$ 12,573,872
Placer County Office of Education Certificates of Participation	1,970,000	28.760%	566,572
Sierra Joint Community College District Certificates of Participation	10,793,000	21.274%	2,296,103
Roseville Joint Union High School District Certificates of Participation	2,620,000	74.333%	1,947,525
Rocklin Unified School District Certificates of Participation	19,380,000	0.601%	116,474
Eureka Union School District Certificates of Participation	4,390,000	35.860%	1,574,254
Roseville City School District Certificates of Participation	11,300,000	96.948%	10,955,124
Placer Mosquito and Vector Control District Certificates of Participation	4,300,000	28.760%	1,236,680
City of Roseville Public Facilities Lease	11,549,031	100.000%	11,549,031
City of Roseville Installment Purchase Obligations	1,234,286	100.000%	1,234,286
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 44,049,921</u>
TOTAL DIRECT DEBT			\$ 12,783,317
TOTAL OVERLAPPING DEBT			\$ 540,270,659
COMBINED TOTAL DEBT			<u>\$ 553,053,976</u> (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value.

Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-2013 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.19%
Total Direct Debt (\$12,783,317)	0.12%
Combined Total Debt	3.74%

Source: California Municipal Statistics, Inc.

CITY OF ROSEVILLE
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2013

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$14,313,557,564

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$536,758,409

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$592,699,058

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	(592,699,058)

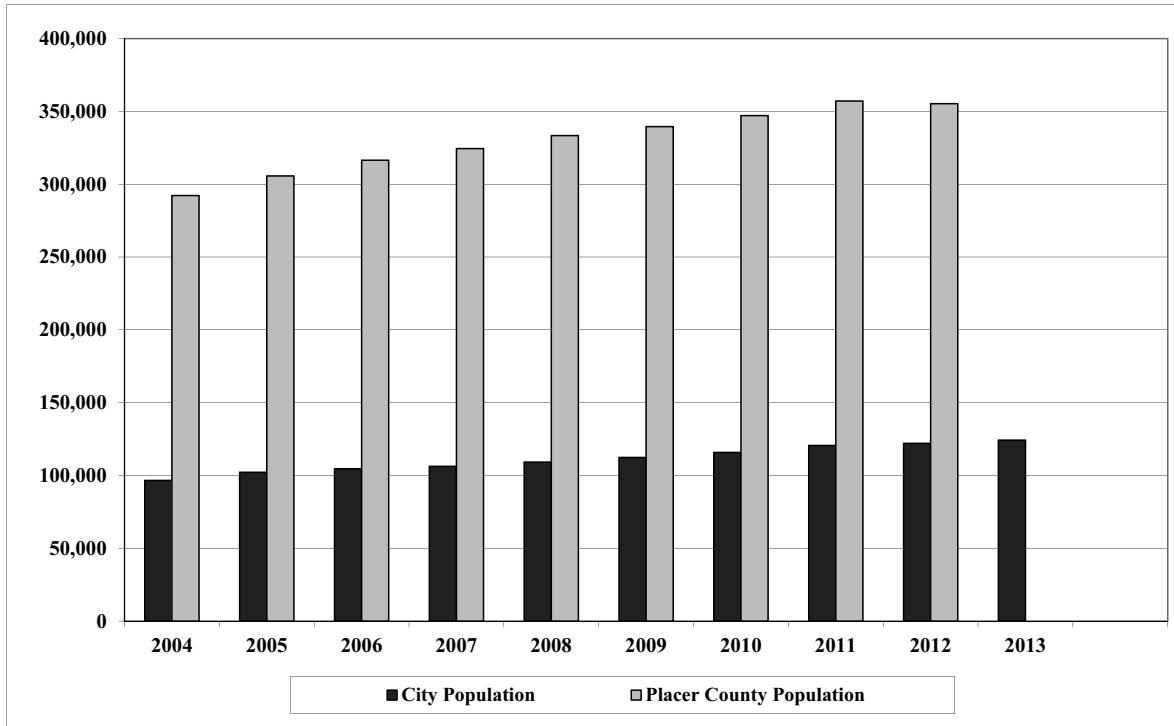
Amount of debt subject to limit	(0)

LEGAL BONDED DEBT MARGIN	\$536,758,408

Fiscal Year*	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2004	\$ 394,584,662	\$ 0	\$ 394,584,662	0.00%
2005	445,276,653	0	445,276,653	0.00%
2006	500,173,479	0	500,173,479	0.00%
2007	584,311,626	0	584,311,626	0.00%
2008	624,162,731	0	624,162,731	0.00%
2009	626,993,562	0	626,993,562	0.00%
2010	611,493,748	0	611,493,748	0.00%
2011	567,178,798	0	567,178,798	0.00%
2012	560,837,192	0	560,837,192	0.00%
2013	536,758,408	0	536,758,408	0.00%

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF ROSEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**



Fiscal Year	City of Roseville Population	County Total Personal Income (a)	County Per Capita Personal Income	City of Roseville Unemployment Rate (%)	Placer County Population	City Population % of County
2004	96,600	\$ 11,933,069	\$ 38,958	4.5%	292,235	33.06%
2005	102,191	13,070,082	41,248	4.0%	305,675	33.43%
2006	104,655	14,247,775	43,937	4.2%	316,508	33.07%
2007	106,266	15,101,855	45,471	4.9%	324,495	32.75%
2008	109,154	16,252,937	47,657	6.6%	333,401	32.74%
2009	112,343	15,898,900	45,614	10.6%	339,577	33.08%
2010	115,781	16,464,986	47,012	11.3%	347,102	33.36%
2011	120,593	17,312,666	48,476	11.4%	357,138	33.77%
2012	122,060	(b)	(b)	10.0%	355,328	34.35%
2013	124,255	(b)	(b)	7.5%	(b)	(b)

(a) In thousands of dollars
(b) Information not available

Source: Bureau of Economic Analysis
Placer County
State of California Department of Finance
State of California Employment Development Department

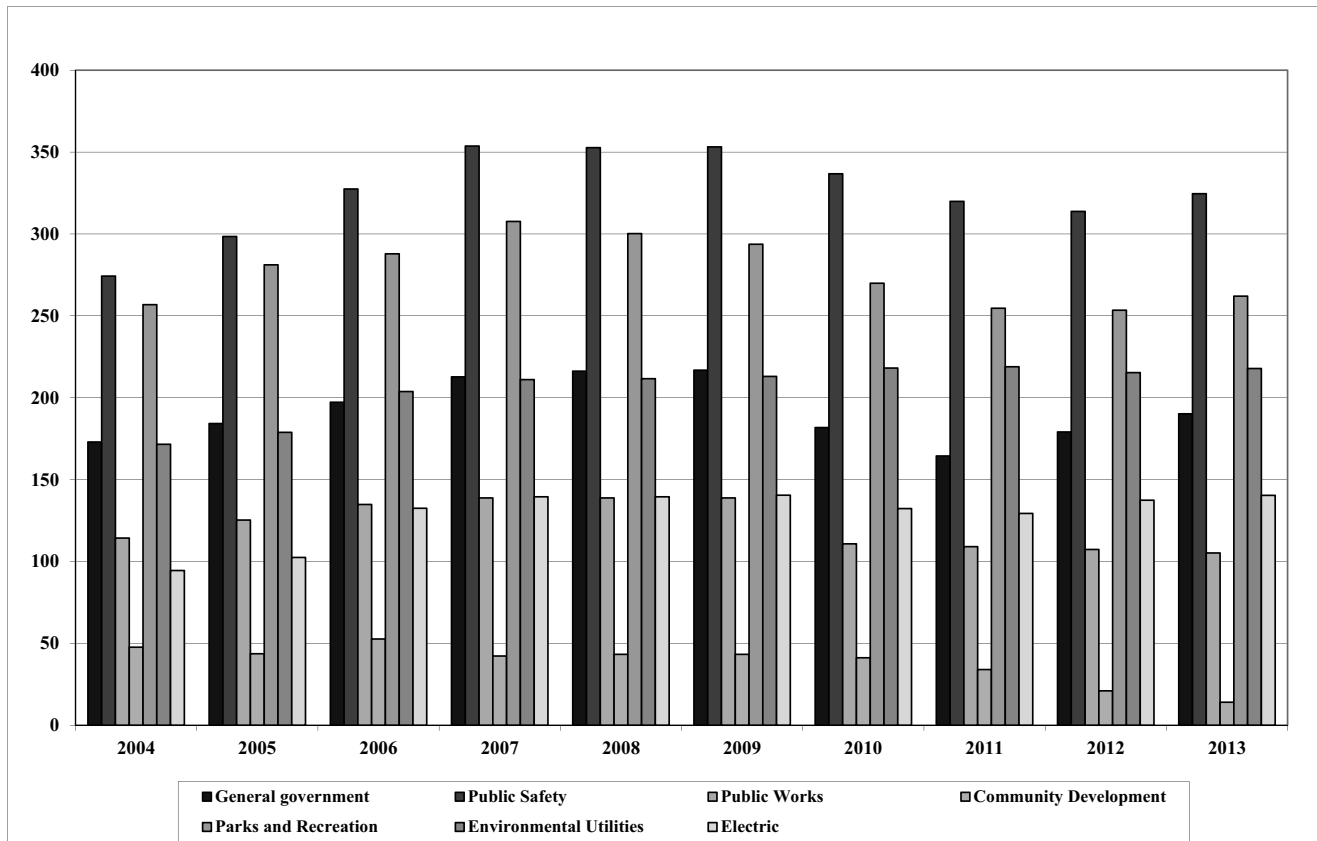
**CITY OF ROSEVILLE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2013			2004	
	Number of Employees	Rank	Percentage of Total City Employees	Number of Employees	Rank
Kaiser Permanente	3,724	1	6.70%	3,000	2
Hewlett-Packard	3,200	2	5.75%	3,803	1
Sutter Roseville Medical Center	1,654	3	2.97%	1,800	3
Roseville Joint Union High School District	1,299	4	2.34%	982	6
City of Roseville	1,254	5	2.26%	1,046	5
Union Pacific Railroad	1,168	6	2.10%	1,294	4
PRIDE	1,021	7	1.84%	800	7
Roseville Elementart School District	929	8	1.67%		
Wal-Mart (2 stores)	790	9	1.42%		
Telefunken Semiconductors America	600	10	1.08%		
NEC Electronics				725	8
Surewest Communications				683	9
State Farm Insurance				560	10
Subtotal	<u>15,639</u>		<u>28.13%</u>	<u>14,693</u>	
Total Employment	<u>55,604</u> (a)			<u>(b)</u>	

(a) Total Employment as used above represents the total employment of all employees located within the City limits.

(b) Information not available

CITY OF ROSEVILLE
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General government	172.95	184.23	197.23	212.71	216.21	216.79	181.75	164.38	179.09	190.14
Public Safety	274.24	298.43	327.46	353.69	352.69	353.18	336.75	319.90	313.78	324.59
Public Works	114.29	125.29	134.77	138.77	138.77	138.77	110.75	109.03	107.33	105.17
Community Development	47.63	43.63	52.63	42.25	43.25	43.25	41.17	33.98	21.00	14.00
Parks and Recreation	256.83	281.12	287.86	307.65	300.19	293.70	269.89	254.65	253.43	262.00
Environmental Utilities	171.57	178.82	203.74	211.03	211.59	213.00	218.09	218.90	215.32	217.82
Electric	94.46	102.46	132.46	139.46	139.46	140.46	132.29	129.33	137.39	140.36
Total	1,131.97	1,213.98	1,336.15	1,405.56	1,402.16	1,399.15	1,290.69	1,230.17	1,227.34	1,254.08

Source: City of Roseville Annual Budget

CITY OF ROSEVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Public safety:										
Fire:										
Number of Haz-Mat alarms answered	126	134	413	330	287	194	192	172	199	201
Number of medical emergencies answered	5,234	5,228	6,458	6,622	6,737	6,967	7,485	7,836	8,429	9,045
Total Number of alarms answered	8,390	8,023	9,784	10,065	9,492	8,694	9,129	9,609	10,006	10,936
Police:										
Law violations:										
Physical arrests (adult and juvenile)	4,120	5,578	7,602	7,360	5,464	5,245	4,520	5,845	4,264	4,647
Traffic citations	11,382	15,260	18,587	19,893	18,883	20,889	19,033	6,404	4,826	4,470
Public works:										
Total building permits issued	5,718	4,434	5,703	4,272	4,849	3,975	3,884	4,078	4,338	4,131
Total square feet of street maintenance performed	3,174,672	9,529,760	3,763,328	7,707,910	3,853,433	7,648,976	4,501,241	4,342,272	3,375,318	4,275,981
Park and recreation:										
Community Services:										
Number of participants in Cultural Art classes	6,582	3,029	3,447	1,926	1,520	2,688	n/a	n/a	n/a	n/a Note 1
Total attendance Youth/Adult/Senior programs							299,134	301,906	265,736	86,951
Total attendance to aquatic facilities	361,104	271,377	234,542	243,429	235,548	250,182	266,931	278,860	306,455	291,407 Note 2
Library:										
Number of materials checked out	510,421	554,174	627,317	685,097	818,428	946,224	1,001,179	994,990	1,058,434	1,194,909 Note 3
Water:										
Average Daily Consumption (in gallons)	28.77M	26.82M	27.26M	30.43M	28.15M	28.19M	25.6 M	25.9M	28.6M	30.2M
Number of backflow devices tested	3,817	4,122	3,836	4,348	4,679	4,728	4,895	4,965	4,558	3,862
Number of meters sold	1,870	1,987	1,800	1,031	1,917	2,268	807	497	555	770
Wastewater:										
Number of miles of sewer mains flushed	419	448	427	218	280	258	209	284	277	271
Total preventative work orders completed	2,192	3,107	7,065	9,247	n/a	n/a	n/a	n/a	n/a	n/a Note 4
% of preventative work orders hours					43.1%	45.5%	48.0%	55%	n/a	40.2% Note 5
Solid Waste:										
Tons of solid waste collected	99,082	98,910	102,370	100,148	96,265	89,512	87,446	89,125	87,336	87,946
Number of incoming phone calls	37,943	22,684	23,672	26,870	26,491	22,340	25,369	24,538	22,898	20,732
Electric:										
Number of customers participating in energy efficiency and solar programs	2,124	2,793	3,123	3,663	2,949	6,333	3,477	4,188	3,443	3,731
Number of trees planted (Shade Tree Program)	836	625	621	628	842	1,106	611	680	795	457

Notes:

- 1 - No longer tracked in FY09-10. Attendance are now tracked by Youth/Adult/Senior by programs.
- 2 - Roseville Aquatics Center closed for pool repairs Nov 2007-Jan 2008.
- 3 - The Library totals include Downtown Library, Maidu Library and Riley Library. The Bookmobile was retired during the winter 2008.
- 4 - Preventative work orders are no longer tracked by the number completed. It is now tracked by the percentage of number of hours worked (effective FY07-08).
- 5 - Data not available for FY11-12 due to change in software (Maximo) used by the City.

CITY OF ROSEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Public safety:										
Fire stations	6	7	7	8	8	8	8	8	8	8
Police stations	1	1	1	1	1	1	1	1	1	1
Number of Police patrol cars	75	97	110	107	107	106	51	49	58	61
Public works:										
Miles of streets	428	432	455	475	432	428	429	432	438	440
Number of Traffic Signals	133	135	141	150	154	162	165	166	167	167
Park and recreation:										
Community services:										
Golf courses (18 holes)	40	2	2	2	2	2	2	2	2	2
City parks	57	48	53	56	58	61	61	63	66	68
Miles of creek	2	57	60	60	60	60	60	60	60	60
Swimming pools (Note 1)	4	4	4	4	4	4	3	3	3	3
Tennis courts	12	12	12	12	14	16	16	16	16	16
Library:										
City Libraries	2	3	3	3	3	3	3	3	3	3
Water										
Miles of water mains	480	494	506	540	556	562	567	569	569	570
Fire hydrants	4,499	3,881	3,978	4,278	4,413	4,473	4,514	4,533	4,542	4,545
Wastewater										
Miles of sanitary sewers	600	460	447	472	485	485	492	493	487	487
Miles of storm drain	420	352	435	474	376	373	382	348	349	351
Solid Waste:										
Number of new residential refuse customers	1,490	1,062	705	809	984	800	750	522	537	768
Electric:										
Number of residential customers	40,312	41,883	43,001	43,793	44,662	45,478	46,400	47,021	47,611	48,387
Number of commercial customers	5,101	5,410	5,523	5,788	6,038	6,349	6,411	6,437	6,505	6,561

Note 1 - Swimming pool at Oakmont High School no longer used by the City.

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

The following is a summary of the provisions of the Master Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to the aforementioned documents.

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) City Obligated to Make Payment Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Contracts" means the Contract and all Supplemental Contracts.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Master Contract, the Trust Agreement and the sale of the 2014 Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 2014 Bonds, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the 2014 Bonds.

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

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

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

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

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

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest with respect to which are unconditionally and fully guaranteed by the United States of America.

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

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

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

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

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

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

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

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

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

"Independent Engineer" means any certified public accountant or firm of such accountants appointed and paid by the Authority or the City, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial identity of interest, direct or indirect, with the Authority or the City; and

(c) is not and no member of which is connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means the Municipal Securities Rulemaking Board (in an electronic format as prescribed by the Municipal Securities Rulemaking Board); 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 Trustee may have knowledge or the Authority may designate to the Trustee.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2015.

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Master Contract to the contrary notwithstanding, "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

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

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

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

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

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

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

"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 First Trust of California, National Association, as original trustee thereunder with respect to the 1997 Certificates.

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

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in the Master Contract, and when used as of any particular time with reference to 2014 Bonds, means (subject to the provisions of the Trust Agreement) all 2014 Bonds except (1) 2014 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) 2014 Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) 2014 Bonds in lieu of or in substitution for which other 2014 Bonds have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who will be the registered owner of any Outstanding 2014 Bond as indicated in the registration books of the Trustee.

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

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

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

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

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

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset

or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

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

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

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

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

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law (provided that the Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the current investment policy of the City):

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC)
 - b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations
 - c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - g) Financing Corporation (FICO) Debt obligations
 - h) Resolution Funding Corporation (REFCORP) Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million, including the Trustee and its affiliates.
 6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's at the time of purchase.
 7. Money market funds rated "AAM" or "AAM-G" by S&P, or better, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee..
 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 will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

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

- a) The market value of the collateral is maintained at 104%;
- b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- d) All other requirements of S&P in respect of repurchase agreements will be met.
- e) The repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:
- a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2014 Bonds;
 - b) the invested funds are available for withdrawal without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - c) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
 - d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the Authority) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
 - e) the investment agreement will provide that if during its term
 - i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest 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, 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 will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
 - g) the investment agreement must provide that if during its term

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate, and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program;

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, provided, however, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Trust Agreement.

"Project" means any additions, betterments, extensions or improvements to the Electric System designated by the City Council of the City as a Project, the cost of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rating Agencies," when used in the Contract, means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City. "Rating Agency," when used in the Trust Agreement, means S&P and its successors or assigns, or any other nationally recognized securities rating agency selected by the Authority.

"RBI" means the *Bond Buyer* Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

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

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies

of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain such ratings as required as described in the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means: (a) all of the 2014 Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement.

"Securities Depositories" means: The Depository Trust Company, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Certificate of the Authority to the Trustee.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"State" means the State of California.

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2014 Bonds, executed and delivered by the Authority and the City on the date of delivery of the 2014 Bonds, including any and all exhibits attached thereto.

"Trust Agreement" or "2014 Trust Agreement" means that certain Trust Agreement, dated as of August 1, 2014, between the Authority and the Trustee.

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreement.

"2014 Bonds" will mean the City of Roseville Electric System Revenue Refunding Bonds, Series 2014.

"2014 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"2014 Interest Account" means the account by that name established pursuant to the Trust Agreement.

"2014 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2014 Supplemental Contract.

"2014 Redemption Account" means the account by that name established pursuant to the Trust Agreement.

"2014 Principal Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"2014 Supplemental Contract" means that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, between the City and the Authority.

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate will be as specified in the applicable Parity Obligation, which Parity Obligation will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations will not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force will be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in the Master Contract.

"Written Request of the Authority" means an instrument in writing signed by the Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

THE MASTER INSTALLMENT PURCHASE CONTRACT

Under the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City and appoints the City as its agent for the purpose of such acquisition and construction. Certain provisions of the Master Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE MASTER CONTRACT.

Acquisition, Construction and Sale of Projects; Funds

Acquisition, Construction and Sale of Projects. Pursuant to the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement such provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such agreements, construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Master Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

Improvement Fund. The Master Contract establishes the City of Roseville Electric System Improvement Fund (the "Improvement Fund"), which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund will be used and withdrawn by the City to pay the costs of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City will maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project will be transferred by the City to the Electric Revenue Fund.

Rate Stabilization Fund. The Master Contract establishes a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Gross Revenues. Notwithstanding the foregoing, no Gross Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the additional Parity Obligations test or the rate covenant of the City pursuant to the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

Electric Revenue Fund. In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Gross Revenues received by it will be deposited when and as received in the City of Roseville Electric System Revenue Fund (the "Electric Revenue Fund"), which fund will be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Master Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

(a) Parity Obligation Payment Fund Deposits. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payments become due and payable by the City under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in The City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(b) Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

Investments. Any moneys held in the Electric Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Master Contract. Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any outstanding Parity Obligation. All investment earnings from moneys or deposits in the Electric Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund will be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) established pursuant to the Master Contract into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the City under the Master Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Master Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments of which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts, provided, however, there will be on file with the Trustee either:

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

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

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there will first be delivered to the City and the Trustee (which will serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract) the following documents or money or securities:

(i) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(ii) A Request of the City as to the delivery of such Parity Obligation;

(iii) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and

(b) such Parity Obligation has been duly and validly authorized and issued in accordance with the Master Contract;

(iv) A Certificate of the City or an Engineer's Report as required pursuant to the applicable provisions of the Master Contract, containing such statements as may be reasonably necessary to show compliance with the requirements of the applicable provisions of the Master Contract;

(v) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(vi) Such further documents, money and securities as are required by the provisions of the Master Contract and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(vii) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in the Master Contract.

Covenants

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Master Contract and therein.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any

obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Electric System.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant of the City pursuant to the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

Maintenance and Operation of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times and will operate the Electric System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Master Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

Compliance with Contracts for Use of the Electric System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Electric System and all other contracts affecting or involving the Electric System to the extent that the City is a party thereto.

Insurance. The City will procure and maintain such insurance relating to the Electric System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with public electric utility systems similar to the Electric System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Master Contract will provide that the Authority will be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Electric System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) --

- (1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination

that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Master Contract; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Electric System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Electric System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Electric System.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Contract.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates, fees and charges applicable to the Electric Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing herein will prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Master Contract.

Eminent Domain and Insurance Proceeds. If all or any part of the Electric System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Electric System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Electric System.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say --

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

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

(3) if the City will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding, subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Net Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract regarding events of default, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available will not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date,

together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs Second and Third above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by law or by the Master Contract may be enforced and exercised from time to time and as often as will be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

(a) If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in

subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided therein.

(c) All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment thereof.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything contained in the Master Contract, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

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

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the 2014 Bonds, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Equal Security

In consideration of the acceptance of the 2014 Bonds by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all 2014 Bonds authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, on the 2014 Bonds which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2014 Bonds over any other 2014 Bonds by reason of the number or date thereof or the time of authorization, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

Pledge of Revenues

Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the 2014 Bonds) held in any fund or account established under the Trust Agreement are pledged to secure the payment of the principal of and interest and premium (if any) on the 2014 Bonds in accordance with their terms and the provisions of the Trust Agreement. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act. Notwithstanding anything in the Trust Agreement or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Trust Agreement for any of the purposes in the Trust Agreement mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Trust Agreement. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Trust Agreement any funds of the Authority which may be made available to it for such purposes.

2014 Debt Service Fund

Deposit of Revenues. The Trustee agrees to establish and maintain the 2014 Debt Service Fund, for so long as any 2014 Bonds are Outstanding under the Trust Agreement. All Revenues received by the Trustee will be immediately deposited in the 2014 Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the 2014 Debt Service Fund. Subject to the terms of the Trust Agreement, all money in the 2014 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2014 Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain) in the following order of priority:

- (a) 2014 Interest Account and
- (b) 2014 Redemption Account (with a 2014 Principal Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

(a) 2014 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Interest Account that amount of money which is equal to the amount of interest on the 2014 Bonds becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 2014 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the 2014 Bonds becoming due and payable on such Interest Payment Date.

All money in the 2014 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it becomes due and payable (including accrued interest on by any 2014 Bonds purchased or prepaid prior to their respective maturity date).

(b) 2014 Redemption Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Principal Subaccount in the 2014 Redemption Account an amount of money equal to the principal amount on the Outstanding serial 2014 Bonds with a maturity date of such February 1.

No deposit need be made in the 2014 Redemption Account if the amount contained in the 2014 Principal Subaccount therein is at least equal to the aggregate amount of the principal of the Outstanding serial 2014 Bonds with a maturity date of such February 1.

All money in the 2014 Principal Subaccount in the 2014 Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the serial 2014 Bonds as they will become due and payable, whether at their respective maturity dates or on prior redemption.

Parity Reserve Fund

The Trustee agrees and covenants to maintain the Parity Reserve Fund established under the 1997 Trust Agreement and subsequently carried forward upon the issuance of Parity Obligations so long as the Master Contract has not been discharged in accordance with its terms or any 2014 Bonds remain Outstanding under the Trust Agreement. After the release of amounts in the Parity Reserve Fund in connection with the prepayment of the 2004 Certificates, the combined amount on deposit in the Parity Reserve Fund will be equal to the Reserve Fund Requirement as of the Closing Date. Such amount is available to all outstanding Parity Obligations. As a result, a 2014 Parity Reserve Account need not initially be established within the Parity Reserve Fund, but may be established as a special account of the 2014 Debt Service Fund at a later date, if the need arises. In such event, the Trustee will deposit in the 2014 Parity Reserve Account such amounts transferred to the Trustee by the City from any source, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the 2014 Parity Reserve Account will be transferred by the Trustee to the 2014 Debt Service Fund to pay principal and interest on the 2014 Bonds on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 2014 Parity

Reserve Account, transfer or cause to be transferred to any applicable debt service fund established under the a trust agreement under which any Parity Obligations are issued in connection with a supplement to the Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a supplement to the Contract.

Interest earnings on amounts on deposit in the 2014 Parity Reserve Account and any amount in the 2014 Parity Reserve Account that exceeds the Reserve Fund Requirement, unless needed to pay debt service on any obligations issued pursuant to the Master Installment Purchase Contract or to replenish the Parity Reserve Fund, or unless subject to rebate requirements, will be withdrawn from the 2014 Parity Reserve Account and transferred, upon Written Request of the Authority submitted to the Trustee, to the City for deposit in the Revenue Fund established under the Contract. Any withdrawals of excess amounts in either or both of the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations which are attributable to other-than interest earnings will be allocated and withdrawn, upon Written Request of the Authority submitted to the Trustee, from the amount on deposit in the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations pro-rata, based on the portion of the Reserve Fund Requirement originally deposited in the Parity Reserve Fund from such Parity Obligations, in the 2014 Parity Reserve Account from the Bonds, and in such other accounts established in connection with other Parity Obligations from proceeds of such Parity Obligations, except that to the extent that the reduction is attributable in whole or in part to any particular Parity Obligations, the Parity Reserve Fund will be reduced by the portion of the total reduction that is reasonably attributable to such Parity Obligations, and the 2014 Parity Reserve Account will be reduced by the portion of the total reduction that is reasonably attributable to the 2014 Bonds and the accounts established in connection with the other Parity Obligations will be reduced by the portion of the total reduction that is reasonably attributable to such other Parity Obligations.

Deposit and Investments of Money in Accounts and Funds

Subject to the terms of Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance with the Trust Agreement; provided, however, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof. Subject to the Trust Agreement, all interest or profits received on any money so invested will be deposited in the 2014 Debt Service Fund. Investments purchased with funds on deposit in the Parity Reserve Fund will have an average aggregate weighted term to maturity not greater than five years.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements that include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of in accordance with the Trust Agreement

Assignment to Trustee: Enforcement of Obligations

The Authority irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Revenues and in the Master Contract as supplemented by the 2014 Supplemental Contract (excepting only the Authority's rights to indemnification), including but not limited to all of the Authority's rights to receive and collect all of the 2014 Payments. The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the 2014 Supplemental Contract.

The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any 2014 Bonds in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the 2014 Bonds.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Tax Covenants. The Authority covenants with the Owners of the 2014 Bonds that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2014 Bonds under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the 2014 Bonds or any of the property financed or refinanced with proceeds of the 2014 Bonds, 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 on the 2014 Bonds.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the 2014 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2014 Bonds or any of the property financed or refinanced with proceeds of the 2014 Bonds, or any portion thereof, or any other funds of the Authority, that would cause the 2014 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2014 Bonds 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 has established reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the 2014 Bonds as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any 2014 Bonds, 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 2014 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2014 Bonds.

The Authority will not make any use of the proceeds of the 2014 Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the 2014 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the 2014 Bonds.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2014 Payments and the proceeds of the 2014 Bonds, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 2014 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 2014 Payments and the proceeds of the 2014 Bonds or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses that it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all 2014 Bonds secured may have been fully paid and satisfied.

Amendments to Master Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Master Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Master Contract, or consent to any such supplement, amendment, modification or termination unless (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the 2014 Bonds, or (b) the Authority or the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount on the 2014 Bonds and Parity Obligations then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2014 Payments to be made to the Authority or the Trustee by the City pursuant to the Master Contract, or extend the time for making such 2014 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully

vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

The Trustee

General. The Bank of New York Mellon Trust Company, N.A will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest and principal and redemption premiums, if any, on the 2014 Bonds presented for payment and for the purpose of canceling all paid or redeemed 2014 Bonds as provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time (unless there exists any Event of Default as defined in Trust Agreement) remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank, national banking association or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the 2014 Bonds will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the 2014 Bonds, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the 2014 Bonds or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence, willful misconduct or breach of duty.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the 2014 Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

Amendment of the Trust Agreement

General. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the

written consents of the Owners of a majority in aggregate principal amount of the 2014 Bonds then Outstanding, exclusive of 2014 Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided, however, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the maturity date of, or change the payment dates of, or reduce the rate of interest or principal or redemption premium, if any, on any 2014 Bond without the express written consent of the Owner of such 2014 Bond, or (2) reduce the percentage of 2014 Bonds required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

1. to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;
2. to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;
3. to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;
4. to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2014 Bonds 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 2014 Bonds by any the Rating Agency; or
6. to add to the rights of the Trustee.

Amendment by Mutual Consent. The Trust Agreement does not prevent any Owner from accepting any amendment as to the particular 2014 Bonds held by him, provided, that due notation thereof is made on such 2014 Bonds.

Events of Default; Waiver of Default

Events of Default. The following events constitute "Events of Default" under the Trust Agreement:

- (a) Failure to pay any installment of the principal of any 2014 Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the 2014 Bonds when due.

- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Trust Agreement or in the 2014 Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an Event of Default under and as defined in the Master Contract.

Remedies of the Trustee. If an Event of Default shall happen, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may exercise the remedies provided to the Authority in the Contract; provided, that nothing contained herein shall affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of such Owner's Bonds.

If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Trust Agreement or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

The Trustee additionally shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default hereunder to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

No Liability by the City to the Owners. Except for the payment when due of the 2014 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Master Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2014 Bonds or the disbursement of the 2014 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 2014 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Master Contract.

Defeasance

Discharge of Trust Agreement. When the obligations of the City under the Master Contract cease pursuant to the Master Contract (except for the right of the Trustee and the obligation of the City to have the money and securities mentioned therein applied to the payment of Payments as therein set forth), then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the 2014 Bonds as set forth the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of 2014 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2014 Bonds at maturity or on redemption, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2014 Bonds, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Master Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2014 Bonds, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be --

1. lawful money of the United States of America in an amount equal to the principal amount represented by such 2014 Bonds and all unpaid interest represented thereby to maturity, except that, in the case of 2014 Bonds which are to be prepaid prior to maturity and in respect of which notice of such redemption will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of redemption plus a redemption premium, if any, represented by such 2014 Bonds; 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 Agency, 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 redemption premium, if any, plus all accrued interest to maturity or to the redemption date, as the case may be, represented by the 2014 Bonds to be paid or prepaid, as such amounts become due; provided, however, that in the case of 2014 Bonds which are to be prepaid prior to the maturity thereof, notice of such redemption will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Master Contract or by Written Request of the City) to apply such money to the payment of such principal plus redemption premium, if any, plus interest represented by such 2014 Bonds.

Unclaimed Money. Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the 2014 Bonds which remains unclaimed for two years after the date when such 2014 Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such 2014 Bonds have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2014 Payments on such 2014 Bonds; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Directors of the
Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

OPINION: \$ _____ Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Members of the Board:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$ _____ Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Revenues, as such term is defined in the Indenture, including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014 (the "2014 Supplemental Contract" and collectively with the Master Contract and the prior supplements, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.
3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its

terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF ROSEVILLE (the "City") for and on behalf of itself and the Roseville Finance Authority (the "Authority"), in connection with the issuance of the \$_____ Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "2014 Bonds"). The 2014 Bonds are being issued in accordance with a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2014 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Official Statement" means the Official Statement relating to the 2014 Bonds.

"Participating Underwriters" means Morgan Stanley & Co. LLC and U.S. Bancorp Investments, Inc., the original underwriters of the 2014 Bonds required to comply with the Rule in connection with offering of the 2014 Bonds.

"Report Date" means seven months after the end of the City's fiscal year, (currently January 31 of each year based on the City's June 30 fiscal year end).

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, beginning on January 31, 2015, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice, in substantially the form attached as Exhibit A, with a copy to the Trustee and the Participating Underwriters.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Trustee and the Participating Underwriters, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City's municipal electric power utility (the "Electric System") prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, the following financial information and operating data with respect to the City and the Electric System for the preceding fiscal year as of June 30 of the previous fiscal year:

(1) The principal amount of the outstanding 2014 Bonds.

(2) The balance in the Reserve Fund.

(3) The Reserve Fund Requirement for the 2014 Bonds and all outstanding Parity Obligations.

(4) The balance in the Rate Stabilization Fund.

(5) An updated table substantially in the form of Table 1 in the Official Statement entitled "Customers, Sales and Peak Demand."

(6) An updated table substantially in the form of Table 2 in the Official Statement entitled "Ten Largest Customers."

(7) An updated table substantially in the form of Table 3 in the Official Statement entitled "Sources of Power Supply."

(8) An updated table substantially in the form of Table 7 in the Official Statement entitled "City Share of Outstanding Debt of Joint Powers Agencies."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2014 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental

authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2014 Bonds. If such termination occurs prior to the final maturity of the 2014 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent is The Bank of New York Mellon Trust Company, N. A. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2014 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2014 Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2014 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in

which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article V of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bondholders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2014 Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of Roseville
311 Vernon Street
Roseville, California 95678
Attention: Administrative Services Director
Fax: (916) 774-5514

To the Trustee: The Bank of New York Mellon Trust Company, N. A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Department
Fax: (415) 399-1647

To the Participating Underwriters: Morgan Stanley & Co. LLC
555 California Street, Suite 2200
San Francisco, California 94104
Attention: Municipal Finance Department
Fax: (415) 591-4582

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2014 Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2014

CITY OF ROSEVILLE

By _____
Treasurer

ACCEPTED AND AGREED:

The Bank of New York Mellon Trust Company, N.A.,
as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF ROSEVILLE

Name of Issue: \$_____ Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

Date of Issuance: August __, 2014

NOTICE IS HEREBY GIVEN that the City, on behalf of itself and of the Roseville Finance Authority, has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____

Title: _____

cc: Trustee

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2014 Bonds, payment of principal, interest and other payments on the 2014 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2014 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2014 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2014 Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. 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.

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

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

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

6. Redemption notices will be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



\$16,485,000
Roseville Finance Authority
Electric System Revenue Refunding Bonds,
Series 2014

July 24, 2014

CONTRACT OF PURCHASE

Roseville Finance Authority
c/o City of Roseville
311 Vernon Street
Roseville, California 95678

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC, as representative (the "Representative"), on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), hereby offers to enter into this Contract of Purchase (this "Contract of Purchase") with the Roseville Finance Authority (the "Authority") for the purchase by the Underwriters of the Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "2014 Bonds"). This offer is made subject to acceptance by the Authority and written approval by the City of Roseville (the "City") on or before 5:00 P.M., California time, on the date hereof or such other time as the parties hereto mutually agree upon, and upon such acceptance and approval, this Contract of Purchase shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the City and the Underwriters. The Representative has been duly authorized to execute this Contract of Purchase and to take any action hereunder by and on behalf of the Underwriters.

1. Purchase and Sale.

Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase, and the Authority agrees to sell to the Underwriters, all (but not less than all) of the \$16,485,000 aggregate principal amount of the 2014 Bonds, such 2014 Bonds being more fully described in the Official Statement (hereinafter mentioned) at a purchase price of \$18,510,465.10 (representing the \$16,485,000.00 aggregate principal amount of the 2014 Bonds, plus \$2,129,223.60 original issue premium, less \$103,758.50 of Underwriters' discount).

The Underwriters hereby agree to purchase not less than all of the 2014 Bonds if any are purchased in accordance with this Contract of Purchase. If the Underwriters fail to accept such delivery and pay the purchase price of the 2014 Bonds by wire transfer in immediately available funds at the Closing in accordance with the terms hereof, then this Contract of Purchase shall terminate. Any failure by the Underwriters to accept delivery and pay the purchase price in accordance with this Contract of Purchase shall be governed by the terms hereof.

The Authority and the City acknowledge and agree that (i) the purchase and sale of the 2014 Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Authority, City and the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority or City, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority or City with respect to the offering of the 2014 Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority or City on other matters) or any other obligation to the Authority or City except the obligations expressly set forth in this Agreement and (iv) each of the Authority and City has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the 2014 Bonds.

The 2014 Bonds are to be issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, consisting of Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6584), and a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N. A., as trustee (the "Trustee"). The 2014 Bonds shall be secured by a pledge, charge and lien upon Revenues which consist primarily of certain installment payments (the "2014 Payments") to be made by the City under and pursuant to that certain Master Installment Purchase Contract executed and entered into as of November 1, 1997, as supplemented by that certain 2014 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 2014, each by and between the City and the Authority (which Master Installment Purchase Contract as so supplemented is referred to herein as the "Installment Purchase Contract"), all of which rights to receive such Revenues have been assigned by the Authority to the Trustee. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Official Statement mentioned below.

The 2014 Bonds shall be dated the date of delivery thereof and will mature on the date and in the amount shown in Exhibit A hereto.

The 2014 Bonds are being issued to provide funds to (i) prepay a portion of the City's obligations under the 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), resulting in a prepayment of the outstanding Electric System Revenue Certificates of Participation, Series 2004 (the "2004 Certificates"), and (ii) pay certain costs incurred in connection with the issuance of the 2014 Bonds.

2. Offering. The Underwriters agree to make a bona fide public offering of the 2014 Bonds at the respective initial offering price or yield as set forth in the Official Statement, reserving, however, the right to change such initial offering prices or yields as they shall deem necessary in connection with the marketing of the 2014 Bonds and to offer and sell the 2014 Bonds to certain dealers (including dealers depositing the 2014 Bonds into investment trusts) at concessions to be determined by the Underwriters.

3. Use and Preparation of Documents. (a) The Authority and the City hereby approve and ratify the use and distribution by the Underwriters of the Preliminary Official Statement, dated July 17, 2014 (the "Preliminary Official Statement"), in connection

with the prospective offering of the 2014 Bonds prior to the date hereof. The Authority and the City hereby authorize the use and distribution by the Underwriters of the Official Statement, dated July 24, 2014 (the "Official Statement") and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the 2014 Bonds. The Authority and the City hereby authorize the use by the Underwriters of the Trust Agreement and Installment Purchase Agreement in connection with the public offering and sale of the 2014 Bonds.

(b) The Authority will deliver to the Underwriters, within seven (7) business days, sufficient copies of the Official Statement in final form (including financial statements as included or incorporated by reference therein), and will deliver any amendment or supplement thereto, in order to permit the Underwriters to comply with the obligations of the Underwriters including, without limitation, as necessary to accompany any confirmation requesting payment from any customers of the Underwriters, pursuant to the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12.

(c) In order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the City will deliver to the Underwriters on the Closing Date (as defined below) an executed copy of its Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") in the form contained in Appendix E to the Official Statement, pursuant to which the City undertakes to provide annual reports and notices of certain events as described in the Continuing Disclosure Certificate.

4. Closing. At 8:30 A.M., California time, on August 21, 2014, or at such other time on such other Business Day as shall have been mutually agreed upon by the Authority and the Underwriters (the "Closing Date"), the Authority, subject to the terms and conditions hereof, will cause the sale and delivery of the 2014 Bonds to the Underwriters and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay the purchase price of the 2014 Bonds as set forth in Section 1 hereof in immediately available funds (such delivery and payment being herein referred to as the "Closing"). Sale, delivery and payment as aforesaid shall be made at the offices of Jones Hall, A Professional Law Corporation ("Bond Counsel"), San Francisco, California 94108 or at such other place as shall have been mutually agreed upon by the Authority and the Underwriters. The 2014 Bonds shall be delivered to the Underwriters through the book-entry system of The Depository Trust Company ("DTC").

5. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and covenants to the Underwriters that:

(a) The City is duly existing as a charter city and a municipal corporation organized under the Constitution and laws of the State of California.

(b) The City has, and at the Closing Date will have, (i) full legal right, power and to enter into the Installment Purchase Contract, the Continuing Disclosure Certificate, the Escrow Deposit and Trust Agreement (2004 Certificate of Participation), dated as of August 1, 2014 (the "2004 Escrow Agreement"), by and among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") (the "2004 Escrow Agreement"), by and among the City, the Authority and the Escrow Agent, and this

Contract of Purchase (collectively, the "City Documents"), and to execute and deliver the Official Statement; (ii) duly authorized and approved the execution and delivery of the City Documents, the performance of its obligations contained herein and therein; (iii) duly authorized the consummation by it of all transactions contemplated by the City Documents and the Official Statement, all in accordance with applicable law, and the City is and will be in compliance with the provisions thereof in all material respects.

(c) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents or in connection with the issuance of the 2014 Bonds under the Trust Agreement have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2014 Bonds; and, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents or in connection with the 2014 Bonds have been duly obtained.

(d) The execution and delivery of the City Documents and the 2014 Bonds and the performance of its obligations contained in the City Documents do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution or agreement to which the City is subject or by which it is bound.

(e) Except as disclosed in the Official Statement, no litigation is, or at the Closing Date will be, pending or, to the knowledge of the City, threatened in any court (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) seeking to restrain or enjoin the execution or delivery of the 2014 Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments, or in any way contesting or affecting the validity of the 2014 Bonds, the Trust Agreement or any of the City Documents or the collection of said revenues, or the pledge thereof, or contesting the powers of the City for the execution and delivery of the 2014 Bonds, the Trust Agreement or any of the City Documents or the performance of its obligations contained therein or with respect thereto or contesting the tax-exempt status of interest represented by the 2014 Bonds; (iii) which would be likely to result in any material adverse change in the business, properties, assets or financial condition of the City relating to the Electric System or to have a material adverse effect on the ability of the City to meet its obligations under any of the City Documents; or (iv) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) The Installment Purchase Contract, the 2014 Bonds, the Trust Agreement and the other documents described in the Official Statement conform in all material respects to the descriptions thereof contained in the Official Statement.

(g) Any certificate signed by any official or other representative of the City and delivered to the Underwriters pursuant to this Contract of Purchase shall be deemed a representation and warranty by the District to the Underwriters as to the truth of the statements therein made.

(h) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order (i) to qualify the 2014 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the 2014 Bonds for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2014 Bonds; provided, however, that the City shall not be required to qualify to do business or consent to service of process in connection with any such qualification or determination in any jurisdiction.

(i) At the time of the City's acceptance hereof the Preliminary Official Statement does not, and at the date thereof the Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading; except that no representation is made as to any information included in the Official Statement relating to DTC and its book-entry only system.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 5, at the time of each supplement or amendment thereto, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Contract of Purchase and the date which is 25 days following the End of the Underwriting Period (as defined below) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters, and if in the opinion of the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters. "End of the Underwriting Period" shall mean the later of: (i) the Closing Date or (ii) the date the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public.

(l) The City will deliver, or cause to be delivered, to the Underwriters, within seven (7) business days after acceptance hereof, copies of the Official Statement, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters, signed on behalf of the City by an authorized City official, in such quantities as the Underwriters shall request in order to comply with the rules of the Securities Exchange Commission and the Municipal Securities Rulemaking Board.

(m) After the Closing, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriters reasonably shall object in writing or that shall be disapproved by counsel for the Underwriters.

(n) The City has heretofore prepared and delivered to the Underwriters the Preliminary Official Statement, with respect to the 2014 Bonds, which the City confirms it has "deemed final" for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The City ratifies and consents to the distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the 2014 Bonds.

(o) The City agrees, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") certain annual financial information and operating data and agree to provide, or cause to be provided, to the MSRB in a timely manner notice of certain material events respecting the 2014 Bonds. These agreements have been made in order to assist the Underwriters in complying with the Rule.

(p) The City has not failed to comply with any of its undertakings to provide continuing disclosure pursuant to Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended.

6. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and covenants to the Underwriters that:

(a) The Authority is duly existing as a joint powers agency of the State of California organized and operating pursuant to the laws of the State of California.

(b) The Authority has, and at the Closing Date will have, (i) full legal right, power and authority to issue the 2014 Bonds, to enter into the Trust Agreement, the Installment Purchase Contract, the 2004 Escrow Agreement and this Contract of Purchase (collectively, the "Authority Documents"), and to execute and deliver the Official Statement; (ii) duly authorized and approved the issuance of the 2014 Bonds, the execution and delivery of the Authority Documents, the performance of its obligations contained herein and therein; (iii) duly authorized the consummation by it of all transactions contemplated by the Authority Documents and the Official Statement, all in accordance with applicable law, and the Authority is and will be in compliance with the provisions thereof in all material respects.

(c) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Authority Documents or in connection with the issuance of the 2014 Bonds under the Trust Agreement have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2014 Bonds; and, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Authority Documents or in connection with the 2014 Bonds have been duly obtained.

(d) The execution and delivery of the Authority Documents, the issuance of the 2014 Bonds and the performance of its obligations contained in the Authority Documents do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution or agreement to which the Authority is subject or by which it is bound.

(e) Except as disclosed in the Official Statement, no litigation is, or at the Closing Date will be, pending or, to the knowledge of the Authority, threatened in any court (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) seeking to restrain or enjoin the issuance of the 2014 Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments, or in any way contesting or affecting the validity of the 2014 Bonds, the Trust Agreement or any of the Authority Documents or the collection of said revenues, or the pledge thereof, or contesting the powers of the Authority for the execution and delivery of the 2014 Bonds, the Authority Documents or the performance of its obligations contained therein or with respect thereto or contesting the tax-exempt status of interest represented by the 2014 Bonds; (iii) which would be likely to result in any material adverse change in the business, properties, assets or financial condition of the Authority or to have a material adverse effect on the ability of the Authority to meet its obligations under any of the Authority Documents; or (iv) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) The Installment Purchase Contract, the 2014 Bonds, the Trust Agreement and the other documents described in the Official Statement conform in all material respects to the descriptions thereof contained in the Official Statement.

(g) Any certificate signed by any official or other representative of the Authority and delivered to the Underwriters pursuant to this Contract of Purchase shall be deemed a representation and warranty by the District to the Underwriters as to the truth of the statements therein made.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order (i) to qualify the 2014 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the 2014 Bonds for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2014 Bonds; provided, however, that the Authority shall not be required to qualify to do business or consent to service of process in connection with any such qualification or determination in any jurisdiction.

(i) At the time of the Authority's acceptance hereof the Preliminary Official Statement does not, and at the date thereof the Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading; except that no representation is made as to any information included in the Official Statement relating to DTC and its book-entry only system.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Contract of Purchase and the date which is 25 days following the End of the Underwriting Period (as defined below) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriters, and if in the opinion of the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters. "End of the Underwriting Period" shall mean the later of: (i) the Closing Date or (ii) the date the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public.

(l) The Authority will deliver, or cause to be delivered, to the Underwriters, within seven (7) business days after acceptance hereof, copies of the Official Statement, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters, signed on behalf of the Authority by an authorized Authority official, in such quantities as the Underwriters shall request in order to comply with the rules of the Securities Exchange Commission and the Municipal Securities Rulemaking Board.

(m) After the Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished

with a copy, the Underwriters reasonably shall object in writing or that shall be disapproved by counsel for the Underwriters.

(n) The Authority has heretofore prepared and delivered to the Underwriters the Preliminary Official Statement, with respect to the 2014 Bonds, which the Authority confirms it has "deemed final" for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Commission") under the Exchange Act. The Authority ratifies and consents to the distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the 2014 Bonds.

(o) The Authority has not failed to comply with any of its undertakings to provide continuing disclosure pursuant to Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended.

7. Closing Conditions. The Underwriters have entered into this Contract of Purchase in reliance upon the representations, warranties and covenants of the City and the Authority contained herein and the performance by the City and the City of their respective obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriters' obligations under this Contract of Purchase are and shall be subject to the following further conditions:

(a) The representations of the City and the Authority contained herein shall be true and correct at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriters at the Closing pursuant hereto shall be true, complete and correct at the Closing; the City and the Authority shall be in compliance with each of the agreements made by each of them in this Contract of Purchase (unless such agreements are waived by the Underwriters); and there shall not have occurred an adverse change in the financial position, results of operations, financial condition or prospects of the City which may result in any material adverse change in the business, properties, assets or the financial condition of the City or the Electric System or which may have a material adverse effect on the ability of the City to meet its obligations under the Installment Purchase Contract.

(b) At the Closing Date, this Contract of Purchase, the Trust Agreement, the 2004 Escrow Agreement and the Installment Purchase Contract (collectively, the "Legal Documents"), all as described in the Official Statement, shall be in full force and effect, as valid and binding agreements between the various parties thereto and the Legal Documents and the Official Statement and shall not have been amended, modified or supplemented (except as may be agreed to in writing by the Underwriters); the ratings quoted in the Official Statement shall be in effect; and the City and the Authority, respectively, shall perform or have performed their respective obligations required under or specified in the City Documents or the Authority Documents, as applicable, the Official Statement or the Trust Agreement to be performed at or prior to the Closing Date; and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(c) At the time of the Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Except as disclosed in the Official Statement or in a schedule delivered to the Underwriters at the Closing, no decision, ruling or finding shall have been entered by any court or legislative body or governmental official, department, commission, board, bureau, agency, instrumentality, body or public benefit corporation, since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside) which has any of the effects described in Sections 5(e) or 6(e) hereof.

(e) The Underwriters may terminate this Contract of Purchase by notification to the City and the Authority at any time between the date hereof and the Closing Date by reason of any of the following:

(1) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter, or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made, or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the City or upon interest received with respect to obligations of the general character of the 2014 Bonds that, in the reasonable judgment of the Underwriters, directly or indirectly may have the purpose or effect of affecting the tax status of the City or the Authority, their respective property or income, their respective securities (including the 2014 Bonds) or the interest with respect thereto, or any tax exemption granted or authorized by State of California legislation or materially and adversely affecting the market for the 2014 Bonds or the market price generally of obligations of the general character of the 2014 Bonds;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court

established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter to the effect that obligations of the general character of the 2014 Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) the declaration of war or escalation in major military hostilities or the occurrence of any other emergency or calamity or crisis;

(4) the declaration of a general banking moratorium by federal, New York or California authorities or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange or other national securities exchange or any governmental authority of any material restrictions not now in force with respect to the 2014 Bonds or obligations of the general character of the 2014 Bonds or securities generally or the material increase of any such restrictions now in force;

(6) an order, decree or injunction of any court of competent jurisdiction or order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter issued or made to the effect that the issuance, offering or sale of obligations of the general character of the 2014 Bonds or the execution, offering or sale of the 2014 Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(7) a material disruption in securities settlement, payment or clearance services in the United States or the State of California shall have occurred;

(8) the withdrawal, downgrading or placement on negative watch of any rating of the 2014 Bonds or any underlying or unenhanced rating of any Parity Certificates or the Electric System by a national rating agency; or

(9) any event occurring, or information becoming known that, in the reasonable judgment of the Underwriters of Underwriters' Counsel, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect.

(f) At or prior to the Closing Date, the Underwriters shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto executed on behalf of the Authority and the City by a duly authorized officer of the City and the Authority, respectively;

(2) Copies of each City Document and each Authority Document, each duly executed and delivered by the respective parties thereto;

(3) The approving opinion of Jones Hall, A Professional Law Corporation, Bond Counsel to the Authority, dated the Closing Date, substantially in the form attached to the Official Statement, together with a reliance letter to the Underwriters;

(4) The supplemental opinion of Bond Counsel, in form and substance satisfactory to the Underwriters and Underwriters' Counsel, addressed to the Authority and the Underwriters, substantially in the form attached hereto as Exhibit B;

(5) The opinion of the City Attorney in form and substance satisfactory to the Underwriters and Underwriters' Counsel dated the Closing Date, addressed to the Underwriters, substantially in the form attached hereto as Exhibit C;

(6) The opinion of Orrick, Herrington & Sutcliffe LLP, Underwriters' Counsel, dated the Closing Date, in form and substance satisfactory to the Underwriters;

(7) The opinion of counsel to the Authority, dated the Closing Date, in form, and substance satisfactory to the Underwriters, addressed to the City and the Underwriters, to the effect that:

(i) the Authority is a joint exercise of powers agency duly organized, validly existing and in good standing under the laws of the State of California;

(ii) the Authority Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the Governing Board of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting through, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded as of the Closing Date;

(iii) the Authority has full legal power and authority to issue the 2014 Bonds, enter into the Legal Documents to which it is a party and to own its properties and to carry on its business as then conducted;

(iv) the Legal Documents to which the Authority is a party have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(v) no consent, approval, authorization or order of any court or governmental body is required for the consummation by the Authority of the transactions contemplated by the Official Statement, except such as have been obtained and

except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the 2014 Bonds by the Underwriters;

(vi) to the best knowledge of such counsel, there are no legal or governmental proceedings pending or threatened against the Authority: (i) to restrain or enjoin the issuance of the 2014 Bonds, (ii) in any way contesting or affecting the validity of the 2014 Bonds or the Legal Documents, (iii) contesting in any way the completeness or accuracy of the Official Statement; or (iv) which are otherwise required to be disclosed in the Official Statement, other than those disclosed therein; and

(vii) the execution and delivery of the Legal Documents to which the Authority is a party by the Authority, and performance by the Authority of its obligations thereunder, will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Authority is a party or by which it is bound or constitute a default thereunder, and all consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the Authority for the consummation of the transactions contemplated thereby or as conditions precedent to the execution and delivery of the 2014 Bonds have been obtained (provided no opinion need be expressed as to any action required under state securities or blue sky laws in connection with the purchase of distribution of the 2014 Bonds by the Underwriters);

(viii) without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and based upon the information made available to such counsel in the course of their participation in the preparation of the Official Statement as counsel to the Authority, nothing has come to the attention of such counsel which would cause such counsel to believe that the Official Statement (excluding therefrom the information concerning DTC and the book-entry system and the financial statements and the statistical data included in the Official Statement, as to which no opinion need be expressed), as of the date thereof and the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(ix) the assignment of rights by the Authority to the Trustee pursuant to the Trust Agreement is effective to grant to the Trustee all of the rights granted thereby (including the right to receive payments paid by the City under the Installment Purchase Contract free and clear of any lien or security interest or other claim of any third party or entity claiming by or through the Authority other than as set forth in the Official Statement;

(8) The opinion of counsel to the Trustee/Escrow Agent, dated the Closing Date, addressed to the Underwriters, to the effect that:

(i) the Trustee/Escrow Agent is and will be as of the Closing Date a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Trust Agreement and the 2004 Escrow Agreement and to execute and deliver the 2014 Bonds; and

(ii) the Trust Agreement, the 2004 Escrow Agreement and the 2014 Bonds have been duly authorized, executed and delivered by the Trustee/Escrow Agent and constitute the valid and binding obligations of the Trustee/Escrow Agent enforceable in accordance with their respective terms;

(9) A certificate, dated the Closing Date, of the City executed by its City Manager, Administrative Services Director/Treasurer or other appropriate official, to the effect that (A) on the date of the Official Statement and on the date of the certificate (i) the descriptions and statements of or pertaining to the City and the Electric System contained in the Official Statement were and are true and correct in all material respects; (ii) the Official Statement did not and does not contain an untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) insofar as the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect (no representation being made as to DTC and its book-entry only system); (B) the representations of the City in this Contract of Purchase are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and the City has complied with and performed all of its covenants and agreements in this Contract of Purchase to be complied with and performed at or prior to the Closing Date; and (C) each of the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization and execution thereof by the respective parties thereto, constitutes a legal, valid and binding agreement of the City enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(10) A certificate dated the Closing Date, by the City Manager, Administrative Services Director/Treasurer or other appropriate official of the City, and the City Attorney, to the effect that other than as described in the Official Statement, no litigation is pending (with the City having received service of process) or, to their knowledge, threatened in any court (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) seeking to restrain or enjoin the delivery of the 2014 Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (iii) in any way contesting or affecting the validity of the 2014 Bonds, the Trust Agreement or any of the City Documents; (iv) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the City to cause the execution and delivery of the 2014 Bonds and the performance of its obligations contained therein or the execution and delivery of the Trust Agreement or any of the City Documents and the performance of its obligations contained therein or with respect thereto; (v) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the City or to have a material adverse effect on the ability of the City to meet its obligations under any of the City Documents or with respect to the 2014 Bonds, the Trust Agreement or the Installment Purchase Contract; or (vi) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, which certificate shall be in form and substance acceptable to the Underwriters;

(11) A certificate of an authorized officer of the City, dated the Closing Date, confirming as of such date the representations, warranties and covenants of the City contained in this Contract of Purchase and stating that the City has complied with all of the terms and conditions of this Contract of Purchase required to be complied with by the City at or prior to the Closing Date;

(12) A certificate dated the Closing Date, by the Authority, to the effect that (A) other than as described in the Official Statement, no litigation is pending (with the Authority having received service of process) or, to their knowledge, threatened in any court (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) seeking to restrain or enjoin the delivery of the 2014 Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (iii) in any way contesting or affecting the validity of the 2014 Bonds or any of the documents to which the Authority is a party; (iv) in any way contesting or affecting the execution and delivery of the document to which the Authority is a party and the performance of its obligations contained therein or with respect thereto; (v) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the Authority or to have a material adverse effect on the ability of the Authority to meet its obligations under any of the documents to which it is a party or with respect to the 2014 Bonds; or (vi) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, which certificate shall be in form and substance acceptable to the Underwriters; and (B) the representations of the Authority in this Contract of Purchase are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and the Authority has complied with and performed all of its covenants and agreements in this Contract of Purchase to be complied with and performed at or prior to the Closing Date;

(13) A Certificate of the Trustee/Escrow Agent, dated the Closing Date to the effect that:

(i) that Trustee/Escrow Agent is duly organized and existing as a national banking association, duly organized and validly existing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trust Agreement and the 2004 Escrow Agreement and to execute and deliver the 2014 Bonds pursuant to the Trust Agreement;

(ii) the Trustee is duly authorized to enter into the Trust Agreement and which, when the Trust Agreement is duly executed and delivered by the Authority, will constitute the legal, valid and binding obligation of the Trustee in accordance with its terms;

(iii) the Escrow Agent is duly authorized to enter into the 2004 Escrow Agreement and which, when the 2004 Escrow Agreement is duly executed and delivered by the Authority and the City, will constitute the legal, valid and binding obligation of the Escrow Agent in accordance with its terms;

(iv) the Trustee is duly authorized to execute and deliver the 2014 Bonds, and the 2014 Bonds have been duly executed and delivered by the Trustee, in accordance with the terms of the Trust Agreement;

(v) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the 2014 Bonds, except as such may be required under the state securities or blue sky laws in connection with the distribution of the 2014 Bonds by the Underwriters;

(vi) the execution and delivery by the Trustee/Escrow Agent of the Trust Agreement, the 2004 Escrow Agreement and the 2014 Bonds, and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture bond, note, resolution or any other agreement or instrument to which the Trustee/Escrow Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee/Escrow Agent or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee/Escrow Agent with respect to any Federal or state securities or blue sky laws or regulations), or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee/Escrow Agent; and

(vii) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court or governmental agency, public board or body that has been served on Trustee/Escrow Agent or, to the best knowledge of the Trustee/Escrow Agent, threatened against the Trustee/Escrow Agent which would affect the existence of the Trustee/Escrow Agent or seeking to prohibit, restrain or enjoin the execution and delivery of the 2014 Bonds or in an way contesting or affecting the validity or enforceability of the 2014 Bonds, the 2004 Escrow Agreement or the Trust Agreement or contesting the powers of the Trustee/Escrow Agent or its authority to enter into and perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby, or which, in any way, would adversely affect the validity of the 2014 Bonds, the 2004 Escrow Agreement or the Trust Agreement or any agreement or instrument to which the Trustee/Escrow Agent is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby;

(14) Two certified copies of excerpts from the By-laws of the Trustee/Escrow Agent authorizing the execution and delivery of certain documents by certain officers and employees of the Trustee/Escrow Agent, which resolution authorizes the execution and delivery of the 2014 Bonds, the 2004 Escrow Agreement and the Trust Agreement;

(15) Two certified copies of resolutions adopted by the City and certified by the City Clerk authorizing the execution and delivery of the City Documents;

(16) Two copies of resolutions adopted by the Authority and certified by the Secretary or Assistant Secretary of the Authority, authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents;

(17) A signature and incumbency certificate of the Authority and a certificate, dated the Closing Date and signed by an authorized officer of the Authority;

(18) A signature and incumbency certificate of the City and a certificate, dated the Closing Date and signed by an authorized officer of the City;

(19) A non-arbitrage certification by the Authority and the City in form and substance acceptable to Bond Counsel;

(20) evidence from Standard & Poor's Rating Services and Fitch Ratings that the ratings on the 2014 Bonds of "A+" and "A+," respectively, are in full force and effect on the Closing Date;

(21) A copy of any Preliminary Blue Sky Survey with respect to the 2014 Bonds, prepared by Underwriters' Counsel;

(22) A verification report prepared by Grant Thornton LLP; and

(23) Such additional legal opinions, certificates, instruments and other documents as the Underwriters or Bond Counsel may reasonably require to evidence the compliance by the Authority and the City with legal requirements, the accuracy as of the Closing Date of the representations contained herein and the due performance or satisfaction by the City and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City and the Authority pursuant to this Contract of Purchase.

If the Authority and/or the City shall be unable to satisfy the conditions to the Underwriters' obligations contained in this Contract of Purchase or if the Underwriters' obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and none of the City, the Authority or the Underwriters shall have any further obligation hereunder, nor any liability to any other party with respect to such termination.

8. Expenses. No expenses and costs of the Authority or the City incident to the performance of the obligations of the Authority or City in connection with the issuance and sale of the 2014 Bonds to the Underwriters shall be borne by the Underwriters. The Authority and the City shall pay or cause to be paid the expenses incident to the performance of their respective obligations hereunder including but not limited to (a) the cost of the preparation and printing or other reproduction (for distribution on or prior to the date hereof) of the Trust Agreement and the other documents mentioned herein; (b) the fees and disbursements of Public Financial Management, Inc., Jones Hall, A Professional Law Corporation, and any other experts or consultants retained by the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive 2014 Bonds; (e) the cost of immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary

Official Statement and the Official Statement and any supplement thereto, including a reasonable number of certified or conformed copies thereof; and (g) the fee and disbursements of Orrick, Herrington & Sutcliffe LLP, Counsel to the Underwriters. We shall pay all advertising expenses in connection with the public offering of the 2014 Bonds or other expenses incurred by the Underwriters in connection with the public offering and distribution of the 2014 Bonds. The Underwriters shall not be responsible for paying or causing to be paid meal, transportation, lodging, entertainment or deal memento expenses incurred by or on behalf of the employees or officials of the City or the Authority.

(1) Indemnification. To the extent permitted by law, the City agrees to indemnify and hold harmless the Underwriters and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Underwriters against any and all judgments, losses, claims, damages, liabilities and expenses (i) arising out of any statement or information in the Preliminary Official Statement or in the Official Statement (excluding in both cases information contained under the caption "Underwriting") that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is necessary to make the statements therein not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the City. In case any claim shall be made or action brought against the Underwriters or any controlling person based upon the Official Statement for which indemnity may be sought against the City, as provided above, the Underwriters shall promptly notify the City in writing setting forth the particulars of such claim or action, and the City shall assume the defense thereof, including the retaining of counsel acceptable to the Underwriters and the payment of all expenses. The Underwriters or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless (i) the City shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Underwriters or such controlling person or persons, and the City and the Underwriters or any such controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the City, in which case the City shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

9. Notices. Any notice or other communication to be given to the Authority under this Contract of Purchase shall be given by delivering the same in writing to the Roseville Finance Authority, c/o City of Roseville, 311 Vernon Street, Roseville, California 95678, attention: Treasurer; and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Morgan Stanley & Co. LLC, 555 California Street, Suite 2200, San Francisco, California 94104, Attention: John Sheldon.

10. Governing Law. This Contract of Purchase shall be governed by and construed in accordance with the laws of the State of California, applicable to contracts made and performed within the State of California.

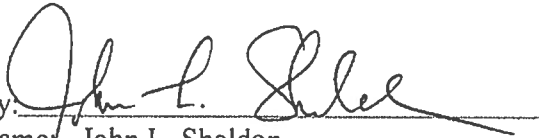
11. Counterpart Signatures. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be any original, but all such counterparts shall together constitute but one and the same instrument.

12. Parties in Interest. This Contract of Purchase, when accepted by the City in writing as heretofore specified, shall constitute the entire agreement between the Underwriters and is made solely for the benefit of the City and the Underwriters (including any successor in business). No other person shall acquire or have any right hereunder or by virtue hereof. The representations and agreements of the City in this Contract of Purchase shall remain operative and in full force and effect, regardless of (a) any investigation made by the Underwriters or on our behalf, (b) delivery of and payment for the 2014 Bonds hereunder, and (c) any termination of this Contract of Purchase.

Very truly yours,

MORGAN STANLEY & CO. LLC
U.S. BANCORP INVESTMENTS, INC.

By: Morgan Stanley & Co. LLC
as Representative of the Underwriters

By: 
Name: John L. Sheldon
Title: Managing Director

Accepted on July 24, 2014

ROSEVILLE FINANCE AUTHORITY

By: Jay Panzica
Treasurer

Approved on July 24, 2014

CITY OF ROSEVILLE

By: Jay Panzica
Treasurer

Approved as to form:

By: Robert R Schmitt
for City Attorney

EXHIBIT A

\$16,485,000

Roseville Finance Authority
Electric System Revenue Refunding Bonds, Series 2014

Maturity Date (February 1)	Principal Amount	Interest Rate
2030	\$2,985,000	5.00%
2031	3,130,000	5.00
2032	3,290,000	5.00
2033	3,455,000	5.00
2034	3,625,000	5.00

EXHIBIT B

[Letterhead of Jones Hall, A Professional Law Corporation]

[Closing Date]

Morgan Stanley & Co. LLC
555 California Street, Suite 2200
San Francisco, CA 94104

Re: Roseville Finance Authority,
Electric System Refunding Revenue Bonds,
Series 2014

(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 7(f)(4) of the Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), among you, the Roseville Finance Authority (the "Authority") and the City of Roseville, California (the "City"), providing for the purchase of the Authority's \$16,485,000 Electric System Revenue Refunding Bonds, Series 2014 (the "2014 Bonds"). The 2014 Bonds are being issued pursuant to a Trust Agreement (the "Trust Agreement"), dated as of August 1, 2014, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract.

We have delivered our final legal opinion (the "Opinion") as Bond Counsel concerning the validity of the 2014 Bonds and obligations represented thereby, and certain other matters, dated the date hereof and addressed to the City. You may rely on such opinion as though the same were addressed to you.

In connection with our role as Bond Counsel, we have reviewed the Purchase Contract, the printed version of the Preliminary Official Statement, dated July 17, 2014, relating to the 2014 Bonds (the "Preliminary Official Statement"), the printed version of the Official Statement, dated July 24, 2014, relating to the 2014 Bonds (the "Official Statement"), the documents, certificates, opinions and matters mentioned in the second paragraph of the Opinion, and such other documents, opinions and matters to the extent we deemed necessary to express the opinions set forth in the numbered paragraphs below.

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 omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention

after the date hereof. We have not reviewed any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. 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. 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 third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the 2014 Bonds, the Trust Agreement, the Tax Certificate, and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to 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, nor do we express any opinions with respect to the state or quality of title to or interest in any real or personal property described in or as subject to the lien of the Trust Agreement or any other document or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2014 Bonds and express no opinion relating thereto except as expressly set forth in numbered paragraph 3 below.

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

1. The 2014 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Official Statement has been duly authorized, executed and delivered by the Authority and the City and the Purchase Contract has been duly authorized, executed and delivered by the Authority and the City, and the Purchase Contract are valid and binding agreements of the City and the Authority, respectively.

3. The statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2014 BONDS," "SECURITY FOR THE 2014 BONDS," and "TAX MATTERS," and in "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS," and "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Trust Agreement and the Contract and the Opinion concerning certain federal tax matters relating to the 2014 Bonds, are accurate in all material respects; provided, however, that no opinion is expressed with respect to any statements relating to The Depository Trust Company ("DTC") or its operations.

We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in numbered paragraph 3 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement and

make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as Bond Counsel in connection with issuance of the 2014 Bonds, we participated in conferences with your representatives, your counsel, representatives of certain consultants to the City, the City and counsel to the City, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates, opinions and matters mentioned in the Opinion and herein, subject to the limitations on our role as Bond Counsel, we advise you that no facts came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Preliminary Official Statement as of July 17, 2014 and the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC and the information contained in Appendices B and F, or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is furnished by us as Bond Counsel. No attorney-client relationship has existed or exists between our firm and you in connection with the 2014 Bonds or by virtue of this letter. Our engagement with respect to the 2014 Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as the Underwriter of the 2014 Bonds, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the 2014 Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

JONES HALL, A PROFESSIONAL LAW
CORPORATION

[Letterhead of City Attorney]

[Closing Date]

Morgan Stanley & Co. LLC,
San Francisco, California

**Re: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014**

Ladies and Gentlemen:

I am the City Attorney for the City of Roseville (the "City") and I have been requested by the City to provide this opinion in accordance with Section 7(f)(5) of the Contract of Purchase dated July 24, 2014 (the "Contract of Purchase"), for the above captioned Bonds (the "2014 Bonds"). Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Contract of Purchase.

The City has entered into an agreement entitled "Master Installment Purchase Contract," dated as of November 1, 1997, and an agreement entitled "2014 Supplemental Installment Purchase Contract," dated as of August 1, 2014, with the Roseville Finance Authority (the "Authority"), both of which are collectively referred to herein as the "Installment Purchase Contract".

Opinion

It is my opinion that:

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the laws of the State of California.
2. The City Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting through, and the City Resolution is in full force and effect and has not been modified, amended or rescinded as of the Closing Date.
3. The City has full power, authority and legal right to execute, deliver and perform the City Agreements.
4. The execution, delivery and performance by the City of the City Agreements have been duly authorized by all appropriate action and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the City or (ii) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

5. All authorizations, consents, approvals, licenses, exemptions of or registrations with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, necessary to the valid execution, delivery or performance by the City of the City Agreements have been obtained or effected, and are and will remain in full force and effect.

6. The City Agreements constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

7. The City has duly authorized, executed and delivered the Official Statement dated July 24, 2014, relating to the 2014 Bonds (the "Official Statement").

8. Except as disclosed in the Official Statement, there is to my knowledge no litigation pending (with the City having received service of process) or threatened in any court (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) seeking to restrain or enjoin the delivery of the 2014 Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (iii) in any way contesting or affecting the validity of the 2014 Bonds, the Trust Agreement or the City Agreements; (iv) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the City or any City for the execution and delivery of the 2014 Bonds and the performance of its obligations contained therein or the execution and delivery of the Trust Agreement or the City Agreements and the performance of its obligations contained therein; (v) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the City or to have a material adverse effect on the ability of the City to meet its obligations under the Trust Agreement or the City Agreements or with respect to the 2014 Bonds; or (vi) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements in the Preliminary Official Statement as of July 17, 2014 and the Official Statement (except under the captions "TAX MATTERS" and "UNDERWRITING" and except for any CUSIP numbers, financial, accounting, statistical, economic or engineering or demographic data, forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or Appendices C, D and F thereto, or any information about book-entry, DTC, rating agencies, The Depository Trust Company or the Swap Agreement, the Swap Counterparty included or referred to therein, which I expressly exclude from the scope of this paragraph and as to which I express no opinion or view) accurately summarize the matters set forth therein, and nothing has come to my attention which would lead me to believe that such statements contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading

I have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, other than as specifically stated above.

The enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed only to the Underwriter. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

This letter is solely for the information of, and assistance to, you as the Underwriter and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the 2014 Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the 2014 Bonds.

Very truly yours,

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$16,485,000

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014**

Dated: Delivery Date**Due: February 1, as shown on inside cover**

Authority for Issuance. The Roseville Finance Authority (the "Authority") is issuing the above-captioned bonds (the "2014 Bonds") under a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Security for the 2014 Bonds. The 2014 Bonds are payable from and secured by "Revenues" which generally consist of (a) all of the 2014 Payments under a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented to date, including a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014, all entered into between the City of Roseville (the "City") and the Authority (the "2014 Supplemental Contract" and, collectively with the Master Contract, as previously supplemented, the "Installment Purchase Contract"), and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. "2014 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2014 Supplemental Contract. The City maintains a Parity Reserve Fund securing all Payments made under the Installment Purchase Contract. See "SECURITY FOR THE 2014 BONDS."

The 2014 Payments are payable from and secured by a pledge of "Net Revenues" of the Electric System, which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during each 12-month period. The pledge of Net Revenues for payment of the 2014 Payments is on a parity with the pledge of Net Revenues securing payment of other obligations incurred by the City under the Installment Purchase Contract, including installment payments which are the subject of series of certificates of participation executed and delivered in 2004, 2005, 2009 and 2012 (collectively, the "Prior Certificates") and series of bonds issued in 2010 and 2013 (collectively, the "Prior Bonds") to finance and refinance improvements to the Electric System. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

"Maintenance and Operation Costs" include, among other costs, the City's share of debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the City's Payments under the Installment Purchase Contract, including the 2014 Payments securing the 2014 Bonds. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Use of Proceeds. The 2014 Bonds are being issued to (i) refinance certain outstanding obligations of the City relating to Prior Certificates executed and delivered in 2004, and (ii) pay certain costs incurred in connection with the execution and delivery of the 2014 Bonds. See "PLAN OF FINANCING."

Redemption. Prior to their maturity, the 2014 Bonds are subject to optional redemption as described in this Official Statement. See "THE 2014 BONDS – Redemption."

Book-Entry System. The 2014 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry-only system maintained by DTC. So long as Cede & Co. is the registered owner of the 2014 Bonds, principal of, premium, if any, and interest on the 2014 Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the 2014 Bonds, as more fully described herein. Purchasers of the 2014 Bonds will not receive physical certificates representing their interests in the 2014 Bonds. See "THE 2014 BONDS" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purchase of the 2014 Bonds involves a certain degree of risk, and reference is made to "THE ELECTRIC SYSTEM," "DEVELOPMENTS IN THE ENERGY MARKETS," "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY," "RATE REGULATION" AND "OTHER RISK FACTORS" herein for a discussion of such risks.

THE 2014 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE REVENUES. THE ISSUANCE OF THE 2014 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY OR THE AUTHORITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE 2014 BONDS ARE NOT A DEBT OF THE AUTHORITY, THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not a summary of this issue of 2014 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2014 Bonds.

**MATURITY SCHEDULE
(see inside cover)**

The 2014 Bonds are offered when, as and if executed and delivered and accepted by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall as disclosure counsel; for the City and the Authority by the City Attorney; and for the Underwriters by Orrick, Herrington & Sutcliffe LLP. It is anticipated that the 2014 Bonds will be delivered in book-entry form through the facilities of DTC on or about August 21, 2014.

Morgan Stanley**US Bancorp**

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014**

MATURITY SCHEDULE

**\$16,485,000 Serial Bonds
(Base CUSIP [†]:77781R)**

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]
2030	\$2,985,000.00	5.000%	3.310% ^C	114.219 ^C	BJ1
2031	3,130,000.00	5.000%	3.380% ^C	113.583 ^C	BK8
2032	3,290,000.00	5.000%	3.460% ^C	112.862 ^C	BL6
2033	3,455,000.00	5.000%	3.520% ^C	112.325 ^C	BM4
2034	3,625,000.00	5.000%	3.570% ^C	111.880 ^C	BN2

C – Price and yield to first call date of August 1, 2024, at par.

† Copyright 2014, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

CITY OF ROSEVILLE

ROSEVILLE FINANCE AUTHORITY

CITY COUNCIL/AUTHORITY BOARD

Susan Rohan, *Mayor/Chairperson*
Carol Garcia, *Mayor Pro Tem/Vice-Chairperson*
Bonnie Gore, *Councilmember/Boardmember*
Tim Herman, *Councilmember/Boardmember*
Pauline Roccucci, *Councilmember/Boardmember*

CITY and ELECTRIC UTILITY OFFICIALS

Raymond Kerridge, *City Manager*
Robert Jensen, *Assistant City Manager*
Jay Panzica, *City Treasurer/ Financial Executive*
Monty Hanks, *Finance Director*
Sandra Ikeda, *City Accounting Manager*
Brita Bayless, *City Attorney*
Sonia Orozco, *City Clerk*
Michelle Bertolino, *Director, Roseville Electric*
Michael Bloom, *Assistant Director, Roseville Electric*
Sonny Person, *Assistant Director, Roseville Electric*

TRUSTEE

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

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Public Financial Management
San Francisco, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. *No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2014 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.*

No Unlawful Offers or Solicitations. *This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.*

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2014 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the 2014 Bonds since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2014 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Involvement of Underwriters. The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Trust Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

2014 Bonds are Exempt from Securities Laws Registration. The 2014 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Forward-Looking Statements. Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE ELECTRIC SYSTEM."

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	1	Audited Financial Statements	47
Security and Sources of Payments.....	1	Outstanding Indebtedness	48
Parity Reserve Fund	2	Rate Stabilization Fund	49
Financing Purpose.....	2	Historic Revenues, Expenses and Debt Service	
Rate Covenants.....	3	Coverage.....	49
Redemption	3	Investment Policy	52
DTC and the Book-Entry Only System	3	DEVELOPMENTS IN THE ENERGY MARKETS	
PLAN OF FINANCING	3	Background; Electric Market Deregulation	53
The Refunding Plan	3	State Legislation	53
ESTIMATED SOURCES AND USES OF FUNDS	4	Additional Developments	58
THE 2014 BONDS	5	Impact of Developments on the City.....	59
Authority for Issuance	5	OTHER FACTORS AFFECTING THE ELECTRIC	
General Terms.....	6	UTILITY INDUSTRY	
Redemption	7	Energy Policy Act of 1992	59
Debt Service Schedules	9	Federal Energy Legislation	60
SECURITY FOR THE 2014 BONDS.....	10	Environmental Issues	60
Assignment to Trustee.....	10	Fuel Risk	62
2014 Payments.....	11	Other Factors.....	62
Rate Covenant.....	13	RATE REGULATION	64
Parity Reserve Fund	14	OTHER RISK FACTORS	65
Outstanding Senior and Parity Obligations	15	Limited Obligations	65
Conditions for Issuing Additional Obligations	16	Tax Exemption.....	65
Flow of Funds	17	Limitations on Remedies and Limited Recourse on	
Limited Obligations	19	Default	65
THE ELECTRIC SYSTEM	20	Secondary Market	66
History and Background	20	Initiatives	66
Organization and Management	20	Seismic Considerations	66
Employees.....	22	Possible Future Federal Deregulation and Tax	
Other Post-Employment Health Benefits	27	Legislation	67
Service Area, Customer Base and Demand	31	CONSTITUTIONAL LIMITATIONS ON TAXES AND	
Sources of Power Supply	32	APPROPRIATIONS	67
Power Supply Risk Management.....	38	California Constitution Articles XIII A and XIII B	67
Natural Gas Pre-Payment	39	Constitutional Changes In California	68
Regional Transmission Facilities	40	Future Initiatives	68
City Distribution System	41	TAX MATTERS.....	69
Dispatch and Scheduling.....	41	CONTINUING DISCLOSURE	70
Energy Efficiency and Conservation.....	42	VERIFICATION OF MATHEMATICAL	
Insurance.....	43	COMPUTATIONS	71
CAPITAL PLAN.....	43	OTHER INFORMATION	71
Projected Capital Improvement Plan	43	Certain Legal Matters	71
RATE SETTING	44	Professional Fees.....	71
Electric Rates	44	Absence of Litigation	71
Rate Comparison.....	46	RATINGS	72
Rate Stabilization Fund	46	UNDERWRITING.....	72
Electricity Rate Regulation	46	FINANCIAL ADVISOR	73
ELECTRIC SYSTEM FINANCIAL INFORMATION	47	EXECUTION	74
Significant Accounting Policies	47		
APPENDIX A - GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE			
APPENDIX B - AUDITED FINANCIAL STATEMENTS			
APPENDIX C - DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS			
APPENDIX D - PROPOSED FORM OF BOND COUNSEL OPINION			
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM			

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the issuance of the above-captioned bonds (the “2014 Bonds”) by the Roseville Finance Authority (the “Authority”). The 2014 Bonds are being issued in accordance with Trust Agreement, dated as of August 1, 2014 (the “Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Capitalized terms used but not defined herein have the meanings set forth in the Trust Agreement. See also “APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS.” This Official Statement contains brief descriptions of, among other things, the City, the Electric System, the Trust Agreement, the Installment Purchase Contract and the 2014 Bonds. These descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2014 Bonds are qualified in their entirety by reference to the form of 2014 Bond included in the Trust Agreement.

Security and Sources of Payment

Revenues. The 2014 Bonds are secured by and payable from “Revenues” available under the Trust Agreement consisting of (a) all of the 2014 Payments pursuant to the Master Installment Purchase Contract (the “Master Contract”), dated as of November 1, 1997, as supplemented to date, including a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014, all entered into between the City of Roseville (the “City”) and the Authority (the “2014 Supplemental Contract” and, collectively with the Master Contract, as previously supplemented, the “Installment Purchase Contract”), and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. See “SECURITY FOR THE 2014 BONDS.”

2014 Payments. The “2014 Payments” are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2014 Supplemental Contract. The 2014 Payments are payable from and secured by a pledge of “Net Revenues” of the City’s electric utility (the “Electric System”), which are defined generally as Gross Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during each respective 12-month period.

Pursuant to the provisions of the Trust Agreement, the Authority will transfer in trust and assign to the Trustee, for the benefit of the Owners of the 2014 Bonds, all of its rights in the Installment Purchase Contract as supplemented by the 2014 Supplemental Contract, including but not limited to all of the Authority’s rights to receive and collect all of the 2014 Payments.

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The issuance of the 2014 Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The 2014 Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Outstanding Senior Obligations. The “Maintenance and Operation Costs” excluded from Net Revenues include, among other costs, the City’s share of debt service on debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City’s payments of debt service on this joint powers agency debt are payable on a basis senior to the 2014 Payments and other Parity Obligations, as defined below.

Outstanding Parity Obligations. The pledge of Net Revenues for payment of the 2014 Payments is a parity pledge of Net Revenues securing payment of the 2014 Payments and other obligations (collectively, the “Parity Obligations”) incurred by the City under the Installment Purchase Contract. The Parity Obligations include the installment payments securing four series of certificates of participation executed and delivered in 2004, 2005, 2009 and 2012 (collectively, the “Prior Certificates”) and two series of bonds issued in 2010 and 2013 (collectively, the “Prior Bonds”) to finance and refinance improvements to the Electric System.

Future Parity Debt. The Trust Agreement does not provide for the issuance of any obligations payable from the Revenues on parity with the 2014 Bonds. However, the Master Contract permits the City to execute additional Parity Obligations and Parity Payment Agreements, the payments of which are payable from Net Revenues on a parity with the 2014 Payments (all as described below), if the conditions set forth in the Master Contract are met. See “SECURITY FOR THE 2014 BONDS – Additional Debt.”

Parity Reserve Fund

The City maintains a Parity Reserve Fund securing all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates, Prior Bonds and the 2014 Bonds. The Parity Reserve Fund will be fully funded upon issuance of the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – Parity Reserve Fund.”

Financing Purpose

The 2014 Bonds are being issued to (i) refinance certain prior certificates of participation executed and delivered in 2004 for the Electric System, and (ii) pay certain costs incurred in

connection with the issuance of the 2014 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Rate Covenants

Under the Master Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year. See "SECURITY FOR THE 2014 BONDS – Rate Covenant."

Redemption

The 2014 Bonds are subject to optional redemption prior to maturity as more fully described herein. See "THE 2014 BONDS – Redemption."

DTC and the Book-Entry Only System

The 2014 Bonds are being executed and delivered as fully registered securities in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial interests in the book-entry certificates will be made available in authorized denominations to ultimate purchasers under the book-entry-only system maintained by DTC. See "APPENDIX F-DTC AND THE BOOK-ENTRY ONLY SYSTEM."

PLAN OF FINANCING

The Refunding Plan

The Authority has previously executed and delivered the following series of certificates of participation relating to the Electric System: \$39,940,000 original principal amount of Electric System Revenue Certificates of Participation, Series 2004 (the "2004 Certificates"). The net proceeds from the sale of the 2004 Certificates were primarily used to finance improvements to the Electric System. As described below, the net proceeds from the sale of the 2014 Bonds will be used to prepay a portion of the City's obligations under the 2004 Supplemental Agreement resulting in a prepayment of a portion of the remaining outstanding 2004 Certificates.

The 2004 Certificates are subject to prepayment on any date on or after February 1, 2014, at a prepayment price equal to the principal amount evidenced and represented by the 2004 Certificates called for prepayment, plus accrued and unpaid interest to the prepayment date, without premium, and under the 2004 Supplemental Contract, the City has the right to prepay the 2004 Payments coming due on and after February 1, 2015 on any date on or after February 1, 2014, at a prepayment price equal to the principal amount evidenced and represented by the 2004 Payments called for prepayment, plus accrued and unpaid interest, if any, to the prepayment date, without premium. The City has elected to do so, which will in turn facilitate a prepayment of a portion of the 2004 Certificates.

On the date of issuance of the Bonds (the "Closing Date"), the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee for the 2004 Certificates and as escrow agent (the "2004 Escrow Agent") will enter into an Escrow Deposit and Trust Agreement

with respect to the 2004 Certificates. The City will cause a portion of the proceeds of the Bonds to be transferred to the 2004 Escrow Agent for deposit into an escrow fund (the "2004 Escrow Fund"), together with amounts available under the Trust Agreement for the 2004 Certificates. The amounts deposited in the 2004 Escrow Fund plus earnings thereon will be sufficient to defease the 2004 Payments and the 2004 Certificates being prepaid. The 2004 Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in state and local government securities (SLGS). Amounts held in the 2004 Escrow Fund will be applied to pay principal and interest with respect to the 2004 Certificates through the date of prepayment, on August 26, 2014, and on that date will be used to prepay a portion of the 2004 Payments and pay the prepayment price for the related 2004 Certificates.

The amounts held and invested by the 2004 Escrow Agent in the 2004 Escrow Fund are pledged solely to the payment of the 2004 Payments and the 2004 Certificates. Neither the funds deposited in the Escrow Funds nor the interest on the invested funds will be available for the payment of debt service on the Bonds.

Grant Thornton, LLP, as verification agent, will verify that the amounts in the 2004 Escrow Account will be sufficient to prepay the applicable 2004 Certificates, as described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" below.

ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of funds with respect to the 2014 Bonds.

<u>Sources of Funds</u>	
Par Amount of 2014 Bonds	\$16,485,000.00
Original Issue Premium	2,129,223.60
Funds from Prior Certificates ⁽¹⁾	60,066.35
Total Sources	\$18,674,289.95
 <u>Uses of Funds</u>	
2004 Escrow Fund ⁽²⁾	\$18,378,593.75
Costs of Issuance ⁽³⁾	295,696.20
Total Uses	\$18,674,289.95

(1) Represents a release from the common reserve fund securing the 2014 Bonds and the Parity Obligations. After the release of funds, the amount on deposit in the Parity Reserve Fund will equal the current Reserve Fund Requirement for the 2014 Bonds and the outstanding Parity Obligations. See "SECURITY FOR THE 2014 BONDS –Parity Reserve Fund."

(2) Includes prepayment of a portion of the outstanding 2004 Certificates as described under "PLAN OF FINANCING – The Refunding Plan."

(3) Includes costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the 2014 Bonds, fees of the Authority, Underwriters' discount and any other cost, charge or fee in connection with the original issuance of the 2014 Bonds.

THE 2014 BONDS

The following is a summary of certain provisions of the 2014 Bonds. Reference is made to the 2014 Bonds for the complete text thereof and to the Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS”.

Authority for Issuance

The 2014 Bonds are being issued under the Trust Agreement. The 2014 Supplemental Contract is being executed and delivered pursuant to a Master Installment Purchase Contract (the "Master Contract") dated as of November 1, 1997, as supplemented by the following contracts, all entered into between the City of Roseville (the "City") and the Authority:

- 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"),
- 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"),
- 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"),
- 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004, with respect to the 2004 Certificates (the "2004 Supplemental Contract"),
- 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005, with respect to the 2005 Certificates (the "2005 Supplemental Contract"),
- 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008, with respect to the 2008 Certificates (the "2008 Supplemental Contract"),
- 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009, with respect to the 2009 Certificates (the "2009 Supplemental Contract"),
- 2010 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2010, with respect to the 2010 Bonds (the "2010 Supplemental Contract"),
- 2012 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2012, with respect to the 2012 Certificates (the "2012 Supplemental Contract"),
- 2013 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2013, with respect to the 2013 Bonds (the "2013 Supplemental Contract"), and

- 2014 Supplemental Installment Purchase Contract to be executed and entered into as of August 1, 2014, with respect to the 2014 Bonds (the “2014 Supplemental Contract”).

The certificates of participation delivered in connection with the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract and the 2008 Supplemental Contract have been fully paid. The 2014 Bonds are being issued to prepay a portion of the outstanding amount of 2004 Certificates delivered in connection with the 2004 Supplemental Contract. After the prepayment of the 2004 Certificates as described, a portion of the obligations under the 2004 Supplemental Contract will remain outstanding. See “PLAN OF FINANCING” and “SECURITY FOR THE 2014 BONDS – Outstanding Senior and Parity Indebtedness.”

The Master Contract and the various supplements thereto are collectively referred to as the “Installment Purchase Contract.” The payments due under the Installment Purchase Contract are collectively referred to as “Payments.”

General Terms

Dated Date and Maturities. The 2014 Bonds will be dated their date of initial delivery. Subject to the redemption provisions outlined below, the 2014 Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

Interest. Interest on each 2014 Bond will accrue at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 of each year, beginning on February 1, 2015 (each, an “Interest Payment Date”).

Each 2014 Bond will bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from the Interest Payment Date next preceding the date of authentication thereof; unless (i) it is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event such 2014 Bonds bear interest from such Interest Payment Date; (ii) it is authenticated on or before the Record Date, in which event such 2014 Bonds will bear interest from the date of delivery; provided, however, that if, as of the date of authentication of any 2014 Bond, interest thereon is in default, such 2014 Bond will bear interest from the date on which interest has been paid in full, payable on each Interest Payment Date.

Principal. The principal of the 2014 Bonds will be payable in lawful money of the United States of America upon the surrender thereof on the respective maturity date or on redemption prior thereto at the Corporate Trust Office of the Trustee.

Denominations. The 2014 Bonds will be issued in the form of fully registered bonds in the denomination of \$5,000 each or any integral multiple of \$5,000; provided that no 2014 Bond will have more than one maturity date.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2014 Bonds. The 2014 Bonds will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). So long as Cede & Co. is the registered owner of the 2014 Bonds, as nominee of DTC, references in this Official Statement to

the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the 2014 Bonds. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Method of Payment. So long as the 2014 Bonds are registered in the name of Cede & Co., principal, premium, if any, and interest on the 2014 Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in APPENDIX F) for subsequent disbursement to the Beneficial Owners of the 2014 Bonds. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The 2014 Bonds are subject to optional redemption prior to their stated maturity dates, from prepayment of 2014 Payments made by the City pursuant to the Installment Purchase Contract, as a whole or in part (from such maturity dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such maturity dates, in inverse order of maturity date and by lot within a maturity date) on any date on or after August 1, 2024, at a redemption price equal to the principal amount of the 2014 Bonds called for redemption, plus accrued and unpaid interest to the redemption date, without premium.

Selection of Bonds for Redemption. If less than all Outstanding Bonds of any particular maturity date are to be redeemed at any one time, the Trustee will select the portions of the 2014 Bonds of such maturity date to be redeemed by lot in a manner which the Trustee deems to be fair. For purposes of such selection, all 2014 Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds that may be separately redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of any 2014 Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption. Each notice of redemption will state the date of such notice, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the 2014 Bonds to be redeemed, and, if less than all of the 2014 Bonds of any one maturity date are to be redeemed, the distinctive bond numbers of the 2014 Bonds of such maturity date to be redeemed and, in the case of 2014 Bonds to be redeemed in part only, the respective portions of the principal amount evidenced and represented thereby to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2014 Bonds the redemption price thereof and in the case of a 2014 Bond to be redeemed in part only, the specified portion of the principal amount evidenced and represented thereby to be redeemed, together with accrued and unpaid interest evidenced and represented thereby to the redemption date, and that from and after such redemption date interest evidenced and represented thereby will cease to accrue, and will require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such a redemption notice will not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of 2014 Bonds, the Trustee will mail a notice of redemption upon receipt of a Written Request of the Authority. Conditional notice of optional redemption may be given by the Trustee at the direction of the Authority or the City.

Unless the book-entry only system is discontinued, the City and the Trustee will only recognize DTC or its nominee as an Owner. Conveyance of notices and other communications by DTC to its participants ("DTC Participants") and by DTC Participants to each actual purchaser of each 2014 Bond will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purchase in lieu of Redemption. In lieu of redemption of 2014 Bonds as provided in the Trust Agreement, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of 2014 Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the 2014 Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such 2014 Bonds were redeemed.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the 2014 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2014 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2014 Bonds will cease to accrue, and the Owners of such 2014 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Schedule

The 2014 Bonds are payable from Revenues available under the Trust Agreement, consisting primarily of the 2014 Payments made by the City pursuant to the Installment Purchase Contract. The schedule below shows the annual debt service on the 2014 Bonds (assuming no redemption of the 2014 Bonds) and outstanding Parity Obligations (assuming no optional prepayment of the 2014 Payments or Parity Obligations) after the defeasance and prepayment described under "PLAN OF FINANCING" above.

Fiscal Year Ending June 30	2014 Bonds Principal	2014 Bonds Interest	2014 Bonds Total Debt Service ⁽¹⁾	Outstanding Parity Payments ⁽²⁾	Total Payments
2015 ⁽³⁾		\$ 366,333.33	\$ 366,333.33	\$11,691,684.38	\$12,058,017.71
2016		824,250.00	824,250.00	15,075,588.76	15,899,838.76
2017		824,250.00	824,250.00	15,075,888.76	15,900,138.76
2018		824,250.00	824,250.00	15,077,288.76	15,901,538.76
2019		824,250.00	824,250.00	15,078,288.76	15,902,538.76
2020		824,250.00	824,250.00	15,074,013.76	15,898,263.76
2021		824,250.00	824,250.00	15,074,245.00	15,898,495.00
2022		824,250.00	824,250.00	15,076,032.50	15,900,282.50
2023		824,250.00	824,250.00	15,079,130.44	15,903,380.44
2024		824,250.00	824,250.00	15,525,897.36	16,350,147.36
2025		824,250.00	824,250.00	15,435,220.20	16,259,470.20
2026		824,250.00	824,250.00	15,438,997.20	16,263,247.20
2027		824,250.00	824,250.00	15,431,137.76	16,255,387.76
2028		824,250.00	824,250.00	15,435,851.28	16,260,101.28
2029		824,250.00	824,250.00	15,438,637.76	16,262,887.76
2030	\$ 2,985,000.00	824,250.00	3,809,250.00	12,253,334.84	16,062,584.84
2031	3,130,000.00	675,000.00	3,805,000.00	12,253,442.56	16,058,442.56
2032	3,290,000.00	518,500.00	3,808,500.00	12,256,710.88	16,065,210.88
2033	3,455,000.00	354,000.00	3,809,000.00	12,251,808.64	16,060,808.64
2034	3,625,000.00	181,250.00	3,806,250.00	12,260,114.04	16,066,364.04
2035				16,489,417.76	16,489,417.76
2036				16,493,250.00	16,493,250.00
2037				16,490,250.00	16,490,250.00
Total	\$16,485,000.00	\$14,458,833.33	\$30,943,833.33	\$335,756,231.40	\$366,700,064.73

(1) Equal to the total 2014 Payments due in each Fiscal Year.

(2) Represents unrefunded 2004 Payments, 2005 Payments, the 2009 Payments, 2010 Payments, 2012 Payments, and 2013 Payments. See "SECURITY FOR 2014 BONDS – Outstanding Senior and Parity Obligations" and "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

(3) Principal and interest payments remaining after August 21, 2014.

SECURITY FOR THE 2014 BONDS

This section provides summaries of certain provisions of the Trust Agreement, the Installment Purchase Contract and the 2014 Bonds. See APPENDIX C for a summary of additional provisions of the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Revenues

The 2014 Bonds are payable from and secured by a lien on and security interest in the Revenues as provided in the Trust Agreement. "Revenues" consist of (a) all of the 2014 Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement. Under the Trust Agreement, all of the Revenues and all amounts (including proceeds of the sale of the 2014 Bonds) held in any fund or account established under the Trust Agreement are pledged to secure the payment of the principal of and interest and premium (if any) on the 2014 Bonds.

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The issuance of the 2014 Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The 2014 Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Assignment to Trustee

Under the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the Revenues (which consist primarily of the 2014 Payments, as more fully described below) and any and all rights and privileges it has under the Installment Purchase Contract, including the right to collect and receive directly all of the 2014 Payments and the right to enforce the provisions of the Installment Purchase Contract.

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

The Trust Agreement provides that the Trustee will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2014 Bonds the Trustee's rights as assignee of the 2014 Payments under the Installment Purchase Contract and as beneficiary of any other rights to security for the 2014 Bonds which the Trustee may receive in the future.

2014 Payments

General. The 2014 Payments represent the purchase price of a portion of the facilities financed from the proceeds of the 2004 Certificates, which the Authority is reselling to the City. The Installment Purchase Contract provides that the City's obligations to make the 2014 Payments is (subject to the provisions of the Installment Purchase Contract relating to defeasance) absolute and unconditional, and until such time as the 2014 Payments are paid in full (or provision for the payment thereof is made under the Installment Purchase Contract), the City will not discontinue or suspend any 2014 Payments required to be paid by it under the Installment Purchase Contract when due, whether or not the Electric System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The 2014 Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding anything contained in the Installment Purchase Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2014 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Pledge of Net Revenues. Under the Installment Purchase Contract, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 2014 Payments and all other payments under the Parity Obligations in accordance with the terms of the Installment Purchase Contract. The Net Revenues of the Electric System may not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Contract. The Installment Purchase Contract provides that this pledge constitutes a parity first pledge of and charge and lien upon the Net Revenues of the Electric System

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

Net Revenues. The Installment Purchase Contract defines "Net Revenues" to mean, for any Fiscal Year or any designated twelve (12) month period in question, the Gross Revenues during such Fiscal Year or twelve (12) month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) month period.

Gross Revenues. "Gross Revenues" as used herein (defined in the Installment Purchase Contract as "Revenues") means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the

Electric System or arising from the Electric System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund.

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

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

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

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

The 2014 Payments are limited obligations of the City and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Revenues.

Rate Covenant

Rate Covenant. Under the Installment Purchase Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield “Adjusted Annual Net Revenues” for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year (the “Rate Covenant”).

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

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

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

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

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

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

Annual Debt Service. The Installment Purchase Contract defines “Annual Debt Service” to mean, for any Fiscal Year or 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the Rate

Covenant, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Rate Stabilization Fund. Under the Installment Purchase Contract, the City is also required to establish and maintain the Rate Stabilization Fund so long as any Parity Obligations remain unpaid. Under the Installment Purchase Contract, amounts in the Rate Stabilization Fund are not pledged as security for the 2014 Payments but may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant.

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

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

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

Parity Reserve Fund

Establishment. Under the trust agreement entered into by the Authority and the Trustee with respect to the 1997 Certificates, the Trustee established and is obligated to maintain the Parity Reserve Fund, which secures all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates, the Prior Bonds and the 2014 Bonds.

Funding of 2014 Parity Reserve Account. After the release of amounts in the Parity Reserve Fund as shown in "ESTIMATED SOURCES AND USES OF FUNDS" herein, the combined amount on deposit in the Parity Reserve Fund will be sufficient to meet the Reserve Fund Requirement for the Parity Obligations, including the 2014 Bonds. As a result, a "2014 Parity Reserve Account" will not be established within the Parity Reserve Fund. The Parity Reserve Fund will be maintained so long as the 2014 Bonds or any Parity Obligations remain outstanding.

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

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

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

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

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

Currently, no portion of the Reserve Fund Requirement is provided by a policy of municipal bond insurance, surety bond or letter of credit.

Disbursement. Amounts in the Parity Reserve Fund will be transferred to the 2014 Debt Service Fund to pay principal and interest on the 2014 Bonds on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also transfer amounts in the Parity Reserve Fund to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made as described in the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference. See " – Outstanding and Senior Parity Obligations" below.

Outstanding Senior and Parity Obligations

Senior Obligations. The City participates in the projects of, and has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the obligations under the Installment Purchase Contract, including the 2014 Payments (and the Parity Obligations described below). Under certain circumstances, payments under these financing agreements are subject to a potential "step- up" as described herein obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Parity Obligations. The 2014 Payments are secured by and payable from Net Revenues on parity with other obligations previously incurred by the City under the Installment Purchase Contract and designated as parity obligations (collectively, the "Parity Obligations"), including installment payments securing certain outstanding series of certificates of participation

and revenue bonds described below. The currently outstanding Parity Obligations were entered into by the City in connection with the following:

2004 Certificates. \$39,940,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2004,” evidencing and representing proportionate interests of the owners thereof in the payments made under the 2004 Supplemental Contract (the “2004 Payments”); principal amount outstanding as of July 1, 2014: \$18,320,000. A portion of the 2004 Certificates will be defeased and prepaid with proceeds of the 2014 Bonds as described under “PLAN OF FINANCING.”

2005A Certificates. \$52,900,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2005A (Fixed Rate),” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2005 Supplemental Contract (the “2005 Payments”); principal amount outstanding as of July 1, 2014: \$3,750,000.

2009 Certificates. \$27,010,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2009,” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2009 Supplemental Contract (the “2009 Payments”); principal amount outstanding as of July 1, 2014: \$19,290,000.

2010 Bonds. \$55,845,000 original principal amount of “Electric System Revenue Refunding Bonds, Series 2010,” secured by and payable from certain payments made under the 2010 Supplemental Contract (the “2010 Payments”); principal amount outstanding as of July 1, 2014: \$54,855,000.

2012 Certificates. \$90,000,000 original principal amount of “Electric System Revenue Certificates of Participation, Series 2012,” evidencing and representing proportionate interests of the owners thereof in certain payments made under the 2012 Supplemental Contract (the “2012 Payments”); principal amount outstanding as of July 1, 2014: \$90,000,000.

2013 Bonds. \$48,780,000 original principal amount of “Electric System Revenue Refunding Bonds, Series 2013,” secured by and payable from certain payments made under the 2013 Supplemental Contract (the “2013 Payments”); principal amount outstanding as of July 1, 2014: \$48,285,000.

A portion of the 2004 Certificates will be defeased and prepaid with proceeds of the 2014 Bonds. The 2005 Certificates, the 2009 Certificates, the 2012 Certificates, the 2010 Bonds and the 2013 Bonds will remain outstanding.

Conditions for Issuing Additional Obligations

The Trust Agreement does not provide for issuance of additional obligations payable or secured by the Revenues pledged to payment of the 2014 Bonds. However, under the terms of the Master Contract, the City may at any time execute a Supplemental Contract or other Parity Obligation, the payments of which are payable from the Net Revenues on a parity with the other Parity Obligations, including the 2014 Payments, but subject to the conditions precedent set forth in the Master Contract, including the condition that there be on file with the Trustee either:

(1) a Certificate of the City demonstrating that during any twelve consecutive calendar months out of the immediately preceding eighteen 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 Obligation proposed to be executed; or

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

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

Flow of Funds

2014 Debt Service Fund. All Revenues received by the Trustee will be promptly deposited by the Trustee in the "2014 Debt Service Fund" established under the Trust Agreement; *except that* all moneys received by the Trustee and required hereunder or under the 2014 Supplemental Contract to be used for optional redemption of 2014 Bonds will be promptly deposited in a special fund and disbursed for that purpose. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in this Trust Agreement.

All money in the 2014 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2014 Debt Service Fund (each of which is created and maintained by the Trustee under the Trust Agreement) in the following order of priority:

- (i) 2014 Interest Account,
- (ii) 2014 Redemption Account (with a 2014 Principal Subaccount therein), and
- (iii) 2014 Parity Reserve Account.

2014 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Interest Account that amount of money which is equal to the amount of interest on the 2014 Bonds becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 2014 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the 2014 Bonds becoming due and payable on such Interest Payment Date.

All money in the 2014 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it becomes due and payable (including accrued interest on any 2014 Bonds purchased or redeemed prior to their respective maturity dates).

2014 Redemption Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Principal Subaccount in the 2014 Redemption Account an amount of money equal to the principal amount of the Outstanding serial Bonds with a maturity date of such February 1.

No deposit need be made in the 2014 Redemption Account if the amount contained in the 2014 Principal Subaccount therein is at least equal to the aggregate amount of the principal of the Outstanding serial Bonds with a maturity date of such February 1.

All money in the 2014 Principal Subaccount in the 2014 Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the serial 2014 Bonds as they become due and payable, whether at their respective maturity dates or on prior redemption.

2014 Parity Reserve Account. The Trustee will deposit in the 2014 Parity Reserve Account such amounts transferred to the Trustee by the City pursuant to the Master Contract, as directed by the Authority in a Written Request of the Authority, as described under “- Flow of Funds under the Installment Purchase Contract” below. See also “- Parity Reserve Fund” above.

Surplus. Any surplus remaining in the 2014 Debt Service Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under the Trust Agreement, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

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

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

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

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

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

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

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

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

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

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

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

Limited Obligations

The 2014 Bonds are limited obligations of the Authority payable solely from and secured by the Revenues. The Authority has no obligation or liability to the Owners of the 2014 Bonds with respect to the payment of the 2014 Payments when due, or with respect to the performance by the City of any other covenant made by it in the Installment Purchase Contract.

Except for the payment of 2014 Payments when due and the performance of the other covenants and agreements of the City contained in the Installment Purchase Contract, the City has no obligation or liability to the Owners of the 2014 Bonds with respect to the Trust Agreement or the execution, delivery or transfer of the 2014 Bonds, or the disbursement of debt

service payments to the Owners by the Trustee. The obligation of the City to make the 2014 Payments is a special obligation of the City secured by a pledge of Net Revenues and payable solely from the Net Revenues and other amounts available under the Trust Agreement, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

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

THE ELECTRIC SYSTEM

History and Background

The City, through its Electric System, has been providing electrical power to its residents, businesses, and the City's street and traffic lighting systems since 1912. In 1956, the City entered into a contract with the Federal Bureau of Reclamation for 69 megawatts ("MW"; a megawatt equals 1 million watts) of electric capacity from the Central Valley hydroelectric project, which consists of a system of dams, reservoirs and power plants within central and northern California (the contract is currently administered through the Western Area Power Administration ("Western")). In the early 1970s, the City's demand for electricity exceeded the Western resource allocation. To help meet this additional need, in 1968 the City became a charter member in the Northern California Power Agency (the "NCPA"), a consortium of municipal electrical utilities. The City participates in several resources developed by NCPA, including its geothermal, combustion turbine, steam-injected gas turbine, and hydroelectric projects. In October of 2007 the City completed construction of a 160 MW natural gas fired combined cycle power plant (the "Roseville Energy Park" or "REP"). REP was built as a reliable, economic alternative to bulk power purchases. REP has a base operating capacity of 120 MW with the ability to peak-fire up to 160 MW. On September 1, 2010, the City assumed full title and ownership of the NCPA Combustion Turbine Project No. 1 (48 MW capacity), which is connected to the Roseville electric distribution system and now referred to as Roseville Power Plant 2, to meet reserve and capacity requirements.

Organization and Management

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

Risk Oversight Committee ("ROC"). The Electric System's risk management strategies and procedures are monitored by the ROC. The ROC meets quarterly and includes two members of the City Council, two members of the Roseville Public Utilities Commission, the City Manager, the Assistant City Manager, the City Treasurer/Financial Executive, the City Attorney, and the Electric Utility Director. The ROC oversees Roseville Electric's risk

management procedures and ensures that Roseville Electric's risk profile is within the parameters set forth in the risk management policies.

Risk Management Committee ("RMC"). The Electric System's risk management activities are reviewed and monitored on a more regular basis by the RMC. The RMC meets monthly and is comprised of one or two delegates from the City Manager's office, one or two delegates from the Finance Department, one or two delegates from the City Attorney's office, and one or two Assistant Electric Utility Directors. The RMC discusses risk mitigation strategies, impacts of various strategies on Roseville Electric's strategic goals and makes recommendations to the ROC, or City Council, as appropriate. The RMC receives position and credit reports on a monthly basis to ensure compliance with risk policies.

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

Michelle Bertolino, Electric Utility Director. Michelle Bertolino has worked at Roseville Electric, in various capacities, since 2002. She was promoted to Director in 2010. In addition to her responsibilities overseeing operations of the utility, she is Chairperson for the Balancing Authority of Northern California ("BANC"), Vice President of the California Municipal Utilities Association ("CMUA") and a member of the Board of Trustees of the Northwest Public Power Association ("NWPPA"). Prior to joining Roseville, Ms. Bertolino was employed by the Sacramento Municipal Utility District and San Francisco Public Utilities Commission. She graduated from the University of California, Santa Barbara and attended the Graduate School of Management at the University of California, Davis. She received her Certified Public Accountant license from the State of California.

Michael Bloom, Assistant Electric Utility Director: Planning and Services. Michael Bloom has served as Assistant Electric Utility Director responsible for the Planning and Services Division since 2011. He began working at Roseville Electric in 1989 as an analyst and served as the Power Supply Manager for several years. Mr. Bloom is responsible for the Electric System's energy supply portfolio, risk management, retail services, rates and financial services, and operations technology systems. Mr. Bloom graduated from California State University, Sacramento with a Bachelor of Science Degree in Mechanical Engineering and Master of Arts Degree in Business Administration.

Sonny Person, Assistant Electric Utility Director: Generation and Distribution. Sonny Person has served as the Assistant Electric Utility Director, responsible for the Generation and Distribution Division since October 2012. In his current role, Mr. Person is responsible for the safe, reliable and cost effective delivery of electricity to Roseville Electric's customers. His areas of responsibility include overseeing the maintenance, construction and operation of the electric distribution system. Mr. Person also provides oversight of the city's two power plant generating facilities, as well as engineering and planning system improvements, preparing budgets, and managing 80 employees. Prior to joining the City of Roseville, Mr. Person was employed for 36 years by Pacific Gas and Electric, and 2-1/2 years by Seattle City Light. During his earlier career, he was responsible for customer service, field service, and electric system operations. He graduated from Morgan State University with a B.A. in Education.

Employees

As of June 30, 2014, 140 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

The bulk of the non-management City personnel working at the Electric System are represented by the International Brotherhood of Electrical Workers ("IBEW"). The current IBEW contract has a term through December 31, 2015. There have been no strikes or other work stoppages at the City, including at the Electric System.

Retirement Benefits

The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Room 1820, Sacramento, CA 95811, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Substantially all permanent City employees, including employees of the Electric System, are eligible to participate in pension plans offered by PERS, an agent-multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Copies of PERS annual financial reports may be obtained from its Executive Office located at 400 Q Street Room 1820, Sacramento, CA 95811.

The City's employees participate in the separate Safety (for its police and fire employees) and Miscellaneous (for all other employees) 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.

The Plans' provisions and benefits in effect for employees hired prior to January 1, 2013, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50-55
Monthly Benefits (as % of Annual Salary)	3.0%	2.0 – 2.7%
Required Employee Contribution Rate	9.0%	8.0%
Required Employer Contribution Rate	31.298%	20.23%

The Plans' provisions and benefits in effect for employees hired after January 1, 2013, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	57	62
Monthly Benefits (as % of Annual Salary)	2.7%	2.0%
Required Employee Contribution Rate	12.25%	6.25%
Required Employer Contribution Rate	31.298%	20.23%
Actuarially Required Contributions (1)	\$10,101,015	\$18,063,140

(1) Updated actuarial report expected in October 2014.

Employees of the Electric System participate in the PERS Miscellaneous Plan described above, and the Electric System pays a percentage of the City's Plan expenses based on the number of employees. However, the Electric System's portion of the unfunded liability under PERS has not been calculated separately from the City's liability. The following discussion pertains to the City's PERS liability as a whole.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by PERS. PERS determines contribution requirements using a modification of the Entry Age Normal Method, which is a projected benefit cost method. This method takes into account the benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll in order to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

Active Safety Plan employees are required to contribute 9.0% (12.25% for employees hired after January 1, 2013) of their annual covered salary, and active Miscellaneous Plan employees are required to contribute 8.0% (6.25% for employees hired after January 1, 2013) of their annual covered salary. The City is required to contribute to each of the Safety and Miscellaneous Plans at an actuarially determined rate. The rate for the fiscal year ended June 30, 2013 was 31.298% of annual covered payroll for Safety Plan employees and 20.23% of annual covered payroll for Miscellaneous Plan employees. The City's total contribution was \$10,101,015 for the Safety Plan and \$18,063,140 for the Miscellaneous Plan for the fiscal year ended June 30, 2013. The City paid 100% of the contributions required by PERS for each of the fiscal years ended June 30, 2013, 2012 and 2011, respectively. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last four fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<i>Safety Plan</i>			
June 30, 2010	\$9,210,220	100%	\$0
June 30, 2011	8,841,881	100	0
June 30, 2012	10,027,631	100	0
June 30, 2013	10,101,015	100	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$14,463,390	100%	\$0
June 30, 2011	14,791,010	100	0

June 30, 2012	18,065,353	100	0
June 30, 2013	18,063,140	100	0

Source: City of Roseville.

Actuarial Valuations. Staff actuaries at PERS prepare annually an actuarial valuation that covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuations delivered to the City in October 2013 with respect to the Miscellaneous Plan, covered PERS' fiscal year ended June 30, 2012). The actuarial valuation expresses the required contribution rates for the City in percentages of payroll, which percentages the City contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the actuarial valuation as of June 30, 2012, which was prepared in October 2013, will be in effect for Fiscal Year 2014-15). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components: the normal cost and the unfunded accrued actuarial value ("UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, such as, among others, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases, and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments, such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement rather than a fixed liability amount the City owes to PERS under the PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the real rate of return during that fiscal year equaled the applicable assumed rate of return (recently revised from 7.75% to 7.50%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies.

Plans' Actuarial Values. The table below shows the recent history of the Plans' actuarial value (which differs from market value) of assets, accrued liability, their relationship, and the relationship of the unfunded liability to payroll for the City, for the four prior years including June 30, 2012 (the most recent date for which such actuarial valuation data is available):

Safety PlanActuarial

<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Asset</u>	<u>Unfunded (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2009	\$166,512,851	\$121,354,582	\$43,158,269	72.9%	\$23,943,280	188.605%
June 30, 2010	176,319,541	133,291,736	43,027,805	75.6	23,685,286	181.665
June 30, 2011	196,208,635	145,495,984	50,712,651	74.2	22,222,636	228.203
June 30, 2012	213,420,106	156,246,641	56,173,465	73.7	23,542,236	238.607

Miscellaneous PlanActuarial

<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Asset</u>	<u>Unfunded (Overfunded) Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2009	\$342,328,270	\$241,893,471	\$100,434,799	70.7%	\$64,296,771	156.205%
June 30, 2010	367,490,532	261,053,910	106,436,622	71.0	63,122,632	168.619
June 30, 2011	403,899,989	281,366,830	122,533,159	69.7	62,355,851	196.506
June 30, 2012	429,218,174	302,337,115	126,881,059	70.4	63,780,598	198.934

Source: City of Roseville.

Actuarial Assumptions and Policies. PERS uses a market-related value method of valuing the PERS plan's assets, which smooths the effect of short-term volatility in the market value of investments over a three-year period. The actuarial valuation assumptions used prior to 2012 include (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.55% to 14.45% for miscellaneous members, and from 3.55% to 13.15% for safety members (varying by duration of service); (c) an inflation component of 3%, and (d) 2-3% per year cost-of-living adjustments for retirees. 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.

Complete updated inflation and actuarial assumptions can be obtained by contacting PERS at the address referenced above.

PERS Rate Adjustments. On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions increased by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning Fiscal Year 2012-13 and (ii) the amounts of PERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning Fiscal Year 2013-14. More information about the PERS discount rate adjustment can be accessed through PERS's website. *The reference to this internet website is cited for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions that the City may be required to make. There can be no assurances that the City's annual contributions to PERS will not significantly increase in the future. The actual amount of any increases will depend on a variety of factors, including but not limited to investment returns, actuarial assumptions, experience and retirement benefit adjustments.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that will also amend various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, have a five-year window to negotiate compliance with AB 340 through collective bargaining. The City is currently in compliance with the provisions of AB 340.

PERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's website. *The reference to this internet website is cited for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The City is unable to predict what the amount of PERS liabilities will be in the future or the amount of the PERS contributions which the City may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

See also "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, Note 12" for additional information relating to the City's retirement plans.

Other Post-Employment Health Benefits

General. In April 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. Statement No. 43 establishes uniform financial reporting standards for post-employment healthcare and other non-pension benefits ("OPEB") plans. The approach followed in Statement No. 43 is generally consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans.

Subsequently, in June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to OPEB. Statement No. 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Statement No. 45's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

As required, the City adopted GASB 43/45 beginning with Fiscal Year 2007-08.

City Plan Description. The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan (the "**Plan**"), a sole employer defined benefit healthcare plan, which is administered by the City of Roseville. Retirees who have at least five years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses. As of June 30, 2013, there were 525 participants receiving these health care benefits.

Maximum reimbursement amounts differ depending on the labor organization membership and when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$1,284 in monthly reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by the City Council. The City manages the Plan by investing assets in a Retiree Health Plan Trust (the "OPEB Trust"), established pursuant to a Trust Agreement, and managed by the OPEB Trust's administrator, Public Financial Management. The City, as trustee, has elected to invest the OPEB Trust assets in up to six months of cash, cash equivalent and/or money market funds for near-term OPEB Trust benefits and expenses. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long-term investment losses. Financial reports for the Plan and the OPEB Trust are contained in the City's annual Audited Financial Statements. See also "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, Note 13" for additional information relating to the Plan and the Trust.

Annual OPEB Cost and Net OPEB Obligation. The Plan's Annual Required Contribution ("ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Plan members do not make contributions to the Plan; the Plan is

funded entirely by the employer contributions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for Fiscal Year 2012-13, the amount actually contributed to the Plan, and changes in the City's Net OPEB obligation:

Annual required contribution	\$15,995,000
Interest on net OPEB obligation	1,660,212
Adjustment to annual required contribution	(2,338,072)
Annual OPEB cost (expense)	\$15,317,140
Contributions:	
Pay-as-you-go premiums	(5,131,475)
Transfer to OPEB Trust	(2,480,609)
Increase in net OPEB obligation	7,705,056
Net OPEB obligation – beginning of year	25,541,730
Net OPEB obligation – end of year	\$33,246,786

Source: City of Roseville.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last four Fiscal Years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$17,851,892	\$3,839,216	22%	\$45,855,741
June 30, 2011	9,273,292	38,457,645	415	15,409,215
June 30, 2012	15,104,848	4,972,333	33	25,541,730
June 30, 2013	15,317,140	7,612,084	50	33,246,786

Source: City of Roseville.

Funding Policy. There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently, and generally, chosen to both pay Plan benefits on a pay-as-you-go basis and to also fund the OPEB Trust. The City set up and moved \$34 million of accumulated revenues into the OPEB Trust in 2011, to begin setting aside monies to address the City's long-term liability for post-retirement health benefits. This transfer has increased the longer-term investment return on the transferred funds, thus lowering the City's unfunded liability. Since inception, the trust's investments have performed at or better than its long-term return assumption of 6.5%. In addition to one-time monies transferred into this fund, the City has transferred 3% of the total cost of salaries for several years; however, the General Fund transfer was 1% of salaries in Fiscal Year 2013-14 and 2% of salaries in Fiscal Year 2014-15.

The City paid and contributed the following amounts for eligible employees as its regular employer contributions for and over its last five Fiscal Years:

<u>Fiscal Year Ended</u>	<u>No. of Active Employees</u>	<u>No. of Retired Employees</u>	<u>Amount Contributed to OPEB Trust</u>	<u>Amount Paid Under Pay-as-you-go</u>
June 30, 2009 ⁽¹⁾	1,045	464	\$0	\$3,292,355
June 30, 2010 ⁽¹⁾	940	467	0	3,839,216
June 30, 2011	975	545	34,000,000	4,457,645
June 30, 2012	985	539	896,969	4,972,333
June 30, 2013	1,058	536	2,480,609	5,131,475

Source: City of Roseville.

(1) For Fiscal Years 2008-09 and 2009-10, the City had not yet established, and did not contribute to the OPEB Trust.

The City presently anticipates that its pay-as-you-go Plan benefit expense will be approximately \$5,207,001 for Fiscal Year 2013-14, and that it will also contribute \$2,100,000 to the OPEB Trust for this same Fiscal Year.

Funded Status and Funding Progress. As of June 30, 2011, the latest Plan valuation date, the funded status of the Plan, shown below with information for the prior two valuation dates, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>(Underfunded) Actuarial Accrued Liability (A-B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Actuarial Liability as Percentage of Covered Payroll ((A-B)/C)</u>
June 30, 2007	\$0	\$164,567,000	(\$164,567,000)	0.00%	\$80,302,000	-204.94%
June 30, 2009	34,000,000	180,097,000	(146,097,000)	18.88	80,664,000	-181.12
June 30, 2011	34,626,000	176,733,000	(142,107,000)	19.59	74,535,000	-190.66

Source: City of Roseville.

Actuarial valuations of an ongoing Plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Electric System OPEB Obligations. The Electric System and other City utilities make annual contributions for Plan expenses. The Electric System's OPEB obligations as of June 30, 2011, the latest Plan valuation date for the Electric System, were as follows:

<u>Present Value of Benefits</u>	
Actives	\$14,707,000
Retirees	<u>10,351,000</u>
Total	25,058,000

<u>Actuarial Accrued Liability</u>	
Actives	8,564,000
Retirees	<u>10,351,000</u>
Total	18,915,000

Actuarial Value of Assets	3,706,000
UUAL	740,000
Pay-as-you-go Cost	553,000

The Electric System paid and contributed \$612,827 for pay-as-you-go Plan benefit expenses and \$524,146 (4.5% of payroll) to the OPEB Trust in Fiscal Year 2012-13. The Electric System presently anticipates that it will fund 100% of its ARC for Fiscal Years 2013-14 and 2014-15, including all pay-as-you-go Plan benefit expenses and contributions to the OPEB Trust equal to 4.5% of payroll in each Fiscal Year.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used with a 30 year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A healthcare trend of declining annual increases in costs of HMO and PPO plans, ranging from 9.0% to 9.4% in 2013 to 5.0% for years starting 2021, was assumed.
- The CPI was assumed to be a constant at 3% per year.
- Assets in the plan will be invested in a moderately conservative money market portfolio that will provide current income with capital appreciation as a secondary objective.
- 3.25% projected annual salary increase
- 6.5% investment rate of return (net of administrative expenses).

Service Area, Customer Base and Demand

Service Area. The Electric System serves an area of approximately 43 square miles, virtually coterminous with the City's borders. As of June 30, 2014, the Electric System serves an estimated 55,600 customers. See "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE" for background and demographic information about the City.

Customer Base. In Fiscal Years 2010-11, 2011-12 and 2013-14, the Electric System's customer base increased by almost 1.2% per year, and the customer base increased by more than 1.5% in Fiscal Year 2012-13. Population increased by an average of 1,657 for years 2011 and 2012, and increased by an average of 2,427 for years 2013 and 2014. Anticipated residential growth includes over 19,000 new residences associated with approved projects expected to be constructed upon build-out of current and developing specific plans. The City is currently planning the development of the Placer Ranch Specific Plan, which currently expects to add 5,000 new residential units. Recent commercial growth includes the South Placer Justice Center, a shared services center for Sutter Medical, a hardware support and services facility for Cokeva, and a data center for Quest.

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

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

	<u>2010</u>	<u>2011</u>	<u>% Chg</u>	<u>2012</u>	<u>% Chg</u>	<u>2013</u>	<u>% Chg</u>	<u>2014</u> ⁽²⁾	<u>% Chg</u>
Customers ⁽³⁾									
Residential	46,400	47,021	1.34%	47,611	1.25%	48,387	1.63%	49,000	1.27%
Commercial	6,411	6,436	0.40%	6,505	1.06%	6,561	0.86%	6,600	0.59%
Total	52,811	53,457	1.22%	54,115	1.23%	54,948	1.54%	55,600	1.19%
MWh									
Residential	433,494	422,949	-2.43	440,311	4.10%	443,489	0.72%	434,800	-1.96%
Commercial	774,619	742,613	-4.13%	752,001	1.26%	750,694	-0.17%	748,300	-0.32%
Total	1,208,112	1,165,562	-3.52%	1,192,312	2.30%	1,194,183	0.16%	1,183,100	-0.93%
Revenues (\$000s)									
Residential	56,115	60,941	8.60%	65,760	7.91%	66,206	0.68%	66,400	0.29%
Commercial	80,097	85,570	6.83%	88,610	3.55%	89,228	0.70%	92,600	3.78%
Total	136,212	146,511	7.56%	154,369	5.36%	155,434	0.69%	159,000	2.29%
Peak Demand (MW)	323.7	331.4	2.37%	312.0	-5.85%	330.0	5.77%	340.0	3.03%

(1) Revenues listed are as billed. For realized revenues, see Table 8.

(2) Estimated.

(3) Customer counts reported as fiscal year average annual values.

Note: Numbers may not total due to rounding.

Source: City of Roseville.

Ten Largest Customers. The estimated electric usage and type of business of the ten largest customers of the City's Electric System, are shown in Table 2 below. The ten largest customers by usage account for 23.5% of usage and 18.5% of the Electric System's revenues. Certain statutory provisions prohibit the City from disclosing the names of the Electric System's largest customers.

Table 2
Ten Largest Customers
Fiscal Year 2013-14 (Estimated)

Rank	Business Type	Percent of Total kWh Sold	Percent Total Revenue
1	Manufacturing	8.60%	6.37%
2	Admin/Office/R&D	3.57%	2.68%
3	Medical Care	2.36%	1.86%
4	Government and Utilities	2.22%	1.71%
5	Medical Care	1.86%	1.57%
6	Retail and Property Management	1.48%	1.39%
7	Telecommunications	0.88%	0.72%
8	Retail	0.88%	0.73%
9	Grocery	0.84%	0.80%
10	Grocery	0.81%	0.67%
TOTAL		23.50%	18.50%

Source: City of Roseville.

Sources of Power Supply

General. The City has a diverse portfolio of resources that includes large hydro, geothermal, natural gas fired thermal, system power contracts, and additional contracts for renewable supply. In addition, the City purchases its incremental needs through open market purchases. The City owns and operates the Roseville Energy Park and the two units constructed under NCPA Combustion Turbine Project No. 1 (subsequently renamed Roseville Power Plant 2) connected to the Roseville electric distribution system. The City has a long-term contract with Western for a share of the Central Valley Project net generation and entitlements to the output of several NCPA projects. Table 3 provides an estimated summary of the City's sources of power supply for Fiscal Year 2013-14.

Table 3
Sources of Power Supply
Fiscal Year 2013-14 (Estimated)

Source	Type	Area	Capacity Available (MW) ⁽¹⁾	Estimated Power (GWh) ⁽²⁾	% of Total
Roseville Energy Park ⁽³⁾	Natural Gas	Local	155	629	52%
Roseville Power Plant 2	Natural Gas	Local	48	1	0%
Western Area Power Administration ⁽⁴⁾	Hydro	Western	62	107	9%
NCPA					
Geothermal Project	Geothermal	ISO	8	65	5%
Hydroelectric Project	Hydro	ISO	29	23	2%
Steam Injected Gas Turbine Generator Project	Natural Gas	ISO	20	6	1%
Renewable Purchases	Geo/Small Hydro		8	148	12%
Other Purchases					
Long-term hedged ⁽⁵⁾	Various		50	162	14%
Short-term un-hedged	Various		0	78	6%
TOTAL			380	1,220	100%
Peak Demand (MW)			340		
Capacity Reserve Percent			12%		

Source: City of Roseville.

(1) Capacity in MW and available for System Peak.

(2) One gigawatt-hour (GWh) equals one million kilowatt-hours (kWh).

(3) Includes slight de-rating for summer (ambient temperatures).

(4) Includes Reserve Capacity.

(5) Capacity includes long-term and seasonal purchases.

Note: Numbers may not total due to rounding.

Roseville Energy Park.

Description. Roseville Energy Park is a 120 MW base load and 160 MW duct fired combined cycle, natural gas fueled power plant. The Roseville Energy Park power island is comprised of two Siemens SGT 800 combustion turbine units and a Siemens STG 900 steam turbine. The Roseville Energy Park utilizes duct firing within the heat Recovery Steam Generator ("HRSG") and a Liquid Management System ("LMS"). The plant has been in commercial operation since October of 2007 and serves as an intermediate load resource for the City's electric power needs.

Ownership and Management. Roseville Energy Park is owned and operated by the City.

Financing. The City financed the Roseville Energy Park through the issuance of the 2005 Certificates of Participation, Series A, B and C. The Series 2005B and 2005C Certificates have been refunded, and the Series 2005A Certificates are outstanding in the principal amount of \$3,750,000 as of July 1, 2014.

Operation. The Roseville Energy Park is directly connected to the City's distribution system and thus avoids transmission costs and losses. The City schedules and dispatches the plant against the avoided cost of electric market purchases to meet its load requirements,

primarily from the ISO, and taking into account all known costs and constraints. Roseville Energy Park is also used to provide load following reserves to the extent they are not available from the electric markets. The City operates the Roseville Energy Park during periods where the alternative cost of supplying customer loads is higher, and idles the plant when alternative electric purchases are less expensive than Roseville Energy Park operations. The estimated system base capacity factor for Roseville Energy Park for Fiscal Year 2013-14 was approximately 46%. Having the Roseville Energy Park in place allows the City to take advantage of attractive market prices and provides economic flexibility to the plant and overall portfolio.

Roseville Power Plant 2.

The Roseville Power Plant 2 consists of two 24 MW simple cycle combustion turbines for a total of 48 MW of capacity. These units were previously part of the NCPA Combustion Turbine Project No. 1 of which Roseville was a participant. On September 1, 2010 Roseville took ownership of the two units connected to the Roseville electric distribution system and ceased participation in the NCPA project. The units provide capacity and reserves for Roseville and are used for peaking energy and limited high value economic dispatch.

Western Area Power Administration.

The City has long-term contracts with Western that provide a 4.5817% share of the net output of the Central Valley Project ("CVP"), provide for interconnection and interconnected operations with Western's transmission system, and provide for transmission services. The power supply contract provides varying amounts of capacity and energy depending upon hydrological and storage conditions of the CVP. The output is reduced by Western's project use, first preference customer allocations and control area obligations. The City is directly connected to Western's transmission system and acquires reserves under contract that include regulation and frequency response service, and spinning and non-spinning reserves. The term of the power supply contract extends through December 31, 2024.

NCPA Geothermal Project.

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

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

Financing. NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds with a final maturity date of July 1, 2024, of which an estimated \$41.3 million were outstanding as of June 30, 2014. A geothermal improvement

project was financed using bonds with a final maturity date of July 1, 2022, of which an estimated \$3.3 million were outstanding as of June 30, 2014.

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

Operation. Subsequent to the development of the Geothermal Project, declines in steam pressure and quantity of steam have occurred. This decline is due to reduced steam availability and not from the thermal potential of the site, thus the generation capability of the plant benefits from the injection of water to create additional steam. NCPA has managed this decline through additional drilling and maintenance of wells, injection of both plant condensate and supplemental water, and conversion to lower steam turbine operating pressures. NCPA is also upgrading some of the steam turbine equipment to more efficient designs for the available steam conditions.

NCPA is implementing efficiency projects at the Geothermal Project; however, due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease over time. In the calendar year ended December 31, 2013, the NCPA Geothermal Project reached approximately 816,800 MWh (net) of generation and 101.1 MW (gross) of capacity. Generation and capacity are both expected to decline at a 2% approximate annual rate.

Transmission Intertie. In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including the City) undertook the "Geysers Transmission Project," which includes (a) an ownership interest in PG&E's 230 kilovolt ("kV"; 1 kilovolt equals 1,000 volts) line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a central dispatch facility (see "– Dispatch and Scheduling" below). The City is entitled to a 14.18% share of the Geysers Transmission Project transfer capability.

NCPA Hydroelectric Project Number One.

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

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

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

Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project.

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

Financing. NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds with a final maturity date of July 1, 2032, of which an estimated \$401.2 million were outstanding as of June 30, 2014.

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

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

NCPA Steam Injected Gas Turbine Generator Project, Unit One.

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

Financing. NCPA financed the NCPA Steam Injected Gas Turbine Generator Project through the issuance of \$152.3 million of Multiple Capital Facilities Revenue Bonds, all of which have since been refunded or defeased with a subsequent issue of refunding bonds, an estimated \$48.1 million of which was outstanding as of June 30, 2014. The bonds have a final maturity in 2025.

City's Entitlement. The capacity and energy of STIG Unit One is purchased through a contractual arrangement among the City, Alameda, Lompoc and Lodi, under which the City has purchased from NCPA a 36.50% 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.

Long Term Purchases.

The City has historically entered into long term purchases to hedge electricity costs. With the passage of Senate Bill X1 2, the California Renewable Energy Resources Act, the City has additional incentive to enter into long term contracts. Certain contracts over ten years have the ability to have renewable energy “banked” to be used to meet future compliance periods. One requirement for “banking” is a renewable contract must have a term of ten years or greater. The current portfolio has a transaction with Silicon Valley Power for renewable energy that started in 2012 and extends through 2022. The contract delivered 185,000 MWh in 2013 and delivers between 50,000 and 60,000 MWh per year through 2022. Table 3 above reflects only the energy delivered in Fiscal Year 2013-14. The City has also entered into a ten year solar energy purchase with First Solar that expects to deliver over 250,000 MWh over ten years beginning in 2015. See *also* “DEVELOPMENTS IN ENERGY MARKETS – State Legislation” for more information on Senate Bill X1 2.

Open Market Term Purchase and Sale Agreements.

The City enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. Electricity is generally sold or acquired in 25 MW increments on a seasonal or annual basis. The City also typically enters into seasonal and short-term purchases for varying terms from a number of power suppliers. Typical short-term purchase terms range from 1 to 3 months, though these contracts can occasionally be as long as 12 months.

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

Table 4 below shows the City’s energy requirements and resources using projected estimates for the next 9 fiscal years.

Table 4
Energy Requirements and Resources
Projected Fiscal Years 2014-15 through 2022-23
(GWh)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City-Owned Generation									
Roseville Energy Park	488	558	537	577	608	646	705	739	766
Roseville Power Plant 2	3	3	3	6	6	6	6	5	5
Joint Powers Facilities									
Geothermal Project	67	62	63	62	60	57	56	56	55
Hydroelectric Project	46	61	67	67	67	67	66	67	67
Steam Injected Gas Turbine Generator Project	4	1	1	1	2	1	1	2	2
Subtotal	607	685	671	712	743	778	835	868	894
Exchanges									
Western Area Power Administration	96	123	147	147	147	147	147	147	147
Long-Term Purchases	135	142	132	132	51	51	51	51	1
Other Contracts	0	0	0	0	0	0	0	0	0
Subtotal	231	265	279	279	197	197	198	198	148
Net Short Term Market Purchases/(Sales)	410	292	299	261	313	282	234	203	224
Total Energy Resources	1248	1242	1249	1252	1254	1258	1267	1269	1266
Wholesale Sales	14	5	6	7	7	9	17	19	20
Net Energy Requirements	1234	1237	1243	1246	1247	1248	1250	1250	1245

Source: City of Roseville.

Note: Numbers may not foot due to rounding.

Power Supply Risk Management

The Electric System has 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"), as well as extensive risk management policies and procedures. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

All energy purchases are made to supplement existing resources to meet forecasted load requirements. Generally, the City purchases or sells energy that is deficit or surplus to its retail customer needs independently within a 3 year horizon and by using the scheduling and load following services of ACES within a 30 day horizon. The City's risk management policies include short-term and long-term measures.

In general, short-term measures limit exposure due to market prices, hydro conditions, and unit outages for the coming 12 months to 7.5% or less of the City's expected purchased power cost and limit portfolio open volume to no more than +/- 10% of forecast load.

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

Rolling Year	Minimum Hedged Supply	Maximum Hedged Supply
1	90%	110%
2	70%	100%
3	45%	80%

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

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

The City's natural gas procurement strategy primarily involves purchasing natural gas for REP's operation at a daily index price. The City hedges its daily index purchases with monthly financial fixed for floating swap contracts or physical forward purchases in accordance with its Energy Hedge Policy described above. For the period January 1, 2014 through December 31, 2016, the City has fixed the price of approximately 12 million MMBtu of natural gas in this manner. These financial contracts are divided between BP Energy, J Aron and Company, JP Morgan Energy Ventures, Macquarie Energy, and Shell Energy.

Natural Gas Pre-Payment

The Roseville Natural Gas Financing Authority entered into a 20-year pre-paid natural gas supply contract in January 2007 with Merrill Lynch Commodities Inc. ("MLCI"). The natural gas the City is obligated to purchase under the prepaid gas supply agreement provides approximately 40% of the City's expected gas requirements for the REP. The natural gas supply contract provides the City with seasonally adjusted fixed monthly quantities of gas at a discounted monthly index price.

Regional Transmission Facilities

Western Area Power Administration Network Integrated Transmission Service Agreement (“NITS”). The City’s electrical system interconnects with the transmission system of Western. The Western transmission system is part of the BANC balancing authority area and interconnects with the ISO Controlled Grid. The City imports all of its requirements, not met by the Roseville Energy Park and the Combustion Turbine Project No 1, over the Western transmission system. The City contracts for transmission service to meet its load under a NITS contract that expires on December 31, 2014. This contract provides for imports of electricity from various delivery points into the City’s electric system. The City pays a proportionate share of Western’s cost for operating and maintaining the system, which is currently \$2.6 million per year.

Balancing Authority of Northern California. The BANC is a Joint Powers Authority consisting of the Sacramento Municipal Utility District (“SMUD”), Modesto Irrigation District, the City of Roseville, the City of Redding and the Trinity Public Utility District. With a peak electricity demand of around 5,000 MW, BANC is the third largest balancing authority in California, serving 763,000 retail customers, and includes more than 1,700 miles of high voltage transmission lines. The City is about 7% of the total BANC member load.

California Independent System Operator (“ISO”) Controlled Grid. The ISO provides a market for the City to purchase its incremental energy needs, and in which to sell the output of its entitlements in NCPA’s generating units, and contract purchases. Under current ISO operating protocols, the City pays per MWh charges for uses of the transmission system for exports from ISO. The City estimates that approximately half of its incremental short-term energy needs are acquired from the ISO Controlled Grid.

TANC California-Oregon Transmission Project.

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

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

City’s Entitlement. Under Project Agreement No. 3 for the COTP (the “TANC Agreement”), the City is entitled to 2.313% of TANC’s share of COTP transfer capability (approximately 29.35 MW). In return, the City has severally agreed to pay, on an unconditional take or pay basis, 2.295% of the construction costs of the COTP, including debt service, and 2.313% of TANC’s COTP operating and maintenance expenses. The City’s share of annual debt service continues to the year 2024 and is approximately \$700,000 per year. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See “ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness” and “– Early Termination of COTP Layoff.”

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

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

City Layoff of COTP and Tesla-Midway Service. In 2009, with the assistance of TANC, the City reached an agreement with SMUD, Turlock Irrigation District (TID) and Modesto Irrigation District (MID) to lay off its COTP and Tesla-Midway Service rights to TANC, and subsequently for TANC to layoff these rights to SMUD, TID and MID. During the 15-year initial term of the agreement and the subsequent 5 year extension if so elected by the parties, SMUD, TID and MID will be responsible for all rights and obligations associated with this entitlement and with the TANC Agreement as specified in the layoff agreement. For the same period, SMUD and TID will assume all rights and obligations and costs associated with Roseville's Tesla-Midway Service rights.

Early Termination of COTP Layoff. In March 2014, the City signed Amendment 1 to the Long Term Layoff Agreement, returning both rights and obligations to the COTP project effective July 1, 2014.

City Distribution System

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The distribution system is connected to the Western transmission system at two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddymont Station. The distribution system consists of over 144 miles of overhead lines, over 703 miles of underground lines and 17 substations. The City performs continued maintenance on its distribution system to sustain service reliability.

Dispatch and Scheduling

The City contracts with ACES to provide scheduling services and discontinued its participation in the NCPA Power Pool. NCPA continues to dispatch the NCPA power plants to meet the schedules of energy delivery prepared and submitted by ACES on the City's behalf. NCPA provides dispatch service from its dispatch control center located at its headquarters in the City.

Energy Efficiency and Conservation

In 1996, Assembly Bill 1890 (“AB 1890”), the California electric utility deregulation law, required the establishment of public benefit programs for investor-owned and public power utilities through 2001. In 2006, Assembly Bill 2021 (also discussed under “- *Energy Procurement and Efficiency Reporting*” below) further required power utilities to set yearly goals for the actual amount of energy efficiency savings (in kWh) to be procured. These requirements have been further codified as part of California’s Public Utility Code. California’s Public Utility Code does not set an expiration/sunset date on these requirements for public power utilities. The City funds these programs at a minimum of 2.85% of budgeted yearly revenues (approximately \$4.5 million in Fiscal Year 2012-13).

The City has developed a full portfolio of public benefits programs for the Electric System since 1996, addressing the following areas of concentration required by state law: energy efficiency programs, renewable energy production, demand reduction, advanced electric technology demonstration, research and development, and low income assistance programs. Residential and commercial energy efficiency offerings focus primarily on summer period consumption reduction and include programs for both existing facilities and new construction.

Under Assembly Bill 2021, the City is required to develop ten year plans for energy efficiency goals and report on these goals to the California Energy Commission (“CEC”) with updates every four years. The CEC has the obligation to develop energy efficiency goals for the entire state, after consultation with utilities and others. The Electric System is participating in the state effort, and the Roseville City Council approved the new ten year energy efficiency goals in March 2013.

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

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

Insurance

The City is a member of the California Joint Powers Risk Management Authority ("CJPRMA"), which covers general liability claims, property, and boiler and machinery losses. Once the City's deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. General liability claims are covered up to \$40,000,000 with a self-insured retention of \$500,000. For the City's projected Fiscal Year 2013-14, the City's premium was \$429,658 with an additional \$1,625 charge to reflect the fees to access certain online risk management systems. Total premium cost to the City was \$429,658. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. Property damage is covered up to \$300,000,000 with a self-insured retention of \$25,000. For the City's projected Fiscal Year 2013-14, the City's premium was \$249,319. Boiler and Machinery damage is covered up to \$21,250,000 with a self-insured retention of \$5,000. For the City's projected Fiscal Year 2013-14, the annual premium paid was \$31,170.

Additionally, the City maintains insurance coverage for liabilities arising from the Roseville Energy Park Property. The policy has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. For the policy term of October 31, 2013 through October 31, 2014, the City's premium was \$419,784. The City purchased fiduciary insurance specifically to cover the OPEB Trust; see "- Other Post-Employment Health Benefits" above. The self-insured retention was \$15,000 per claim up to a \$3,000,000 limit. For the policy term of January 15, 2014 through January 15, 2015, the City's premium was \$33,024.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority ("LAWCX"), which covers workers' compensation claims up to \$5,000,000 and provides additional coverage up to statutory limit. The City has a self-insured retention of up to \$350,000 per claim. During Fiscal Year 2013-14, the City projects that it contributed \$552,561 for current year coverage.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013, NOTE 14" for additional information about the City's risk management practices.

CAPITAL PLAN

Projected Capital Improvement Plan

The City's currently anticipated capital improvement plan for the Electric System encompasses both improvements to the City's electricity distribution system and rehabilitation projects for assets that can no longer provide the necessary service. As shown in the Capital Improvement Plan Summary below in Table 5, the City has planned electric system capital spending of approximately \$72 million over the next five years, of which \$19 million is included in the Fiscal Year 2014-15 budget. Funds for the additional \$53 million will be requested when necessary.

Table 5
Capital Improvement Plan Summary

Fiscal Year	Planned CIPs
2014-15	\$18,533,000
2015-16	16,637,000
2016-17	14,001,000
2017-18	12,703,000
2018-19	9,876,000
Total	\$71,750,000

The City currently expects to fund the capital expenditures with revenues collected from rates and development fees.

RATE SETTING

Electric Rates

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

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

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

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

Service Charges and Demand Charge as of July 1, 2014. The City's monthly residential electric rates currently include a \$18.00 basic service charge, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.1024 per kWh consumed up to 500 kWh, \$0.1476 per kWh consumed from 501-1000 kWh, and \$0.1672 per kWh for consumption in excess of 1000 kWh. Residential customers meeting certain criteria can apply for special residential rates such as an Electric Rate Assistance Program and Medical Support Rate Reduction.

For small and medium business customers, the monthly basic service charge ranges from \$28.00 to \$76.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh, plus \$0.1044 to \$0.1267 per kWh consumed. Medium business customers are also subject to a demand charge of \$4.62 per KW per month.

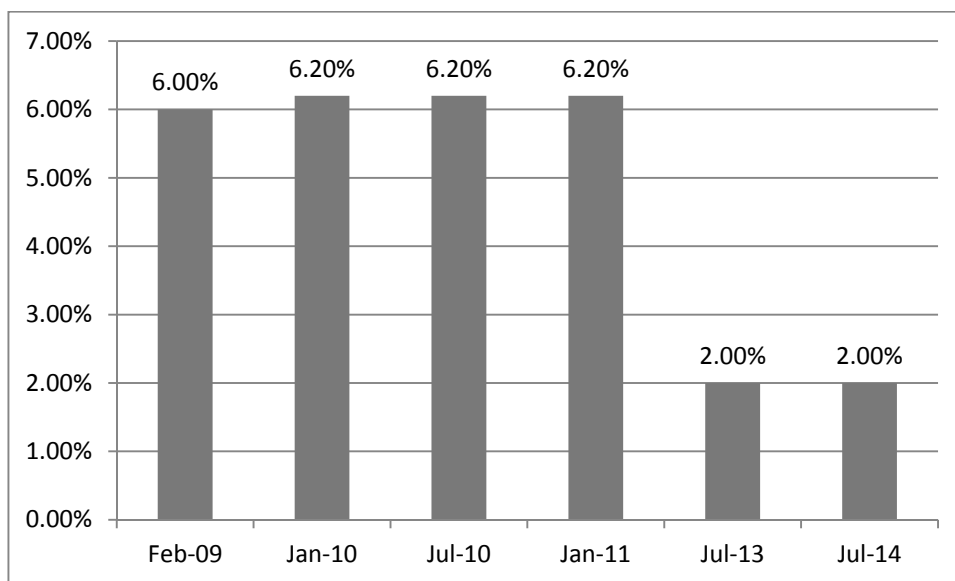
For large business customers, the monthly basic service charge is \$567.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0698 to \$0.1443 per kWh. Large business customers are also subject to a seasonal demand charge of \$3.38 per KW per month in winter and \$11.66 per KW per month in summer.

For very large business customers, the monthly basic service charge is \$684.00, the Renewable Energy Surcharge of \$0.0067 per kWh, the Greenhouse Gas Surcharge of \$0.0002 per kWh; and depending on the season, day and hour, time of use energy charges vary from \$0.0689 to \$0.1428 per kWh. Very large business customers are also subject to a seasonal demand charge of \$3.28 per KW per month in winter and \$11.29 per KW per month in summer.

A hydroelectric adjustment formula was adopted by the City Council in March 2009, to reflect deviations of precipitation from average conditions that significantly change hydroelectric production. This surcharge may change annually, based on annual hydroelectric conditions, up to a maximum of 5% of total electric charges. As a result of low precipitation levels from July 2012 through June 2013, there was a \$0.0013 per kWh surcharge for all customers in effect from July 2013 through June 2014. With low precipitation levels continuing from July 2013 through April 2014, the surcharge recently increased to \$0.00348 per kWh surcharge in effect from July 2014 through June 2015.

Recent History of Electric Rate Adjustments. From Fiscal Year 2008-09 through 2014-15, the City's retail electric rates have increased an average of approximately 4.8% annually. The following is the City's recent rate change history:

**Rate Adjustments
Fiscal Years 2008-09 through 2014-15**



Roseville's two neighboring electric utilities also anticipate rate increases, with one utility increasing rates by 2.5% in 2014 and 2015, and the other utility increasing rates by 6.3% in 2014, 2.4% in 2015, and 2.4% in 2016.

Rate Comparison

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

Table 6
Electric Rate Comparison with PG&E ⁽¹⁾
(cents/kWh)

Customer Type	Roseville Electric Rates	PG&E Rates	% Difference
Residential	15.35	20.94	36%
Commercial	14.29	19.24	35%
Industrial	11.72	14.96	27%

(1) Based on estimated average annual rates as of July 1, 2014.
Source: City of Roseville.

Rate Stabilization Fund

On May 8, 1996, the City Council adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund (the "RSF" or "Rate Stabilization Fund"), in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of the City's electric generating assets. On March 18, 2009 the City Council reviewed the financial policy that defines the range of the RSF balance, reducing the minimum balance from 60% to 40% of operating expenses. This action was taken in conjunction with the implementation of a hydroelectric rate adjustment mechanism that adjusts electric rates up to five percent without further City Council action when hydroelectric conditions increase or decrease electric operating expenses.

Amounts in the Rate Stabilization Fund are not pledged as security for the 2014 Payments, but interest earnings on the Rate Stabilization Fund are considered Gross Revenues (Revenues under the Installment Purchase Contract), and funds in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "SECURITY FOR THE 2014 BONDS – Rate Covenant" for a further description of the Rate Stabilization Fund. The Rate Stabilization Fund has a projected, unaudited balance of \$47 million as of June 30, 2014. See Table 8 for a recent history of balances in the Rate Stabilization Fund.

Electricity Rate Regulation

No Current Direct Regulation. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the 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. See also "RATE REGULATION."

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

ELECTRIC SYSTEM FINANCIAL INFORMATION

Significant Accounting Policies

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

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

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

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

Audited Financial Statements

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

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

The City's Audited Financial Statements for Fiscal Year 2012-13 are attached as APPENDIX B to this Official Statement.

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

Outstanding Indebtedness

Parity Indebtedness. The 2014 Bonds will refund a portion of the outstanding 2004 Payments, and the 2014 Payments are secured on parity with any 2004 Payments remaining outstanding after the prepayment described herein, the 2005A Payments, the 2009 Payments, 2010 Payments, the 2012 Payments, and the 2013 Payments, which are further described below:

	Original Date and Execution and Delivery	Original Principal Amount	Outstanding Principal Amount ⁽¹⁾	Final Maturity Outstanding
2004 Payments	July 13, 2004	\$39,940,000	\$18,320,000	Feb. 1, 2034
2005A Payments	June 30, 2005	52,900,000	3,750,000	Feb. 1, 2015
2009 Payments	Dec. 10, 2009	27,010,000	19,290,000	Feb. 1, 2024
2010 Payments	Oct. 21, 2010	55,845,000	54,855,000	Feb. 1, 2037
2012 Payments	Nov. 7, 2012	90,000,000	90,000,000	Feb. 1, 2035
2013 Payments	Nov. 14, 2013	48,780,000	48,285,000	Feb. 1, 2029

(1) Outstanding principal amounts as of July 1, 2014, prior to the prepayment in part of the 2004 Payments as described in "PLAN OF FINANCING."

See "THE 2014 BONDS – Debt Service Schedule" for the schedule of combined 2004 Payments, 2005A Payments, 2009 Payments, 2010 Payments, 2012 Payments, 2013 Payments and 2014 Payments.

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

The obligations of the City under its agreements with TANC and NCPA constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made under the Installment Purchase Contract, including the 2014 Payments and other Parity Obligations. See "SECURITY FOR THE 2014 BONDS – Outstanding Senior and Parity Obligations" above.

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 previously laid-off all of the debt service payment requirements associated with TANC; however, the City has negotiated an early return of laid off rights and obligations of the COTP. COTP services begin on July 1, 2014 and debt service reporting reflects that change. See also "ELECTRIC SYSTEM - Regional Transmission Facilities."

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

Table 7
CITY SHARE OF
OUTSTANDING DEBT OF JOINT POWERS AGENCIES⁽¹⁾
Fiscal Year 2013-14 (Estimated)
(Dollars in millions)

	Outstanding Debt ⁽²⁾	Roseville Participation ⁽³⁾	Roseville Share of Outstanding Debt ⁽²⁾
NCPA			
Geothermal Project	\$ 41.3	7.88%	\$ 3.3
Hydroelectric Project	401.2	12.00 ⁽⁴⁾	40.1
Capital Facilities Project	48.1	36.50	17.6
TANC			
Bonds ⁽⁵⁾	314.3	2.34	7.3
TOTAL	\$804.9		\$68.3

Source: City of Roseville.

⁽¹⁾ Excludes Roseville Natural Gas Financing Authority. See "Natural Gas Pre-payment" above.

⁽²⁾ Principal only. Does not include obligation for payment of interest on such debt.

⁽³⁾ Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

⁽⁴⁾ Roseville's actual payments represent approximately 9.9% of outstanding debt service as a result of credit received by it as a non-participating member with respect to portion of debt obligation.

⁽⁵⁾ Roseville has negotiated an early termination of COTP layoff effective July 1, 2014. The numbers above reflect remaining debt service as of that date.

Note: Numbers may not total due to rounding.

Rate Stabilization Fund

As described under "RATE SETTING – Rate Stabilization Fund" above, the City Council has adopted a policy establishing, among other policies, a Rate Stabilization Fund. The Rate Stabilization Fund has a projected, unaudited balance of approximately \$47 million as of June 30, 2014. A recent history of balances in the Rate Stabilization Fund is included in Table 8. The City estimates that under current annual revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

Historic Revenues, Expenses and Debt Service Coverage

Table 8 presents a summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 2009-10 through 2012-13 on a historical basis and for Fiscal Year 2013-14 on a projected, unaudited basis. This table is based on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract, and as such, does not match the audited financial statements of the Electric System.

Table 8 also includes a recent history of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without the Rate Stabilization Fund balance.

Table 8 as it is presented is not available in the City's audited financial statements for the Electric System; it has been designed to reflect revenues and coverage in a manner that meets GAAP standards and is reflective of the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract. The figures shown in the table are accounted for in the City's audited financial statements but the presentation in the audited financial statements may not necessarily correlate to the line item designations in Table 8.

Table 8
Electric Fund
Statement of Revenues and Expenses
Fiscal Years 2009-10 through 2013-14
(Dollars in Thousands)

	2009-10	2010-11	2011-12	2012-13	2013-14 ⁽¹⁾
<u>Revenues</u>					
Charges for Services	\$137,660	\$146,734	\$153,913	\$156,986	\$159,000
Sale of Wholesale Power ⁽²⁾	22,798	11,436	0	0	0
Other ⁽³⁾	2,857	5,065	6,228	2,016	2,099
Total Revenues	163,315	163,235	160,141	159,002	161,099
<u>Operating Expenses</u>					
Power Supply	124,842	103,999	95,969	96,314	93,561
Non-Power Costs ⁽⁴⁾	16,164	14,184	18,511	18,744	19,981
Indirect Costs and Transfers ⁽⁵⁾	8,960	9,074	8,835	8,402	9,123
Total Operating Expenses	149,966	127,257	123,315	123,460	122,666
<u>Net Revenue</u>	13,349	35,978	36,826	35,542	38,433
<u>Debt Service</u>	14,608	16,310	17,136	16,942	16,884
<u>Adjusted Net Revenue</u>					
Net Revenue	13,349	35,978	36,826	35,542	38,433
Operating Transfers and Other Expense (net) ⁽⁶⁾	(3,983)	(4,134)	(982)	9	0
Transfers from Rate Stabilization Fund ⁽⁷⁾	17,595	0	0	0	0
Interest Revenue (excluding unrealized gain/loss)	996	306	536	381	313
Adjusted Net Revenue	27,957	32,150	36,380	35,932	38,747
Debt Service Coverage Ratio	1.91	1.97	2.12	2.12	2.29
Rate Stabilization Fund Balance ⁽⁸⁾	24,215	30,918	37,785	41,386	46,994
Transfers (to) Rate Stabilization Fund	0	(6,288)	(6,419)	(3,305)	(5,387)
DSC ratio including Rate Stabilization Fund ⁽⁹⁾	3.57	3.48	3.95	4.37	4.76

Source: City of Roseville.

(1) Fiscal Year 2013-14 projected, unaudited.

(2) Represents multi-year forward energy sale, which ceased after Fiscal Year 2010-11.

(3) Remediation Revenue stopped being reported in Other Revenue in Fiscal Year 2012-13, and is now reflected as a net in the Power Supply Operating Expenses item.

(4) Includes distribution operations and administration expenses, including the Electric System's share of PERS costs.

(5) Represents operating payments to the City as reimbursement for the Electric System's share of certain overhead expenses such as information technology, meter reading, traffic signal transfer, enterprise asset management contribution, facility lease payments, utility exploration center operations, retired employees' health costs, the Electric System's share of GIS system costs, payroll, human resources, OPEB costs, etc.

(6) Represents inter-fund transfers to fund non-capital rehabilitation projects and includes subventions/grants transfers in.

(7) Represents transfers from Rate Stabilization Fund to offset increasing energy costs and mitigate rate impacts.

(8) Represents available resources as of June 30, which includes cash as well as moneys due the fund from internal borrowing.

(9) Funds on deposit in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "RATE SETTING - Rate Stabilization Fund" above and "SECURITY FOR THE 2014 BONDS" – Rate Stabilization Fund.

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:

- U.S. Treasury obligations
- U.S. Agency Securities
- Mortgage Pass-Through Securities
- Obligations of the State of California or any Local Agency within the state
- Repurchase Agreements
- Banker's Acceptances
- Commercial Paper
- Medium-Term Corporate Notes
- Collateralized Time Deposits
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Insured Savings Accounts
- Money Market/Mutual Funds
- Shares in a California Common Law Trust
- City of Roseville Pooled Investment Fund

Criteria for selecting investments and the order of priority are:

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

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

The following table shows the investments in the pooled funds of the City as of March 31, 2014.

City of Roseville Pooled Investment Fund

City Pooled Investment Fund	Par	Cost	Market Value
Certificates of Deposit	\$1,250,000	\$1,250,000	\$1,250,789
Negotiable CDs	52,700,000	52,698,156	52,717,980
Commercial Paper- Interest Bearing	17,750,000	17,750,000	17,741,426
Municipal Bonds	4,515,000	4,515,000	4,528,820
FDIC (Corporate Notes)	77,470,000	78,059,584	78,285,705
Federal Agency Coupon Securities	74,662,000	75,321,133	75,364,894
Treasury Coupon Securities	127,928,000	132,601,534	132,312,247
Money Market Funds	1,718,648	1,718,648	1,718,648
C.A.M.P.	971,249	971,249	971,249
L.A.I.F.	<u>43,149,255</u>	<u>43,149,255</u>	<u>43,149,255</u>
Total:	\$402,144,152	\$408,034,560	\$408,041,013

Source: City of Roseville

As of March 31, 2014, the portion of the City's Pooled Investment Fund allocable to the Electric System was \$66,949,771, or approximately 16.41% of the City's Pooled Investment Fund.

DEVELOPMENTS IN THE ENERGY MARKETS

Background; Electric Market Deregulation

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

Subsequent to the demise of the PX, substantial electric market disruptions occurred in 2000 and 2001. The response to the disruptions was the expansion of the ISO's responsibilities to the creation of new market frameworks, implemented on April 1, 2009 as the Market Redesign and Technology Upgrade ("MRTU"), and adoption of a legislative and regulatory requirement for additional reserve capacity called the Resource Adequacy Standard. The MRTU establishes enhanced unit commitment and balancing markets for energy purchases and sales. The Resource Adequacy Standard ensures that adequate levels of capacity to meet load and reserves are procured by all load serving entities in a timely manner for the purpose of avoiding future shortages. The developments are expected to benefit the City by providing liquid and stable markets for electricity. This market continues to evolve as market needs and regulatory forces influence it to change.

State Legislation

A number of bills affecting the electric utility industry have been enacted by the California Legislature. In general, these bills provide for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives

through more stringent renewable resource portfolio standards. The following is a brief summary of these bills.

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

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

On September 27, 2006 the Governor signed into law Assembly Bill 32 (“AB 32”), the Global Warming Solutions Act of 2006. AB 32 requires all California utilities to inventory and report greenhouse gas emissions beginning January 1, 2008 and requires the California Air Resources Board (“CARB”) to adopt enforceable greenhouse gas emission limits and emission reduction measures by regulation in order to reduce greenhouse gas emissions to 1990 levels by 2020. In December 2008, the CARB adopted the AB 32 Scoping Plan, which serves as California's blueprint for reducing greenhouse gas emissions. The Plan called for essential complementary measures along with the creation of a cap-and-trade program and will be revised every 5 years as CARB proceeds with its next task of designing the mechanisms for returning the state to 80% below 1990 levels by 2050 as directed in Executive Order S-3-05. On December 14, 2010, CARB adopted regulations approving the cap-and-trade program for California. The CARB regulations became enforceable on January 1, 2012.

The cap-and-trade program adopted by CARB will be implemented in phases. The first phase of the program (January 1, 2013 to December 31, 2014) introduces a hard emissions cap on electricity generators and industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases (“CO₂e”) per year. In 2015, the program will be expanded to cover transportation fuels, natural gas, propane and fossil fuels. The cap will decline each year.

The cap-and-trade program includes the distribution of carbon allowances. Each allowance will be equal to one metric ton of CO₂e. Initially, most of the carbon allowances will be distributed for free. Additional allowances will be auctioned quarterly, which began in November 2012. Utilities can acquire more carbon allowances at these auctions. California investor-owned utilities (“IOUs”), as well as publicly-owned utilities (“POUs”) that sell electricity into the ISO markets are required to auction their allowances. They are then required to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers. POUs that do not sell into the ISO markets (such as Roseville Electric) have three options (which are not mutually exclusive) once their allocated allowances are distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations for plants they operate directly, (ii) place allowances in the compliance account of a joint powers agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers.

The cap-and-trade program also allows covered entities to use offset credits for compliance purposes (not exceeding 8% of a covered entity's compliance obligation). Offsets can be generated by emission reduction projects in sectors that are not regulated under the cap-and-trade program. Approved project types include urban forest projects, reforestation projects, destruction of ozone-depleting substances, and livestock methane management projects. CARB is considering additional offset protocols, including emission reductions through changes to rice cultivation practices, and destruction of fugitive coalmine methane. CARB has implemented the trading and tracking system and the City has participated in all auctions through calendar year 2013. CARB may still consider changes to the cap-and-trade program's electricity sector provisions, including provisions relating to electricity imports and "resource shuffling."

On September 29, 2006, the Governor signed into law Senate Bill 1368 ("SB 1368"), the Greenhouse Gas Emissions Performance Standard. SB 1368 sets a greenhouse gas emission performance standard ("EPS") for baseload electric generating resources. Any new investment in baseload generation or contract for baseload generation with a term of over five years must have greenhouse gas emissions at or below that of a baseload, combined cycle power plant. The CEC has established the EPS and associated compliance methodologies for the publicly-owned utilities. The CPUC has the similar responsibility for the IOUs.

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

The City does not anticipate that SB 1368 will have a material impact on current City or NCPA resources. The impact on future resources is unknown at this time. The cap-and-trade program began in 2013. None of the City's NCPA resources are impacted. The Roseville Energy Park is the only City resource that has a compliance obligation. The City receives free allowances which help offset the impact to ratepayers. In calendar year 2013, the free allowances were used to offset 223,000 tons of REP emissions (approximately a \$2.5 million value) and provide a refund to all electric customers (approximately a \$1.4 million value).

Energy Procurement and Efficiency Reporting. Senate Bill 1037 ("SB 1037"), signed by the Governor on September 29, 2005, requires that each municipal electric utility, including the City, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction and renewable resources that are cost effective, reliable and

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

In March 2014, the City submitted its mandated annual report to the CEC per SB 1037 which provided cost-effectiveness analyses of the City's energy efficiency programs for Fiscal Year 2013. Additionally, in March 2012, the City updated the ten year forecast of potential energy efficiency programs in the triennial cycle to the CEC in response to the requirements of AB 2021.

Renewable Portfolio Standards ("RPS"). Senate Bill X1 2 ("SBX1 2"), the California Renewable Energy Resources Act, was signed into law by Governor Jerry Brown on April 12, 2011. SBX1 2 codifies the RPS target for retail electricity sellers to serve 33% of their loads with eligible renewable energy resources by 2020. As enacted, SBX1 2 makes the requirements of the RPS program applicable to POUs (rather than just prescribing that POUs meet the intent of the legislation as under previous statutes). However, the governing boards of POUs are responsible for implementing the requirements, rather than the CPUC, as is the case for the IOUs. In addition, certain enforcement authority with respect to POUs is given to the CEC and CARB, including authority to impose penalties. SBX1 2 requires each POU to adopt and implement a renewable energy resource procurement plan. The plan must require the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, which may include renewable energy credits ("RECs"), as a specified percentage of total kilowatt hours sold to the utility's retail end-use customers to achieve the following targets: (i) an average of 20% for the period January 1, 2011 to December 31, 2013, inclusive; (ii) 25% by December 31, 2016; and (iii) 33% by December 31, 2020 and for all subsequent years. SBX1 2 grandfathers any facility approved by the governing board of a POU prior to June 1, 2010 for procurement to satisfy renewable energy procurement obligations adopted under prior law if the facility is a "renewable electrical generation facility" as defined in the bill (subject to certain restrictions). Renewable electrical generation facilities include certain out-of-state renewable energy generation facilities if the facility: (i) will not cause or contribute to any violation of a California environmental quality standard or requirement, (ii) participates in the accounting system to verify compliance with the RPS program requirements, and (iii) either (a) commenced initial commercial operation after January 1, 2005 or (b) either (x) the electricity is from incremental generation resulting from expansion or repowering of the facility or (y) electricity generated by the facility was procured by a retail seller or POU as of January 1, 2010. The percentage of a retail electricity seller's RPS requirements that may be met with unbundled RECs from generating facilities outside California declines over time, beginning at 25% through 2013 and declining to a level of 10% in 2017 and beyond.

In response to the adoption of SBX1 2, the City passed a Program for Enforcement of the Interim Renewable Portfolio Standards Program on November 16, 2011, and a Renewable Portfolio Standard Procurement Plan on December 5, 2012. The CEC has developed regulatory rules and reporting guidelines to implement SBX1 2. These regulations were approved in June 2013 with an effective start date of October 1, 2013.

The CEC, collaboratively with the Western Governors' Association and the Western Electricity Coordinating Council ("WECC"), has undertaken the development and establishment of the Western Renewable Energy Generation Information System, which will be used to ensure the integrity of RECs and prevent the double counting of the certificates. The electronic tracking system became operational in June of 2007.

Solar Power. The California State Legislature enacted Senate Bill ("SB 1") in 2006 to encourage the installation of 3,000 MW of photovoltaic (PV) solar energy by the year 2017. SB 1 requires all publicly-owned utilities to adopt, finance, and implement a solar initiative program for the purpose of investing in and encouraging the increased installation of residential and commercial solar energy systems. POUs were required to commence a solar initiative program in order to establish the funding of solar energy systems receiving ratepayer funded incentives, which commenced no later than January 1, 2008. A POU was given the choice of selecting an incentive based on the installed capacity, starting at \$2.80 per watt, or based on the energy produced by the solar energy system, measured in kWh. Incentives are required to decrease at a minimum average rate of 7% per year. As of June 1, 2008, the City is required to provide the following information to customers, the CEC and the legislature: (i) the number of photovoltaic solar watts installed, (ii) the number of photovoltaic systems installed, (iii) the number of applicants for incentives, (iv) the amount of awarded incentives, and (v) the contribution towards the program's goals.

The Electric System and other northern California public utilities have performed well in launching their solar energy programs. These programs, while incorporating uniform state guidelines, have been developed to meet the unique needs of the communities they serve. As such, they provide the best opportunity to maximize program results at the local level. Since 2006, the Electric System has spent over \$8 million on incentives for solar systems. Presently, approximately 2.5% of all customers of the Electric System have installed solar electric generation in Roseville.

Smart Grid and Advanced Metering Infrastructure. In 2007 and 2008, CEC held rulemaking proceedings for the definition of load management standards for Advanced Metering Infrastructure ("AMI") and for demand response. The CEC was evaluating the use of advanced technologies for operation and maintenance of the electric grid and impacts to California electricity customers. The largest IOUs in California have deployed smart meters for gas and electric services, and several publicly-owned utilities have implemented such technology. Adoption of AMI technologies may be required in the future to meet electric utility operating requirements. As a result of regulatory trends in the industry, the Electric System is conducting an AMI feasibility study and has budgeted for a capital improvement project to install AMI.

Resource Adequacy. In September 2005, the California Legislature enacted and the Governor signed into law Assembly Bill 380 ("AB 380"), which requires the CPUC to establish resource adequacy requirements for all load-serving entities ("LSEs") within the CPUC's jurisdiction. In addition, AB 380 requires publicly-owned utilities, including the Electric System, to meet the most recent resource adequacy standard as adopted by the WECC. In October 2005, the CPUC issued a decision stating that LSEs under its jurisdiction would be

required, by June 2006, to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a 15% reserve margin. The WECC has yet to formally adopt a resource adequacy requirement.

Notwithstanding the lack of a formal Resource Adequacy Standard, the City has implemented steps to meet its customer's load and reserve requirements in the future. These steps include the construction of the 160 MW REP, the acquisition of 48 MW of capacity in the Roseville Power Plant 2 (formerly NCPA Combustion Turbine Project No. 1), and the procurement of seasonal short-term capacity as needed to protect customers from the impacts of capacity and energy shortages. Results for Fiscal Year 2013-14 indicate that the City has a capacity reserve of 12%, not including 10 MW of regulating capacity and 7% capacity reserve purchased from Western.

Additional Developments

Federal Cybersecurity Policy. On February 13, 2013, President Obama issued an Executive Order entitled "Improving Critical Infrastructure Security." The Executive Order calls for improved sharing and processing of security clearances for owners and operators of critical infrastructure. As required by the Executive Order, the National Institute of Standards and Technology ("NIST") is leading the development of a framework to reduce cyber risks to critical infrastructure.

Roseville Electric places a high priority on all of its security practices to protect electric infrastructure. With respect to cyber-security, these practices include, but are not limited to: performance of periodic security risk assessments and gap analyses to identify security strengths and vulnerabilities; implementation of access controls and restrictions; personnel risk assessments; software patch management; reliance on appropriate malware protection; practices for the designation of and proper safeguards for confidential or sensitive information; practices for the backup and recovery of data; and security awareness training.

Roseville Electric staff will continue to take actions to address new threats as they arise and to close new vulnerabilities as they are identified that are appropriate for the assets owned, operated, and controlled by Roseville Electric.

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

Shortages and Volatility. During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. After the shortages, licenses for new power plants were issued by CEC and other measures were taken to moderate prices and supply. Prices and supplies of natural gas and electricity have moderated; however, no assurance can be given that measures undertaken since 2001, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected the Electric System and other California electric utilities in the past.

Impact of Developments on the City

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

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

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Energy Policy Act of 1992

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

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

Future Federal Energy Legislation

Numerous bills have been under consideration in Congress addressing United States energy policies and various environmental matters, including those related to energy supplies, global warming and water quality. Many of these bills, if enacted into law, could have a material impact on the City and the electric utility industry generally. Proposed energy and climate change-related pieces of legislation have proposed, among other things, a cap-and-trade system to regulate and reduce the emission of carbon dioxide and other greenhouse gases and a federal renewable energy portfolio standard. The impact that federal greenhouse gas cap-and-trade legislation could have on the electric utility industry and business depends largely on the specific provisions of the legislation that ultimately become law. Some of the important factors to be addressed are the timing and magnitude of the emissions cap, the extent to which emissions allowances are either allocated or auctioned to the highest bidder, the extent to which emissions may be offset by other actions, whether there will be a cap on the price of emissions allowances and the allocation of proceeds from the auction of allowances. Other areas of consideration for energy legislation include, but are not limited to, the development and deployment of alternative fuels, renewable energy resources, and energy conservation measures. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any such federal action will have a significant impact on fossil-fueled generation facilities.

Environmental Issues

General. Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any City facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the “EPA”) has taken steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final “endangerment finding,” in which it declared that the weight of scientific evidence requires a finding that six identified greenhouse gases – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The final rule for the “endangerment finding” was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA is authorized to issue regulations limiting carbon dioxide emissions from, among other things, stationary sources such as electric generating facilities, under the federal Clean Air Act. The “Tailoring Rule,” states that greenhouse gas emissions will be regulated from large stationary sources including electric generating facilities based on specified threshold levels of the tons per year of greenhouse gases emitted, using a unit known as the carbon dioxide equivalent, or CO₂e. Large sources with the potential to emit in excess of the applicable threshold will be subject to the major source permitting requirements under the Clean Air Act. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such

permitting requirements include, but are not limited to, the application of Best Available Control Technology (known as BACT) for greenhouse gas emissions, and monitoring, reporting, and recordkeeping for greenhouse gases. The endangerment finding and the Tailoring Rule have been challenged in court, but were upheld on June 26, 2012, in a decision by the U.S. Court of Appeals for the District of Columbia Circuit in *Coalition for Responsible Regulation, Inc., et al v. EPA*. A petition for rehearing was denied on December 20, 2012, and a petition for writ of certiorari was denied by the United States Supreme Court on October 15, 2013.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection to begin on January 1, 2010, and the first annual reports were due March 31, 2011. Such data collection and reporting lays the foundation for controlling and reducing greenhouse gas in the future, whether by way of the EPA regulations under existing Clean Air Act authority or under a new climate change federal law. The City is in compliance with the data collection and reporting requirements applicable to the Electric System.

On September 20, 2013, the EPA issued proposed regulations setting performance standards for new power plants. As proposed, the performance standard will apply only to new power plants; it will not apply to existing, modified or reconstructed power plants. In addition, power plants that have been issued a Prevention of Significant Deterioration permit and commence construction within one year will be exempted from application of the new performance standard. The proposed regulations would restrict CO₂ emissions from natural gas-fired units to 1,000 pounds of CO₂ per MWh for larger units and 1,100 pounds of CO₂ per MWh for smaller units. These emission limits are based on the use of natural gas combined cycle technology. The proposed regulations would restrict CO₂ emissions from coal-fired units to 1,100 pounds of CO₂ per MWh. The EPA states that this emission limit reflects the use of partial carbon capture and sequestration as the best system of emission reduction that has been adequately demonstrated for coal-fired units. The new performance standard would be the most stringent in the country (surpassing the emission performance standard of 1,100 pounds of CO₂ per MWh of electricity produced imposed by the CEC regulations in California as described under "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS - State Legislation - Greenhouse Gas Emissions"). The public comment period for the proposed regulations ended on March 10, 2014.

On June 2, 2014, the EPA issued proposed regulations designed to reduce carbon pollution from existing power plants (the "Clean Power Plan"). The Clean Power Plan focuses primarily on reducing emissions from existing coal-fired plants, but may also affect plants fired by natural gas. The EPA's goal is to reduce carbon pollution from the power sector by 30% from 2005 levels by 2030. If the Clean Power Plan is enacted, states will be required to design implementation plans to meet emission targets; these plans may build upon state initiatives already in place. (See "DEVELOPMENTS IN THE ENERGY MARKETS - State Legislation" above for a discussion of California's existing initiatives.) The public comment period for the proposed regulations will end on October 16, 2014. The City has reviewed the Clean Power Plan and does not currently anticipate any significant impact on the Electric System.

A number of legal and legislative challenges to the EPA's finding and rulemaking are pending. The City is unable to predict the outcome of these challenges to the EPA's endangerment finding and subsequent rulemaking or the effect that any final rules promulgated

by the EPA regulating greenhouse gas emissions from electric generating units and other stationary sources would have on the City's Electric System.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.” For example, on January 7, 2010, the EPA released a draft rule proposing stricter NAAQS for ground-level ozone, the main component of smog. On September 2, 2011, President Obama directed the EPA to withdraw its proposal for stricter NAAQS for ozone. As a result of this withdrawal, the EPA resumed the process of issuing non-attainment designations for the ozone NAAQS under the standard set in 2008. On May 29, 2013, the EPA proposed a rule to implement the 2008 ozone NAAQS. Pursuant to a ruling by the U.S. District Court for the Northern District of California, the EPA must issue a revised rule for ozone NAAQS by December 2014 and a final rule by October 1, 2015. As of December 2013, portions of northern California were designated as non-attainment areas, including the Sacramento metro area within Placer County. Additional non-attainment areas for ozone may continue to be designated. The EPA revised the NAAQS for particulate matter in December 2012, the NAAQS for sulfur dioxide in June 2010, the NAAQS for carbon monoxide in August 2011 and the NAAQS for nitrogen dioxide in February 2010, and in each case made the NAAQS more stringent.

The NAAQS limits imposed on the Electric System’s power plants via the Permits to Operate through PCAPCD and the CEC are below the NAAQS standards. This is expected to insulate the City’s Electric System from further action unless the limits are lowered.

Fuel Risk

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

Other Factors

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

- (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;
- (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- (c) changes resulting from a national energy policy;

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

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

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

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

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

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

(j) changes from projected future load requirements;

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

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

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

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

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

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

(q) effects of changes in the economy;

(r) effects of possible manipulation of electric markets;

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

(t) changes to the climate.

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

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

RATE REGULATION

The City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC, and currently neither the CPUC nor any other regulatory authority of the State of California nor FERC approves such rates and charges. Although the retail rates of the City are not subject to approval by any federal agency, the City is subject to certain ratemaking provisions of the federal Public Utility Regulatory Policies Act of 1978 ("PURPA") with respect to the purchase of the output of "qualified facilities" ("QFs") and the Energy Policy Act of 2005 ("EPACT 2005"). EPACT 2005 repealed the mandatory purchase obligation for utilities (including the City) when FERC determines that the QF has access to a competitive sales market and open access transmission. The City is operating in compliance with PURPA. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements.

FERC potentially could assert jurisdiction over rates of licensees of hydroelectric projects (such as NCPA) and customers of such licensees (such as the City) under Part I of the Federal Power Act, although it as a practical matter has not exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. There is a question as to whether FERC has jurisdiction at all to modify rates for municipalities, which are authorized to set their own rates. NCPA is a licensee of hydroelectric projects under Part I, but no jurisdictional authority to regulate their rates has been asserted by FERC.

Under EPACT 1992, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates. Neither the City nor any joint powers agencies with which the City has contracted which developed the transmission assets are providing any such transmission service to others. No assurance can be given that such service will not be requested in the future.

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

OTHER RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2014 Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the 2014 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

Limited Obligations

The 2014 Bonds are limited obligations of the Authority secured by and payable from the Revenues and other amounts available under the Trust Agreement. The Revenues consist generally of 2014 Payments to be made by the City under the Installment Purchase Contract. The 2014 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the 2014 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Contract to pay the 2014 Payments solely from Net Revenues. No representation or assurance can be made that revenues will be realized by the City in amounts sufficient to make payments required by the Installment Purchase Contract and thus to pay maturing principal and interest on the 2014 Payments. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the City and, consequently, its ability to make the 2014 Payments securing payment of the principal of and premium, if any, and interest on 2014 Bonds. There is no assurance that the City can succeed in operating the Electric System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

Tax Exemption

The City and the Authority have each covenanted to take all actions necessary to assure the exclusion of interest on the 2014 Bonds from the gross income of the Owners of the 2014 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986, as amended. If the City or the Authority fails to comply with the tax covenants, the interest on the 2014 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest on the 2014 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the 2014 Payments constitutes an event of default under the Installment Purchase Contract, and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal

amount of the 2014 Payments, there is no assurance that the City would have sufficient funds to pay the accelerated 2014 Payments.

Furthermore, the remedies available to the owners of the 2014 Bonds upon the occurrence of an event of default under the Installment Purchase Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition, the rights and remedies of bondholders under the Trust Agreement and the Installment Purchase Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2014 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION." In the event the City fails to comply with its covenants under the Installment Purchase Contract or fails to pay the 2014 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2014 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds or, if a secondary market exists, that the 2014 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations that could affect the ability of the City to implement rate increases, which could reduce Net Revenues and adversely affect the security for the 2014 Bonds.

Seismic Considerations

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

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

Possible Future Federal Deregulation and Tax Legislation

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

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

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

California Constitution Articles XIII A and XIII B

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

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

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

Constitutional Changes In California

Proposition 218. Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution. Article XIII D 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 XIII D explicitly exempts fees for the provision of electric service from the provisions of such article. Article XIII C expressly extends the people’s initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. The terms “fees and charges” are not defined in Article XIII C, although the California Supreme Court held in Bighorn-Desert View Water Agency v. Verjil, 39 Cal. 4th 205 (2006), that the initiative power described in Article XIII C may apply to a broader category of fees and charges than the property-related fee and charges governed by Article XIII D. Moreover, in the case of Bock v. City Council of Lompoc, 109 Cal. App. 3d 43 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIII C 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 2014 Bonds by virtue of the “impairments clause” of the United States and California Constitutions.

Proposition 26. Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 may, however, be interpreted to limit fees and charges for electric utility services charged by governmental entities such as the City to preclude future transfers of electric utility generated funds to a local government’s general fund and/or require stricter standards for the allocation of costs among customer classes. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impacts will be.

Future Initiatives

Article XIII A, Article XIII B, Articles XIII C and XIII D and Proposition 26, were each adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process. From time to time other initiative measures could be adopted by California voters. The adoption of any such initiatives might place limitations on the ability of the City to increase revenues or to increase appropriations.

TAX MATTERS

Federal Tax Law. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City and the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2014 Bonds. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2014 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2014 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2014 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2014 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2014 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2014 Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2014 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 2014 Bond on the basis of a constant interest rate compounded on each interest or principal

payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2014 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2014 Bonds.

State Tax Law. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from California personal income taxes.

General. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as Appendix D.

CONTINUING DISCLOSURE

The City will covenant in a continuing disclosure certificate, the form of which is set forth in "Appendix E – FORM OF CONTINUING DISCLOSURE CERTIFICATE," for the benefit of holders and beneficial owners of the 2014 Bonds, to provide certain financial information and operating data relating to the Electric System and the 2014 Bonds by not later than seven months after the end of the City's fiscal year, resulting in a deadline of January 31 of each year, beginning with an initial deadline of January 31, 2015. The Continuing Disclosure Certificate also requires the City to provide notices of the occurrence of certain enumerated events.

The covenants of the City in the Continuing Disclosure Certificate will be made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**").

The City and its affiliated entities have failed, on occasion during the past five years, to comply, in all material respects, with these undertakings. The City is currently undertaking a thorough review of its continuing disclosure compliance for all of its outstanding obligations.

More specifically, the City is aware that with respect to its continuing disclosure requirements relating to Electric System obligations, during the last five years:

- The City failed to file notices of rating changes with respect to the bond insurers for the 2004 Certificates and for the 2005 Certificates occurring in fiscal years ending June 30, 2013 and June 30, 2014.
- The City's annual reports for the fiscal year ended June 30, 2009, were filed approximately two weeks late.
- The City properly filed the annual report for fiscal year ended June 30, 2013 in connection with all of the City's Electric System obligations except that the filing was inadvertently not made with respect to the 2013 Bonds.

Supplemental annual reports, notices of the rating changes and filings to correct all of the known failures by the City to comply with its continuing disclosure undertakings have been made. The City expects to engage contract support for the preparation and filing of its continuing disclosure reports in order to ensure compliance with future continuing disclosure obligations.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The sufficiency of amounts on deposit in the 2004 Escrow Fund together with investment earnings thereon to pay the principal and accrued interest with respect to the 2004 Certificates being prepaid on August 26, 2014, will be verified by Grant Thornton, LLP, certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the 2014 Bonds.

OTHER INFORMATION

Certain Legal Matters

The validity of the 2014 Bonds, the Trust Agreement and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain matters will also be passed upon for the City by Jones Hall, as disclosure counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP.

Professional Fees

Payment of the compensation of Bond Counsel, Disclosure Counsel, the Underwriters, Underwriters' counsel and the Trustee are contingent upon the execution and delivery of the 2014 Bonds.

Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution, delivery or sale of the 2014 Bonds or the execution of the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City or the Authority taken with respect to any of the foregoing.

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Financial Services LLC ("S&P"), a Division of The McGraw Hill Companies, Inc., have assigned the ratings of "A+" and "A+", respectively, to the 2014 Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency. There is no assurance that these ratings will continue for any given period of time, or that these ratings will not be revised downward or withdrawn entirely by the respective rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2014 Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC, on behalf of itself and U.S. Bancorp Investments, Inc., has agreed, subject to certain conditions, to purchase the 2014 Bonds at a price of \$18,510,465.10 (which is equal to the initial \$16,485,000.00 aggregate principal amount of the 2014 Bonds less Underwriters' discount of \$103,758.50, plus original issue premium of \$2,129,223.60).

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the 2014 Bonds.

The purchase contract under which the Underwriters are purchasing the 2014 Bonds provides that the Underwriters will purchase all of the 2014 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The public offering prices of the 2014 Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell 2014 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement.

FINANCIAL ADVISOR

The City has retained Public Financial Management Inc., of San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the execution and delivery of the 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Financial Advisor is contingent upon the issuance of the 2014 Bonds.

EXECUTION

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

ROSEVILLE FINANCE AUTHORITY

By: /s/ Jay Panzica
Treasurer

CITY OF ROSEVILLE

By: /s/ Jay Panzica
Treasurer/Finance Executive

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE

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

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 126,956 at January 1, 2014, is the largest city in Placer County, as well as the residential and industrial center of the County.

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

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Consolidated Communications, Inc. (CCI) 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

The City's population has increased substantially over the past five years.

**City of Roseville
Population - 2010 through 2014**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2010	118,180	347,133	37,223,900
2011	120,307	351,463	37,427,946
2012	122,104	355,455	37,668,804
2013	124,673	360,802	37,984,138
2014	126,956	366,115	38,340,074

Source: California State Department of Finance.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2009 through 2013. Effective buying income data is not yet available for calendar year 2014.

Effective Buying Income As of January 1, 2009 through 2013

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	City of Roseville	\$ 3,164,495	\$58,526
	Placer County	9,911,191	59,331
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Roseville	\$ 3,073,595	\$55,878
	Placer County	9,455,123	56,109
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Roseville	\$ 3,030,070	\$56,309
	Placer County	9,797,178	55,993
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Roseville	\$ 3,308,060	\$55,367
	Placer County	9,955,120	55,173
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Roseville	\$ 3,327,535	56,270
	Placer County	9,811,843	56,393
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 6.9 percent in June 2014, up from a revised 6.7 percent in May 2014, and below the year-ago estimate of 8.9 percent. This compares with an unadjusted unemployment rate of 7.3 percent for California and 6.3 percent for the nation during the same period. The unemployment rate was 6.8 percent in El Dorado County, 6.0 percent in Placer County, 7.1 percent in Sacramento County, and 6.9 percent in Yolo County. The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Arden Arcade Roseville Metropolitan Statistical Area (which is comprised of Sacramento, Placer and El Dorado Counties) for the years 2009 through 2013.

**Sacramento Arden Arcade Roseville Metropolitan Statistical Area
(El Dorado, Placer, Sacramento, and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
March 2013 Benchmark
(Annual Averages)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force ⁽¹⁾	1,051,500	1,048,900	1,039,400	1,051,600	1,046,600
Employment	934,800	918,000	916,200	942,900	956,400
Unemployment	116,600	130,900	123,200	108,700	90,200
Unemployment Rate	11.1%	12.5%	11.9%	10.3%	8.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	8,300	8,100	8,200	8,600	8,800
Mining and Logging	400	400	500	400	500
Construction	43,500	38,400	36,900	38,400	42,900
Manufacturing	34,400	32,800	33,200	33,900	33,700
Wholesale Trade	24,100	22,800	23,600	25,100	25,000
Retail Trade	87,600	88,000	89,400	91,800	93,900
Transportation, Warehousing and Utilities	23,200	21,700	21,100	21,900	23,200
Information	18,300	17,200	16,300	15,600	15,000
Finance and Insurance	40,200	36,100	34,600	35,700	36,600
Real Estate and Rental and Leasing	12,700	12,200	12,000	12,400	13,000
Professional and Business Services	101,100	102,200	104,200	110,800	114,300
Educational and Health Services	116,600	115,000	116,900	121,300	127,700
Leisure and Hospitality	82,000	80,200	81,700	84,500	88,000
Other Services	28,800	28,100	28,000	28,500	28,900
Federal Government	13,300	14,600	14,000	13,700	13,500
State Government	111,900	110,900	109,600	108,200	109,800
Local Government	110,200	104,700	100,900	99,600	98,700
Total, All Industries	856,500	833,500	831,200	850,400	873,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of 2014.

**County of Placer
Largest Employers
2014
(In Alphabetical Order)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Agilent Technologies Inc	Roseville	Instruments-Measuring (Mfrs)
Alpine Meadows	Alpine Meadows	Resorts
AT&T	Auburn	Telephone Companies
C-Tech Systems Inc	Roseville	Computers-Service & Repair
Composite Engineering Inc	Roseville	Engineers-Professional
Kaiser Roseville Medical Ctr	Roseville	Hospitals
Northstar At Tahoe Resort	Truckee	Resorts
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Fire Dept	Auburn	County Government-Fire Protection
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County of Education	Auburn	Schools
Placer County Sheriff	Auburn	Sheriff
Progressive Technology	Rocklin	Machine Shops (Mfrs)
Resort At Squaw Creek	Alpine Meadows	Hotels & Motels
Ritz-Carlton-Lake Tahoe	Truckee	Hotels & Motels
Roseville Golfand-Sun Splash	Roseville	Water Parks
Roseville Toyota & Scion	Roseville	Automobile Dealers-New Cars
Sheriff's Training	Auburn	Sheriff
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tami Saner & Assoc	Roseville	Real Estate
Thunder Valley Casino	Lincoln	Casinos
Unfi Western Region Div	Rocklin	Food Products (Whls)
Union Pacific Railroad Co	Roseville	Railroads
Walmart Supercenter	Roseville	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

Major Employers

The following table sets forth the largest employers in the City.

City of Roseville Major Employers 2013

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employees</u>
Kaiser Permanente	3,724	1	6.70%
Hewlett-Packard	3,200	2	5.75
Sutter Roseville Medical Center	1,654	3	2.97
Roseville Joint Union High School District	1,299	4	2.34
City of Roseville	1,254	5	2.26
Union Pacific Railroad	1,168	6	2.10
PRIDE	1,021	7	1.84
Roseville Elementary School District	929	8	1.67
Wal-Mart (2 stores)	790	9	1.42
Telefunken Semiconductors America	600	10	1.08
Subtotal	15,639		28.13%
Total Employment	55,604 ^(a)		

(a) Total Employment as used above represents the total employment of all employees located within the City limits.

Source: City of Roseville-City Manager's Office, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2013.

Construction

Placer County's 2013-14 assessment roll totaled \$54,452,236,134 as compared to the prior year's assessment roll of \$51,307,476,072, which reflected a 6.13% increase this year. These numbers over the last two years contrast with the real estate decline years of 2008 and after, where the Placer County assessment roll experienced declines.

The following table shows residential and non-residential building permits issued in the City, for calendar years 2009 through 2013. Annual figures are not yet available for 2014.

City of Roseville Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Permit Valuation</u>					
New Single-family	\$125,257.4	\$133,206.3	\$91,310.0	\$249,559.2	\$118,547.9
New Multi-family	3,746.7	0.0	0.0	0.0	6,632.0
Res. Alterations/Additions	<u>1,620.6</u>	<u>2,808.4</u>	<u>7,329.2</u>	<u>3,082.0</u>	<u>3,395.0</u>
Total Residential	\$130,624.7	\$136,014.7	\$98,639.2	\$252,641.2	\$128,575.0
 New Commercial	 \$ 1,439.2	 \$ 1,625.8	 \$ 707.9	 \$16,280.4	 \$26,058.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,435.5	5,026.5	0.0	0.0	2,627.4
Com. Alterations/Additions	<u>49,481.4</u>	<u>46,534.4</u>	<u>67,245.2</u>	<u>31,868.5</u>	<u>45,489.0</u>
Total Nonresidential	\$57,356.1	\$53,186.7	\$67,953.1	\$48,148.9	\$74,175.4
 <u>New Dwelling Units</u>					
Single Family	602	635	411	663	528
Multiple Family	<u>49</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>224</u>
Total New Dwelling Units	651	635	411	663	752

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued for Placer County, for calendar years 2009 through 2013. Annual figures are not yet available for 2014.

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

	2009	2010	2011	2012	2013
<u>Permit Valuation</u>					
New Single-family	\$257,838.2	\$272,263.0	\$230,831.8	\$431,611.6	\$378,286.0
New Multi-family	25,595.7	11,385.1	6,549.5	11,368.0	7,078.5
Res. Alterations/Additions	<u>41,270.3</u>	<u>50,586.8</u>	<u>62,155.8</u>	<u>35,481.3</u>	<u>50,358.2</u>
Total Residential	\$324,704.2	\$334,234.9	\$299,537.1	\$478,460.9	\$435,722.7
 New Commercial	 \$ 7,200.2	 \$ 5,551.8	 \$ 7,014.3	 \$ 44,303.0	 \$70,876.0
New Industrial	0.0	0.0	860.0	164.0	1,092.0
New Other	29,275.1	29,303.2	12,112.3	414.5	25,673.5
Com. Alterations/Additions	<u>77,101.0</u>	<u>73,789.4</u>	<u>88,639.9</u>	<u>55,512.0</u>	<u>73,037.0</u>
Total Nonresidential	\$113,576.3	\$108,644.4	\$108,626.5	\$100,393.5	\$170,678.5
 <u>New Dwelling Units</u>					
Single Family	1,056	1,090	802	1,209	1,249
Multiple Family	<u>259</u>	<u>79</u>	<u>28</u>	<u>111</u>	<u>227</u>
TOTAL	1,315	1,169	830	1,320	1,476

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

Total taxable transactions reported in the City during the first quarter of calendar year 2013 amounted to \$965,343,000, a 11.98% increase over the total taxable transactions of \$862,059,000 that were reported during the first quarter of calendar year 2012. A summary of historic taxable sales within the City is shown in the following table. Annual figures are not yet available for 2013.

CITY OF ROSEVILLE
Taxable Transactions
Calendar Years 2008 through 2012
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	2,497	\$2,923,771	4,869	\$3,409,792
2009 ⁽¹⁾	3,400	2,708,864	4,441	3,104,840
2010 ⁽¹⁾	3,640	2,814,546	4,698	3,251,045
2011 ⁽¹⁾	3,405	3,024,189	4,476	3,499,616
2012 ⁽¹⁾	3,765	3,332,827	4,861	3,772,583

(1) Not comparable to prior years. "Retail" category now includes "Food Services".

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

Total taxable transactions reported in Placer County during the first quarter of calendar year 2013 amounted to \$1,772,264,000, representing an increase of 11.32% from the total taxable transactions of \$1,592,012,000 that were reported during the first quarter of calendar year 2012. A summary of historic taxable sales within Placer County is shown in the following table. Annual figures are not yet available for 2013.

PLACER COUNTY
Taxable Transactions
Calendar Years 2008 through 2012
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	5,841	\$5,009,849	12,104	\$6,634,810
2009 ⁽¹⁾	7,819	4,453,186	11,135	5,796,644
2010 ⁽¹⁾	8,110	4,678,785	11,439	6,017,542
2011 ⁽¹⁾	7,803	5,112,781	11,120	6,568,195
2012 ⁽¹⁾	8,272	5,613,981	11,621	7,065,597

(1) Not comparable to prior years. "Retail" category now includes "Food Services".

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

Transportation

The County's transportation network is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the County, connecting San Francisco to New York. Highway 65 runs north from I-80 to Lincoln and Marysville. Interstate 5, which is west of the County, runs north to Seattle and south to Los Angeles. In the City, the major highways in the area are Interstate 80 and Interstate 5, and State Highways 65, 50, and 99.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in Roseville, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport is serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2013



Downtown Roseville entrance sign on Riverside Ave.

This Page Left Intentionally Blank

**CITY OF ROSEVILLE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

**Prepared by
FINANCE DEPARTMENT**

This Page Left Intentionally Blank

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	v
Organization Chart.....	xiii
Elected Officials.....	xiv
GFOA Certificate.....	xv

FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	22
Statement of Activities	23

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....	26
Reconciliation of Governmental Funds – Fund Balance with the Governmental Activities Net Position.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Change in Net Position of Governmental Activities	29

Major Proprietary Funds:

Statement of Net Position	32
Statement of Revenues, Expenses and Changes in Fund Net Position.....	34
Statement of Cash Flows	36

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

FINANCIAL SECTION (Continued)

Fiduciary Funds:

Statement of Fiduciary Net Position.....40

Statement of Changes in Fiduciary Net Position.....41

Notes to Basic Financial Statements 43

1. Summary of Significant Accounting Policies 43
2. Budgets and Budgetary Accounting..... 50
3. Cash and Investments..... 51
4. Interfund Transactions..... 58
5. Notes Receivable..... 61
6. Developer Permit Fees Receivable..... 64
7. Development Agreements and Land Held for Resale 64
8. Capital Assets..... 65
9. Long-Term Debt..... 70
10. Derivative Instruments 81
11. Net Position and Fund Balances..... 83
12. Pension Plan 87
13. Post-Employment Benefits..... 90
14. Risk Management..... 93
15. Northern California Power Agency (NCPA) 95
16. South Placer Wastewater Authority (SPWA) 98
17. Municipal Solid Waste Landfill Closure and Post Closure Care Costs 99
18. Commitments and Contingent Liabilities..... 99
19. Gas Supply Acquisition and Resale 101
20. Redevelopment Agency Dissolution and Successor Agency Activities 102
21. Subsequent Events..... 109

SUPPLEMENTAL INFORMATION SECTION

Required Supplementary Information:

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual 112

Modified Approach to Reporting Street Pavement Costs and Parks and Landscaping Costs 117

CITY OF ROSEVILLE, CALIFORNIA Comprehensive Annual Financial Report For The Year Ended June 30, 2013

SUPPLEMENTAL INFORMATION SECTION (Continued)

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	128
Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances-Budget and Actual	134

Internal Service Funds:

Combining Statement of Net Position.....	146
Combining Statement of Revenues, Expenses and Changes in Net Position.....	148
Combining Statement of Cash Flows.....	150

Private-Purpose Trust Funds:

Combining Statement of Net Position.....	154
Combining Statement of Changes in Net Position	155

Agency Funds:

Statement of Changes in Assets and Liabilities	159

STATISTICAL SECTION

Net Position by Components – Last Ten Fiscal Years.....	171
Changes in Net Position – Last Ten Fiscal Years	172
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	174
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	175
Sales Tax Revenue – Last Ten Fiscal Years	176
Assessment Roll Values – Last Ten Fiscal Years.....	177
Property Tax Rates – Direct & Overlapping Governments Last Ten Fiscal Years.....	178

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2013

STATISTICAL SECTION (Continued)

Principal Property Tax Payers – Current Year and Nine Years Ago.....	179
Property Tax Levies and Collections – Last Ten Fiscal Years	180
Electric Customers & Revenues.....	181
Residential Energy Prices.....	182
Business Energy Prices.....	183
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	184
Revenue Bond Coverage:	
2013 Refunding Variable Rate-Wastewater Revenue Bonds	
Fiscal Year 2013	185
2011 Refunding Fixed Rate-Wastewater Revenue Bonds – Series C –	
Last Three Fiscal Years	186
2011 Refunding SIFMA Index-Wastewater Revenue Bonds – Series D –	
Last Three Fiscal Years	187
2002 Redevelopment Tax Allocation Bonds – Last Ten Fiscal Years	188
2006A Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years.....	189
2006AT Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years	190
2006HT Redevelopment Tax Allocation Bonds – Last Seven Fiscal Years	191
Computation of Direct and Overlapping Debt	192
Computation of Legal Bonded Debt Margin	193
Demographic and Economic Statistics – Last Ten Fiscal Years	194
Principal Employers – Current Year and Nine Years Ago	195
Full-Time Equivalent City Employees by Function –	
Last Ten Fiscal Years.....	196
Operating Indicators by Function/Program – Last Ten Fiscal Years	197
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	198



December 23, 2013

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

This document, the Comprehensive Annual Financial Report (CAFR) of the City of Roseville, is for the fiscal year ended June 30, 2013. The report was prepared by the Finance Department in conjunction with the City's independent auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association (GFOA) of the United States and Canada.

The report is divided into three sections:

- I. Introductory section, including this letter of transmittal, list of City elected officials, and City's organizational chart.
- II. Financial section, including the auditors' report by Maze & Associates, the City's independent certified public accountants, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplemental information and the combining financial statements for non-major funds.
- III. Statistical section, including a number of tables and graphs of un-audited data depicting 10 years of financial history about the City and information on its overlapping governmental debt.

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

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

THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles (GAAP). It combines the financial statements of the Roseville Finance Authority (the "Authority"), the Roseville Natural Gas Financing Authority (the "RNGFA"), the Roseville Community Development Corporation (the "RCDC") and the City of Roseville Housing Authority (the "Housing Authority") with those of the City to constitute a single reporting entity. The report also includes the Successor Agency to the Redevelopment Agency. In accordance with the criteria of the Government Accounting Standards Board (GASB) Statement 14, the basic financial statements include the financial activity of the City, the Authority, the Housing Authority, the RNGFA and the RCDC. The Authority, the Housing Authority and the RNGFA are separate legal entities from the City, but have the same governing board. The RCDC has a separate governing board; however, the board members are appointed by the City Council. The Successor Agency has a governing board determined by State law that does not report to the City Council. The RNGFA and RCDC issue their own component unit financial statements. Separate financial statements are not issued for the Authority, the Housing Authority, or the Successor Agency.

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

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

Residents of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission, committee, or board. The commissions, committees, and boards act in an advisory capacity to the City Council. They are Hearing Examiners/Appeals Board, Design Committee, Library Board, Parks and Recreation Commission, Personnel Board, Placer Mosquito & Vector Control District, Planning Commission, Public Utilities Commission, Roseville Grants Advisory Commission, Roseville Revitalization Committee, Senior Citizen Commission, and Transportation Commission.

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The economic condition of the City in fiscal year 2013 continued improving. Overall, general fund revenues were higher than 2012 as sales taxes were the largest increase. Property taxes were up and development revenues were up slightly. Overall, general fund revenues reflected a sharp recovery from the recession. Housing starts, including multi-family, were up and commercial development increased over the previous year.

The City continued efforts to reduce costs in order to match total revenues to expenses. General fund expenses were lower than revenues for the year as a whole while increasing taxes contributed to the recovery helping to make up for decreases in indirect charges and the use of one-time money. The combination of savings from vacant positions and reductions in spending on non-personnel items were the primary savings drivers. We were also able to use carryover monies from fiscal year 2012 to avoid dipping into economic reserves.

New housing permits continued to be pulled throughout the year, totaling 679 single-family permits and 103 multi-family permits finalized through June 2013. This represents an increase from the previous year and was stronger than expected. This also accounted for a large percentage of all residential permits pulled in the Sacramento region. Commercial development increased in fiscal year 2013, adding over 70,000 of new commercial square footage to the City. Industrial and business professional development continued to struggle; however, there are significant decreases in vacancy rates throughout the non-residential sector. More activity in the non-residential sector is based on re-leasing existing, vacant space rather than building new space. Several new development proposals may change that in the near future.

The electric utility's budget improved in fiscal year 2013, reflecting reductions in power supply costs and power plant operations. The utility ended the year with a positive available resources balance; however, most of that is tied up in inventory. The revenue to expense outlook for the next several years projects the buildup of the rate stabilization fund back to policy levels, and should result in higher cash balances for the operating fund. Many of the issues that are likely to drive future rate increases will be state and federal mandates related to renewable energy and environmental concerns.

The environmental utilities (water, wastewater, and solid waste) all ended the year within or better than budgeted. These utilities have less volatile costs that allow more predictable cost structures. The water and wastewater utilities debt instruments performed well during fiscal year 2013. The water utility's debt is fixed rate; however, the wastewater utility includes a large amount of variable-rate debt. Some of the variable rate debt was converted to fixed rate debt and a portion of the variable rate debt was sold as index notes, which pay variable rate interest but do not require a letter-of-credit backing. The interest rates on this debt remained low through fiscal year 2013.

The Golf Course enterprise fund ended the year with operating revenues slightly better than operating expenses. This was partially due to the economy, but also reflective of issues with nine holes at Woodcreek Golf Course that severely impacted rounds and revenue for much of last year. The golf courses are expected to operate in a profitable manner as the City has negotiated a revised operating contract. Improvements to the golf courses are planned in the next few years to keep the appearance and overall utility of the courses up-to-date.

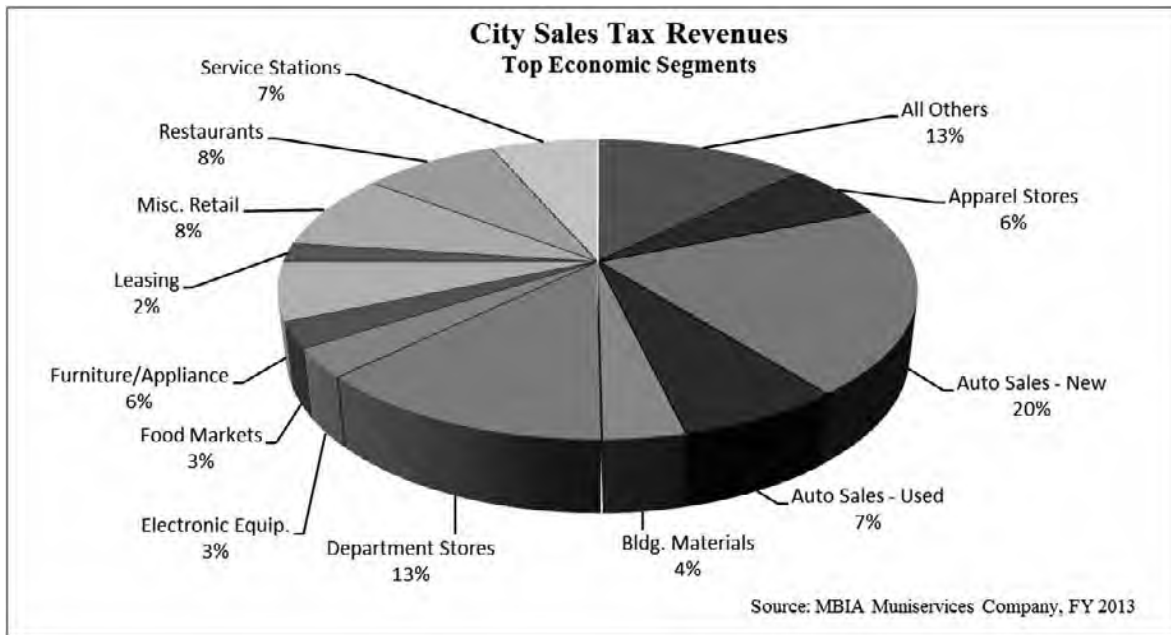
The School-Age Child Care Fund had operating revenues greater than operating expenses; however, the addition of facilities on the Johnson School Site and repayment of loans pushed total expenditures greater than revenue for the year. This program will continue to be monitored for fiscal effectiveness.

The long-term outlook for the City's economy is good. While housing starts are still down from earlier highs, new homes are still being built and sold. Office and retail vacancies remain significant, but this creates capacity for an economic recovery. Several major office vacancies have been recently filled, creating a lower vacancy rate. Sales tax is trending up and new and diverse stores continue to be attracted to the retail core of the City. New auto sales were up in fiscal year 2013 compared to fiscal year 2012. This trend appears to be continuing into fiscal year 2014. Retail hardware sales continued to be down as well due to fallout from the housing slowdown.

On a short-term basis, the City will need to continue cost-cutting measures to bring costs in line with falling revenues. Since 2007, the City has been aggressive and proactive in cutting costs and has aggressively reduced materials and supply costs, defunded approximately 80 General Fund positions through attrition through fiscal year 2012, incentivized 120 employees throughout the organization to retire, and laid off 35 permanent positions in the General Fund. The City is responding to the ongoing economic challenges and maintains a prudent approach with requests for increased budget appropriations.

TOP SALES TAX GENERATORS BY ECONOMIC SEGMENT

The chart below provides an overview of the City's sales tax revenue by economic segment. Most sectors experienced increases over fiscal year 2012. Total sales taxes increased nearly \$4.9 million from 2012, approximately 12.7% increase. In the top ten sales tax categories, nine have experienced increases in taxable sales. New auto sales, the largest sales-tax category, were up 15 percent from last year and up 29 percent from two years ago.



The outlook for the next two years is that sales taxes are most likely to continue increasing. The City is taking a conservative approach on sales taxes in its budgeting process.

MAJOR ACTIVITIES IN THE CITY

Many of the major activities undertaken in fiscal year 2013 are consistent with the City Council's direction to focus on projects and funding that provide economic stability and enhance the City's long-term financial condition while maintaining high levels of service to the older parts of the community. Major projects included:

- Public Works: Completed Town Square, Eureka/I-80 On-ramp widening, Fiddymment Road widening, and Fire Station #9.
- Water: Continued rehabilitation of the 22-inch Atlantic Street water pipe project and water infrastructure improvements for Downtown Specific Plan (DTSP) Phase I.
- Wastewater: Completed secondary clarifier mechanical rehabilitation, completed SCADA master plan and requested proposals to begin SCADA system replacement.
- Electric: Ongoing improvement, maintenance and rehabilitation of electric assets.
- Parks and Recreation: Completion of Heredia Park and renovations of Veterans Park parking lot, Pineschi Park, Weber play area, Silverado play area, Royer Park wooden castle structure and soccer field, Maidu softball field restroom, Lincoln Estates Park concrete slide, Aquatics Complex slide, and 11 tennis courts resurfaced.

Private development increased in fiscal year 2013. Single-family and multi-family residential increased compared to last fiscal year with 679 and 103 new units in 2013 as compared to 621 and 0, respectively in 2012. Commercial development increased over the last year with permits being issued for five new commercial projects; most notably was construction of a new DMV office, medical offices, and an addition to the Bill Santucci Justice Center. Industrial development continued to lag for 2013 with no new industrial inventory being added. The City has experienced a significant increase in permit activity which can be attributed to tenant improvements. This is evidenced by the increase in permit activity this year where 7,268 permits have been applied for, compared to 5,037 applied for last year.

Development Type	Number of Units	New Square Feet Occupied
Single-family residential	679	
Multi-family residential	103	
Industrial		0
Commercial		70,183
Business professional		0

The major growth areas of the Sierra Vista, Creekview, and Amoruso Ranch Specific Plan areas are located on the north and south boundaries of the West Roseville Specific Plan. Sierra Vista is annexed and fully entitled, including the Westbrook portion of the plan area adopted in June 2012. The Creekview Specific Plan, approved by the City Council in September 2012, was officially annexed April 17, 2003. A third development project, Amoruso Ranch, is in the entitlement process. Amoruso Ranch anticipates completing the entitlement process in winter 2014.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

All internal control evaluations occur within the above framework. Finance Department staff remains committed to improving the City's accounting system, maintaining the City's internal accounting controls to adequately safeguard assets, and providing reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by ordinance when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by major summary category. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

Category Fund Type

Governmental Funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Permanent Funds

Proprietary Funds: Enterprise Funds and Internal Service Funds

Fiduciary Funds: Agency Funds, OPEB Trust Fund and Private-Purpose Trust Funds

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

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

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

CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Available cash for operations and capital was invested in the State Treasurer's Local Agency Investment Fund (LAIF), corporate notes, money market funds, municipal bonds, commercial paper, and government securities. Restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio is invested mainly in Federal Agency Issues and U.S. Treasury Coupons. The average annual yield was 0.576% on the City's month-end average investment balances. This compared with a return of 0.758% in the prior year. As of June 30, 2013, the yield to market of outstanding investments was 0.490%. This decrease was the result of an overall falling interest rate environment. Investment income includes changes in the fair market value of investments. Decreases in fair market value during the current year do not necessarily represent trends that will continue. The City's policy is to generally hold investments to maturity, and to limit sales of securities to those that show gains in market value.

Although positive economic news and improvements in the housing market helped boost investor confidence about the economic recovery, the City closely monitors all investments. The City has exposure to financial institutions in the form of corporate notes and negotiable CDs. Additionally, the City owns a good deal of Federal agency bonds and U.S. Treasuries. No losses have occurred in these portfolios. The table below provides a list of the City's investments at the end of June 30, 2013.

**City of Roseville
Portfolio Summary
June 30, 2013**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM
Certificates of Deposit	1,250,000.00	1,254,288.05	1,250,000.00	0.31%	291	112	0.366
C.A.M.P.	970,730.25	970,730.25	970,730.25	0.24%	1	1	0.100
Local Agency Investment Funds	47,080,066.78	47,092,929.38	47,080,066.78	11.66%	1	1	0.244
Money Market	1,861,336.79	1,861,336.79	1,861,336.79	0.46%	1	1	0.001
Negotiable CDs	39,000,000.00	38,978,285.50	38,998,654.37	9.66%	588	494	0.489
Corporate Notes	64,320,000.00	65,045,603.18	65,106,317.18	16.13%	992	693	0.961
Commercial Paper - Interest Bearing	10,000,000.00	10,000,888.89	10,000,000.00	2.48%	185	123	0.100
Commercial Paper Disc. -Amortizing	100,000.00	99,937.50	99,924.06	0.02%	180	127	0.220
Federal Agency Coupon Securities	67,287,000.00	68,365,398.70	68,444,891.73	16.95%	1029	783	0.499
Treasury Coupon Securities	159,488,000.00	167,285,940.05	167,462,714.77	41.48%	1037	748	0.399
Municipal Bonds	2,430,000.00	2,426,881.70	2,430,000.00	0.60%	1250	978	0.788
Investments	393,787,133.82	403,382,219.99	403,704,635.93	100.00%	835	612	0.490

LONG-TERM FINANCIAL PLANNING

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

Operating Reserves: The City maintains an operating reserve in its General Fund of 10 percent of operating expenses, less indirect cost transfers from Enterprise Funds. Additionally, the City attempts to maintain a similar operating reserve in all of the City-owned utilities. These reserves guard against impacts from sudden changes in revenues. The Electric Utility's reserve is housed in its Rate Stabilization Fund.

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

CIP Rehabilitation Fund: The City has set aside approximately \$12.6 million in a CIP Rehabilitation Fund for the purpose of maintaining the City's investments in buildings and park facilities. These funds are used to provide necessary maintenance and improvements to City-owned facilities. The Council's goal is to increase this balance of this fund to keep pace with the improvements needed to maintain City facilities.

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

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

OPEB Trust: The City set up the Post-Retirement Fund in 2002 to begin setting aside monies to address the City's long-term liability for post-retirement health benefits. In addition to one-time monies transferred into this fund, the City has transferred 3 percent of the total cost of salaries for several years; however, the General Fund portion of this transfer was not made in fiscal year 2013. The City is in the process of reviewing its benefit levels. In fiscal year 2011, the City established an irrevocable trust and moved \$34 million of accumulated revenues into the OPEB Trust. This has increased the longer-term investment return on the funds, thus lowering the City's unfunded liability. Since inception, the trust's investments have performed at or better than its long-term return of 6.5%.

INDEPENDENT AUDIT

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

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roseville for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

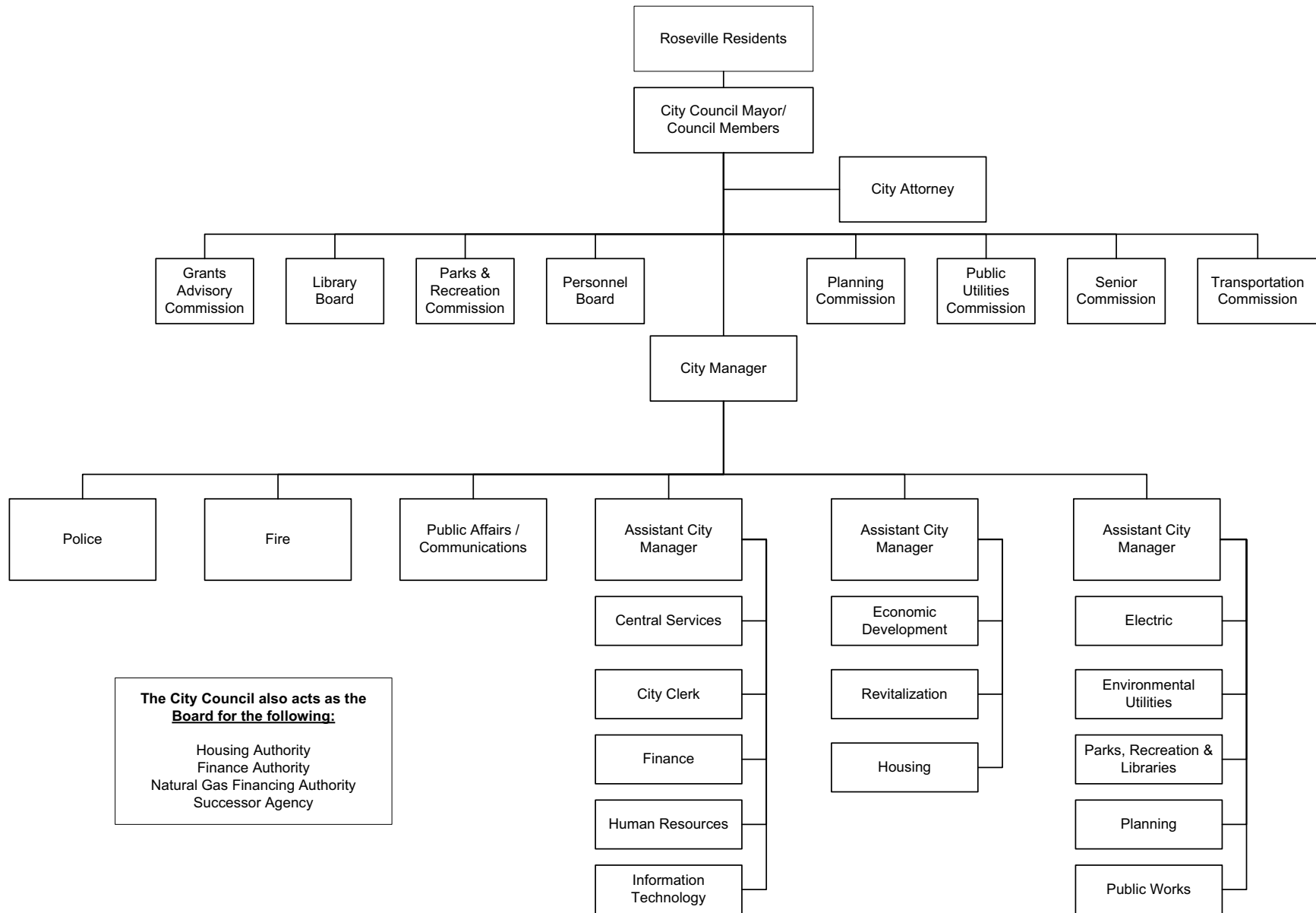
ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Monty Hanks", with a stylized, flowing script.

Monty Hanks
Finance Director



Organizational Chart: City Wide

CITY OF ROSEVILLE

ELECTED OFFICIALS

JUNE 30, 2013

Mayor	Susan Rohan
Vice Mayor	Carol Garcia
Council Member	Bonnie Gore
Council Member	Tim Herman
Council Member	Pauline Roccucci



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Roseville
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

This Page Left Intentionally Blank



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Roseville, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the nomenclature of the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1B and 1F to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that also affected the format and nomenclature of the financial statements and required a restatement of net position:

Statement 65 – Items Previously Report as Assets and Liabilities. See Note 1F and Note 9 to the financial statements for relevant disclosures.

As discussed in Note 8E, the City restated certain capital asset balances.

As discussed in Note 20, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Roseville Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Roseville Redevelopment Agency prior to the date of dissolution, including the repayment of interfund advances and loans made to the City and the Roseville Community Development Corporation, may be subject to review by the State as discussed in Note 20, but the effect of that review cannot be determined as of June 30, 2013.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison information for the General Fund, and the Modified Approach to Reporting Street Pavement Costs and Parks and Landscaping Costs be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
December 20, 2013

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The following discussion provides readers of the City of Roseville's financial statements a narrative overview and analysis of the financial activities of the City of Roseville for the fiscal year ended June 30, 2013. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Even though there have been signs of economic recovery, there have continued to be issues which affect Roseville, in areas such as reduced property taxes and increased retirement expenses, as it has for most of the state. The City's financial highlights are presented below:

FISCAL YEAR 2013 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2013 include the following:

Entity-wide:

- The City's total net position was \$2.4 billion as of June 30, 2013. Of this total, \$1.1 billion were Governmental assets and \$1.3 billion were Business-type assets.
- Governmental revenues include program revenues of \$54.1 million and general revenues and transfers of \$110.3 million for a total of \$164.3 million.
- Governmental expenses were \$176.5 million.
- Business-type program revenues, interest revenue and miscellaneous revenues were \$291.7 million while Business-type expenses, transfers, and special items were \$308.2 million.

Fund Level:

- Governmental Fund balances decreased to \$194.7 million in fiscal year 2013, down \$16.9 million from the prior year.
- Governmental Fund revenues increased to \$135.8 million in 2013, up \$14.2 million from the prior year. Both sales and property taxes increased as the economy has been in an upward growth mode. Charges for services, subventions and grants, contributions from developers, and miscellaneous revenue all increased, while use of money and property continued to decline as interest rates have continued to be extremely low. Governmental Fund expenditures increased to \$164.0 million in fiscal year 2013, up \$17.1 million from the prior year. The increases were primarily due to \$15.4 million in capital outlay; \$1.5 million in general government; \$1.0 million in police; \$1.5 million in fire; \$1.4 million in parks and recreation, which was offset by \$2.3 million reduction in debt service, and a \$1.2 million reduction in community development and planning.
- Other Financing Sources provided a net of \$18.6 million in fiscal year 2013, down \$6.7 million from 2012 as project funding from the enterprise funds did not recur.

General Fund:

- General Fund revenues of \$97.2 million increased by \$8.0 million higher than the prior year due mostly to increased sales taxes and a refund of property tax administrative fees.
- General Fund expenditures of \$114.4 million increased \$3.5 million over the prior year -- \$1.8 million from general government, \$1.5 million from fire, \$1.0 million from police; while capital outlay declined by \$1.1 million.
- Other Financing Sources decreased \$2.1 million to \$17.0 million due to a decline in transfers from other funds.
- The General Fund balance of \$57.3 million as of June 30, 2013 decreased \$7.5 million from fiscal year 2012's fund balance of \$64.8 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is divided into six parts:

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

The Basic Financial Statements

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

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

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

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

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

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

The Entity-wide Financial Statements

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

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

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

The City’s governmental activities also include the activities of three separate legal entities, the Roseville Finance Authority, the City of Roseville Housing Authority and the Roseville Community Development Corporation. The City is financially accountable for these entities.

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

The City’s business-type activities also include the activities of a separate legal entity, the Roseville Natural Gas Financing Authority. The City is financially accountable for this entity.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City’s most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City’s activities.

In the City’s case, the Community Facilities District Projects Fund is the only Major Governmental Fund in addition to the General Fund.

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

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

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

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

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

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by financial reporting standards.

Fiduciary Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Governmental Activities

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

	<u>2013</u>	<u>2012</u>
Cash and Investments	\$231.5	\$238.2
Other Assets	79.5	71.9
Capital Assets	851.6	848.1
Total Assets	1,162.6	1,158.2
Long-Term Debt Outstanding	12.8	13.3
Other Liabilities	92.4	75.4
Total Liabilities	105.2	88.7
Net Assets:		
Net Investment in Capital Assets	838.8	834.8
Restricted	131.4	140.3
Unrestricted	87.2	94.4
Total Net Position	\$1,057.4	\$1,069.5

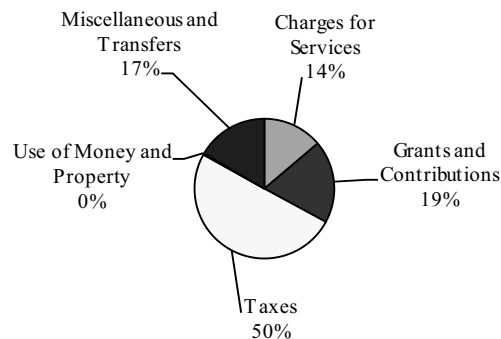
The City's governmental net position amounted to \$1.1 billion as of June 30, 2013, a decrease of \$12.1 million from fiscal year 2012. The City's net position as of June 30, 2013 comprised the following:

- Cash and investments comprised \$227.7 million in the city treasury and \$3.8 million of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.
- Receivables comprised \$16.4 million of which were current, along with developer permit receivables of \$1.6 million, internal balances of \$4.3 million, notes receivable of \$54.2 million that are due over longer periods of time, as explained in Notes 4, 5, and 6 to the financial statements.
- Capital assets of \$851.6 million, net of depreciation charges, includes all of the City's infrastructure as well as other capital assets used in governmental activities, as discussed in Note 8.
- Current liabilities—including accounts payable, accrued liabilities, and other amounts due currently—totaled \$37.8 million.
- Accrued compensated absence liabilities payable to employees of \$11.2 million, as explained in Note 1H to the financial statements.

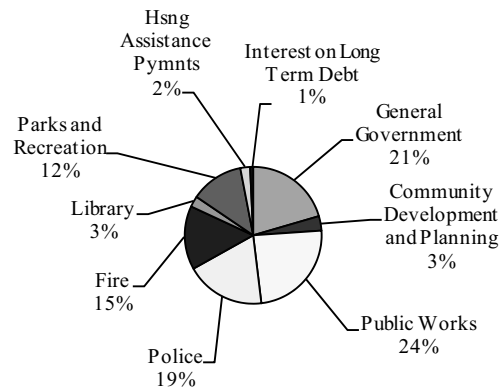
- \$33.2 million of unfunded required contributions to the Other Post-Employment Benefits (OPEB) Trust as required by GASB 45 and detailed in Note 13.
- Long-term debt of \$12.8 million, of which \$11.9 million is due in future years and \$0.9 million is due currently, as detailed in Note 9.
- Net investment in capital assets of \$838.8 million, representing the City's investment in infrastructure and other capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net position totaling \$131.4 million may only be used to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds cannot be changed by the City.
- Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$87.2 million of unrestricted net position as of June 30, 2013. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Fiscal Year 2013 Governmental Activities

Sources of Revenue



Functional Expenses



As the Sources of Revenue Chart above shows, \$82.4 million, or 50% of the City's fiscal year 2013 governmental activities revenue, came from taxes, while \$27.3 million or 17% came from transfers and miscellaneous, \$31.4 million or 19% came from grants and contributions, \$22.7 million, or 14%, came from charges for services, and the remainder came from use of money and property, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, general government was \$36.2 million or 21% of total government expenses, community development and planning was \$6.0 million or 3%, public works was \$42.7 million or 24%, police was \$33.2 million or 19%, fire was \$26.6 million or 15%, parks and recreation was \$22.0 million or 12%, and other governmental programs and functions were the remaining 6%.

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

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Expenses		
General Government	\$36.2	\$35.6
Community Development and Planning	6.0	11.6
Public Works	42.7	32.5
Police	33.2	31.3
Fire	26.6	25.3
Library	4.5	4.6
Parks and Recreation	22.0	20.2
Housing Assistance Payments	4.0	4.2
Interest on Long-Term Debt	1.3	1.0
Total Expenses	176.5	166.3
Revenues		
Program Revenues:		
Charges for Services	22.7	20.6
Operating Grants and Contributions	9.6	3.0
Capital Grants and Contributions	21.8	19.8
Total Program Revenues	54.1	43.4
General Revenues:		
Taxes/Intergovernmental	82.4	78.5
Use of Money and Property	0.5	3.2
Miscellaneous	2.1	1.5
Total General Revenues	85.0	83.2
Total Revenues	139.1	126.6
Changes in Net Position before Transfers	(37.4)	(39.7)
Transfers	25.2	30.4
Extraordinary item-Successor Agency	0	34.2
Change in Net Position	(12.2)	24.9
Net Position-Beginning	1,069.6	1,044.7
Net Position-Ending	\$1,057.4	\$1,069.6

As the Sources of Revenue Chart and **Table 2** above show, \$54.1 million, or 38.9% of the City's fiscal year 2013 governmental revenue, came from program revenues and \$85.0 million, or 61.1%, came from general revenues such as taxes and interest.

Program revenues were composed of charges for services of \$22.7 million that include permit revenues, fees, and charges used to fund expenses incurred in providing services; \$9.6 million of operating grants and contributions which include gas tax revenues, housing, and police grants; and capital grants and contributions of \$21.8 million that consist mainly of street project grants, developer impact fees restricted to capital outlay.

General Revenues-Taxes/Intergovernmental showed an increase of \$3.9 million, as sales and property taxes increased, signs of an economy rebounding. General revenues are not allocable to programs and are used to pay the net cost of governmental programs.

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

Table 3
Governmental Activities
June 30
(in Millions)

	<u>Net (Expense)/Revenues from Services</u>	
	<u>2013</u>	<u>2012</u>
General Government	(\$31.2)	(\$30.9)
Community Development and Planning	(2.4)	(9.2)
Public Works	(24.6)	(15.4)
Police	(30.4)	(28.5)
Fire	(23.2)	(22.9)
Library	(4.1)	(4.2)
Parks and Recreation	(5.6)	(6.6)
Housing Assistance Payments	0.4	(4.2)
Interest on Long Term Debt	(1.3)	(1.0)
Totals	(\$122.4)	(\$122.9)

Business-type Activities

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

Table 4
Business-Type Net Position at June 30
(in Millions)

	<u>2013</u>	<u>2012 (a)</u>
Cash and Investments	\$197.8	\$181.7
Other Assets	381.6	424.2
Capital Assets	1,442.1	1,460.7
Total Assets	2,021.5	2,066.6
Deferred Amount on Refunding	4.8	5.2
Accumulated Decrease in Fair Value of Hedging Derivatives	43.3	77.5
Total Deferred Outflows of Resources	48.1	82.7
Long-Term Debt Outstanding	579.9	587.9
Other Liabilities	97.8	126.1
Total Liabilities	677.7	714.0
Accumulated Increase in Fair Value of Hedging Derivatives	74.8	101.6
Total Deferred Inflows of Resources	74.8	101.6
Net Position:		
Net Investment in Capital Assets	1,046.7	1,065.7
Restricted	27.2	28.9
Unrestricted	243.2	239.1
Total Net Position	\$1,317.1	\$1,333.7

(a) As discussed in Notes 8E and 9 to the financial statements, 2012 amounts have been restated for the implementation of GASB Statements No. 63 and 65 and for prior developer contributions of capital assets.

The net position of business-type activities decreased to \$1.317 billion in fiscal year 2013, a decrease of \$16.6 million. Cash and investments increased by \$16.1 million. Capital assets decreased by \$18.6 million as depreciation expense exceeded current year additions. Long-term debt outstanding decreased by \$7.5 million from scheduled retirements of outstanding debt. Other assets and other liabilities decreased by \$42.6 million and \$28.3 million respectively, as the fair value of hedging derivative assets and liabilities decreased \$27.1 million and \$34.2 million, respectively, and the investment in SPWA reserves decreased \$15.7 million. Also deferred inflows decreased by \$2.7 million.

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

	Business-Type Activities	
	<u>2013</u>	<u>2012</u>
Expenses		
Electric Fund	\$144.2	\$145.0
Water Fund	24.6	24.3
Wastewater Fund	33.8	34.6
Solid Waste Fund	16.2	15.9
Natural Gas	26.4	26.8
Golf Course Fund	2.6	2.5
Local Transportation Fund	7.9	6.7
School-Age Child Care Fund	4.7	4.5
Total Expenses	260.4	260.3
Revenues		
Program Revenues		
Charges for Services	255.6	253.4
Operating Grants and	7.2	13.7
Capital Grants and Contributions	17.5	12.3
Total Program Revenues	280.3	279.4
General Revenues		
Use of Property and Money	11.2	12.7
Miscellaneous Revenues	0.2	
Total Revenues	291.7	292.1
Change in Net Position before	31.3	31.8
Transfers	(25.2)	(30.4)
Special Item	(22.7)	
Changes in Net Position	(16.6)	1.4
Net Position-Beginning, as restated	1,333.7	1,332.3
Net Position-Ending	\$1,317.1	\$1,333.7

Business-type program revenues, interest revenue, and miscellaneous revenues were \$291.7 million while Business-type expenses and transfers were \$285.6 million in 2013. Each program is discussed in the Proprietary Funds section below.

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

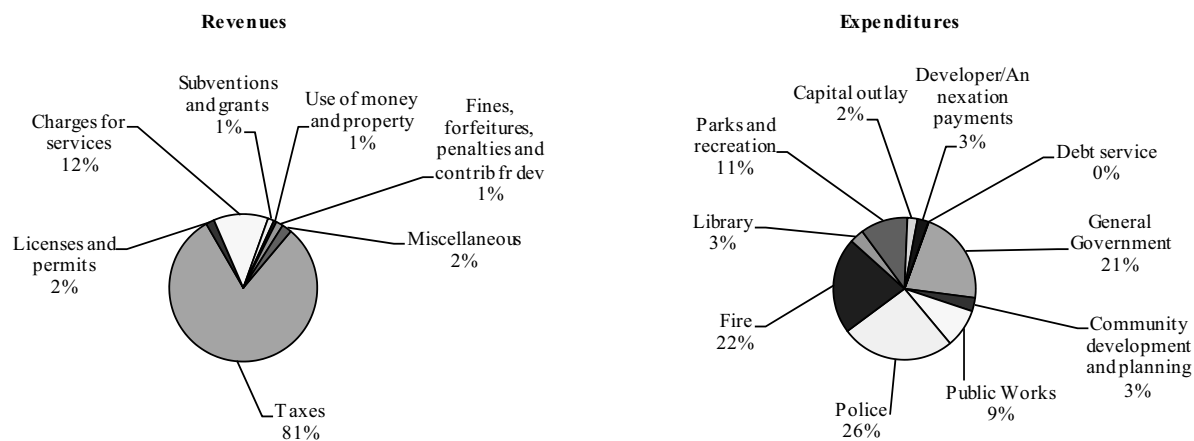
Table 6
Changes in Business-Type Net Position
(in Millions)

	<u>Net (Expense)/Revenues From Services</u>	
	<u>2013</u>	<u>2012</u>
Electric Fund	\$19.6	\$17.1
Water Fund	4.7	(0.5)
Wastewater Fund	(0.2)	0.3
Solid Waste Fund	5.7	5.3
Natural Gas	(9.9)	(10.2)
Golf Course Fund	(0.1)	0.2
Local Transportation Fund	0.0	7.1
School-Age Child Care Fund	0.1	0.2
Totals	\$19.9	\$19.5

Analyses of Major Governmental Funds

General Fund

Fiscal Year 2013 General Fund Activity



General Fund revenues increased by \$8.0 million this fiscal year. Total actual revenues were more than the final budget by \$3.6 million, with the following major breakdown:

- Taxes were more than budget by \$3.6 million, due to both sales and property taxes coming in higher as the economy has been in recovery mode;
- Charges for services and subventions and grants were less than budget by \$0.1 million and \$0.5 million, respectively;
- Licenses and permits and miscellaneous revenues were more than budget by \$0.1 million and \$0.5 million, respectively, due to an increase of development activity and reimbursements.

General Fund expenditures were \$114.4 million, an increase of \$3.5 million from the prior year. Expenditures were also \$7.2 million less than budget. The original budget was increased by a net \$9.2 million, from encumbrances and incomplete capital projects carried over from fiscal year 2012. The following is a list of the major differences:

Salaries and benefits

- Engineering was under budget by \$334 thousand due to unfilled positions.
- Police in aggregate was under budget by \$1.4 million due to unfilled positions.
- Fire operations were under budget by \$362 thousand due to unfilled positions.

Operating services and supplies

- Strategic improvements were under budget by \$245 thousand for program delays.
- Information technology-administration was under budget by \$166 thousand due to upgrade projects and training not completed.
- Building maintenance was under budget by \$200 thousand due to delays in maintenance and remodel projects.
- Economic development was under budget by \$624 thousand as a business development project was delayed.
- Specific plan projects in aggregate were delayed and were \$445 thousand under budget.
- Building plan check services were under budget by \$165 thousand.
- Police administration was under budget by \$126 thousand as contract services were delayed and utility and phone charges decreased.
- Fire operations were under budget by \$170 thousand as gear and safety equipment were not received, system maintenance and training not completed by year-end.
- Aquatics were under budget by \$128 thousand from lower utility costs and delays in system maintenance and concession purchases.
- Open space/tree maintenance was under budget by \$117 thousand as planned maintenance was delayed.

Other financing sources and uses reported net inflows of \$17.0 million in fiscal year 2013, a decrease of \$2.1 million. There was an extraordinary expenditure item of \$7.3 million as a prior year loan repayment by the former Redevelopment Agency was denied by the Department of Finance and the funds were returned to the Successor Agency.

As of June 30, 2013, the General Fund's fund balance totaled \$57.3 million, including \$24.3 million nonspendable, mostly for notes receivable, \$3.0 million assigned to various contracts, and the balance of \$29.9 million considered unassigned. Only the unassigned portion of fund balance represents available liquid resources, since the nonspendable and assigned portions is represented by non-cash assets or by open purchase orders.

Community Facilities District Projects

This Fund accounts for capital expenditures on community facilities districts in the City. The purpose of these districts is to finance the construction of capital improvements within the boundaries of each district, through the contribution of Mello-Roos bond proceeds. The improvements are contributed to the City, which in turn acquires and pays for these facilities from the developers who actually construct the improvements. In fiscal year 2013 fund balance decreased by \$4.7 million. The largest projects underway in fiscal year 2013 were improvements to the Westpark, North Central, and Fiddymont developments.

Other Governmental Funds

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

Proprietary Funds

Electric Fund

Net Position of the Electric Fund increased \$5.0 million in fiscal year 2013 to a total of \$254.9 million. Operating revenues were \$159.0 million, a decrease of \$1.1 million from 2012. Even though charges for services went up \$3.1 million, other revenues decreased by \$4.2 million due to remediation revenue being eliminated. Operating expenses were \$132.9 million in fiscal year 2013, a slight increase of \$320 thousand. This resulted in a net operating income of \$26.0 million. Net nonoperating expenses decreased slightly by \$560 thousand in fiscal year 2013 to \$11.0 million from \$11.6 million in fiscal year 2012. During fiscal year 2013, the City refinanced and retired the 2008 Electric System Revenue Refunding Certificates of Participation, Series A, with the 2012 Electric System Revenue Refunding Certificates of Participation. Rates are anticipated to be increased in fiscal year 2014.

Of the fund's Net Position of \$254.9 million, \$163.2 million was invested in capital assets, \$16.7 million was restricted for debt service, and \$75.0 million was unrestricted.

Water Fund

Net Position of the Water Fund increased \$2.1 million in fiscal year 2013. Operating revenues increased by \$2.9 million in fiscal year 2013 to a total of \$22.9 million, while expenses increased slightly by \$870 thousand to a total of \$22.5 million. The net result was an operating income of \$380 thousand. Rates are anticipated to be increased in fiscal year 2014. In fiscal year 2013, capital connection fees were \$5.0 million, an increase of \$1.3 million; and contributions from developers increased from almost zero in fiscal year 2012 to \$1.3 million, as development picked up in fiscal 2013. In addition, net transfers out were \$3.0 million.

As of June 30, 2013, the Fund's Net Position was \$447.6 million, of which \$386.6 million was invested in capital assets, \$4.3 million was restricted for debt service, and \$56.6 million was unrestricted as to use.

Wastewater Fund

Operating revenues decreased slightly in fiscal year 2013 \$400 thousand to a total of \$27.7 million. Operating expenses decreased to \$29.6 million, down \$680 thousand. The net result was an operating loss of \$1.9 million. Rates are anticipated to be increased in fiscal year 2014. Other items that affected net position were: connection fees of \$5.8 million; capital contributions by developers of \$3.7 million; decrease of \$3.5 million in South Placer Wastewater Authority (SPWA) reserves; net transfers out of \$4.1 million; and a special item expense due to the reallocation of the City's investment in SPWA of \$22.7 million. The reallocation was the result of a change in the SPWA funding agreement that increased the City's share of the SPWA debt from 54.17% to 61.66%, as discussed in Note 16 to the financial statements. The total decrease to net position was \$26.9 million for fiscal year 2013 to a total of \$569.8 million. As of June 30, 2013, of the Fund's Net Position, \$465.7 million was invested in capital assets, \$5.1 million restricted for debt service, and \$99.0 million was unrestricted.

Solid Waste Fund

Operating revenues decreased nominally by \$530 thousand to \$21.4 million while operating expenses increased slightly by \$640 thousand in fiscal year 2013 to \$16.2 million. Net operating income was \$5.2 million. Capital impact fees were \$380 thousand. Net transfers out were \$2.8 million. As of June 30, 2013, total net position was \$20.9 million, an increase of \$2.9 million.

Roseville Natural Gas Financing Authority

This fund was created as the financing mechanism to purchase pre-paid natural gas for the Roseville Energy Park (REP), an electric power plant, through the issuance of revenue bonds. \$184.5 million remains due in bonds payable, while the pre-paid natural gas is \$186.7 million. \$8.2 million in debt service was expensed in 2013 and interest earnings were \$10.2 million. Net position increased by \$300 thousand to \$3.0 million.

Golf Course Fund

Operating revenues decreased slightly by \$240 thousand in fiscal year 2013 to \$2.5 million. Operating expenses increased slightly by \$100 thousand to \$2.3 million, for an operating income \$184 thousand. The Fund is financed in part by advances from other City funds; as a result, it has a deficit in its unrestricted net position, partially offsetting the \$10.1 million it has invested in capital assets, net of the related debt.

Local Transportation Fund

Net Position of the Fund decreased slightly by \$280 thousand in fiscal year 2013. There was a \$6.9 million operating loss in fiscal year 2013, but the loss was offset by subventions and grants of \$6.8 million. As of June 30, 2013, of the Fund's Net Position of \$15.4 million, \$14.3 million was invested in capital assets and \$1.2 million was restricted for use in local transportation.

School-Age Child Care Fund

Net Position of the Fund remained relatively flat with a nominal decrease of \$240 thousand in fiscal year 2013 to a total of \$1.3 million. Operating revenues increased \$430 thousand while operating expenses decreased by \$370 thousand. Of the net position, \$2.1 million were invested in capital assets, which leaves a negative \$874 thousand in unrestricted net position.

CAPITAL ASSETS

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

Table 7
Capital Assets at Year End
(in Millions)

	Balance at June 30, 2013	Balance at June 30, 2012
Governmental Activities		
Land	\$27.1	\$25.8
Streets (modified)	282.7	251.8
Parks (modified)	89.3	85.3
Landscaping (modified)	45.1	44.9
Construction in Progress	42.3	96.5
Buildings	126.6	126.4
Improvements	6.6	6.6
Equipment	73.9	72.3
Bike Paths	8.5	8.5
Bridges	65.3	56.5
Culverts	20.7	20.2
Curb, Gutter, Sidewalk, & Median Curbs	151.1	145.4
Drain Inlets	21.2	20.8
Flood Control Improvements	20.2	20.0
Soundwall	36.1	31.6
Stormdrains	77.8	72.7
Traffic Signals	42.6	33.3
Less: Accumulated Depreciation	(285.5)	(270.5)
Governmental Activity Capital Assets, Net	\$851.6	\$848.1
	Balance at June 30, 2013	Restated Balance at June 30, 2012
Business-Type Activities		
Land	\$16.5	\$16.5
Landscaping (modified)	0.6	0.6
Construction in Progress	21.8	13.6
Buildings	26.7	26.2
Improvements	16.4	17.1
Machinery and Equipment	26.8	24.6
Bike Paths	4.1	4.1
Bridges	1.7	1.7
Culverts, drains, curbs	0.3	0.3
Curb, gutter, sidewalk, and median curbs	0.1	0.1
Flood control improvements	8.8	8.8
Plant and Substations	354.4	352.3
Distribution	1,194.8	1,187.2
Generation	202.0	200.9
Less: Accumulated Depreciation	(432.9)	(393.3)
Business-Type Activity Capital Assets, Net	\$1,442.1	\$1,460.7

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

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

The City uses a computerized Pavement Management System to track the condition levels of each of the street sections. The City has adopted a policy of maintaining arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.4, which means that, on average, the City's streets must be maintained at no less than 78% of pavement in perfect condition.

At June 30, 2013, the City's streets averaged 7.8 PQI for arterial and collector roadways and 7.4 PQI for residential roadways. The City expended \$5.0 million on preservation of its streets in fiscal year 2013, compared to the budgeted amount of \$5.2, and plans to spend \$4.6 million in fiscal year 2014.

The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping. The City has adopted a policy of maintaining parks and landscaping at an average Ground Management Index (GMI) of Level 3, which means that, on average, the City's parks and landscaping must be maintained at no less than 78% of parks and landscaping maintained at a state-of-the-art level.

At June 30, 2013, the City's parks and landscaping averaged 3 GMI. The City expended \$4.9 million on preservation of its parks and landscaping in fiscal year 2013, compared to the budget of \$4.8 million, and plans to spend \$5.0 million in fiscal year 2014.

DEBT ADMINISTRATION

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

Table 8
Outstanding Debt
(in Millions)

	Balance at June 30, 2013	Balance at June 30, 2012
Governmental Activity Debt:		
Certificates of Participation:		
2003A Public Facilities Bond, 2.0%-5.0%, due 8/1/25		\$13.19
Lease:		
2012 Public Facilities Refunding, 2.15%, due 8/1/25	\$11.55	
Installment Purchase Obligations:		
Equipment	0.04	0.13
Land	1.19	
Total Governmental Activity Debt:	\$12.78	\$13.32

	Balance at June 30, 2013	Balance at June 30, 2012
Business-type Activity Debt:		
Certificates of Participation:		
2004 Electric System Revenue, 3.0-5.25%, due 2/1/34	\$37.43	\$37.82
Less deferred amount on refunding	(0.51)	(0.53)
2005 Electric System Revenue, Series A, 3.0-5.0%, due 2/1/23	40.16	43.62
Add deferred bond premium cost	2.62	2.73
2008 Electric System Revenue, Series A, Variable Rate, due 2/1/35		90.00
2009 Electric System Revenue Refunding, 2.0-5.25%, due 2/1/24	20.84	22.35
Add deferred bond premium cost	0.29	0.32
2012 Electric System Revenue Refunding, variable rate, due 2/1/35	90.00	
2003B Golf Course Refunding, 2.0-5.0%, due 8/1/23		5.60
2007 Water Utility Revenue, 4.0%-5.0%, due 12/1/27	44.70	46.66
Add deferred bond premium cost	1.93	2.07
Total Certificates of Participation	237.46	250.64
Revenue Bonds:		
2007 Gas Revenue Bonds		
variable rate, due 2/15/28	174.20	181.87
Add deferred bond premium cost	10.30	11.04
2010 Electric System Revenue Refunding		
2.00%-5.00%, due 2/1/37	55.21	55.54
Add: deferred bond premium cost	2.46	2.56
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds,		
Series A, variable rate, due 11/1/35		16.34
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds,		
Series B variable rate, due 11/1/35		16.34
2011 Refunding Wastewater Revenue Bonds, Series C		
1.00-5.25%, due 11/1/25	37.80	34.86
Add: deferred bond premium cost	2.63	2.48
2011 Refunding Wastewater Revenue Bonds, Series D		
variable rate (SIFMA rate plus 0.83%), due 11/1/14	18.50	16.25
2013 Refunding Wastewater Revenue Bonds		
variable rate, due 11/1/35	36.58	
Total Revenue Bonds	337.68	337.28
Lease:		
2012 Public Facilities Refunding (Golf Course),		
2.15%, due 8/1/25	4.78	
Total Business-type Activity Debt:	\$579.92	\$587.92

COMMUNITY FACILITIES/ASSESSMENT DISTRICTS DEBT

Community facilities districts and assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts. As of June 30, 2013, a total of \$340.8 million in community facilities district and assessment district debt was outstanding, representing fourteen issues by community facilities districts and one issue by assessment districts. This debt is secured only by special tax liens and assessments on the real property in the district issuing the debt and is not the City's responsibility; however, the City does act as the agent in the collection and remittance of special taxes and assessments for these Districts. Further detail on this debt may be found in Note 9 to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ROSEVILLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

CITY OF ROSEVILLE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in City Treasury (Note 3)	\$227,660,294	\$167,533,571	\$395,193,865
Restricted cash and investments with fiscal agents (Note 3)	3,772,060	30,280,880	34,052,940
Receivables:			
Taxes	1,756,273		1,756,273
Accounts, net of allowance for doubtful accounts	1,827,419	34,446,225	36,273,644
Accrued interest	4,346,651	647,326	4,993,977
Due from other government agencies	8,507,844	4,759,344	13,267,188
Internal balances (Note 4D)	4,317,809	(4,317,809)	
Prepays	93,385	2,630,331	2,723,716
Developer permit fees receivable (Note 6)	1,606,038	86,876	1,692,914
Notes receivable (Note 5)	54,203,678		54,203,678
Notes receivable from NCPA (Note 15B)		55,404	55,404
Inventories (Note 11)	1,977,681	8,558,769	10,536,450
Land held for resale (Note 7B)	886,671		886,671
Prepaid purchased gas (Note 19)		186,720,473	186,720,473
Investment in NCPA reserves (Note 15)		3,385,917	3,385,917
Investment in SPWA reserves (Note 16)		69,749,795	69,749,795
Derivative at fair value-asset (Note 10A)		74,846,313	74,846,313
Capital assets (Note 8):			
Capital assets not being depreciated	486,476,329	38,887,899	525,364,228
Capital assets being depreciated, net	365,155,254	1,403,212,304	1,768,367,558
Total assets	1,162,587,386	2,021,483,618	3,184,071,004
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding (Note 9)		4,844,164	4,844,164
Accumulated decrease in fair value of hedging derivatives (Notes 9P and 10A)		43,348,650	43,348,650
Total deferred outflows of resources		48,192,814	48,192,814
LIABILITIES			
Accounts payable	5,681,000	13,120,110	18,801,110
Accrued liabilities	7,333,223	13,119,666	20,452,889
Due to other governments	21,420,414	795,618	22,216,032
Deposits	2,737,287	6,277,200	9,014,487
Unearned revenues	652,384	11,265,624	11,918,008
Derivative at fair value-liability (Notes 9P and 10A)		43,348,650	43,348,650
Landfill closure and post closure liability (Note 17):			
Due in more than one year		2,615,565	2,615,565
Net OPEB obligation (Note 13):			
Due in more than one year	33,246,786		33,246,786
Compensated absences (Note 1H):			
Due within one year	3,993,330	2,570,595	6,563,925
Due in more than one year	7,773,600	4,720,004	12,493,604
Self-insurance claims payable and litigation settlement (Note 14):			
Due within one year	1,473,299		1,473,299
Due in more than one year	8,123,010		8,123,010
Long-term liabilities (Note 9):			
Due within one year	921,748	18,444,153	19,365,901
Due in more than one year	11,861,569	561,471,588	573,333,157
Total liabilities	105,217,650	677,748,773	782,966,423
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives (Note 10A)		74,846,313	74,846,313
NET POSITION (Note 11):			
Net investment in capital assets	838,848,266	1,046,687,207	1,885,535,473
Restricted for:			
Capital projects:			
Expendable	102,783,353		102,783,353
Nonexpendable	17,617,205		17,617,205
Debt service	144,978	26,045,203	26,190,181
Community development projects	10,826,992		10,826,992
Local transportation		1,172,155	1,172,155
Total restricted	131,372,528	27,217,358	158,589,886
Unrestricted	87,148,942	243,176,781	330,325,723
Total net position	\$1,057,369,736	\$1,317,081,346	\$2,374,451,082

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$36,146,055	\$2,650,873	\$31,686	\$2,284,700	(\$31,178,796)		(\$31,178,796)
Community development and planning	6,070,940	1,691,318	1,818,805	106,069	(2,454,748)		(2,454,748)
Public works	42,655,128	3,124,557	150,223	14,821,706	(24,558,642)		(24,558,642)
Police	33,163,354	1,504,357	1,215,095		(30,443,902)		(30,443,902)
Fire	26,611,217	821,543	1,654,189	912,985	(23,222,500)		(23,222,500)
Library	4,537,528	297,467	88,946		(4,151,115)		(4,151,115)
Parks and recreation	22,032,310	12,574,853	204,754	3,661,926	(5,590,777)		(5,590,777)
Housing assistance payments	4,049,279		4,445,702		396,423		396,423
Interest on long-term debt	1,274,294				(1,274,294)		(1,274,294)
Total Governmental Activities	176,540,105	22,664,968	9,609,400	21,787,386	(122,478,351)		(122,478,351)
Business-type Activities:							
Electric	144,141,500	159,002,035	9,410	4,760,985		\$19,630,930	19,630,930
Water	24,569,405	22,899,867	50,374	6,366,042		4,746,878	4,746,878
Wastewater	33,820,510	27,693,272		5,968,120		(159,118)	(159,118)
Solid Waste	16,173,643	21,437,536	67,130	384,614		5,715,637	5,715,637
Natural Gas	26,383,130	16,530,605				(9,852,525)	(9,852,525)
Golf Course	2,617,733	2,460,509				(157,224)	(157,224)
Local Transportation	7,909,058	1,075,864	6,786,021	21,473		(25,700)	(25,700)
School-Age Child Care	4,691,235	4,475,225	262,187			46,177	46,177
Total Business-type Activities	260,306,214	255,574,913	7,175,122	17,501,234		19,945,055	19,945,055
Total	<u>\$436,846,319</u>	<u>\$278,239,881</u>	<u>\$16,784,522</u>	<u>\$39,288,620</u>	<u>(122,478,351)</u>	<u>19,945,055</u>	<u>(102,533,296)</u>
General revenues:							
Taxes:							
Property taxes					31,075,967		31,075,967
Sales taxes					43,002,643		43,002,643
Franchise taxes					1,874,700		1,874,700
Other taxes					6,465,560		6,465,560
Use of money and property					533,505	11,245,022	11,778,527
Miscellaneous revenues					2,113,638	150,119	2,263,757
Transfers					25,212,344	(25,212,344)	
Special Item (Note 16)							
Reallocation of investment in SPWA						(22,715,022)	(22,715,022)
Total general revenues, special item and transfers					110,278,357	(36,532,225)	73,746,132
Change in net position					(12,199,994)	(16,587,170)	(28,787,164)
Net position-Beginning, as restated (Notes 8E and 9)					1,069,569,730	1,333,668,516	2,403,238,246
Net position-Ending					<u>\$1,057,369,736</u>	<u>\$1,317,081,346</u>	<u>\$2,374,451,082</u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2013. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

COMMUNITY FACILITIES DISTRICT PROJECTS CAPITAL PROJECTS FUND

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

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments in City Treasury (Note 3)	\$45,396,988	\$9,748,996	\$123,941,026	\$179,087,010
Restricted cash and investments with fiscal agents (Note 3)		1,663,229	2,108,831	3,772,060
Receivables:				
Taxes	1,756,273			1,756,273
Accounts	1,578,611		248,652	1,827,263
Accrued interest	1,978,004	21,076	1,954,364	3,953,444
Due from other government agencies	6,793,783		1,697,103	8,490,886
Due from other funds (Note 4B)	91,067		100,000	191,067
Advances to other funds (Note 4C)	1,530,951		3,995,054	5,526,005
Prepays	93,385			93,385
Developer permit fees receivable (Note 6)	197,700	996	1,407,342	1,606,038
Notes receivable (Note 5)	23,826,961		29,547,516	53,374,477
Inventories (Note 1I)	429,985		776,181	1,206,166
Land held for resale (Note 7B)			886,671	886,671
Total Assets	<u>\$83,673,708</u>	<u>\$11,434,297</u>	<u>\$166,662,740</u>	<u>\$261,770,745</u>
LIABILITIES				
Accounts payable	\$1,997,737	\$42,051	\$3,025,087	\$5,064,875
Accrued liabilities	3,666,675		3,751,499	7,418,174
Due to other funds (Note 4B)	64,328		638,417	702,745
Due to other government agencies	7,329,129		14,091,285	21,420,414
Advances from other funds (Note 4C)		5,000,000	3,018,022	8,018,022
Unearned revenue	487,816		164,568	652,384
Deposits	2,130,154		607,133	2,737,287
Total Liabilities	<u>15,675,839</u>	<u>5,042,051</u>	<u>25,296,011</u>	<u>46,013,901</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1F)	<u>10,687,138</u>		<u>10,386,033</u>	<u>21,073,171</u>
FUND BALANCES (Note 11)				
Nonspendable	24,350,331		17,691,169	42,041,500
Restricted		6,392,246	99,706,832	106,099,078
Committed			2,290,938	2,290,938
Assigned	3,002,686		12,625,416	15,628,102
Unassigned	<u>29,957,714</u>		<u>(1,333,659)</u>	<u>28,624,055</u>
TOTAL FUND BALANCES	<u>57,310,731</u>	<u>6,392,246</u>	<u>130,980,696</u>	<u>194,683,673</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$83,673,708</u>	<u>\$11,434,297</u>	<u>\$166,662,740</u>	<u>\$261,770,745</u>

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
Reconciliation of
GOVERNMENTAL FUNDS -- FUND BALANCE
with the Governmental Activities
NET POSITION
JUNE 30, 2013

TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	\$194,683,673

Amounts reported for Governmental Activities in the Statement of
Net Position are different from those reported in the Governmental Funds
above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	839,739,797

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used
by management to charge the costs of certain activities, such as insurance and
central services and maintenance, to individual governmental funds.
The net current assets of the Internal Service Funds are therefore included
in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	48,573,284
Accounts receivable	156
Accrued interest	3,112,451
Due from other government agencies	16,958
Notes receivable	829,201
Inventories	771,515
Capital assets	11,891,786
Accounts payable	(616,125)
Accrued liabilities	(76,600)
Self-insurance claims payable	(9,596,309)
Compensated absences	(365,865)
Net OPEB obligation	(33,246,786)
Internal balances	7,321,504

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.	18,353,927

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and
therefore are not reported in the Funds:

Long-term debt	(12,783,317)
Interest payable and other accrued liabilities, included in accrued liabilities	(19,542)
Non-current portion of compensated absences	(11,219,972)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$1,057,369,736

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$78,283,027		\$7,338,962	\$85,621,989
Licenses and permits	1,805,452			1,805,452
Charges for services	11,572,161		9,041,034	20,613,195
Subventions and grants	1,312,131		15,995,091	17,307,222
Use of money and property	566,910	\$30,183	1,295,374	1,892,467
Fines, forfeitures and penalties	989,221		458,536	1,447,757
Contributions from developers and others	497,997	1,261,806	1,913,286	3,673,089
Miscellaneous revenues	2,148,834	91,163	1,169,785	3,409,782
Total Revenues	97,175,733	1,383,152	37,212,068	135,770,953
EXPENDITURES				
Current:				
General government	24,608,740		606,860	25,215,600
Community development and planning	3,457,097		2,638,867	6,095,964
Public works	10,124,648		621,841	10,746,489
Public safety:				
Police	29,626,998		11,542	29,638,540
Fire	24,997,829		43,358	25,041,187
Library	3,680,610		45,550	3,726,160
Parks and recreation	12,310,921		7,360,149	19,671,070
Housing assistance payments			4,049,279	4,049,279
Capital outlay	2,592,255	6,037,379	26,249,574	34,879,208
Payments under development agreements (Note 7A)	567,619			567,619
Annexation payments	2,302,077			2,302,077
Debt service (Note 9):				
Principal retirement	82,821		720,000	802,821
Interest and fiscal charges	19,268		1,197,963	1,217,231
Total Expenditures	114,370,883	6,037,379	43,544,983	163,953,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,195,150)	(4,654,227)	(6,332,915)	(28,182,292)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	121,505		37,977	159,482
Issuance of debt (Note 9)			11,549,031	11,549,031
Payment to bond escrow agent			(12,756,326)	(12,756,326)
Transfers in (Note 4A)	26,043,596		12,778,214	38,821,810
Transfers (out) (Note 4A)	(9,132,770)	(5,955)	(10,008,291)	(19,147,016)
Total Other Financing Sources (Uses)	17,032,331	(5,955)	1,600,605	18,626,981
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(162,819)	(4,660,182)	(4,732,310)	(9,555,311)
EXTRAORDINARY ITEM (Note 5F)				
Increase in loan to the Successor Agency	(7,304,420)			(7,304,420)
NET CHANGE IN FUND BALANCES	(7,467,239)	(4,660,182)	(4,732,310)	(16,859,731)
FUND BALANCES AT BEGINNING OF YEAR	64,777,970	11,052,428	135,713,006	211,543,404
FUND BALANCES AT END OF YEAR	\$57,310,731	\$6,392,246	\$130,980,696	\$194,683,673

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$16,859,731)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities the cost of those assets is capitalized and allocated over
their estimated useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance	34,879,208

Non-capitalized capital outlay expenditures were reclassified to various governmental activities	(3,091,632)

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$3,198,026 which has already been allocated to serviced funds.)	(15,740,683)

Capital assets acquired under capital lease are added to fund balance	1,191,322

Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	2,838,884

Loss on retirement of capital assets is deducted from fund balance	(17,184,197)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but
issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of bond principal is an expenditure in the governmental funds, but
in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	802,821
Proceeds from the issuance of debt are deducted from fund balance	(11,549,031)
Issuance of capital lease is deducted from fund balance	(1,191,322)
Payment to bond escrow agent is added to fund balance	12,756,326
Loss on refunding is deducted from fund balance	(286,326)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of
current financial resources and therefore are not reported as revenue or expenditures in
governmental funds (net change):

Long-term compensated absences	21,376
Interest payable and accrued liabilities, included in accrued liabilities	229,263
Unavailable revenues	9,179,978

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities,
such as equipment acquisition, maintenance, and insurance to individual funds.
The portion of the net revenue (expense) of these Internal Service Funds arising out
of their transactions with governmental funds is reported with governmental activities,
because they service those activities.

Change in Net Position - All Internal Service Funds	<u>(8,196,250)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>(\$12,199,994)</u></u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2013.

Financial reporting standards do not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

ELECTRIC FUND

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

WATER FUND

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

WASTEWATER FUND

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

SOLID WASTE FUND

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

ROSEVILLE NATURAL GAS FINANCING AUTHORITY

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

GOLF COURSE FUND

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

LOCAL TRANSPORTATION FUND

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

SCHOOL-AGE CHILD CARE FUND

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

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Roseville Natural Gas Financing Authority
	Electric	Water	Wastewater	Solid Waste	
ASSETS					
Current Assets:					
Cash and investments in City Treasury (Note 3)	\$52,269,386	\$52,056,273	\$33,734,999	\$18,027,774	\$22,227
Restricted cash and investments with fiscal agents (Note 3)	16,621,617	4,975,659			8,683,508
Receivables:					
Accounts, net of allowance for doubtful accounts	23,004,310	4,239,002	3,777,787	2,722,053	
Accrued interest	209,076	221,893	107,092	55,122	20
Due from other government agencies	9,410	56,131	2,184,150		
Prepays	2,472,353	157,978			
Notes receivable			170,215		
Due from other funds (Note 4B)			56,754		
Inventories (Note 11)	8,032,824	332,211		136,980	
Total Current Assets	102,618,976	62,039,147	40,030,997	20,941,929	8,705,755
Noncurrent Assets:					
Developer permit fees receivable (Note 6)	26,908	7,763	52,205		
Notes receivable from NCPA (Note 15B)	55,404				
Prepaid purchased gas (Note 19)					186,720,473
Investment in NCPA reserves (Note 15)	3,385,917				
Investment in SPWA reserves (Note 16)			69,749,795		
Advances to other funds (Note 4C)		2,000,000	224,621		
Derivative at fair value-asset (Notes 9 and 10)	92,171				74,754,142
Capital assets (Note 8):					
Land and construction in progress	15,089,612	4,403,437	10,999,209	363,173	
Capital assets being depreciated, net	396,587,311	428,842,185	550,192,791	4,301,978	
Total Noncurrent Assets	415,237,323	435,253,385	631,218,621	4,665,151	261,474,615
Total Assets	517,856,299	497,292,532	671,249,618	25,607,080	270,180,370
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding (Note 9)	4,325,095	519,069			
Accumulated decrease in fair value of hedging derivatives (Notes 9 and 10)	36,304,054		7,044,596		
Total Deferred Outflows of Resources	40,629,149	519,069	7,044,596		
LIABILITIES					
Current Liabilities:					
Accounts payable	8,373,587	1,137,620	2,257,442	568,610	1,200
Accrued liabilities	4,807,243	1,031,306	1,461,738	269,548	3,266,250
Due to other government agencies	4,264		791,354		
Due to other funds (Note 4B)				105,887	
Current portion of compensated absences (Note 1H)	1,064,538	491,178	461,121	384,711	
Current portion of long-term debt (Note 9)	5,930,000	2,065,000	1,988,535		8,030,000
Deposits	1,608,733	14,500			4,640,000
Unearned revenue	869,137				
Self-insurance claims payable (Note 14)					
Total Current Liabilities	22,657,502	4,739,604	6,960,190	1,328,756	15,937,450
Long-Term Liabilities:					
Advances from other funds (Note 4C)				224,621	
Long-term debt, non-current portion (Note 9)	242,565,732	44,566,417	93,521,734		176,472,745
Landfill closure and post closure liability (Note 17)				2,615,565	
Compensated absences (Note 1H)	2,003,196	925,921	965,351	488,480	
Net OPEB obligations (Note 13)					
Self-insurance claims payable (Note 14):					
Derivative at fair value-liability (Notes 9 and 10)	36,304,054		7,044,596		
Total Long-Term Liabilities	280,872,982	45,492,338	101,531,681	3,328,666	176,472,745
Total Liabilities	303,530,484	50,231,942	108,491,871	4,657,422	192,410,195
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives (Notes 9 and 10)	92,171				74,754,142
NET POSITION (Note 11)					
Net investment in capital assets	163,181,191	386,614,205	465,681,731	4,665,151	
Restricted for debt service	16,655,896	4,315,500	5,073,807		
Restricted for local transportation					
Unrestricted	75,025,706	56,649,954	99,046,805	16,284,507	3,016,033
Total Net Position	\$254,862,793	\$447,579,659	\$569,802,343	\$20,949,658	\$3,016,033

Some amounts reported for *business-type activities* in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.

See accompanying notes to basic financial statements

Golf Course	Local Transportation	School-Age Child Care	Totals	Governmental Activities- Internal Service Funds
\$1,453,090	\$9,969,564	\$258	\$167,533,571	\$48,573,284
96			30,280,880	
244,009	21,532	437,532	34,446,225	156
21,017	33,066	40	647,326	3,112,451
	2,445,802	63,851	4,759,344	16,958
			2,630,331	829,201
			170,215	2,131,378
			8,558,769	771,515
<u>1,718,212</u>	<u>12,469,964</u>	<u>501,681</u>	<u>249,026,661</u>	<u>55,434,943</u>
			86,876	
			55,404	
			186,720,473	
			3,385,917	
			69,749,795	
			2,224,621	3,999,370
			74,846,313	
6,007,666	2,024,802		38,887,899	
8,905,018	12,250,242	2,132,779	1,403,212,304	11,891,786
<u>14,912,684</u>	<u>14,275,044</u>	<u>2,132,779</u>	<u>1,779,169,602</u>	<u>15,891,156</u>
<u>16,630,896</u>	<u>26,745,008</u>	<u>2,634,460</u>	<u>2,028,196,263</u>	<u>71,326,099</u>
			4,844,164	
			43,348,650	
			48,192,814	
81,841	662,090	37,720	13,120,110	616,125
2,081,105	58,781	143,695	13,119,666	76,600
			795,618	
127,000		414,935	647,822	1,142,093
	56,509	112,538	2,570,595	
430,618			18,444,153	
	150	13,817	6,277,200	
	10,396,487		11,265,624	
				1,473,299
<u>2,720,564</u>	<u>11,174,017</u>	<u>722,705</u>	<u>66,240,788</u>	<u>3,308,117</u>
2,877,000		440,000	3,541,621	190,353
4,344,960			561,471,588	
			2,615,565	
	123,792	213,264	4,720,004	365,865
				33,246,786
				8,123,010
			43,348,650	
<u>7,221,960</u>	<u>123,792</u>	<u>653,264</u>	<u>615,697,428</u>	<u>41,926,014</u>
<u>9,942,524</u>	<u>11,297,809</u>	<u>1,375,969</u>	<u>681,938,216</u>	<u>45,234,131</u>
			74,846,313	
10,137,106	14,275,044	2,132,779	1,046,687,207	11,891,786
			26,045,203	
	1,172,155		1,172,155	
(3,448,734)		(874,288)	245,699,983	14,200,182
<u>\$6,688,372</u>	<u>\$15,447,199</u>	<u>\$1,258,491</u>	<u>1,319,604,548</u>	<u>\$26,091,968</u>
			(2,523,202)	
Net position business-type activities			<u>\$1,317,081,346</u>	

CITY OF ROSEVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority
OPERATING REVENUES					
Charges for services	\$156,986,018	\$22,588,904	\$26,607,394	\$20,943,369	\$16,528,511
Other	2,016,017	310,963	1,085,878	494,167	2,094
Total Operating Revenues	159,002,035	22,899,867	27,693,272	21,437,536	16,530,605
OPERATING EXPENSES					
Power supply	96,313,782				
Operations	15,254,411	11,888,463	17,391,130	15,345,686	18,133,391
Administration	3,489,763	2,632,510	648,376	605,220	7,005
Depreciation and amortization	17,900,593	7,999,349	11,551,194	294,930	
Claims expense					
Total Operating Expenses	132,958,549	22,520,322	29,590,700	16,245,836	18,140,396
Operating Income (Loss)	26,043,486	379,545	(1,897,428)	5,191,700	(1,609,791)
NONOPERATING REVENUES (EXPENSES)					
Interest and rents revenue	368,482	433,404	154,598	76,553	10,180,626
Interest and fiscal charges (expense)	(11,283,869)	(2,158,933)	(4,278,778)	(15,541)	(8,242,734)
Subventions and grants	9,410	50,374		67,130	
Cost of issuance	(184,904)		(121,265)		
Gain from sale of property	15,081		117,154	8,144	
Increase (decrease) in NCPA reserves	45,844				
Increase (decrease) in SPWA reserves			(3,517,446)		
Net Nonoperating Revenues (Expenses)	(11,029,956)	(1,675,155)	(7,645,737)	136,286	1,937,892
Income (Loss) Before Contributions and Transfers	15,013,530	(1,295,610)	(9,543,165)	5,327,986	328,101
Contributions					
Capital contributions - connection/impact fees	1,563,615	5,016,183	5,758,055	384,614	
Contributions in aid of construction	1,163,514				
Capital contributions from developers	1,988,012	1,349,859	3,727,511		
Transfers in (Note 4A)		1,655,439	311,053	10,000	
Transfers (out) (Note 4A)	(14,744,102)	(4,612,430)	(4,426,641)	(2,792,791)	(25,372)
Change in net position before special item	4,984,569	2,113,441	(4,173,187)	2,929,809	302,729
Special Item (Note 16)					
Reallocation of investment in SPWA			(22,715,022)		
Change in net position	4,984,569	2,113,441	(26,888,209)	2,929,809	302,729
Total net position-beginning, as restated (Notes 8E and 9)	249,878,224	445,466,218	596,690,552	18,019,849	2,713,304
Total net position-ending	\$254,862,793	\$447,579,659	\$569,802,343	\$20,949,658	\$3,016,033

Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds service

See accompanying notes to basic financial statements

				Governmental Activities- Internal Service Funds
Golf Course	Local Transportation	School-Age Child Care	Totals	
\$2,460,509	\$972,666	\$4,255,157	\$251,342,528	\$12,109,883
	103,198	220,068	4,232,385	9,053,029
<u>2,460,509</u>	<u>1,075,864</u>	<u>4,475,225</u>	<u>255,574,913</u>	<u>21,162,912</u>
			96,313,782	
1,887,773	5,720,393	4,652,044	90,273,291	27,455,956
	557,993		7,940,867	
388,601	1,720,787	66,869	39,922,323	3,198,026
				3,724,409
<u>2,276,374</u>	<u>7,999,173</u>	<u>4,718,913</u>	<u>234,450,263</u>	<u>34,378,391</u>
<u>184,135</u>	<u>(6,923,309)</u>	<u>(243,688)</u>	<u>21,124,650</u>	<u>(13,215,479)</u>
(9,994)	38,807	2,546	11,245,022	256,727
(286,567)		(2,016)	(26,268,438)	
	6,786,021	262,187	7,175,122	
(56,392)			(362,561)	
	9,740		150,119	
			45,844	
			(3,517,446)	
<u>(352,953)</u>	<u>6,834,568</u>	<u>262,717</u>	<u>(11,532,338)</u>	<u>256,727</u>
(168,818)	(88,741)	19,029	9,592,312	(12,958,752)
	21,473		21,473	
			12,722,467	
			1,163,514	
			7,065,382	
	42,434		2,018,926	7,036,670
<u>(120,513)</u>	<u>(252,103)</u>	<u>(257,318)</u>	<u>(27,231,270)</u>	<u>(1,499,120)</u>
(289,331)	(276,937)	(238,289)	5,352,804	(7,421,202)
			(22,715,022)	
(289,331)	(276,937)	(238,289)	(17,362,218)	(7,421,202)
<u>6,977,703</u>	<u>15,724,136</u>	<u>1,496,780</u>		<u>33,513,170</u>
<u>\$6,688,372</u>	<u>\$15,447,199</u>	<u>\$1,258,491</u>		<u>\$26,091,968</u>
			775,048	
Change in net position of business-type activities			<u>(\$16,587,170)</u>	

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Electric	Water	Wastewater	Solid Waste	Roseville Natural Gas Financing Authority
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$154,723,567	\$22,506,468	\$26,413,743	\$20,609,368	\$16,528,511
Payments to suppliers	(97,156,000)	(6,057,796)	(10,111,281)	(11,464,425)	(10,075,878)
Payments to employees	(16,062,600)	(7,868,674)	(5,882,215)	(5,051,439)	
Payments to OPEB trust					
Claims paid					
Other receipts	2,016,017	310,963	1,085,878	494,167	2,094
Net Cash Flows from Operating Activities	43,520,984	8,890,961	11,506,125	4,587,671	6,454,727
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subventions and grants	1,203	287,475		67,130	
(Increase) decrease in due from other funds			(4,081)		
Increase (decrease) in due to other funds				4,082	
(Increase) decrease in advance to other funds		(2,000,000)	170,215		
Increase (decrease) in advances from other funds				(105,887)	
Transfers in		1,655,439	311,053	10,000	
Transfers (out)	(14,744,102)	(4,612,430)	(4,426,641)	(2,792,791)	(25,372)
Cash Flows from Noncapital Financing Activities	(14,742,899)	(4,669,516)	(3,949,454)	(2,817,466)	(25,372)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	1,163,514				
Acquisition and construction of capital assets	(5,854,993)	(4,064,031)	(3,592,431)	(222,697)	
Proceeds from sale of capital assets	15,081		117,154	8,144	
Transfer of connection fees to SPWA			(5,302,232)		
Change in restricted assets	22,698		2,369,684		
Issuance of debt	90,000,000		36,582,878		
Issuance costs	(184,904)		(121,265)		
Principal payments on capital debt	(95,690,000)	(1,965,000)	(34,552,516)		(7,675,000)
Interest paid on capital debt	(11,283,869)	(2,158,933)	(4,278,778)	(15,541)	(8,978,644)
Connection/impact fees	1,563,615	5,016,183	5,758,055	384,614	
Cash Flows from Capital and Related Financing Activities	(20,248,858)	(3,171,781)	(3,019,451)	154,520	(16,653,644)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and rents received	316,197	374,471	132,596	63,624	10,180,660
Receipts from sale of (payment to acquire) equity instruments, net	305,353	(1,155)			39,613
Cash Flows from Investing Activities	621,550	373,316	132,596	63,624	10,220,273
Net increase (decrease) in cash and cash equivalents	9,150,777	1,422,980	4,669,816	1,988,349	(4,016)
Cash and investments at beginning of period	43,118,609	50,633,293	29,065,183	16,039,425	26,243
Cash and investments at end of period	\$52,269,386	\$52,056,273	\$33,734,999	\$18,027,774	\$22,227
NONCASH TRANSACTIONS:					
Contribution of capital assets from developers	\$1,988,012	\$1,349,859	\$3,727,511		
Retirement of capital assets	(\$688,162)		(\$841,183)		
Increase in long-term debt due to change in SPWA participation			(\$7,410,294)		
Amortization of bond premium	\$242,627	\$137,959	\$201,973		
Amortization of deferred amount on refunding	(\$279,537)	(\$37,076)			\$735,910
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$26,043,486	\$379,545	(\$1,897,428)	\$5,191,700	(\$1,609,791)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	17,900,593	7,999,349	11,551,194	294,930	
Retirement of capital assets	688,162		841,183		
Change in assets and liabilities:					
Receivables, net	(1,999,671)	(84,936)	(193,651)	(301,438)	
Inventories	355,764	(31,180)	(34,186)	(64,368)	
Prepays	(2,472,353)	(157,978)			
Prepays purchased gas					8,207,591
Net OPEB obligations					
Accounts and other payables	3,380,852	786,161	1,239,013	(500,590)	(143,073)
Unearned revenue	(375,849)			(32,563)	
Cash Flows from Noncapital Financing Activities	\$43,520,984	\$8,890,961	\$11,506,125	\$4,587,671	\$6,454,727

See accompanying notes to basic financial statements

				Governmental Activities- Internal Service Funds
Golf Course	Local Transportation	School-Age Child Care	Totals	
\$2,529,706	\$1,969,391	\$4,252,929	\$249,533,683	\$12,120,568
(1,832,002)	(4,892,596)	(541,993)	(142,131,971)	(9,476,498)
	(1,005,078)	(3,926,836)	(39,796,842)	(5,369,915)
				(5,131,475)
				(2,071,396)
	553,231	220,068	4,682,418	9,053,029
697,704	(3,375,052)	4,168	72,287,288	(875,687)
	6,543,749	244,747	7,144,304	
			(4,081)	
		(243,919)	(239,837)	24,403
			(1,829,785)	121,352
(127,000)		240,000	7,113	
	42,434		2,018,926	7,036,670
(120,513)	(252,103)	(257,318)	(27,231,270)	(1,499,120)
(247,513)	6,334,080	(16,490)	(20,134,630)	5,683,305
1	21,473		1,184,987	
	(2,983,537)	(1)	(16,717,689)	(3,787,419)
	9,740		150,119	
			(5,302,232)	
			2,392,382	
4,775,578			131,358,456	
(56,392)			(362,561)	
(5,600,000)			(145,482,516)	
(364,080)		(2,016)	(27,081,861)	
			12,722,467	
(1,244,893)	(2,952,324)	(2,017)	(47,138,448)	(3,787,419)
(13,461)	35,904	2,552	11,092,543	219,594
625,080			968,891	
611,619	35,904	2,552	12,061,434	219,594
(183,083)	42,608	(11,787)	17,075,644	1,239,793
1,636,173	9,926,956	12,045	150,457,927	47,333,491
\$1,453,090	\$9,969,564	\$258	\$167,533,571	\$48,573,284
			\$7,065,382	
	(\$450,033)	(\$190,939)	(\$2,170,317)	(\$7,245)
			(\$7,410,294)	
			\$582,559	
			\$419,297	
\$184,135	(\$6,923,309)	(\$243,688)	\$21,124,650	(\$13,215,479)
388,601	1,720,787	66,869	39,922,323	3,198,026
	450,033	190,939	2,170,317	7,245
69,197	(17,128)	19,756	(2,507,871)	172,243
			226,030	
			(2,630,331)	
			8,207,591	
				7,705,056
55,771	380,667	(17,861)	5,180,940	1,257,222
	1,013,898	(11,847)	593,639	
\$697,704	(\$3,375,052)	\$4,168	\$72,287,288	(\$875,687)

This Page Left Intentionally Blank

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements. The City had the following types of fiduciary funds in Fiscal 2013:

Other Employee Benefit Trust Funds are used to account for assets held by the City as a trustee agent for the members and beneficiaries of other post-employment benefit plans.

Private-Purpose Trust Funds are used to account for trust arrangements under which principal and income benefit private organizations or other governments.

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

The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF ROSEVILLE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Retiree Health Plan Trust Fund	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and investments in Treasury (Note 3)		\$5,252,832	\$124,291,246
Restricted cash and investments with fiscal agents (Note 3)		5,955,371	39,319,806
OPEB Plan Assets (Note 13F)	\$41,641,477		
Accounts receivable		64	216,436
Taxes receivable		3,103	289,190
Accrued interest receivable		184,645	568,193
Permit fees receivable			979,458
Due from other government agencies		7,304,420	1,525,246
Developer permit fees receivable		378	
Notes receivable (Note 20B)		5,089,106	
Land held for resale (Note 20C)		5,419,762	
Capital Assets (Note 20D):			
Land		1,762,188	
Total Assets	41,641,477	30,971,869	\$167,189,575
LIABILITIES			
Accounts payable	12,818	1,836,401	\$996,852
Accrued liabilities		574,563	575,405
Due to other government agencies			13,122
Due to member agencies			107,988,991
Due to bondholders			56,327,402
Due to others			1,287,803
Long-term liabilities (Note 20E):			
Due within one year		592,238	
Due in more than one year		65,333,117	
Total Liabilities	12,818	68,336,319	\$167,189,575
NET POSITION			
Held in trust for retiree health plan benefits	\$41,628,659		
Held in trust for private purposes or for other governments		(\$37,364,450)	

See accompanying notes to basic financial statements

CITY OF ROSEVILLE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Retiree Health Plan Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Property taxes		\$3,416,590
Contributions from the City	\$6,715,115	
Subventions and grants		13,541
Investment income	4,079,303	201,090
Other revenues		10,642
Total Additions	<u>10,794,418</u>	<u>3,641,863</u>
DEDUCTIONS		
General government		44,216
Community services		286,122
Retiree health plan benefits	5,252,219	
Pass-through payments and payment to County Auditor-Controller (Note 20)		4,231,128
Debt service:		
Interest and fiscal charges		1,805,719
Total Deductions	<u>5,252,219</u>	<u>6,367,185</u>
Change in Net Position	5,542,199	(2,725,322)
Net Position - Beginning of Year	<u>36,086,460</u>	<u>(34,639,128)</u>
Net Position - End of Year	<u>\$41,628,659</u>	<u>(\$37,364,450)</u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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), streets, sanitation, water, solid waste, electric, local transportation, school-age child care, golf course, parks recreation, public improvements, planning and zoning, library, general administration services, redevelopment and housing.

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

A. *Reporting Entity*

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

The **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.

The **Roseville Natural Gas Financing Authority** is a Joint Exercise Powers Agency created on December 6, 2006, for the purpose of acquiring, financing and supplying natural gas to the City of Roseville. The members of the Authority are the City of Roseville and the City of Roseville Redevelopment Agency. The City of Roseville is governed by a five member Board. City Council serves as the governing body of the Authority and officers of the Authority are employees of the City. The financial activities of the Authority have been included in these financial statements in the Roseville Natural Gas Financing Authority Enterprise Fund.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **Roseville Community Development Corporation** is a California 501(c)3 nonprofit public benefit corporation formed in November 2010 by the City and the former Redevelopment Agency under the California Nonprofit Corporation Laws of the State of California. The Corporation was formed for the purpose of implementing the revitalization and economic goals of the City by securing private and public capital through development of both residential and commercial properties as well as developing affordable housing, redeveloping properties to create mixed-use, commercial and office projects, business recruitment and retention, commercial loans, and ongoing property management. As a separate legal entity and non-profit corporation, the corporation can secure funding that is not legally available to the former Redevelopment Agency and its activities can extend outside of the Redevelopment Plan areas.

The Corporation is governed by a volunteer five member board appointed by the City Council. The members, all from the community, have development, financing and business operations related experience. The board has operations, management, budget approval and strategy implementation authority that is separate from the City Council.

The Corporation has established a service agreement with the City to utilize existing City staff to accomplish its initial goals. The financial activities of the Corporation are included in the Roseville Community Development Corporation Special Revenue Fund.

The **City of Roseville Retiree Health Plan Trust** is governed by the City's Resolution 10-275 and is used to account for contributions and investment income restricted to pay medical benefits. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above Resolution. The financial activities of the Plan have been included in these financial statements in the Retiree Health Plan Trust Fund.

Financial statements for the Roseville Natural Gas Financing Authority and Roseville Community Development Corporation may be obtained from the City of Roseville at 311 Vernon Street, Roseville, California, 95678. Separate financial statements for the Redevelopment Agency, Roseville Finance Authority, Roseville Housing Authority and City of Roseville Retiree Health Plan Trust are not issued.

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the City and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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

Fiduciary Funds. These funds account for assets held by the City as an agent for various functions. The Endowment Private-Purpose Trust Fund is used to account for assets held by the City as an agent for various endowment funds for the benefits of certain private-purpose trust funds. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The Retiree Health Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical benefit payments at appropriate amounts and times in the future. The Agency Funds are used to account for assets held by the City as an agency for certain special assessment districts in the City, the City's payroll revolving fund, various joint power authorities, Dry Creek Drainage Basin, Placer County, South Placer County Tourism Business Improvement District (SPCTBID), Placer County Transportation Authority, and various other programs for the benefits of parties outside of the City. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

F. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and accumulated decrease in fair value of hedging derivatives reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The accumulated decrease in fair value of hedging derivatives represents the change in fair value for the City's derivative liabilities that have been determined to be effective.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of these items, the accumulated increase in fair value of hedging derivatives reported in the government-wide and proprietary fund statements of net position, and unavailable revenues reported in the governmental funds. The accumulated increase in fair value of hedging derivatives represents the change in fair value for the City's derivative assets that have been determined to be effective. Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: due from other government agencies, interest receivable and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable revenue was comprised of the following at June 30, 2013:

	Due from Other Government Agencies	Interest Receivable	Loans Receivable	Total
General Fund		\$1,851,767	\$8,835,371	\$10,687,138
Nonmajor Governmental Funds	\$50,798	1,277,973	9,057,262	10,386,033
	<u>\$50,798</u>	<u>\$3,129,740</u>	<u>\$17,892,633</u>	<u>\$21,073,171</u>

G. 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.

H. Compensated Absences

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$11,592,492	\$6,881,671	\$18,474,163
Additions	3,986,675	1,679,861	5,666,536
Payments	<u>(3,812,237)</u>	<u>(1,270,933)</u>	<u>(5,083,170)</u>
Ending Balance	<u>\$11,766,930</u>	<u>\$7,290,599</u>	<u>\$19,057,529</u>
Current Portion	<u>\$3,993,330</u>	<u>\$2,570,595</u>	<u>\$6,563,925</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Inventories

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

J. Recategorized Funds

The Public Facilities, Park Development, Pleasant Grove Drain Basin and Traffic Mitigation Funds previously reported as Special Revenue Funds have been recategorized and are now reported as Capital Projects Funds.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

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

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order and ordinance.
4. The City Manager or designee is authorized to apply prudent monitoring procedures to assure that actual expenditures/expenses of the City do not exceed the appropriations at the major summary categories (salaries and benefits, operating services and supplies, and capital outlay) by organization key within each department in conformance with the adopted policies set by the City Council. Capital Improvement Projects, including annual projects, may not exceed budget at the total project level. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

5. Expenditures may not legally exceed budgeted appropriations at the organization key level by major summary category within each fund.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. Budgets are adopted for all governmental funds, except the FEMA Special Revenue Fund and the Roseville Aquatics Complex Maintenance Permanent Fund. In addition, the Community Facilities District Projects, Building, South Placer Animal Control Shelter, Public Facilities, Park Development, Pleasant Grove Drain Basin, Traffic Mitigation and General Capital Improvement Projects Rehabilitation Capital Projects Funds are budgeted on a project length basis and therefore are not comparable on an annual basis.

B. *Adjustments to GAAP Basis from Budgetary Basis*

City budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that capital projects expenditures are budgeted on a project length basis rather than a fiscal year. The effects of these differences are shown as capital outlay in the budget and actual statements.

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 restricted, committed or assigned fund balances, as applicable, since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

NOTE 3 - CASH AND INVESTMENTS

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

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

A. Classification

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

Cash and investments in City Treasury	\$395,193,865
Restricted cash and investments with fiscal agents	<u>34,052,940</u>
Total City cash and investments with primary government	429,246,805
Cash and investments in Fiduciary Funds (Separate statement)	<u>174,819,255</u>
Total Cash and Investments	<u><u>\$604,066,060</u></u>

Cash and investments as of June 30, 2013, consist of the following:

Cash in bank and on hand	\$42,320,231
Investments	<u>561,745,829</u>
Total Cash and Investments	<u><u>\$604,066,060</u></u>

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality at Time of Purchase	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations (A)	5 Years	None	None	None
U.S. Agency Securities (A)	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	None	20%	None
Forward Delivery Agreements	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	30 days	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (B)
Medium-Term Notes	5 Years	A	30%	None
Collateralized Time Deposits	5 Years	None	30%	None
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$50 million/account
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Trust	N/A	None	None	None
Interest Rate Swaps (C)	N/A	None	None	None

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

- (A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities. The specified fund accounts are:
- Citizens Benefit Permanent Fund
 - Roseville Aquatics Complex Maintenance Permanent Fund
 - Endowment Private-purpose Trust Fund
 - All future trust and/or endowment funds established by the City with no anticipated use of principal
- (B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.
- (C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund. Currently, the City does not participate in any Forward Delivery Agreements. Pursuant to its function as custodian and investment manager of the South Placer Wastewater Authority, the City invested certain Authority funds in Forward Delivery Agreements which are investments with fixed maturities and which bear interest at a variable rate. To hedge against changes in short-term interest rates, the Authority entered into a swap agreement to create a synthetic fixed interest rate on one of the Forward Delivery Agreements. Risks associated with the Forward Delivery Agreement and associated swap agreement are those of the Authority and not those of the City. Details of the swap agreement and associated risks may be found in the Basic Financial Statements of the Authority.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

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

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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

	Remaining Maturity (in Months)				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
U.S. Government Securities	\$2,959,983	\$120,911,996	\$65,109,688		\$188,981,667
Federal Agency Securities	10,969,129	28,721,722	54,054,157		93,745,008
Corporate Notes	14,635,194	22,655,850	35,761,427		73,052,471
Forward Delivery Agreement	4,604,895				4,604,895
Forward Purchase Agreement	4,042,578				4,042,578
Commercial Paper	10,100,826				10,100,826
Guaranteed Investment Contracts				\$6,368,599	6,368,599
Municipal Bonds			2,426,882		2,426,882
Money Market Mutual Funds (U.S. Securities)	6,463,037				6,463,037
Local Agency Investment Fund	72,142,994				72,142,994
California Asset Management Pool	55,089,652				55,089,652
Certificates of Deposit	12,258,909	32,468,311			44,727,220
Total Investments	<u>\$193,267,197</u>	<u>\$204,757,879</u>	<u>\$157,352,154</u>	<u>\$6,368,599</u>	<u>\$561,745,829</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2013 the fair value was \$19,705 more than the City's cost. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2013, the fair value approximated is the City's cost, and these investments had an average maturity of 37 days.

Money market mutual funds were available for withdrawal on demand and at June 30, 2013 and had an average maturity of 57 days for the Dreyfus U.S. Treasury Money Market Fund and 47 days for the First American Money Market Fund.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2013, for each investment type as provided by Standard and Poor's investment rating system:

	AAA/AAAm	AA+/AA/AA-	A+/A/A-	A-1+/A-1	Total
Investments:					
Federal Agency Securities		\$93,745,008			\$93,745,008
Corporate Notes		44,790,003	\$28,262,468		73,052,471
Forward Delivery Agreement		4,604,895			4,604,895
Forward Purchase Agreement		4,042,578			4,042,578
Municipal Bonds	\$2,230,954	195,928			2,426,882
California Asset Management Pool	55,089,652				55,089,652
Money Market Mutual Funds					
(U.S. Securities)	6,463,037				6,463,037
Commercial Paper				\$10,100,826	10,100,826
Guaranteed Investment Contracts		6,368,599			6,368,599
Certificates of Deposit		9,951,692		33,521,240	43,472,932
Totals	\$63,783,643	\$163,698,703	\$28,262,468	\$43,622,066	299,366,880
Exempt from Credit Rate Disclosure:					
U.S. Government Securities					188,981,667
Not Rated:					
Local Agency Investment Fund					72,142,994
Certificates of Deposit					1,254,288
Total Investments					\$561,745,829

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

Investments in any one issuer, other than U. S. Treasury securities, money market mutual funds, California Local Agency Investment Fund, and California Asset Management Pool, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2013:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$43,391,191
Federal National Mortgage Association	Federal Agency Securities	46,238,448

Investments in any one issuer that represent 5% or more of total investments by individual funds were as follows at June 30, 2013:

Fund	Issuer	Investment Type	Amount
Major Enterprise Funds:			
Roseville Natural Gas Financing Authority	Wachovia Bank	Forward Purchase Agreement	\$4,042,578
Water	FSA Security Assurance	Investment Agreement	4,217,863

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Among Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2013, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	\$5,600,794 (A),(B),(C),(D)
	Electric Enterprise Fund	11,816,681 (B),(C),(E)
	Water Enterprise Fund	3,043,180 (A),(C)
	Wastewater Enterprise Fund	2,045,347 (A),(C)
	Solid Waste Enterprise Fund	1,554,641 (A),(C)
	Roseville Natural Gas Financing Authority Enterprise Fund	25,372 (A)
	Golf Course Enterprise Fund	112,552 (B),(E)
	Local Transportation Enterprise Fund	235,231 (A)
	School-Age Child Care Enterprise Fund	242,628 (A)
	Internal Service Funds	1,367,170 (B),(E)
Non-Major Governmental Funds	General Fund	4,503,783 (B),(E)
	Community Facilities District Capital Projects Fund	594 (B),(E)
	Non-Major Governmental Funds	4,317,574 (B),(D),(E)
	Electric Enterprise Fund	2,063,895 (E)
	Water Enterprise Fund	800,223 (B),(C),(E)
	Solid Waste Enterprise Fund	358,220 (C),(E)
	Wastewater Enterprise Fund	733,925 (B)
Water Enterprise Fund	Non-Major Governmental Funds	
	Solid Waste Enterprise Fund	576,506 (A)
	Wastewater Enterprise Fund	1,078,933 (A)
Wastewater Enterprise Fund	Water Enterprise Fund	297,813 (B)
	Solid Waste Enterprise Fund	13,240 (B)
Solid Waste Enterprise Fund	Non-Major Governmental Funds	10,000 (B),(D)
Local Transportation Enterprise Fund	Community Facilities District Capital Projects Fund	5,361 (E)
	Non-Major Governmental Funds	37,073 (A)
Internal Service Funds	General Fund	4,628,987 (E)
	Non-Major Governmental Funds	42,850 (D),(E)
	Electric Enterprise Fund	863,526 (E)
	Water Enterprise Fund	471,214 (E)
	Wastewater Enterprise Fund	568,436 (E)
	Solid Waste Enterprise Fund	290,184 (E)
	Golf Course Enterprise Fund	7,961 (E)
	Local Transportation Enterprise Fund	16,872 (E)
	School-Age Child Care Enterprise Fund	14,690 (E)
	Internal Service Funds	131,950 (A)
Total Interfund Transfers		<u>\$47,877,406</u>

(A) To fund operations or indirect costs

(B) To fund various projects and/or pay debt service

(C) To transfer in lieu franchise fees or fund indirect costs or capital projects

(D) To transfer FEMA reimbursement back to funds that incurred the original costs

(E) To pay for indirect costs

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, interfund balances comprised the following:

Due From Other Funds	Due To Other Funds	Amount	
General Fund	Traffic Safety Special Revenue Fund	\$91,067	(A)
Capital Projects Fund:			
Public Facilities	Technology Fee Replacement Special Revenue Fund	100,000	(B)
Enterprise Funds:			
Wastewater	General Fund	64,328	(B)
Wastewater	Solid Waste Enterprise Fund	105,887	(B)
Internal Service Funds:			
Automotive Replacement	Community Development Block Grant/HOME Special Revenue Fund	200,054	(A)
Automotive Replacement	Fire Facilities Special Revenue Fund	234,353	(B)
Automotive Replacement	Utility Exploration Center Special Revenue Fund	12,943	(A)
Automotive Replacement	Golf Course Enterprise Fund	127,000	(B)
Automotive Replacement	School-Age Child Care Enterprise Fund	60,000	(B)
Automotive Replacement	School-Age Child Care Enterprise Fund	354,935	(A)
Automotive Replacement	Automotive Services Internal Service Fund	942,093	(A) (B)
Workers Compensation	Unemployment Insurance Internal Service Fund	200,000	(B)
		<u>\$2,492,660</u>	

(A) To temporarily fund short-term cash flow needs.

(B) Current portion of the advances mentioned in 4C below.

C. Long-Term Interfund Advances

At June 30, 2013, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount
Special Revenue Funds:		
Fire Facilities	Automotive Replacement Internal Service Fund	\$492,017
Roseville Community Development Corporation	General Fund	1,530,951
Roseville Community Development Corporation	Affordable Housing Special Revenue Fund	500,000
Technology Fee Replacement	Public Facilities Capital Projects Fund	495,054
Capital Projects Funds:		
Community Facilities Districts	Pleasant Grove Drainage Basin Capital Projects Fund	3,000,000
	Water Enterprise Fund	2,000,000
Enterprise Funds:		
Solid Waste	Wastewater Enterprise Fund	224,621
Golf Course	Automotive Replacement Internal Service Fund	2,877,000
School-Age Child Care	Automotive Replacement Internal Service Fund	440,000
Internal Service Fund:		
Unemployment Reserve	Workers' Compensation Internal Service Fund	190,353
		<u>\$11,749,996</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Fire Facilities advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 5 years beginning in fiscal year 2013.

Roseville Community Development Corporation advances bear interest at the average interest rate of the City's pooled investments plus 1%, adjusted every 5 years. Principal and interest are deferred for the first ten years from the date of disbursement, and are then payable in annual installments over ten years, with one beginning in fiscal year 2021 and the second beginning in 2023.

Technology Fee Replacement advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 7 years beginning in fiscal year 2014.

Community Facilities Districts advance bears interest at the City's pooled interest rate plus 2.5%. It will be repaid over a period of 10 years and will be repaid in 2016.

Solid Waste advance bears interest at 3.94%. It will be repaid over a period of 10 years and will be repaid in 2016.

Golf Course advance bears interest at the average interest rate of the City's pooled investments. It will be repaid over a period of 27 years and will be repaid in 2029.

School-Age Child Care advances are being repaid over five years with one beginning in fiscal year 2007 and the other in 2010. A third advance began in 2013 and will be repaid over a 6 year period beginning in 2019. These advances bear interest at the average interest rate of the City's pooled investments and interest is to be paid at the end of the loans.

D. Internal Balances

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE

The City and former Redevelopment 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. With the dissolution of the Redevelopment Agency as discussed in Note 20, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the housing loans of the Redevelopment Agency and a Successor Agency assumed the non-housing loans as of February 1, 2012. Although these notes are expected to be repaid in full, their balances have been offset in the fund financial statements by unavailable revenue, due to other government agencies or fund balance as they are not expected to be repaid during fiscal year 2013. These notes receivable comprised the following at June 30, 2013:

Flood Loan Notes	\$6,633
Housing Rehabilitation and Affordable Housing Notes	14,308,562
First Time Home-Buyer Notes	8,198,098
Housing Elevation Notes	15,000
Roseville Community Development Corporation Notes	2,635,754
Successor Agency	<u>29,039,631</u>
Total	<u><u>\$54,203,678</u></u>

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 nonspendable fund balance. The balance of these notes receivable at June 30, 2013 was \$6,633.

B. Housing Rehabilitation and Affordable Housing Notes Receivable

The City and Agency engage 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 or Agency'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 Government Agencies, as they are not expected to be repaid during fiscal year 2013 and any repayments will be used to reduce future grant draw-downs by the City. With the dissolution of the Agency effective February 1, 2012, the assets of the Low and Moderate Income Housing Fund, including affordable housing notes receivable, were assumed by the Low and Moderate Income Housing Asset Fund as discussed in Note 20. The balance of the notes receivable arising from these programs at June 30, 2013, was \$14,308,562.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

C. *First Time Home-Buyer Notes Receivable*

The City and the Agency engage in a first time home-buyer program designed to encourage home ownership among low-income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and unavailable revenue as they are not expected to be repaid during fiscal year 2013, and any repayments will be used to reduce future grant draw-downs by the City. With the dissolution of the Agency effective February 1, 2012, the assets of the Low and Moderate Income Housing Fund, including \$1,657,453 in First Time Home Buyer notes receivable, were assumed by the Low and Moderate Income Housing Asset Fund as discussed in Note 20. The balance of the notes receivable arising from this program at June 30, 2013, was \$8,198,098.

D. *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 \$5,000 per household, with the total federal share not to exceed \$1,493,096. The City provides matching funds to each eligible household at a maximum of \$5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See Note 5A above). As of June 30, 2013, eleven loans funded through the FEMA Hazard Mitigation Grant Program were outstanding with a total balance of \$15,000.

E. *Roseville Community Development Corporation Notes*

As of June 30, 2012, the Corporation purchased properties located at 240 Vernon Street and 242-246 Vernon Street on behalf of 240 Vernon Street LLC and 242-246 Vernon Street LLC in the amount of \$602,435 and \$541,047, respectively. Both of these purchases have been recorded as a Notes Receivable from each of the LLCs. The cost of the properties is expected to be paid back to the Corporation when the properties are sold or through a monthly rental agreement. The outstanding balance of the loans at June 30, 2012 was \$1,123,254

On February 22, 2012, the Corporation entered into a loan agreement with Innova Vernon LP for costs associated with fees, improvements, modifications, upgrades and equipment for the purpose of operating a restaurant called “*Sammy’s Rockin’ Island Bar and Grill*” at the property referred to as 238 *Vernon Street*. The total loan is for \$1,512,500 and will be disbursed per a *Funding Release Schedule*. The Loan will be repaid over sixty-six months beginning with the nineteenth month after the date of the Note. Interest at 4% will accrue and be capitalized to the principal. A balloon payment comprised of accrued interest and principal will be paid on or before the *Maturity Date* (7 years after the *Date of the Note*). As of June 30, 2013, \$1,512,500 had been disbursed.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

F. Successor Agency Loans

Prior to July 1, 2011, the Redevelopment Agency had received six advances from various City funds: (1) Advances in the amount of \$5,422,789 were to be repaid in fiscal year 2029. This advance bore interest at the average interest rate of the City's pooled investments. (2) Advance in the amount of \$915,049 bore interest at 3.15% and was to be repaid in fiscal year 2023. (3) Advance in the amount of \$3,900,000 bears no interest and was to be repaid in fiscal year 2029. (4) Advance in the amount of \$3,000,000 bears no interest and was to be repaid in fiscal year 2034. (5) Advance in the amount of \$4,966,402 will be repaid in fiscal year 2031. This advance bore interest at the average rate of the City's pooled investments, plus 1%. (6) Advances in the amount of \$9,774,347 were to be repaid in fiscal year 2040. These advances bear interest at the average interest rate of the City's pooled investments.

Principal and accrued interest on the advances totaled \$32,768,517 at July 1, 2011. During fiscal year 2012, the City and Redevelopment Agency determined that certain advances should have instead been funded by bond proceeds of the Agency. Therefore, the Redevelopment Agency repaid advances from the City in the amount of \$7,309,447 prior to the dissolution of the Agency on January 31, 2012.

The balance of the advances, including principal and accrued interest, was \$25,603,129 as of January 31, 2012. These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is based upon whether the Successor Agency to the Redevelopment Agency receives a Finding of Completion from the State as discussed in Note 20. In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore the loan balances were adjusted to reflect the revised interest rate during fiscal year 2012. During fiscal year 2013, the State Department of Finance denied this repayment and required the return of \$7,304,420 to the Successor Agency. The General Fund returned the cash to the Successor Agency during fiscal year 2013 and recorded the payment as an extraordinary item and increased the balance of the loans receivable. The principal balance of the loans as of June 30, 2013 is \$28,549,529. Accrued interest on the loans as of June 30, 2013 is \$3,555,724 and has been included in accrued interest receivable.

In addition, during the fiscal year ending June 30, 2010, the Agency approved an interfund advance authorizing the Roseville Redevelopment Project Area Fund and the Roseville Flood Control Project Area to borrow \$558,381 and \$258,455, respectively, from the Low and Moderate Income Housing Fund to assist in making the Agency's fiscal year 2009-10 SERAF payment. These loans do not bear interest and were repayable in five equal annual installments, and were required to be repaid prior to June 30, 2015. The balance of the loans as of June 30, 2013 totaled \$490,102.

With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the above advances and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 20 below. These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is also based upon whether the Successor Agency to the Redevelopment Agency receives a Finding of Completion from the State, as discussed in Note 20. The Successor Agency received its Finding of Completion in August 2013 and the loans are now enforceable obligations.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES RECEIVABLE (Continued)

With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advances and has recorded loans payable to the City as discussed in Note 20E below.

NOTE 6 – DEVELOPER PERMIT FEES RECEIVABLE

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by unavailable revenue in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The long-term portion of these receivables at June 30, 2013, was \$163,073 which has been classified as developer permit fees receivable, and the short-term portion of these receivables, which totaled \$26,102 at June 30, 2013, is included in accounts receivable.

In response to the state wide slowdown of the housing market, the City has also established a Single Family Residential Fee Deferral Program which offers deferred payment of permit fees for new single-family residences. The deferred fees will be paid to the City (1) prior to the final building inspection on the home; or (2) at close of escrow or within a year of the deed of trust being recorded whichever occurs first. As of June 30, 2013, these deferred fees were \$1,529,841.

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR RESALE

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

A. *Galleria at Roseville*

In fiscal 2001, the City entered into a lease agreement with the Galleria at Roseville regional mall. The purpose of this agreement was to share revenue with the mall developers based on the generation of certain levels of sales tax. The Developer agreed to construct the mall, along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the revenue sharing agreement commenced on that date. The remaining portion of sales tax revenues to be returned approximated to \$2,814,415 at June 30, 2013. 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 2013, payments made to the developer under the agreement totaled \$567,619.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7 – DEVELOPMENT AGREEMENTS AND LAND HELD FOR RESALE (Continued)

B. Land held for Resale

The former Redevelopment Agency purchased 304 Washington Boulevard in June 2011. The 304 Washington Boulevard parcel will be developed by a private developer into 71 Mixed Use residential units with commercial and parking on the first floor. With the dissolution of the Redevelopment Agency as discussed in Note 20, the City, as housing successor, assumed the low and moderate income housing set-aside-funded assets of the Redevelopment Agency as of February 1, 2012, including 304 Washington Boulevard. As of June 30, 2013, the total carrying value of the housing property held by the City amounted to \$861,245. The property is held for resale in the future.

In fiscal year 2013, the Roseville Community Development Corporation purchased a vacant lot for \$25,426 for future development along the Vernon Street corridor.

These properties are accounted for at the lower of cost, market or net realizable value.

NOTE 8 – CAPITAL ASSETS

A. Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

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

	<u>Useful Lives</u>	<u>Capitalization Thresholds</u>
Buildings	20-40 years	\$10,000
Improvements	40 years	10,000
Machinery and Equipment	3-20 years	5,000
Bike Paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Curb, Gutter, Sidewalks and Median Curbs	20 years	10,000
Drain Inlets	50 years	10,000
Flood Control Improvements	75 years	10,000
Soundwalls	35 years	10,000
Stormdrains	75 years	10,000
Traffic Signals	20 years	10,000
Plants and Substations:		
Electric	10-120 years	10,000
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Distribution Systems:		
Electric	7-100 years	10,000
Sewer	75 years	10,000
Water	75 years	10,000
Electric Generation	10-40 years	10,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

B. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Governmental activities					
Capital assets not being depreciated:					
Land	\$25,838,639	\$1,211,322			\$27,049,961
Streets (modified)	251,781,385	1,080,890		\$29,806,983	282,669,258
Parks (modified)	85,296,698	1,398,457		2,636,891	89,332,046
Landscaping (modified)	44,927,282	89,044	(\$7,653)	80,170	45,088,843
Construction in progress	96,498,138	27,156,563	(17,154,443)	(64,164,037)	42,336,221
Total capital assets not being depreciated	504,342,142	30,936,276	(17,162,096)	(31,639,993)	486,476,329
Capital assets being depreciated:					
Buildings	126,447,323			189,058	126,636,381
Improvements	6,637,436				6,637,436
Equipment	72,275,314	5,484,183	(4,037,536)	178,283	73,900,244
Bike paths	8,484,971				8,484,971
Bridges	56,529,847			8,771,881	65,301,728
Culverts	20,206,079			517,735	20,723,814
Curb, gutter, sidewalk, and median curbs	145,420,065	212,837		5,494,054	151,126,956
Drain inlets	20,752,050	195,926		218,255	21,166,231
Flood control improvements	20,007,644			216,941	20,224,585
Soundwall	31,569,614			4,492,878	36,062,492
Stormdrains	72,713,379	2,568,328		2,475,303	77,757,010
Traffic signals	33,333,369	207,651		9,085,605	42,626,625
Total capital assets being depreciated	614,377,091	8,668,925	(4,037,536)	31,639,993	650,648,473
Less accumulated depreciation for:					
Buildings	(45,704,079)	(3,131,071)			(48,835,150)
Improvements	(1,687,261)	(161,381)			(1,848,642)
Equipment	(53,294,911)	(5,438,993)	4,008,190		(54,725,714)
Bike paths	(5,850,580)	(333,510)			(6,184,090)
Bridges	(8,949,549)	(676,843)			(9,626,392)
Culverts	(5,002,901)	(272,866)			(5,275,767)
Curb, gutter, sidewalk, and median curbs	(100,782,904)	(4,696,618)			(105,479,522)
Drain inlets	(7,767,078)	(419,183)			(8,186,261)
Flood control improvements	(2,699,012)	(268,215)			(2,967,227)
Soundwall	(8,434,018)	(966,173)			(9,400,191)
Stormdrains	(13,405,346)	(1,003,136)			(14,408,482)
Traffic signals	(16,985,061)	(1,570,720)			(18,555,781)
Total accumulated depreciation	(270,562,700)	(18,938,709)	4,008,190		(285,493,219)
Net capital assets being depreciated	343,814,391	(10,269,784)	(29,346)	31,639,993	365,155,254
Governmental activity capital assets, net	\$848,156,533	\$20,666,492	(\$17,191,442)		\$851,631,583

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2012 (As Restated)	Additions	Retirements	Transfers	Balance at June 30, 2013
<i>Business-type activities</i>					
Capital assets, not being depreciated:					
Land	\$16,514,858				\$16,514,858
Landscaping (modified)	576,843				576,843
Streets (modified)	24,914				24,914
Construction in progress	13,602,027	\$13,622,854	(\$567,474)	(\$4,886,123)	21,771,284
Total capital assets not being depreciated	30,718,642	13,622,854	(567,474)	(4,886,123)	38,887,899
Capital assets, being depreciated:					
Buildings	26,201,337		(215,142)	672,568	26,658,763
Improvements	17,068,378			(655,899)	16,412,479
Machinery and equipment	24,589,417	2,573,977	(377,831)	(16,669)	26,768,894
Bike paths	4,078,094				4,078,094
Bridges	1,702,403				1,702,403
Culverts	305,328				305,328
Curb, gutter, sidewalk, and median curbs	110,989				110,989
Drain inlets	24,663				24,663
Flood control improvements	8,830,439				8,830,439
Storm drains	38,069				38,069
Plants and substations	352,271,728			2,162,927	354,434,655
Distribution	1,187,202,202	7,552,108	(1,616,091)	1,630,235	1,194,768,454
Generation	200,882,798	34,129		1,092,961	202,009,888
Total capital assets being depreciated	1,823,305,845	10,160,214	(2,209,064)	4,886,123	1,836,143,118
Less accumulated depreciation for:					
Buildings	(6,918,216)	(659,351)	24,203	(75,664)	(7,629,028)
Improvements	(5,388,948)	(439,802)		58,995	(5,769,755)
Machinery and equipment	(14,701,549)	(2,053,671)	323,729	16,669	(16,414,822)
Bike paths	(1,016,826)	(201,570)			(1,218,396)
Bridges	(66,205)	(18,916)			(85,121)
Culverts	(17,855)	(4,071)			(21,926)
Curb, gutter, sidewalk, and median curbs	(6,487)	(5,549)			(12,036)
Drain inlets	(3,356)	(493)			(3,849)
Flood control improvements	(58,870)	(117,739)			(176,609)
Storm drains	(3,655)	(508)			(4,163)
Plants and substations	(93,256,022)	(8,018,060)			(101,274,082)
Distribution	(225,425,410)	(17,999,528)	258,289		(243,166,649)
Generation	(46,485,370)	(10,669,008)			(57,154,378)
Total accumulated depreciation	(393,348,769)	(40,188,266)	606,221		(432,930,814)
Net capital assets being depreciated	1,429,957,076	(30,028,052)	(1,602,843)	4,886,123	1,403,212,304
Business-type activity capital assets, net	\$1,460,675,718	(\$16,405,198)	(\$2,170,317)		\$1,442,100,203

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

General government	\$1,481,065
Community development and planning	488,951
Public works	11,416,627
Police	803,214
Fire	610,048
Library	574,739
Parks and recreation	366,039
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	3,198,026
Total Governmental Activities	\$18,938,709

Business-Type Activities

Electric	\$17,863,681
Water	8,100,231
Wastewater	11,753,167
Solid Waste	294,930
Golf Course	388,601
Local Transportation	1,720,787
School-age Child Care	66,869
Total Business-Type Activities	\$40,188,266

D. Streets, Parks and Landscaping Covered By the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads. The City's policy based on current funding is to maintain the arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.8, instead of providing depreciation. During fiscal 2013 the City expended \$4,980,690 to preserve its roads. The City estimates that it will be required to expend approximately \$4,570,018 in fiscal 2014 to maintain its roads at this condition level.

The City has also elected to use the modified approach with respect to its parks and landscaping. The City's policy based on current funding is to maintain the parks and landscape at an average Ground Management Index (GMI) of Level 3, instead of providing depreciation. During fiscal 2013 the City expended \$4,868,908 to preserve its parks and landscaping. The City estimates that it will be required to expend approximately \$5,012,552 in fiscal 2014 to maintain its parks at this condition level.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS (Continued)

E. *Restatement of Capital Assets*

During the fiscal year ended June 30, 2013, the City determined that developer contributions of distribution capital assets in the Wastewater Enterprise Fund had been understated in the amount of \$11,348,697, net of accumulated depreciation, and that buildings in the School Age Childcare Enterprise Fund had been understated in the amount of \$1,171,724, net of accumulated depreciation. Therefore, the beginning balances of Capital Assets and Net Position of the respective Funds have been increased and restated in those amounts as of July 1, 2012.

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.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

The deferred charge on refunding was previously reported as a component of the long-term debt balance. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the balance of deferred charge on refunding is to be reported as an asset or liability, as applicable. Another provision of GASB Statement No. 65 requires that bond issuance costs, other than prepaid insurance, be expensed in the year incurred. As a result of the implementation, bond issuance costs as of July 1, 2012 in the amounts of \$1,676,644, \$566,982 and \$167,505, in the Electric, Wastewater and Golf Enterprise Funds, respectively, have been removed and net position of the funds has been reduced and restated in those amounts.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2012 (As restated)	Additions	Retirements	Balance June 30, 2013	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
2003A Public Facilities Refunding, 2.0%-5.0%, due 8/1/25	\$18,275,000	\$13,190,000		\$13,190,000		
Lease:						
2012 Public Facilities Refunding, 2.15%, due 8/1/25	11,549,031		\$11,549,031		\$11,549,031	\$878,784
Installment Purchase Obligations:						
Equipment	2,239,765	125,785		82,821	42,964	42,964
Land (Fulcrum Property)	1,191,322		1,191,322		1,191,322	
Total Governmental Activity Debt:	<u>\$33,255,118</u>	<u>\$13,315,785</u>	<u>\$12,740,353</u>	<u>\$13,272,821</u>	<u>\$12,783,317</u>	<u>\$921,748</u>
Business-type Activity Debt:						
Certificates of Participation:						
2004 Electric System Revenue, 3.00%-5.25%, due 2/1/34	\$39,940,000	\$37,825,000		\$395,000	\$37,430,000	\$405,000
Less: deferred bond discount	(728,254)	(534,053)		(24,275)	(509,778)	
2005 Electric System Revenue, Series A 3.00%-5.00%, due 2/1/23	52,900,000	43,615,000		3,450,000	40,165,000	3,625,000
Add: deferred bond premium cost	3,528,055	2,731,398		113,808	2,617,590	
2008 Electric System Revenue, Series A variable rate, due 2/1/35	90,000,000	90,000,000		90,000,000		
2009 Electric System Revenue Refunding 2.00%-5.25%, due 2/1/24	27,010,000	22,350,000		1,515,000	20,835,000	1,545,000
Add: deferred bond premium cost	396,611	317,288		26,441	290,847	
2012 Electric System Revenue Refunding variable rate, due 2/1/35	90,000,000		\$90,000,000		90,000,000	
2003B Golf Course Refunding, 2.0%-5.0%, due 8/1/23	8,240,000	5,600,000		5,600,000		
2007 Water Utility Revenue, 4.0%-5.0%, due 12/1/27	53,695,000	46,665,000		1,965,000	44,700,000	2,065,000
Add: deferred bond premium cost	2,759,170	2,069,376		137,959	1,931,417	
Total Certificates of Participation	<u>367,740,582</u>	<u>250,639,009</u>	<u>90,000,000</u>	<u>103,178,933</u>	<u>237,460,076</u>	<u>7,640,000</u>
Revenue Bonds:						
2007 Gas Revenue Bonds 4.00-5.00%, due 2/15/28	209,350,000	181,875,000		7,675,000	174,200,000	8,030,000
Add: deferred bond premium cost	15,454,116	11,038,655		735,910	10,302,745	
2010 Electric System Revenue Refunding 2.00%-5.00%, due 2/1/37	55,845,000	55,540,000		330,000	55,210,000	355,000
Add: deferred bond premium cost	2,764,207	2,559,451		102,378	2,457,073	
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds, Series A variable rate, due 11/1/35	16,340,380	16,340,380		16,340,380		
2011 Variable Rate Demand Refunding Wastewater Revenue Bonds, Series B variable rate, due 11/1/35	16,337,672	16,337,672		16,337,672		
2011 Refunding Wastewater Revenue Bonds, Series C 1.00-5.25%, due 11/1/25	36,315,568	34,858,395	4,819,815	1,874,464	37,803,746	1,988,535
Add: deferred bond premium cost	2,839,017	2,484,139	343,479	201,973	2,625,645	
2011 Refunding Wastewater Revenue Bonds, Series D variable rate (SIFMA rate plus 0.83%), due 11/1/14	16,251,000	16,251,000	2,247,000		18,498,000	
2013 Refunding Wastewater Revenue Bonds variable rate, due 11/1/35	36,582,878		36,582,878		36,582,878	
Total Revenue Bonds	<u>408,079,838</u>	<u>337,284,692</u>	<u>43,993,172</u>	<u>43,597,777</u>	<u>337,680,087</u>	<u>10,373,535</u>
Lease:						
2012 Public Facilities Refunding (Golf Course), 2.15%, due 8/1/25	4,775,578		4,775,578		4,775,578	430,618
Total Business-type Activity Debt:	<u>\$780,595,998</u>	<u>\$587,923,701</u>	<u>\$138,768,750</u>	<u>\$146,776,710</u>	<u>\$579,915,741</u>	<u>\$18,444,153</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

B. 2003A Public Facilities Refunding Certificates of Participation (COP's)

On July 17, 2003, the City issued \$18,275,000 of Public Facilities Refunding COPs to advance refund the outstanding 1993 Public Facilities COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Principal payments were payable annually and interest payments were due semi-annually on February 1 and August 1 through 2025. The COP's were refunded and retired by the 2012 Public Facilities Refunding Lease.

C. 2012 Public Facilities Refunding Lease

On June 1, 2013, the City entered into a Lease and Sublease Agreement in the amount of \$16,324,609 to refund the outstanding 2003A Public Facilities Refunding Certificates of Participation (2003A COPs) and the 2003B Golf Course Refunding Certificates of Participation (2003B COPs). The refunding of the 2003A COPs reduces the total debt service payments over 13 years by \$1,477,987 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,482,732. The refunding of the 2003B COPs reduces the total debt service payments over 11 years by \$756,555 and to obtain an economic gain of \$754,811. The 2003A and 2003B COPs were called on August 1, 2013. The Lease is repayable from any source of available funds of the City which includes the General Fund, however the Golf Course Enterprise Fund is expected to repay the portion of the lease related to the refunding of the 2003B Certificates of Participation. Principal and interest payments are payable semi-annually on February 1 and August 1 through 2025.

D. Installment Purchase Obligations

The City has purchased various pieces of computer equipment on the installment basis. The City has also entered into long-term contracts for the lease/purchase of various public safety equipment.

Fulcrum Property Corporation purchased commercial property for the development of a conference center and subsequently assigned the commercial property to the City, and the City assumed all of Fulcrum's rights and obligations to the property, including the associated installment purchase obligation. The installment purchase obligation is due in a lump sum of \$1,191,322, plus simple interest of 5% per year from December 21, 2012 to December 31, 2016, and the outstanding principal and interest is due on December 31, 2016. Fulcrum has the option to purchase a portion of the property and for this, Fulcrum is to pay the City \$10,000 on or before each December 31 during the option term which ends December 31, 2016, or \$70,000 if terminated earlier. The option consideration is non-refundable, and is not applied to the purchase price.

E. 2004 Electric System Revenue Certificates of Participation

On July 1, 2004, the City issued \$39,940,000 of Certificates of Participation to finance capital improvements to the City's Electric System. The COP's are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00% - 5.25% and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 through February 2034.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

F. 2005 Electric System Revenue Certificates of Participation, Series A

On May 26, 2005, the City issued Certificates of Participation, Series A, in the original principal amount of \$52,900,000 to finance certain Electric System improvements, primarily including construction of the Roseville Energy Park.

The Series A COPs bear interest at 3.00%-5.00% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2008 through 2023.

G. 2008 Electric System Revenue Refunding Certificates of Participation Series A and Electric System Revenue Refunding Certificates of Participation Series B

On May 12, 2008, the City issued variable rate Certificates of Participation (COP's) Series A and B in the original principal amounts of \$90,000,000, and \$64,500,000, respectively. The Series B COPs were refinanced by the 2010 Electric System Revenue Refunding Bonds, discussed in Note 9I below.

The Series 2008A Bonds were issued to refund the remaining outstanding balance of the 2005 Electric System Revenue Certificates of Participation, Series B.

The Series A COPs were issued as variable rate securities with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 27-year interest rate swap agreement for the entire amount of the Series A COP's. The combination of the variable rate Series A COPs and a floating rate swap creates synthetic fixed-rate debt for the City. Principal payments were due annually on February 1 beginning February 1, 2023 through 2035. The Series A COPs were refinanced in fiscal year 2013 by the 2012 Electric System Revenue Refunding Certificates of Participation, as discussed in Note 9J below.

H. 2009 Electric System Revenue Refunding Certificates of Participation

On November 24, 2009, the City issued Certificates of Participation (COP's) in the original principal amount of \$27,010,000.

The COPs were issued to refinance the remaining outstanding balance of the 2002 Electric System Revenue Certificates of Participation.

The COPs bear interest at 2.00%-5.25% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2010 through 2024.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

I. 2010 Electric System Revenue Refunding Bonds

On October 21, 2010, the City issued Revenue Bonds in the original principal amount of \$55,845,000.

The Bonds were issued to refinance the remaining outstanding balance of the 2008 Electric System Revenue Refunding Certificates of Participation Series B, discussed above in Note 9 F.

The Revenue Bonds bear interest at 2.00%-5.00% and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually beginning February 1, 2012 through 2037.

J. 2012 Electric System Revenue Refunding Certificates of Participation

On November 7, 2012 the City issued Certificates of Participation (COPs) in the original principal amount of \$90,000,000. The COPs were issued to refund and retire the outstanding balance of the 2008A Electric System Revenue COPs. The refunding did not change the total debt service payments and there was no economic gain or loss (difference between the present values of the debt service payments on the old and new debt). The 2008A COPs were called on November 7, 2012 with the termination of the letter of credit.

The COPs were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Trust Agreement to mean a per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of (a) the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus (b) the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The LIBOR Index is defined as the London interbank offered rate for U.S. dollar deposits for a one-month period, as reported on Reuters Screen LIBOR01 Page or any successor thereto, which will be that one-month LIBOR rate in effect two London Business Days prior to the LIBOR Index Reset Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. The interest rate of the COPs cannot exceed 12% per year and may be converted by the City into a daily rate, weekly rate, commercial paper rate or index rate, subject to certain conditions defined in the Trust agreement. The interest rate at June 30, 2013 was 0.765%.

The City originally entered into a 27-year interest rate swap agreement for the entire amount of the 2008A COPs, and the interest rate swap agreement remains outstanding after the refunding, but the notional amount of the swap is based on the notional amount of the 2008A COPs. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 3.971% at June 30, 2013. The COPs are subject to mandatory prepayment annually beginning February 1, 2023 through 2035.

As of June 30, 2013, the total principal and interest remaining to be paid on the 2004 Electric System Revenue COP's, 2005 Electric System Revenue COP's, 2009 Electric System Revenue Refunding COP's, 2010 Electric System Revenue Refunding Revenue Bonds and 2012 Electric System Revenue Refunding COPs was \$404,051,370. As disclosed in the official statements, all net revenues of the Electric System are expected to provide coverage over debt service of 110% over the lives of the Bonds. For fiscal year 2013, net revenues amount to \$33,781,411 which represent coverage of 193% over the \$17,483,647 in debt service.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

K. 2003B Golf Course Refunding Certificates of Participation

On July 17, 2003, the City issued \$8,240,000 of Golf Course Refunding COPs, the proceeds of which are to be used to advance refund the outstanding 1993 Golf Course COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. Interest payments were due semi-annually on February 1 and August 1. Principal payments were due annually on August 1 through 2024. The COPs were refunded by the 2012 Public Facilities Refunding lease discussed in 9C above.

L. 2007 Water Utility Revenue Certificates of Participation

The City issued Certificates of Participation in the original principal amount of \$53,695,000 on October 16, 2007, to refund the remaining balance of 1997 Water Utility Revenue Certificates of Participation, and to finance the acquisition and the construction of certain capital improvements and additions to the City's Water Utility System. The COP's are 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, 2027.

As of June 30, 2013, the total principal and interest remaining to be paid on the bonds was \$63,228,507. As disclosed in the official statement, all net revenues of the Water Utility System are expected to provide coverage over debt service of 120% over the life of the Bonds. For fiscal year 2013 net revenues amounted to \$10,317,340 which represented coverage of 258% over the \$3,999,604 in debt service.

M. 2007 Roseville Natural Gas Financing Authority Gas Revenue Bonds

On January 24, 2007, the Authority issued \$209,350,000 of Gas Revenue Bonds, Series 2007, to finance a lump sum prepayment to a Gas Supplier (See Note 19A) in order to acquire a supply of natural gas to be delivered over a period of twenty-years. The gas purchased by the Authority will be sold to the City pursuant to a Natural Gas Supply Agreement (See Note 19B) to produce revenues to be used for debt service on the Bonds.

Principal payments are due annually commencing on February 15, 2009 through 2028 and interest is payable semiannually on February 15 and August 15, commencing August 15, 2007. As of June 30, 2013, the total principal and interest to be paid on the bonds was \$251,838,995. For fiscal year 2013, net revenues amounted to \$26,709,137 which represented coverage of 1.60% over the \$16,653,644 in debt service.

N. 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A, B, C, and D

On April 7, 2011, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2011A and 2011B in the original principal amounts of \$30,165,000 and \$30,160,000, respectively, and Revenue Refunding Bonds Series 2011C and 2011D (SIFMA Index Bonds) in the original principal amount of \$67,040,000 and \$30,000,000, respectively. The City's share of this obligation was determined to be 54.17% when the Bonds were issued. The Authority amended the Funding Agreement and the members entered into a Reallocation and Repayment Agreement during fiscal year 2012 which changed the proportionate share of the member obligations prospectively effective October 1, 2012. As a result, the City's share of the obligation increased to 61.66% and the liabilities for the 2011C and 2011D Bonds have been increased \$4,819,815 and \$2,247,000, respectively.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

The Series 2011ABCD Bonds were issued to refund the remaining outstanding balance of the 2008 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds Series A and Series B. During fiscal year 2013, the 2011 A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds.

Interest rates on the Series 2011D Bonds will be a per annum rate equal to the Adjusted SIFMA Rate (the sum of the SIFMA Index Rate and an additional interest rate of 0.832%), applied on the basis of the actual number of days in the applicable Interest Period divided by 365 or 366, as applicable. "SIFMA Index" is defined under the Indenture to mean the SIFMA Municipal Swap Index (formerly The Bond Market Association Municipal Swap Index), a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there will be used in its place such index as the Trustee, following consultation with the Authority and the Calculation Agent, as applicable for the applicable Interest Rate Period, from time to time determines most closely approximates the SIFMA Index. The interest rate at June 30, 2013 was 0.892%

O. 2013 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds

On April 1, 2013, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2013, in the original principal amount of \$59,330,000. The City's share of this obligation was determined to be 61.66%. The 2013 Bonds were issued to refund the remaining outstanding balance of the 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A and B. The refunding reduces the total debt service payments over 23 years by \$10,250,750 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,280,943. The 2011A and 2011B Bonds were called on April 1, 2013.

The 2013 Bonds were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Indenture to mean the per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The interest rate of the Bonds cannot exceed 12% per year and may be converted by the Authority into a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate, subject to certain conditions defined in the Indenture. The interest rate at June 30, 2013 was 0.761%. The Bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

The Authority originally entered into a 19 year interest rate swap agreement for the entire amount of the 2008B Bonds, and as part of the issuance of the 2011 ABCD Bonds, the swap agreement was amended and remains in effect, but the notional amount of the swap is based on the notional amount of the 2008 B Bonds. The interest rate swap agreement remains outstanding after the refunding and issuance of the 2013 Bonds, and the notional amount of the swap continues to be based on the notional amount of the 2008B Bonds. The combination of the variable rate bonds and the floating rate swap creates a synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the 2011 C and 2013 Bonds at June 30, 2013 was 4.05%.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

As of June 30, 2013, the total principal and interest remaining to be paid on the 2011 Series C, 2011 Series D Bonds and the 2013 Bonds was \$135,086,526. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds, however the Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. As discussed in Note 16, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share. For fiscal year 2013, \$6,151,669 in debt service was paid from the Rate Stabilization Account.

P. Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2008 Electric Revenue Certificates of Participation, Series A. In addition, the City has a 61.66% interest in the Authority which entered into an interest swap agreement in connection with the 2008 Refunding Wastewater Revenue Bonds, Series B. The Authority amended the swap with the issuance of the 2013 Bonds, but the swap continues to be based on the notional amount of the 2008 B Bonds.

These transactions allow the City to create synthetic fixed rates on the COPs and Revenue Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below.

Terms. The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2013, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issues.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	\$36,000,000	5/13/2008	Bank of America, N.A.	A	3.364%	70.5% of 1m LIBOR	2/1/2035
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	54,000,000	5/13/2008	Morgan Stanley Capital Services Inc.	A-	3.321%	70.5% of 1m LIBOR	2/1/2035
2011 Refunding Wastewater Revenue Bonds, series C and D and 2013 Refunding Wastewater Revenue Bonds (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B)	50,961,990 (A)	9/17/2003, amended 4/10/2008	Morgan Stanley Capital Services Inc.	A-	3.665%	62% of 1m LIBOR plus 26 bps	11/1/2027
	<u>\$140,961,990</u>						

(A) The Authority's swap agreement is based on the notional amount of \$82,650,000 related to the 2008B Bonds. The City's share of these underlying Bonds is 61.66%, or \$50,961,990. Only the City's portion of the swap agreement is shown above, since the City was only obligated for that portion of the Authority's bonds.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

Based on the swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

Fair value. Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by each swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2013, the fair value of the swaps were not in favor of the City as follows:

Related Bond Issue	Fair Value	
	2013	2012
2012 Electric System Revenue Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)		
Bank of America N.A.	(\$5,503,837)	(\$9,492,812)
Morgan Stanley Capital Services Inc.	(7,952,467)	(13,898,939)
2011 Refunding Wastewater Revenue Bonds, series C and D and 2013 Refunding Wastewater Revenue Bonds (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B) (A)	(7,044,596)	(8,898,587)
	<u>(\$20,500,900)</u>	<u>(\$32,290,338)</u>

(A) The Authority's swap agreement is based on the notional amount of \$82,650,000 equivalent to the notional balance on the 2008B Bonds. The City's share of these underlying Bonds was 61.66%, or \$50,961,990. Only the City's portion of the fair value of the swap agreement is shown above, since the City is only obligated for that portion of the Authority's 2011 and 2013 bonds.

Credit risk. The City would be exposed to credit risk on the outstanding swaps if the swaps had positive fair values. These amounts may increase if interest rates increase in the future. However, if interest rates decline and fair values of the swaps were to become negative, the City would no longer be exposed to credit risk. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

Termination risk. The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2008 Refunding Wastewater Revenue Bonds, Series B, associated with the 2011 C and D Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on November 1, 2027 while the 2011 A and B mature on November 1, 2035, the 2011 C Bonds mature on November 1, 2025 and the 2011 D Bonds mature on November 1, 2014, and the 2013 Bonds mature on November 1, 2035.

Swap payments and associated debt. Using rates as of June 30, 2013, debt service requirements of the City's outstanding swap-related variable-rate and fixed rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at June 30, 2013:

For the Year Ending June 30	Variable-Rate and Fixed Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2014	\$1,988,535	\$3,264,653	\$4,302,510	\$9,555,698
2015	20,631,436	3,061,545	4,225,246	27,918,227
2016	2,287,586	2,901,291	4,145,164	9,334,041
2017	2,457,151	2,787,945	4,062,412	9,307,508
2018	2,635,965	2,660,616	3,976,398	9,272,979
2019 - 2023	21,227,232	11,022,798	18,411,955	50,661,985
2024 - 2028	40,748,841	6,148,278	12,714,643	59,611,762
2029 - 2033	75,892,994	3,592,783	5,902,342	85,388,119
2034 - 2036	51,597,762	499,941	595,771	52,693,474
Totals	<u>\$219,467,502</u>	<u>\$35,939,850</u>	<u>\$58,336,441</u>	<u>\$313,743,793</u>

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

Q. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$921,748	\$203,063	\$18,444,153	\$24,197,727
2015	795,562	284,700	37,775,565	23,307,819
2016	2,005,995	267,493	20,245,257	22,334,069
2017	831,485	190,321	21,317,141	21,359,319
2018	846,038	172,366	22,372,190	20,321,674
2019 - 2023	4,473,864	575,962	130,500,039	83,977,695
2024 - 2028	2,908,625	105,022	152,312,979	49,373,704
2029 - 2033			80,926,497	22,658,309
2034 - 2037			76,306,381	7,157,912
Total	<u>\$12,783,317</u>	<u>\$1,798,927</u>	560,200,202	<u>\$274,688,228</u>
Reconciliation of long-term debt				
Less deferred bond discount			(509,778)	
Add deferred bond premium costs			<u>20,225,317</u>	
Net long-term debt			<u>\$579,915,741</u>	

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 - LONG-TERM DEBT (Continued)

R. Special Assessment Districts

Special Assessment Districts, including Mello Roos Districts, in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2013, is as follows:

North Roseville Community Facilities District #1	\$15,030,000
North Central Roseville Community Facilities District #1, Series 2010	17,000,000
Woodcreek West Community Facilities District #1, Series 2005	16,590,000
Stone Point Community Facilities District # 1	8,970,000
Fiddymment Ranch Community Facilities District # 1	76,160,000
Westpark Community Facilities District # 1	75,290,000
Roseville Finance Authority Revenue Bonds, Series 2006 A and B	30,510,000
Stone Point Community Facilities District #5, Series 2006	5,170,000
Diamond Creek Community Facilities District #1, Series 2007	6,940,000
Special Tax Revenue Refunding Bonds, Series 2007 A Senior Lien Bonds	37,565,000
Special Tax Revenue Refunding Bonds, Series 2007 B Junior Lien Bonds	8,800,000
Fountains Community Facilities District No.1 Special Tax Bonds Series 2008	11,200,000
Roseville Automall Community Facilities District #1 Special Tax Bonds	2,285,000
Roseville Finance Authority Special Tax Revenue Refunding Bonds, Series 2012	21,000,000
Longmeadow Parkside Community Facilities District #1 Special Tax Refunding Bonds, Series 2013	8,290,000
Total	<u>\$340,800,000</u>

NOTE 10 – DERIVATIVE INSTRUMENTS

A. Summary of Notional Amounts and Fair Values

The City enters into contracts to hedge its price exposures to power and natural gas, and to procure energy supplies. These contracts are evaluated pursuant to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, to determine whether they meet the definition of derivative instruments, and, if so, whether they effectively hedge the expected cash flows associated with interest rate and energy exposures.

The City applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the consolidated statement of net position. For the reporting period, all of the City's derivatives meet the effectiveness tests.

For energy derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants or provided in relevant industry publications.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – DERIVATIVE INSTRUMENTS (Continued)

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2013.

	2013 Change in Fair Value		Fair Value, End of Fiscal Year 2013	
	Classification	Amount	Classification	Amount
Effective Cash Flow Hedges				
Electric Fund				
Pay Fix SWAP, Natural Gas	Deferred Outflow	\$22,418,129	Derivative	<u>(\$22,847,750)</u>
Receive Fixed SWAP, Electric	Deferred Inflow	92,171	Derivative	<u>\$92,171</u>
Roseville Natural Gas Financing Authority				
Pay Fixed SWAP, Natural Gas	Deferred Inflow	(\$2,431,676)	Derivative	\$20,099,009
Receive Fixed SWAP, Natural Gas	Deferred Inflow	(24,374,329)	Derivative	<u>54,655,133</u>
				<u>\$74,754,142</u>

B. Objective and Terms of Hedging Derivative Instruments

The objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2013, are summarized in the next table. The table is aggregated by the credit ratings of the City's counterparties. For counterparties having multiple ratings, the rating indicating the greatest degree of risk is used.

Objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2013 are summarized in the table below:

Type and Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty	Counterparty Rating
Forward Contracts, Gas:						
Hedge Cash Flows on PG&E citygate Gas	\$990,000	8/1/2012	3/31/2014	Pay \$6.63; Receive NGI PG&E citygate price	BP Corporation	BBB+
Hedge Cash Flows on PG&E citygate Gas	183,000	8/1/2012	9/30/2013	Pay \$5.67; Receive NGI PG&E citygate price	ConocoPhillips	A
Hedge Cash Flows on PG&E citygate Gas	828,000	10/1/2012	12/31/2013	Pay \$4.81; Receive NGI PG&E citygate price	J Aron & Company	A-
Hedge Cash Flows on PG&E citygate Gas	1,087,500	8/1/2012	3/31/2014	Pay \$5.10; Receive NGI PG&E citygate price	J.P. Morgan Ventures Energy Corporation	A
Hedge Cash Flows on PG&E citygate Gas	3,515,000	1/1/2013	2/28/2014	Pay \$4.98; Receive NGI PG&E citygate price	Macquarie Energy	A
Hedge Cash Flows on PG&E citygate Gas	367,000	8/1/2012	12/31/2013	Pay \$5.37; Receive NGI PG&E citygate price	Powerex Corporation	AAA
Hedge Cash Flows on PG&E citygate Gas	6,424,000	8/1/2012	5/31/2014	Pay \$6.52; Receive NGI PG&E citygate price	Shell Energy North America	A-
Hedge Cash Flows on NP15 Power	36,600	5/1/2014	5/31/2014	Pay \$34.59; Receive NP15 price	Shell Energy North America	A
Commodity Swaps, Gas:						
Prepayment 20-year supply of Natural Gas	34,513,500	1/1/2008	12/31/2027	Pay index minus 0.68; Receive NGI	Merrill Lynch	A+
Hedge on Cash Flows on prepayment of 20-year supply of Natural Gas	From 76,000 to 372,000 per month	1/24/2007	1/25/2028	Pay NGI PG&E citygate price; Receive \$7.7224 per MMBtu	JPMorgan Chase Bank, NA	A

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – DERIVATIVE INSTRUMENTS (Continued)

C. *Risks of Derivative Instruments*

Credit risk – Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The City seeks to minimize credit risk by transacting with creditworthy counterparties. Interest rate swap counterparties are evaluated at the time of transaction execution. The procedure prohibits the City from executing energy hedge transactions with counterparties rated lower than BBB by Standard & Poor's or Fitch rating services, or Baa2 by Moody's. Subsequent to entering into transactions, the credit ratings of one or more counterparties may deteriorate. If so, the City's credit risk management policies increase the amount of collateral that the counterparty must post with the City when the counterparty owes the City, thereby reducing credit risk associated with the decline in the counterparty's credit worthiness.

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, and mergers in which the successor entity does not meet credit criteria. One aspect of termination risk is that the City would lose the hedging benefit of a derivative that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination the mark-to-market value of the derivative was a liability to the City, the City could be required to pay that amount to the counterparty. Termination risk is associated with all of the City's derivatives up to the fair value amounts.

NOTE 11 – NET POSITION AND FUND BALANCES

A. *Net Position*

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects (expended) or contributions received in permanent funds (unexpended), debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances, Reserves and Designations

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council, such as an Ordinance, which may be altered only by the same formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or the Finance Director. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are below:

Fund Balance Classifications	General Fund	Capital Projects	Other Governmental Funds	Total
		Community Facilities District Projects		
Nonspendable:				
Items not in spendable form:				
Prepaid expenses	\$93,385			\$93,385
Notes receivable	23,826,961			23,826,961
Inventories	429,985		\$776,181	1,206,166
Subtotal	24,350,331		776,181	25,126,512
Amounts required to be maintained intact:				
Permanent funds			16,914,988	16,914,988
Total Nonspendable Fund Balances	24,350,331		17,691,169	42,041,500
Restricted for:				
Community facilities districts		\$6,392,246		6,392,246
Debt service			144,978	144,978
Lighting and landscaping			9,519,456	9,519,456
Street projects			11,320,381	11,320,381
Affordable housing			5,483,482	5,483,482
Library services and projects			471,718	471,718
Public safety services and projects			3,870,025	3,870,025
Bike trail/open space maintenance			978,389	978,389
Animal control shelter			572,870	572,870
Traffic projects			19,721,605	19,721,605
Public facilities			11,988,870	11,988,870
Park development			23,053,888	23,053,888
Pleasant Grove drain basin			8,425,592	8,425,592
Tree propagation			2,607,918	2,607,918
Community development block grant and HOME programs			(14,612)	(14,612)
Aquatics Complex Maintenance			24,913	24,913
Citizens' Benefits			677,304	677,304
Other capital projects			860,055	860,055
Total Restricted Fund Balances		6,392,246	99,706,832	106,099,078
Committed to:				
Utility exploration center			66,779	66,779
Park services and projects			407,251	407,251
Building projects			1,816,908	1,816,908
Total Committed Fund Balances			2,290,938	2,290,938
Assigned to:				
Information systems upgrades and improvements	174,441			174,441
Annual park repairs	126,765			126,765
Building maintenance	110,437			110,437
Police patrol supplies	119,992			119,992
Fire operations and supplies	166,091			166,091
Economic development	586,966			586,966
Plan check and inspection	100,221			100,221
Various contracts	1,617,773			1,617,773
Building and general rehabilitation projects			12,625,416	12,625,416
Total Assigned Fund Balances	3,002,686		12,625,416	15,628,102
Unassigned:				
General fund	29,957,714			29,957,714
Other governmental fund deficit residuals			(1,333,659)	(1,333,659)
Total Unassigned Fund Balances	29,957,714		(1,333,659)	28,624,055
Total Fund Balances	\$57,310,731	\$6,392,246	\$130,980,696	\$194,683,673

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

C. *Economic Reserves*

The Ordinance adopting the City's annual budget requires the City to implement and maintain fund balances of approximately 10% of General Fund and Utility Fund operating expenditures for economic uncertainties. As of June 30, 2013, the General Fund Reserve for Economic Uncertainties, which is reported within the unassigned fund balance of the General Fund, had a balance of \$9,598,800. As of June 30, 2013, the Utility Fund Economic Uncertainties balances, which are reported within the unrestricted net position of the Electric, Water, Wastewater and Solid Waste Enterprise Funds had balances of \$14,174,500, \$2,005,200, \$2,832,800, and \$2,000,000, respectively.

D. *Fund Balance and Net Position Deficits*

The Community Development Block Grant/HOME Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$14,612. Future grant revenues are expected to eliminate this deficit.

The Roseville Community Development Corporation Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$904,548. Future contributions and revenues are expected to eliminate this deficit.

The Technology Replacement Special Revenue Fund had a deficit fund balance at June 30, 2013 of \$429,111. Future permit fees are expected to offset this deficit.

The Automotive Services Internal Service Fund had deficit net position at June 30, 2013 of \$688,836. Rental Rates will be evaluated in future years.

The Unemployment Reserve Internal Service Fund had deficit net position at June 30, 2013 of \$225,417. Increasing future premium amounts and reducing loan payment amounts are expected to eliminate this deficit.

The Post Retirement Internal Service Fund had deficit net position at June 30, 2013 of \$30,774,587. Future increases in contribution rates will eliminate this deficit.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had deficit net position at June 30, 2013 of \$39,828,848. Future tax revenues are expected to eliminate this deficit.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or 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, 2013, are summarized as follows:

	Safety	
Hire Date	Prior to January 1, 2013	After January 1, 2013
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	3%	2.0% - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	31.298%	31.298%

	Safety
Actuarially required contributions	\$10,101,015

	Miscellaneous	
Hire Date	Prior to January 1, 2013	After January 1, 2013
Benefit vesting Schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	20.230%	20.230%

	Miscellaneous
Actuarially required contributions	\$18,063,140

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. The City paid 100% of the contributions required by CALPERS, for the years ended June 30, 2013, 2012 and 2011. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the last three fiscal years were as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<i>Safety Plan</i>			
June 30, 2011	\$8,841,881	100%	\$0
June 30, 2012	10,027,631	100%	0
June 30, 2013	10,101,015	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2011	\$14,791,010	100%	0
June 30, 2012	18,065,353	100%	0
June 30, 2013	18,063,140	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. 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.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 - PENSION PLAN (Continued)

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

Safety Plan (3% @ 50):

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$176,319,541	\$133,291,736	\$43,027,805	75.6%	\$23,685,286	181.665%
2011	196,208,635	145,495,984	50,712,651	74.2%	22,222,636	228.203%
2012	213,420,106	157,246,641	56,173,465	73.7%	23,542,236	238.607%

Miscellaneous Plan (2.7% @ 55):

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$367,490,532	\$261,053,910	\$106,436,622	71.0%	\$63,122,632	168.619%
2011	403,899,989	281,366,830	122,533,159	69.7%	62,355,851	196.506%
2012	429,218,174	302,337,115	126,881,059	70.4%	63,780,598	198.934%

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

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

C. Trend Information

The following table provides three years of historical information of the Annual OPEB Cost:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2011	\$9,273,292	\$38,457,645	415%	\$15,409,215
6/30/2012	15,104,848	4,972,333	33%	25,541,730
6/30/2013	15,317,140	7,612,084	50%	33,246,786

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	(Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2007	\$0	164,567,000	(\$164,567,000)	0.00%	\$80,302,000	-204.94%
6/30/2009	34,000,000	180,097,000	(146,097,000)	18.88%	80,664,000	-181.12%
6/30/2011	34,626,000	176,733,000	(142,107,000)	19.59%	74,535,000	-190.66%

D. Funding Progress and Funded Status

During the fiscal year ended June 30, 2013, the City has recorded a Net OPEB Obligation in the Post Retirement Internal Service Fund, representing the difference between the ARC and actual contributions, as presented below:

Annual required contribution	\$15,995,000
Interest on net OPEB obligation	1,660,212
Adjustment to annual required contribution	<u>(2,338,072)</u>
Annual OPEB cost	15,317,140
Contributions:	
Pay-as-you-go premiums	(5,131,475)
Contribution to the Trust	<u>(2,480,609)</u>
Change in net OPEB obligation	7,705,056
Net OPEB obligation at June 30, 2012	<u>25,541,730</u>
Net OPEB Obligation at June 30, 2013	<u>\$33,246,786</u>
Percentage of annual OPEB cost contributed	<u>50%</u>

The Net OPEB Obligation is liquidated by the fund that has recorded the liability. The long-term portion of governmental activities Net OPEB Obligation is liquidated primarily by the General Fund.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

E. Investments Authorized for the Retiree Health Plan Trust

The authorized investments for the Retiree Health Plan Trust were established pursuant to the Trust Agreement. The City, as trustee, has elected to invest the Trust assets in up to six months of cash, cash equivalent and/or money market funds for near term Trust benefits and expenses. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries. To achieve the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to attempt to achieve a long-term average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate as described above.

Asset Classes	Asset Weightings	
	Range	Target
Domestic Equity	18-38%	28%
International Equity	7-27%	17%
REITs	0-10%	2.50%
Inflation Hedge	0-10%	2.50%
Fixed Income	35-75%	50%
Cash Equivalent	0-20%	0%

F. Retiree Health Plan Assets

At June 30, 2013, the Plan reported assets available for benefits of \$41,641,477. The composition of these assets at June 30, 2013, is shown below. For actuarial purposes, the value of the Plan's assets was determined to be fair value.

Domestic Equity	\$15,622,248
International Equity	8,661,477
REITs	1,202,545
Fixed Income Securities	16,058,592
Cash Equivalent	96,615
Assets available for benefits at June 30, 2013	<u>\$41,641,477</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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.

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

The contributions made to the risk pools below equal the ratio of the respective member 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.

A. Risk Coverage

General Liability, Property and Boiler and Machinery

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims, property, and boiler and machinery losses. Once the City's SIR is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool and more information may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

General Liability Coverage

The City has a self-insured retention (SIR) of \$500,000 per claim up to a \$40,000,000 limit. The City's premium was \$423,865 with an additional \$1,625 charge to reflect the fees to access CSRM Risk Control Online Services. The total premium cost to the City was \$425,490.

Property Coverage

CJPRMA has purchased commercial insurance against property damage. The City has a self-insured retention (SIR) of \$25,000 per claim up to a \$300,000,000 limit. The City's premium for coverage is \$241,608.

Boiler and Machinery Coverage

CJPRMA has purchased commercial insurance against boiler and machinery claims. The City has a self-insured retention (SIR) of \$5,000 per claim up to a \$21,250,000 limit. The annual premium paid was \$31,058.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 14 - RISK MANAGEMENT (Continued)

Roseville Energy Park Property Coverage

The City purchased commercial property insurance specifically to cover the Roseville Energy Park. The City has a self-insured retention of \$250,000 per claim up to a \$200,000,000 limit. The City's premium for coverage is \$407,008.

Fiduciary Coverage

The City purchased fiduciary insurance specifically to cover the OPEB Trust. The self-insured retention is \$25,000 per claim up to a \$3,000,000 limit. The City's premium for coverage is \$27,864.

Workers' Compensation

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$5,000,000 and has excess coverage through CSAC-EIA up to statutory limit. The City has a self-insured retention of \$350,000 per claim. The City's premium of \$492,772 was for current year coverage, plus \$26,106 towards a 1998-99 assessment. The total premium charge to the City was \$518,878.

Financial statements for the risk pool and more information may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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

	<u>2013</u>	<u>2012</u>
Claims liability, beginning of year	\$6,309,143	\$5,853,000
Current year claims	2,363,000	2,335,000
Change in prior year claims	127,859	(725,327)
Claims paid, current year claims	(331,860)	(331,063)
Claims paid, prior year claims	<u>(764,438)</u>	<u>(822,467)</u>
Claims liability, end of year	<u>\$7,703,704</u>	<u>\$6,309,143</u>
Current claims liabilities	<u>\$924,444</u>	<u>\$757,097</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 14 - RISK MANAGEMENT (Continued)

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

	2013	2012
Claims liability, beginning of year	\$1,555,904	\$1,792,000
Current year claims	1,119,000	755,000
Change in prior year claims	2,549,950	175,876
Claims paid, current year claims	(105,869)	(83,354)
Claims paid, prior year claims	(3,226,380)	(1,083,618)
Claims liability, end of year	<u>\$1,892,605</u>	<u>\$1,555,904</u>
Current claims liabilities	<u>\$548,855</u>	<u>\$451,212</u>

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. General

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

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

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 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 member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine the City's equity in NCPA as a whole. NCPA reports only the City's share of its General Operating Reserve, comprised of cash and investments, and the City's share of those Projects in which the City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

During the year ended June 30, 2013, the City incurred expenses totaling \$9,115,663 for purchased power and assessments and prepaid assets paid to NCPA.

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

	<u>June 30, 2013</u>
General Operating Reserve (including advances)	\$1,503,041
Associated Member Services (including advances)	82,641
Purchased Power and Transmission	21,954
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	734,813
Calaveras Hydroelectric Project	881,554
Combustion Turbine Project No. 2	<u>161,914</u>
	<u><u>\$3,385,917</u></u>

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

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. 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, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In March 2009, NCPA issued \$35,610,000 Geothermal Project Number 3 Revenue Bonds (2009 Series A). The proceeds were used to finance and operate the two NCPA 110 MW geothermal steam powered generating plants, Plant Number 1 and Plant Number 2. The City is obligated to pay its contractual share of 7.883% of the operating costs and debt service until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$103,560,994 while its long-term debt totaled \$44,638,207 and other liabilities totaled \$34,233,065. The City's share of the Project's long-term debt amounted to \$3,518,830 at that date.

On October 28, 2004, NCPA approved a resolution to finance the expansion and remodeling of the NCPA main office building located in Roseville. The expansion is included as part of the Geothermal Projects funded by the bonds mentioned above. The City will recover its 7.883% share of the cost of the expansion which was \$204,958, with a 5% return on the investment over a ten year period. As of June 30, 2013, the City was owed \$55,404.

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. In January 2012, NCPA refunded the outstanding Revenue Bonds with the \$83,785,000 2012 Hydroelectric Project Number One Revenue Bonds. At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$412,763,311 while its long-term debt totaled \$364,437,666 and other liabilities totaled \$19,286,461. The City's share of the Project's long-term debt amounted to \$43,732,520 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. In January 2010, NCPA refinanced the outstanding Capital Facilities Revenue Bonds by the issuance of the \$55,120,000 Capital Facilities Revenue Bonds Series A (2010 Refunding Series A). 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% of the natural gas purchase contract.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

At June 30, 2013, the book value of this Project's plant, equipment and other assets was \$53,496,340, while its long-term debt totaled \$50,198,898 and other liabilities totaled \$1,318,846. The City's share of the Project's long-term debt amounted to \$18,322,598 at that date.

C. NCPA Financial Information

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

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY

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

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of \$97,000,000. The purpose of the 2003 bonds is to advance refund the 2000 Revenue Bonds Series A. On April 3, 2008, the SPWA issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2008A and 2008B in the original principal amounts of \$72,504,000 and \$92,850,000 respectively. The purpose of the 2008A bonds is to refund the remaining outstanding balance of the 2000 Revenue Bonds Series B. The 2008B bonds were issued to refund the remaining outstanding balance of the 2003 Refunding Revenue Bonds and to advance refund the remaining outstanding balance of the 2000 Revenue Bonds Series A. On April 7, 2011 the SPWA issued Refunding Wastewater Revenue Bonds Series A, B, C and D in the original principal amounts of \$30,165,000, \$30,160,000, \$67,040,000 and \$30,000,000, respectively. The purpose of the 2011 Bonds was to refund the remaining outstanding balance of the 2008A and 2008B Bonds. On April 1, 2013, the SPWA issued Refunding Wastewater Bonds, Series 2013, in the original principal amount of \$59,330,000 to refund the outstanding balance of the 2011 Series A and B Bonds. The three agencies are responsible for the repayment of all of these Revenue Bonds. The City's share of this obligation was originally 54.17%, but with the amendment to the funding agreement discussed below, the City's obligation is now 61.66%. 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, 2013, the City paid \$5,510,747 to SPWA based on connection fees collected during the fiscal year.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY (Continued)

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Net Position. The members of the SPWA entered into an Amended and Restated Funding Agreement and a Reallocation and Repayment Agreement effective October 1, 2012. The Amended and Restated Funding Agreement changed the proportionate shares of each member for the cost allocations and the City's share was increased to 61.66%. As a result, the City's investment in SPWA reserves and obligations increased by \$30,125,316 and \$7,410,294, respectively, and the net of \$22,715,022 has been reported as a special item. The City's investment in SPWA Reserves at June 30, 2013, was \$69,749,795.

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

NOTE 17 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Solid Waste Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. During fiscal year 2013, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$2,753,558
Deductions	<u>(137,993)</u>
Ending Balance	<u><u>\$2,615,565</u></u>

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES

A. *NCPA and Western Area Power Administration*

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 2013, was \$65,753,948. 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.

In addition, the City has a long-term obligation to the United States Department of Energy, Western Area Power Administration, for 4.5817% of the output of the Central Valley Project, California. This contract, also known as the Western Base Resource, obligates the City to make payments on a "take-or-pay" basis through December 31, 2024. The City expects to pay approximately \$3.5 million annually for the term of this contract. The City receives approximately 153,000 MWh of energy per year under average hydro and storage conditions.

CITY OF ROSEVILLE NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended 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.

C. Litigation

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.

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end may be reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2013, by individual major funds and non-major funds in total were as follows:

Major Governmental Funds:	
General Fund	\$3,002,686
Community Facilities Districts Projects	11,787
Non-Major Governmental Funds	<u>13,955,992</u>
Total Encumbrances	<u><u>\$16,970,465</u></u>

E. Other Commitments

The City had the following outstanding significant commitments at June 30, 2013:

Projects	(in millions)
REP long-term service agreement	\$19.0 - 43.0
Net power purchase contracts	46.0
Natural Gas Forward Obligations	78.5

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE

The City operates certain electrical generating plants which provide power for sale to the public and needs reliable, economic supplies of natural gas to generate the needed electricity. In pursuit of that objective the City and its component unit, the City of Roseville Redevelopment Agency formed the Authority for the purpose of acquiring, financing and supplying natural gas to the City. Summarized below are various agreements entered into by the Authority to achieve its purpose.

A. *Prepaid Gas Agreement*

Pursuant to an Agreement for the Purchase and Sale of Natural Gas dated January 24, 2007, the Authority used a portion of the proceeds of its \$209,350,000 of Gas Revenue Bonds, Series 2007 (the Bonds) to prepay Merrill Lynch Commodities, Inc. (Gas Supplier) for a twenty year supply of natural gas. Commencing January 1, 2008, and continuing through December 31, 2027, the Gas Supplier is obligated to deliver daily contract quantities of natural gas on a firm basis to the designated delivery point. Daily contract quantities vary from month to month but not from year to year. This commitment totals 2,352,000 MMBtus (millions of British thermal units) per year or 47,040,000 MMBtus for the twenty year contract period. The Authority has recorded a Prepaid Natural Gas asset which is to be amortized as daily contract quantities are delivered.

The agreement provides for payments to be made by the Gas Supplier if it fails to deliver the daily contract quantities and may be terminated by the Authority in the event of non-performance by the Supplier. The Agreement will automatically terminate if there is a termination of the Commodity Swap (See Note 19 D below) which is not due to default by the Authority or if there is an event of default under the swap agreement entered into by the Gas Supplier and a third party. Upon early termination, whether due to the above or due to any other optional termination event as defined in the agreement, the Gas Supplier is required to make a termination payment to the Authority that is expected to be sufficient, together with other available funds, to redeem the Bonds. The Gas Supplier's commitments under this agreement are guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

As of June 30, 2013, prepaid gas under this agreement amounted to \$186,720,473.

B. *Funding Agreement*

Under certain conditions specified in a Funding and Assignment Agreement dated January 24, 2007 between the Authority and Gas Supplier, the Gas Supplier has agreed to advance funds to the Trustee to pay debt service when due or to redeem bonds in the event of early termination. Advances are required under covered swap deficiencies and covered termination deficiencies and optional advances may also be made. Advances are repayable from by the responsible party causing the deficiency requiring an advance under this agreement. This agreement is coterminous with the Bonds. The Gas Supplier's commitment under this agreement is guaranteed by its parent company, Merrill Lynch & Co. Inc. under a guarantee agreement with the Authority.

There were no advances outstanding as of June 30, 2013.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 19 – GAS SUPPLY ACQUISITION AND RESALE (Continued)

C. *Supply Agreement*

Pursuant to a Natural Gas Supply Agreement dated February 1, 2007, the Authority has agreed to sell to the City a twenty year supply of natural gas. This Supply Agreement is coterminous with and provides for the delivery of natural gas in quantities which are matched to the Prepaid Gas Agreement, discussed above. For each MMBtu delivered (sold) to the City, the Authority will receive a variable revenue stream based on a first of the month index for the delivery location.

The Agreement terminates upon termination of the Prepaid Gas Agreement or upon the City's failure to make any required payment within two business days of the due date.

D. *Commodity Swap Agreement*

In order to have its gas price exposure consistent with prevailing market rates, the Authority entered into a natural gas Commodity Swap Agreement with JPMorgan Chase Bank (Counterparty). For the term of deliveries under the Prepaid Gas Agreement and the Supply Agreement, the Authority will pay an index price per MMBtu to the Counterparty, and the Counterparty will pay a fixed price to the Authority. The index price paid by the Authority is expected to approximate the price paid by the City under the Supply Agreement.

The monthly quantity and term of the Commodity Swap Agreement are matched to those of the Supply Agreement.

Detail of the commodity swap agreement is discussed in Note 10.

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *REDEVELOPMENT DISSOLUTION*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain housing assets of the Redevelopment Agency were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, the housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in March 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

With the dissolution of the Redevelopment Agency, pass-through payments to affected taxing entities become the responsibility of the County. However, the County had remitted pass-through payment funding to the Successor Agency, and during fiscal year 2013 the Successor Agency made pass-through payments of \$446,470.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of \$1,953,159 to the County in January 2013. The Department of Finance approved the Non-housing DDR in July 2013, after making adjustments, which indicated that the City had to return the prior year advance payments of \$7,304,420 as discussed in Note 20E below, and the Successor Agency had unencumbered balances of \$1,831,499, which was remitted to the County in August 2013 and has been reported as an accrued liability as of June 30, 2013.

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

B. NOTES RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners, developers or others who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable were \$5,089,106 at June 30, 2012.

Included in the notes receivable above is a loan to the Roseville Community Development Corporation in the amount of \$3,469,049. The Agency had entered into an agreement with the Corporation, a component unit of the City, under which the Agency agreed to provide funding to the Corporation in the form of a start-up loan not to exceed five million dollars (\$5,000,000). The loan is a 20 year loan deferred for 10 years with accrued interest and principal due beginning January 1, 2021. The Agency Board approved the execution of the loan agreement in May 2011. A State Supreme Court decision on August 11, 2011 suspended all redevelopment activity effective June 28, 2011. However, the Successor Agency continued to make disbursements related to the loan agreement after that date, because it had been approved by the Agency Board prior to the Court decision.

Under the provisions of Health and Safety Code Section 34171(d)(2), agreements between the City or any of its component units and the Agency that were executed after December 31, 2010 are no longer enforceable obligations and Health and Safety Code Section 34167.5 requires that if the City or component unit is not contractually committed to a third party for the expenditure or encumbrance of those funds that they be returned to the Successor Agency.

The State Department of Finance has denied that this loan agreement is an enforceable obligation of the Successor Agency. The City contends that the loan agreement was lawfully entered into at the time of its execution and therefore transactions executed with the Corporation were not reversed in the current fiscal year and remain in the Corporation as of June 30, 2013. The Successor Agency has requested a "meet and confer" with the Department of Finance regarding the issue, which is currently in process.

C. LAND HELD FOR REDEVELOPMENT

The Successor Agency assumed the land held for redevelopment of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Capital assets as of June 30, 2013 were comprised of land in the amount of \$1,762,188.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

E. LONG-TERM OBLIGATIONS

The Successor Agency assumed the long-term debt and loans of the Redevelopment Agency as of February 1, 2012.

1. Tax Allocation Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the Redevelopment Agency. The Bonds and Loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Tax Allocation Bonds:					
2002 Redevelopment Project Tax Allocation Bonds, 3%-5.14%, due 9/1/33	\$11,955,000		\$340,000	\$11,615,000	\$355,000
2006 Redevelopment Project Tax Allocation Bonds, Series A 4.5%-5.00%, due 9/1/40	13,155,000			13,155,000	
2006 Redevelopment Project Taxable Tax Allocation Bonds, Series A-T 5.31%-5.90%, due 9/1/28	2,680,000		105,000	2,575,000	110,000
2006 Redevelopment Project Taxable Tax Allocation Housing Bonds, Series H-T 5.31%-6.07%, due 9/1/40	6,070,000		85,000	5,985,000	90,000
Total Tax Allocation Bonds	33,860,000		530,000	33,330,000	555,000
Advances from the City of Roseville					
Loans from the City	24,772,384	\$7,332,869		32,105,253	37,238
SERAF Loans from the Housing Successor	490,102			490,102	
Total	<u>\$59,122,486</u>	<u>\$7,332,869</u>	<u>\$530,000</u>	<u>\$65,925,355</u>	<u>\$592,238</u>

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

2. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Successor Agency loans, because the ultimate repayment terms cannot be determined at this time as discussed in the Loans from the City section below.

For the Year Ending June 30	Principal	Interest
2014	\$555,000	\$1,710,555
2015	580,000	1,682,920
2016	610,000	1,652,969
2017	635,000	1,621,289
2018	670,000	1,587,184
2019 - 2023	3,920,000	7,349,131
2024 - 2028	5,080,000	6,154,919
2029 - 2033	6,585,000	4,626,074
2034 - 2038	8,480,000	2,679,606
2039 - 2041	6,215,000	461,349
Total	<u>\$33,330,000</u>	<u>\$29,525,996</u>

3. 2002 Roseville Redevelopment Project Tax Allocation Bonds

On October 23, 2002, the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to properties within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage over debt service over the life of the Bonds. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

4. *2006 Roseville Redevelopment Project Tax Allocation Bonds*

On October 26, 2006, the Redevelopment Agency issued Tax Allocation Bonds Series 2006 A, Taxable Tax Allocation Bonds Series 2006 A-T, and Taxable Tax Allocation Bonds, Series 2006 H-T in the amounts of \$13,155,000, \$3,285,000, and \$6,505,000, respectively, for a total principal amount of \$22,945,000. The Series A bonds bear interest at 4.50%-5.00%, the Series A-T at 5.31%-5.90%, and the Series H-T at 5.31%-6.07%. The proceeds for the Series A and Series A-T bonds were used to fund redevelopment activities of benefit to properties within the Agency's Redevelopment Project Area. The proceeds for the Series H-T bonds were used to pay the costs of low-and-moderate-income housing projects of the Agency's Redevelopment Project Area. The Series A and Series A-T bonds are secured by tax revenues, which are allocated to the Agency from the Project Area. The Series H-T bonds are secured by the tax increment revenue deposited in the Agency's Low and Moderate Income Housing Fund. As disclosed in the official statement, pledged future tax increment revenues are expected to provide coverage over debt service over the life of the Bonds. Interest on the bonds is payable semiannually on March 1 and September 1. Principal for the Series A is payable annually on September 1 beginning 2028 through 2040. Principal for the Series H-T bonds is payable annually on September 1 through 2040. Principal for the Series A-T is payable annually on September 1 through 2028.

As discussed above, the Agency has pledged all future tax increment revenues of the Roseville Redevelopment Project Area, less amounts required to be set aside for Low and Moderate Income Housing, for the repayment of the 2002 Tax Allocation Bonds and the 2006 Series A and Series A-T Tax Allocation Bonds, which are considered parity obligations. The pledge of all future tax increment revenues ends upon repayment of the remaining debt service on the Bonds which is expected in 2040. Also as discussed above, the Agency has pledged the tax increment revenue set aside for Low and Moderate Income Housing for the repayment of the 2006 Series H-T Tax Allocation Bonds.

The pledge of all future tax increment revenue ends upon repayment of the \$62,855,996 remaining debt service on the bonds which is scheduled to occur in fiscal year 2040. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed and housing set-aside amounts are no longer required, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The Successor Agency only receives the funds necessary to fulfill its approved obligations. In fiscal year 2013, total taxes received by the Successor Agency were \$3,416,590, which represented coverage of 1.46 of the \$2,335,719 of debt service.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

5. *Loans from the City*

Prior to July 1, 2011, the Redevelopment Agency had received six advances from various City funds: (1) Advances in the amount of \$5,422,789 were to be repaid in fiscal year 2029. This advance bore interest at the average interest rate of the City's pooled investments. (2) Advance in the amount of \$915,049 bore interest at 3.15% and was to be repaid in fiscal year 2023. (3) Advance in the amount of \$3,900,000 bears no interest and was to be repaid in fiscal year 2029. (4) Advance in the amount of \$3,000,000 bears no interest and was to be repaid in fiscal year 2034. (5) Advance in the amount of \$4,966,402 will be repaid in fiscal year 2031. This advance bore interest at the average rate of the City's pooled investments, plus 1%. (6) Advances in the amount of \$9,774,347 were to be repaid in fiscal year 2040. These advances bear interest at the average interest rate of the City's pooled investments.

Principal and accrued interest on the advances totaled \$32,768,517 at July 1, 2011. During fiscal year 2012, the City and Redevelopment Agency determined that certain advances should have instead been funded by bond proceeds of the Agency. Therefore, the Redevelopment Agency repaid advances from the City in the amount of \$7,309,447 prior to the dissolution of the Agency on January 31, 2012. The balance of the advances, including principal and accrued interest, was \$25,230,453 as of February 1, 2012. During fiscal year 2013, the State Department of Finance denied the fiscal year 2012 repayment and required the return of \$7,304,227 to the Successor Agency. The City's General Fund returned the cash to the Successor Agency during fiscal year 2013 and the balance of the loans payable to the City have been increased in that amount.

These loans had previously been reported as interfund advances. However, with the transfer of the associated liabilities to the Successor Agency, repayment of the loans is based upon whether the Successor Agency receives a Finding of Completion from the State. In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. The balance of the loans, including principal and accrued interest, as of June 30, 2013 is \$32,105,253.

In addition, during the fiscal year ending June 30, 2010, the Agency approved an interfund advance authorizing the Roseville Redevelopment Project Area Fund and the Roseville Flood Control Project Area to borrow \$558,381 and \$258,455, respectively, from the Agency's Low and Moderate Income Housing Fund to assist in making the Agency's fiscal year 2009-10 SERAF payment. These loans do not bear interest and were repayable in five equal annual installments, and were required to be repaid prior to June 30, 2015. The City assumed the housing assets of the Agency, and the loans are now payable to the City's Low and Moderate Income Housing Assets Special Revenue Fund. The balance of the loans as of June 30, 2013 totaled \$490,102.

CITY OF ROSEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 20 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The loans had previously been reported as an interfund advance between the City and Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term obligations of the Successor Agency. The loans were originally required to be repaid by the dates noted above, however repayment is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the Oversight Board finds that the loans are enforceable obligations, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years, beginning with the SERAF loans, followed by all other loans. Repayment cannot begin prior to fiscal year 2014 and the maximum annual repayment amount is limited based on calculations in the Code Section.

The Successor Agency received its Finding of Completion in August 2013 and the Oversight Board found they were for legitimate redevelopment purposes in April 2013, and the loans are now considered enforceable obligations of the Successor Agency.

F. STATE APPROVAL OF ENFORCEABLE OBLIGATIONS

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 21 – SUBSEQUENT EVENTS

Electric System Revenue Refunding Bonds, Series 2013

On November 14, 2013, the Roseville Finance Authority issued the Electric System Revenue Refunding Bonds, Series 2013, in the principal amount not to exceed \$48,780,000 to refund a portion of the 2004 Electric System Revenue and 2005 Electric System Revenue, Series A, Certificates of Participation.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$72,347,423	\$74,673,223	\$78,283,027	\$3,609,804
Licenses and permits	1,482,200	1,692,200	1,805,452	113,252
Charges for services	9,800,682	11,712,947	11,572,161	(140,786)
Subventions and grants	832,441	1,816,810	1,312,131	(504,679)
Use of money and property	540,007	530,007	566,910	36,903
Fines, forfeitures and penalties	1,012,050	982,700	989,221	6,521
Contributions from developers	530,000	500,000	497,997	(2,003)
Miscellaneous revenues	1,750,786	1,651,917	2,148,834	496,917
TOTAL REVENUES	88,295,589	93,559,804	97,175,733	3,615,929
EXPENDITURES				
Current:				
Salaries And Benefits				
General Government				
City Council	37,717	38,317	38,239	78
City Manager - Administration	578,851	582,864	582,849	15
Communications-Government Relations	699,616	672,855	642,032	30,823
City Attorney	1,387,296	1,348,164	1,347,027	1,137
Human Resources-Admin	1,114,422	1,180,722	1,180,717	5
Risk Mgmt - Administration	132,834	138,721	133,294	5,427
IT Administration	511,598	486,923	470,400	16,523
IT-Data Center	578,050	563,412	551,729	11,683
IT-Communications	810,795	757,250	742,907	14,343
IT-Public Safety	419,723	303,394	300,415	2,979
IT-GIS/Web	552,541	583,032	569,270	13,762
IT-Customer Service	733,799	750,822	741,191	9,631
IT-Applications	787,851	759,029	751,489	7,540
City Clerk - Administration	660,002	675,412	675,368	44
Central Services - Administration	480,556	482,511	482,315	196
Purchasing	376,342	379,802	378,782	1,020
Central Stores	173,052	178,549	178,544	5
Building Maintenance	699,786	701,415	700,046	1,369
Janitorial	524,428	551,665	551,640	25
Finance Administration	515,544	537,175	527,104	10,071
Budget	375,611	370,014	350,068	19,946
Payroll	402,176	403,678	400,085	3,593
Licensing	83,093	87,094	86,101	993
Cash Management	183,686	190,991	187,110	3,881
Util Billing & Services-Field Services	837,981	887,900	878,257	9,643
Util Billing & Services - Billing	521,773	520,495	490,504	29,991
Util Billing & Services-Services	902,800	871,143	871,034	109
Gen Acct - Administration	255,744	261,765	254,824	6,941
Gen Acct - Accounts Payable	388,336	409,196	406,771	2,425
Gen Acct - Accounting	366,016	369,672	338,287	31,385
Community Events		2		2
Neighborhood Services	98,234	104,591	104,580	11
Economic Development	534,443	438,799	376,482	62,317
Utility Billing and Services		71,868	57,939	13,929
Community Development And Planning				
Development & Operations-Admin	810,197	954,504	954,647	(143)
Housing Admin	120,727	204,487	204,397	90
Planning	1,535,157	1,693,734	1,688,462	5,272

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works				
Public Works - Administration	62,127	284,141	279,431	4,710
Building Inspection	2,146,667	2,227,726	2,129,552	98,174
Engineering	3,099,900	3,118,886	2,785,377	333,509
Flood Alert	115,571	121,284	120,562	722
Streets - Administration	653,426	466,842	456,789	10,053
Street Drainage	154,605	190,130	190,087	43
Paving	992,744	1,126,427	1,126,064	363
Street Signs	234,980	260,001	259,996	5
Street Markings	320,636	327,022	303,431	23,591
Public Safety				
Police				
Police - Administration	1,605,647	1,658,531	1,601,532	56,999
Records-Property	1,132,961	1,125,470	1,017,725	107,745
Jail	1,061,449	902,274	782,855	119,419
Police Communications	2,520,153	2,567,223	2,461,234	105,989
Community Services	1,242,872	1,254,691	1,171,458	83,233
Patrol	12,714,066	13,311,457	12,942,669	368,788
Investigations	3,804,990	4,005,125	3,830,729	174,396
Animal Control	296,302	296,386	248,125	48,261
Police Traffic	2,070,690	2,108,327	1,788,444	319,883
Fire				
Fire - Administration	798,710	822,522	812,182	10,340
Fire Prevention	1,353,767	1,387,689	1,288,264	99,425
Fire Operations	18,340,203	20,483,090	20,120,900	362,190
Fire Training	232,635	288,109	267,490	20,619
Library				
Library - Admin/Tech Services	813,737	830,385	814,332	16,053
Library-Public Services	2,004,550	1,979,265	1,912,068	67,197
Maidu Museum-Historic Site	310,160	329,167	327,399	1,768
Parks And Recreation				
Parks & Rec - Administration	1,051,873	1,058,791	1,011,411	47,380
Park Development	283,074	286,477	274,726	11,751
Adult Sports	252,995	237,417	215,148	22,269
Youth Sports				
Adult & Senior Activities	140,544	127,835	113,272	14,563
Youth & Teen Services	179,365	175,861	156,739	19,122
Youth Classes	387,201	363,848	331,456	32,392
Maidu Community Center/Sports Courts	259,775	263,385	233,177	30,208
Roseville Sports Center	573,652	559,665	510,095	49,570
Aquatics	1,035,954	1,050,614	1,043,117	7,497
Park Operations - Admin	707,182	637,595	629,557	8,038
Open Space/Tree Maintenance	578,899	527,084	459,682	67,402
Parks - Maintenance	2,114,075	2,254,963	2,195,237	59,726
Community Special Events	81,798	78,172	74,518	3,654
Town Square	99,392	96,417	86,140	10,277
Operating Services And Supplies				
General Government				
City Council	268,014	279,915	260,201	19,714
Community Grants	30,000	45,117	25,793	19,324
Strategic Improvements	122,160	1,888,111	1,643,050	245,061
City Manager - Administration	66,259	113,332	96,688	16,644
Conference Center Dr-Parcel 40a				
Communications-Government Relations	34,784	102,684	39,507	63,177
City Attorney	104,378	185,478	185,476	2
Human Resources-Admin	379,063	396,004	332,776	63,228
Risk Mgmt - Administration	13,214	13,214	6,642	6,572
IT Administration	278,937	475,015	308,791	166,224
IT-Data Center	682,734	800,920	728,028	72,892
IT-Communications	301,899	369,899	332,136	37,763
IT-Public Safety	6,834	6,834	6,834	

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
IT-GIS/Web	7,384	7,384	7,280	104
IT-Customer Service	323,834	354,053	325,555	28,498
IT-Applications	261,434	284,426	247,683	36,743
City Clerk - Administration	94,876	96,876	61,550	35,326
Elections	121,500	121,500	91,167	30,333
Central Services - Administration	19,947	20,969	16,574	4,395
Purchasing	18,200	20,201	19,742	459
Central Stores	70,441	68,965	57,796	11,169
Obsolete/Surplus Matl & Supp		1,476	1,475	1
Building Maintenance	1,394,973	1,574,928	1,376,297	198,631
Janitorial	394,055	417,559	404,408	13,151
Finance Administration	74,472	101,203	90,760	10,443
Budget	41,004	51,404	23,753	27,651
Payroll	14,013	26,002	17,792	8,210
Licensing	34,761	39,761	35,575	4,186
Cash Management	117,979	132,770	95,961	36,809
Utility Billing & Services - Admin	1,454	1,504	1,484	20
Utility Billing & Services-Field Services	131,964	131,464	116,820	14,644
Utility Billing & Services - Billing	810,915	812,350	812,348	2
Utility Billing & Services-Services	30,720	30,720	28,810	1,910
General Accounting - Administration	120,444	131,264	109,330	21,934
General Accounting - Accounts Payable	14,953	18,033	14,480	3,553
General Accounting - Accounting	8,238	9,238	6,428	2,810
Community Events				
Neighborhood Services	6,347	6,347	4,018	2,329
Economic Development	81,900	952,331	328,332	623,999
Community Development And Planning				
Development & Operations-Admin	205,161	84,299	84,298	1
Permit Center	8,500	8,500	7,937	563
Housing Admin	72,881	80,172	53,924	26,248
Planning	93,221	123,227	119,594	3,633
Sierra Vista Specific Plan	30,000	13,000	8,806	4,194
Creekview Specific Plan	15,000	40,000	39,190	810
Downtown Vernon/Historic Old Town	4,705	4,705	4,705	
Amoruso/Brookfield	180,000	315,000	103,318	211,682
Westbrook-SVSP	10,000	15,000	9,869	5,131
Planning-Full Cost Projects	60,000	401,198	177,950	223,248
Public Works				
Public Works - Administration	6,613	7,363	7,120	243
Building Inspection	227,705	587,705	549,362	38,343
Engineering	232,925	237,425	172,749	64,676
Flood Alert	50,486	53,312	49,480	3,832
Streets - Administration	90,498	93,605	93,365	240
Street Drainage	241,380	242,078	201,211	40,867
Paving	964,717	985,767	930,864	54,903
Street Signs	150,787	156,186	138,000	18,186
Street Markings	252,815	260,519	230,718	29,801
Traffic Study Dep/Consultant			65,517	(65,517)
Bldg Plan Check Services		200,000	34,578	165,422
Floodplain Management			395	(395)
Public Safety				
Police				
Police - Administration	805,265	833,065	706,980	126,085
Records-Property	91,086	91,086	66,838	24,248
Jail	84,145	84,145	74,246	9,899
Police Communications	124,271	132,271	110,318	21,953
Community Services	50,983	41,525	36,567	4,958
Patrol	537,359	605,950	539,505	66,445
Investigations	107,112	108,112	69,225	38,887
Animal Control	513,839	681,438	649,381	32,057
Police Traffic	43,118	43,102	37,850	5,252
Police - vehicles	1,750,031	1,584,231	1,491,317	92,914

(Continued)

CITY OF ROSEVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire				
Fire - Administration	85,813	85,813	82,951	2,862
Fire Prevention	178,390	199,342	113,395	85,947
Fire Operations	2,011,726	2,168,760	1,998,481	170,279
Fire Training	110,377	110,377	100,567	9,810
Fire Services	182,377	182,377	125,328	57,049
Emergency Preparedness	98,325	110,160	88,271	21,889
Library				
Library - Admin/Tech Services	238,778	304,310	277,965	26,345
Library-Public Services	264,112	282,308	271,870	10,438
Maidu Museum-Historic Site	97,412	93,412	76,976	16,436
Parks And Recreation				
Parks & Rec - Administration	192,391	212,144	183,601	28,543
Park Development	25,607	77,617	65,422	12,195
Adult Sports	161,149	154,624	138,163	16,461
Adult & Senior Activities	55,934	28,134	25,370	2,764
Youth & Teen Services	57,227	57,227	56,643	584
Youth Classes	139,078	155,078	150,668	4,410
Maidu Community Center/Sports Courts	68,512	68,512	63,087	5,425
Roseville Sports Center	235,101	247,057	229,670	17,387
Aquatics	634,673	737,605	609,455	128,150
Park Operations - Admin	80,108	80,108	68,450	11,658
Open Space/Tree Maintenance	434,207	545,044	427,832	117,212
Parks - Maintenance	2,801,744	2,908,772	2,828,041	80,731
Community Special Events	87,069	172,399	96,762	75,637
Town Square	101,998	101,998	33,482	68,516
Payments under development agreements	567,619	567,619	567,619	
Annexation payments	2,250,000	2,302,100	2,302,077	23
Debt service:				
Principal retirement	84,805	90,080	82,821	7,259
Interest and fiscal charges	16,750	16,927	19,268	(2,341)
TOTAL EXPENDITURES	109,770,073	118,965,402	111,778,628	7,186,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,474,484)	(25,405,598)	(14,602,895)	10,802,703
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			121,505	121,505
Transfers in	25,577,315	30,324,574	26,043,596	(4,280,978)
Transfers (out)	(7,158,705)	(11,568,053)	(9,132,770)	2,435,283
Total Other Financing Sources (Uses)	18,418,610	18,756,521	17,032,331	(1,724,190)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(3,055,874)	(6,649,077)	2,429,436	9,078,513
EXTRAORDINARY ITEM				
Return of funds to Successor Agency			(7,304,420)	(7,304,420)
NET CHANGE IN FUND BALANCE	(\$3,055,874)	(\$6,649,077)	(4,874,984)	\$1,774,093
Adjustment to budgetary basis:				
Capital outlay			2,592,255	
Fund balance at beginning of year			64,777,970	
Fund balance at end of year			<u>\$57,310,731</u>	

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

MODIFIED APPROACH TO REPORTING STREET PAVEMENT COSTS AND PARKS AND LANDSCAPING COSTS

GASB Statement 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

- 1) The City must have an asset management system (AMS) with certain features.
 - ✓ It must maintain an up-to-date inventory of the infrastructure assets.
 - ✓ It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
 - ✓ The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
 - ✓ The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.

- 2) The City must document that the roads, parks and landscaping are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

Street Pavement

The City has elected to use the Modified Approach to report street pavement costs. The City uses a computerized Pavement Management System to track the condition levels of each of the street sections.

The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 10 for pavement with perfect condition. The condition index is used to classify pavement in good or better condition (7.0-10.0), fair condition (5.5–6.9), and substandard condition (less than 5.5).

The City's maintenance costs are budgeted to be \$4,570,018 in fiscal 2014. The Pavement Quality Index (PQI) for the City's street pavement for the last ten years is as follows:

Year	PQI		Maintenance Budget	Actual Maintenance
	Arterial/ Collector	Residential		
03/04	7.6	7.6	\$5,733,500	\$2,925,909
04/05	7.5	7.9	6,499,729	4,284,993
05/06	7.5	7.9	7,794,196	7,213,261
06/07	7.7	8.0	5,521,428	10,289,440
07/08	7.9	8.0	5,929,683	5,641,810
08/09	7.8	7.9	4,728,208	4,749,229
09/10	8.2	7.9	4,736,644	6,044,401
10/11	8.3	7.8	4,241,928	6,426,462
11/12	8.3	7.8	5,489,639	5,149,814
12/13	7.8	7.4	5,185,511	4,980,690
13/14	8.1	7.0	4,570,018	N/A

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

The City's policy based on current funding is to maintain arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.8 and residential roadways at an average PQI of 7.4. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$4,980,690 for street preservation in fiscal 2013.

Parks and Landscaping

The City has also elected to use the Modified Approach to report parks and landscaping costs. The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping.

The condition of the parks and landscaping is based on a weighted average of six levels of condition. The ground management system uses a measurement scale that is based on various levels ranging from six for an undeveloped natural area to one for parks and landscaping with high-quality, diverse landscaping with state-of-the art maintenance. The condition index is used to classify parks and landscaping in the following levels: state-of-the-art to high-level maintenance (1-2), moderate to moderately low level maintenance (3-4), minimum-level maintenance (5), and natural area that is not developed (6).

The City's maintenance costs are budgeted to be \$5,012,552 in fiscal 2014. The Ground Management Index (GMI) for the City's parks and landscaping maintenance for the last ten years is as follows:

Fiscal Year	GMI (Level) Parks and Landscaping	Maintenance Budget	Actual Maintenance
03/04	2	\$3,946,547	\$3,648,683
04/05	2	4,349,147	3,879,242
05/06	2	4,633,558	4,309,606
06/07	2	5,111,124	5,028,402
07/08	2	5,309,367	5,314,121
08/09	3	5,019,740	4,445,082
09/10	3	4,483,608	4,154,376
10/11	3	4,651,367	4,435,937
11/12	3	4,764,762	4,766,512
12/13	3	4,853,428	4,868,908
13/14	3	5,012,552	N/A

The City's policy based on current funding is to maintain parks and landscape at an average Ground Management Index (GMI) of Level 3. This rating allows for moderate maintenance and is the recommended level for most organizations. The City expended \$4,868,908 for maintenance for fiscal 2013.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Lighting and Landscape and Service Districts Fund. To account for the collection of assessment revenue from property owners for the maintenance of surrounding park and landscaping improvements within the boundaries of each district.

State Gasoline Tax Fund. To account for revenue apportioned to the City from the State-collected gas tax revenues and spent for construction and maintenance of City streets.

Home Improvement Fund. To account for loan activities for the production of affordable housing under the City's former program that was discontinued.

California Library Services Fund. To account for revenues and grants from the State to be expended for library related materials

Traffic Safety Fund. To account for the City's share of fines generated from violations of the State Motor Vehicle Code.

Trench Cut Recovery Fund. To account for the collection of fees charged by the City for cutting trenches in paved roadway and spent for maintaining the street if useful life is decreased.

Law Enforcement Block Grants Fund. To account for the collection of grants from the Federal Department of Justice Assistance and expended for front line law enforcement.

Fire Facilities Fund. To account for fees applied to new construction and expended for construction or repair of fire facilities and equipment for which it creates a need.

Utility Exploration Center Fund. To account for the operations of the state-of-the-art Utilities Exploration Center, funded by the utility funds.

Tree Propagation Fund. To account for fees assessed on oak tree removal and expended on the continuation and preservation of tree planting within the City.

Air Quality Mitigation Fund. To account for mitigation fees to fund future emission reduction projects for air quality.

Community Development Block Grant/HOME Fund. To account for monies received from the Department of Housing & Urban Development and expended for programs and activities to benefit low-income residents, and to account for funds received from the Federal government used to produce affordable housing and rehabilitate existing residential units.

Housing Authority Section 8 Fund. To account for monies received from the U.S. Department of Housing and Urban Development and expended for rental assistance to low income households within the Roseville and Rocklin areas.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Affordable Housing Fund. To account for monies received from property whose land use was changed from residential to commercial and from affordable housing agreements. These monies are then used to fund other affordable housing projects.

Miscellaneous Fire Fund. To account for various Fire funds including child car seat safety and fire museum donations.

Miscellaneous General Government Fund. To account for Cable TV PEG funds.

Miscellaneous Library Fund. To account for an adult literacy program for the Library.

Miscellaneous Police Fund. To account for confiscated property and evidence funds for the Police department.

Miscellaneous Park Fund. To account for donations and revenues for Park and Recreation facilities and youth sports, and the Olympus Pointe Sculpture Park maintenance.

Storm Water Management Fund. To accumulate expenditures for future storm water mandates.

Traffic Signal Fund. To account for traffic signal coordination and maintenance funded by developers and the Electric Fund.

Bike Trail/Open Space Maintenance Fund. To account for the accumulation of funding for the maintenance of the City's bike trails and open spaces.

Roseville Community Development Corporation Fund. To account for revenues and expenditures of the Corporation for economic development, affordable housing and other community programs.

Low/Mod Income Housing Asset Fund. To account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of Roseville.

Technology Replacement Fund. To account for the activities related to the City's permit system funded by a 3% technology fee on permits.

DEBT SERVICE FUND

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Roseville Finance Authority Fund. To account for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Building Fund. To account for approved capital projects within the City funded by various fees and other sources.

South Placer Animal Control Shelter Fund. To account for the collection of fees for the construction of an animal shelter.

Public Facilities Fund. To account for fees applied to new construction and expended for the development of public facilities for which it creates a need.

Park Development Fund. To account for collection fees applied to new construction and expended for neighborhood and community park and recreation facilities.

Pleasant Grove Drain Basin Fund. To account for collection of fees applied to new construction and expended for mitigation of developmental impacts on the Pleasant Grove watershed.

Traffic Mitigation Fund. To account for revenues and expenditures related to major roadways and related structures such as bridges or interchanges.

General Capital Improvement Projects Rehabilitation Fund. To account for the approved rehabilitation of existing City property funded by the General Fund.

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

Roseville Aquatics Complex Maintenance Fund. A permanent fund established to account for contribution from the High School District. Only the interest earnings can be spent on helping maintain the Aquatics Complex.

Citizens' Benefit Fund. A permanent fund established to account for the proceeds from the sale of any municipally owned Hospital and interest earnings expended for improving the quality of life for the citizens of the City of Roseville.

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
ASSETS					
Cash and investments in City Treasury	\$9,721,592	\$7,397,966	\$79,735	\$208,658	
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	168,132				
Accrued interest	19,713	893,828	433	710	
Due from other government agencies					\$92,326
Due from other funds					
Advances to other funds					
Developer permit fees receivable					
Notes receivable		3,900,000	29,888		
Inventories					
Land held for resale					
Total Assets	<u>\$9,909,437</u>	<u>\$12,191,794</u>	<u>\$110,056</u>	<u>\$209,368</u>	<u>\$92,326</u>
LIABILITIES					
Accounts payable	\$388,302	\$3,936		\$9,416	\$1,259
Accrued liabilities					
Due to other funds					91,067
Due to other government agencies					
Advances from other funds					
Deposits	1,679				
Unearned revenue					
Total Liabilities	<u>389,981</u>	<u>3,936</u>		<u>9,416</u>	<u>92,326</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue		867,477			
FUND BALANCES					
Nonspendable					
Restricted	9,519,456	11,320,381	\$110,056	199,952	
Committed					
Assigned					
Unassigned					
TOTAL FUND BALANCES	<u>9,519,456</u>	<u>11,320,381</u>	<u>110,056</u>	<u>199,952</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$9,909,437</u>	<u>\$12,191,794</u>	<u>\$110,056</u>	<u>\$209,368</u>	<u>\$92,326</u>

SPECIAL REVENUE FUNDS						
Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Utility Exploration Center	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME
\$105,152	\$103,597	\$4,079,538	\$96,791	\$2,619,426	\$238,165	
338	739 96,283	17,337	27	6,588 10,029 100,000	704	237,510
		149,565			5,905	13,710,974
<u>\$105,490</u>	<u>\$200,619</u>	<u>\$4,246,440</u>	<u>\$96,818</u>	<u>\$2,736,043</u>	<u>\$244,774</u>	<u>\$13,948,484</u>
		\$3,702	\$3,783	\$128,125		\$47,251
		234,353	13,313			4,817
		492,017	12,943			200,054
						13,710,974
	\$164,568					
	164,568	730,072	30,039	128,125		13,963,096
\$105,490	36,051	3,516,368	66,779	2,607,918	\$244,774	(14,612)
<u>105,490</u>	<u>36,051</u>	<u>3,516,368</u>	<u>66,779</u>	<u>2,607,918</u>	<u>244,774</u>	<u>(14,612)</u>
<u>\$105,490</u>	<u>\$200,619</u>	<u>\$4,246,440</u>	<u>\$96,818</u>	<u>\$2,736,043</u>	<u>\$244,774</u>	<u>\$13,948,484</u>

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Housing Authority Section 8	Affordable Housing	Miscellaneous Fire	Miscellaneous General Government	Miscellaneous Library
ASSETS					
Cash and investments in City Treasury	\$590,421	\$3,454,270	\$31,065	\$456,930	\$270,850
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	701			54,536	
Accrued interest		192,810	114	1,311	916
Due from other government agencies	3,675				
Due from other funds					
Advances to other funds		500,000			
Developer permit fees receivable					
Notes receivable		3,833,173			
Inventories					
Land held for resale					
Total Assets	<u>\$594,797</u>	<u>\$7,980,253</u>	<u>\$31,179</u>	<u>\$512,777</u>	<u>\$271,766</u>
LIABILITIES					
Accounts payable	\$18,435	\$4,900		\$2,986	
Accrued liabilities	81,558				
Due to other funds					
Due to other government agencies		380,311			
Advances from other funds					
Deposits					
Unearned revenue					
	<u>99,993</u>	<u>385,211</u>		<u>2,986</u>	
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue		4,109,636			
FUND BALANCES					
Nonspendable					
Restricted	494,804	3,485,406	\$31,179	509,791	\$271,766
Committed					
Assigned					
Unassigned					
TOTAL FUND BALANCES	<u>494,804</u>	<u>3,485,406</u>	<u>31,179</u>	<u>509,791</u>	<u>271,766</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$594,797</u>	<u>\$7,980,253</u>	<u>\$31,179</u>	<u>\$512,777</u>	<u>\$271,766</u>

SPECIAL REVENUE FUNDS

Miscellaneous Police	Miscellaneous Park	Storm Water Management	Traffic Signal	Bike Trail/ Open Space Maintenance	Roseville Community Development Corporation	Low/Mod Income Housing Asset
\$285,728	\$405,976	\$16,060	\$2,760,366	\$1,003,054	\$2,026,457	\$41,805
872	1,275		4,102 11,284	3,228	82,715	\$410,561
			2,982 776,181		2,635,754	5,437,727
					25,426	861,245
<u>\$286,600</u>	<u>\$407,251</u>	<u>\$16,060</u>	<u>\$3,554,915</u>	<u>\$1,006,282</u>	<u>\$4,770,352</u>	<u>\$6,751,338</u>
\$173		\$2,776 13,284	\$20,619 41,378	\$27,893	\$53,334 3,585,161	
					2,030,951 5,454	
<u>173</u>		<u>16,060</u>	<u>61,997</u>	<u>27,893</u>	<u>5,674,900</u>	
						\$5,358,122
\$286,427	\$407,251		776,181 2,716,737	978,389		1,393,216
					(904,548)	
<u>286,427</u>	<u>407,251</u>		<u>3,492,918</u>	<u>978,389</u>	<u>(904,548)</u>	<u>1,393,216</u>
<u>\$286,600</u>	<u>\$407,251</u>	<u>\$16,060</u>	<u>\$3,554,915</u>	<u>\$1,006,282</u>	<u>\$4,770,352</u>	<u>\$6,751,338</u>

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	Technology Replacement	Roseville Finance Authority	Building	South Placer Animal Control Shelter	Public Facilities
ASSETS					
Cash and investments in City Treasury	\$214,727	\$74,592	\$2,057,288	\$547,889	\$12,201,029
Restricted cash and investments with fiscal agents		82,374			
Receivables:					
Accounts					
Accrued interest	992		5,822	1,597	41,834
Due from other government agencies					
Due from other funds					100,000
Advances to other funds					495,054
Developer permit fees receivable				23,384	345,214
Notes receivable					
Inventories					
Land held for resale					
Total Assets	<u>\$215,719</u>	<u>\$156,966</u>	<u>\$2,063,110</u>	<u>\$572,870</u>	<u>\$13,183,131</u>
LIABILITIES					
Accounts payable	\$49,776		\$246,202		\$1,194,261
Accrued liabilities		\$11,988			
Due to other funds	100,000				
Due to other government agencies					
Advances from other funds	495,054				
Deposits					
Unearned revenue					
Total Liabilities	<u>644,830</u>	<u>11,988</u>	<u>246,202</u>		<u>1,194,261</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue					
FUND EQUITY					
Nonspendable					
Restricted		144,978		\$572,870	11,988,870
Committed			1,816,908		
Assigned					
Unassigned	(429,111)				
TOTAL FUND BALANCES	<u>(429,111)</u>	<u>144,978</u>	<u>1,816,908</u>	<u>572,870</u>	<u>11,988,870</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$215,719</u>	<u>\$156,966</u>	<u>\$2,063,110</u>	<u>\$572,870</u>	<u>\$13,183,131</u>

CAPITAL PROJECTS FUNDS				PERMANENT FUNDS		Total Nonmajor Governmental Funds
Park Development	Pleasant Grove Drain Basin	Traffic Mitigation	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens' Benefit	
\$22,780,968	\$5,399,659	\$15,959,021	\$12,583,780	\$624,452	\$17,530,476	\$123,941,026 2,108,831
		14,593				248,652
73,078	25,933	48,678	45,209	461	61,816	1,954,364
		1,167,309				1,697,103
						100,000
	3,000,000					3,995,054
503,872		376,420				1,407,342
						29,547,516
						776,181
						886,671
<u>\$23,357,918</u>	<u>\$8,425,592</u>	<u>\$17,566,021</u>	<u>\$12,628,989</u>	<u>\$624,913</u>	<u>\$17,592,292</u>	<u>\$166,662,740</u>
\$304,030		\$510,355	\$3,573			\$3,025,087
						3,751,499
						638,417
						14,091,285
						3,018,022
				\$600,000		607,133
						164,568
<u>304,030</u>		<u>510,355</u>	<u>3,573</u>	<u>600,000</u>		<u>25,296,011</u>
		50,798				10,386,033
23,053,888	\$8,425,592	17,004,868		24,913	\$16,914,988 677,304	17,691,169 99,706,832
			\$12,625,416			2,290,938
						12,625,416
						(1,333,659)
<u>23,053,888</u>	<u>8,425,592</u>	<u>17,004,868</u>	<u>12,625,416</u>	<u>24,913</u>	<u>17,592,292</u>	<u>130,980,696</u>
<u>\$23,357,918</u>	<u>\$8,425,592</u>	<u>\$17,566,021</u>	<u>\$12,628,989</u>	<u>\$624,913</u>	<u>\$17,592,292</u>	<u>\$166,662,740</u>

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
REVENUES					
Taxes	\$6,468,606				
Charges for services		\$748			
Subventions and grants		4,749,961			
Use of money and property	24,869	39,135	\$426	\$808	
Fines, forfeitures and penalties					\$451,866
Contributions from developers and others	1,785,800				
Miscellaneous revenues	9,738			11,580	
Total Revenues	8,289,013	4,789,844	426	12,388	451,866
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public works					
Public safety:					
Fire					
Police					
Library				35,550	
Parks and recreation	4,314,422				
Housing assistance payments					
Capital outlay		4,912,857		49,075	
Debt service:					
Principal retirement					
Interest and fiscal charges	97,771				
Total Expenditures	4,412,193	4,912,857		84,625	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,876,820	(123,013)	426	(72,237)	451,866
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt					
Payment to bond escrow					
Transfers in		2,200,000			
Transfers (out)	(2,117,006)	(2,984,065)	(135,747)	(3,610)	(451,866)
Total Other Financing Sources (Uses)	(2,117,006)	(784,065)	(135,747)	(3,610)	(451,866)
Net change in fund balances	1,759,814	(907,078)	(135,321)	(75,847)	
Fund balances (deficits) at the beginning of the year	7,759,642	12,227,459	245,377	275,799	
Fund balances (deficits) at the end of year	\$9,519,456	\$11,320,381	\$110,056	\$199,952	

SPECIAL REVENUE FUNDS

Trench Cut Recovery	Law Enforcement Block Grants	Fire Facilities	Utility Exploration Center	Tree Propagation	Air Quality Mitigation	Community Development Block Grant/HOME
		\$870,356				
\$28,759		15,576	\$18,763	\$42,598	\$42,854	
	\$204,150	216,000		100,000		\$583,211
\$459	990	21,575	11	12,585	922	6,210
			21,273	15,256		353,818
29,218	205,140	1,123,507	40,047	170,439	43,776	943,239
						973,001
		10,196	400,381	609,225		
		345,401		228,828		
		17,414				
		373,011	400,381	838,053		973,001
29,218	205,140	750,496	(360,334)	(667,614)	43,776	(29,762)
		30,000				
(49)	(169,532)	(2,489,450)	377,673 (28,694)	(106,888)	(125)	7,540 (52,754)
(49)	(169,532)	(2,459,450)	348,979	(106,888)	(125)	(45,214)
29,169	35,608	(1,708,954)	(11,355)	(774,502)	43,651	(74,976)
76,321	443	5,225,322	78,134	3,382,420	201,123	60,364
\$105,490	\$36,051	\$3,516,368	\$66,779	\$2,607,918	\$244,774	(\$14,612)

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Housing Authority Section 8	Affordable Housing	Miscellaneous Fire	Miscellaneous General Government	Miscellaneous Library
REVENUES					
Taxes					
Charges for services					
Subventions and grants	\$4,445,702				
Use of money and property	6	(\$15,908)	\$151	\$1,789	\$1,193
Fines, forfeitures and penalties			6,570		
Contributions from developers and others		94,916			
Miscellaneous revenues	84,641	128,196		237,237	
Total Revenues	4,530,349	207,204	6,721	239,026	1,193
EXPENDITURES					
Current:					
General government				101,995	
Community development and planning	582,516	598,374			
Public works					
Public safety:					
Fire					
Police			11,542		
Library					10,000
Parks and recreation					
Housing assistance payments	4,049,279				
Capital outlay				1,360	
Debt service:					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	4,631,795	598,374	11,542	103,355	10,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(101,446)	(391,170)	(4,821)	135,671	(8,807)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt					
Payment to escrow					
Transfers in					
Transfers (out)	(57,824)	(55,742)			
Total Other Financing Sources (Uses)	(57,824)	(55,742)			
Net change in fund balances	(159,270)	(446,912)	(4,821)	135,671	(8,807)
Fund balances (deficits) at the beginning of the year	654,074	3,932,318	36,000	374,120	280,573
Fund balances (deficits) at the end of year	\$494,804	\$3,485,406	\$31,179	\$509,791	\$271,766

SPECIAL REVENUE FUNDS

Miscellaneous Police	Miscellaneous Park	Storm Water Management	Traffic Signal	Bike Trail/ Open Space Maintenance	Roseville Community Development Corporation	Low/Mod Income Housing Asset
	\$46,640	\$23	\$7,642			
\$10,857					168,000	
1,131	1,707	(14) 100	15,958	\$3,808	\$98,716	\$8,947
			32,570			
74,621	38,596	100	27,542	30,675	12,008	80,128
86,609	86,943	209	83,712	34,483	278,724	89,075
		564,018	12,381		484,976	
43,358						
10,834		6,970	1,419,460	523,704		46,745
		53,395	277,455			
54,192		624,383	1,709,296	523,704	484,976	46,745
32,417	86,943	(624,174)	(1,625,584)	(489,221)	(206,252)	42,330
			4,397	3,580		
		672,233	1,878,590	514,468		
	(34,288)	(33,805)	(167,247)	(35,214)		
	(34,288)	638,428	1,715,740	482,834		
32,417	52,655	14,254	90,156	(6,387)	(206,252)	42,330
254,010	354,596	(14,254)	3,402,762	984,776	(698,296)	1,350,886
\$286,427	\$407,251		\$3,492,918	\$978,389	(\$904,548)	\$1,393,216

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	Technology Replacement	Roseville Finance Authority	Building	South Placer Animal Control Shelter	Public Facilities
REVENUES					
Taxes					
Charges for services				\$122,480	\$1,950,461
Subventions and grants					
Use of money and property	\$1,703	\$386,529	\$7,488	2,143	54,586
Fines, forfeitures and penalties					
Contributions from developers and others					
Miscellaneous revenues					8,640
Total Revenues	1,703	386,529	7,488	124,623	2,013,687
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public works					
Public safety:					
Fire					
Police					
Library					
Parks and recreation					7,226
Housing assistance payments					
Capital outlay	218,287		2,701,408		5,198,895
Debt service:					
Principal retirement		720,000			
Interest and fiscal charges		1,082,778			
Total Expenditures	218,287	1,802,778	2,701,408		5,206,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(216,584)	(1,416,249)	(2,693,920)	124,623	(3,192,434)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Issuance of debt		11,549,031			
Payment to escrow		(12,756,326)			
Transfers in		1,238,198	2,701,408		1,793,888
Transfers (out)			(6,494)		(7,935)
Total Other Financing Sources (Uses)		30,903	2,694,914		1,785,953
Net change in fund balances	(216,584)	(1,385,346)	994	124,623	(1,406,481)
Fund balances (deficits) at the beginning of the year	(212,527)	1,530,324	1,815,914	448,247	13,395,351
Fund balances (deficits) at the end of year	(\$429,111)	\$144,978	\$1,816,908	\$572,870	\$11,988,870

CAPITAL PROJECTS FUNDS				PERMANENT FUNDS		Total Nonmajor Governmental Funds
Park Development	Pleasant Grove Drain Basin	Traffic Mitigation	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance	Citizens' Benefit	
						\$7,338,962
\$3,547,782	\$444,652	\$2,772,056				9,041,034
		5,517,210				15,995,091
290,938	143,917	64,989	\$58,000	\$1,160	\$58,447	1,295,374
						458,536
						1,913,286
5,316		12,474			17,946	1,169,785
3,844,036	588,569	8,366,729	58,000	1,160	76,393	37,212,068
					504,865	606,860
						2,638,867
		45,442				621,841
						43,358
						11,542
						45,550
10,986						7,360,149
						4,049,279
2,000,974	6,519	9,248,573	1,006,547			26,249,574
						720,000
						1,197,963
2,011,960	6,519	9,294,015	1,006,547		504,865	43,544,983
1,832,076	582,050	(927,286)	(948,547)	1,160	(428,472)	(6,332,915)
						37,977
						11,549,031
						(12,756,326)
85,772		1,308,444				12,778,214
(37,180)	(4,613)	(129,944)	(898,219)			(10,008,291)
48,592	(4,613)	1,178,500	(898,219)			1,600,605
1,880,668	577,437	251,214	(1,846,766)	1,160	(428,472)	(4,732,310)
21,173,220	7,848,155	16,753,654	14,472,182	23,753	18,020,764	135,713,006
\$23,053,888	\$8,425,592	\$17,004,868	\$12,625,416	\$24,913	\$17,592,292	\$130,980,696

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	LIGHTING AND LANDSCAPE SERVICE DISTRICTS			STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$7,071,867	\$6,468,606	(\$603,261)			
Charges for services					\$748	\$748
Subventions and grants				\$3,396,974	4,749,961	1,352,987
Use of money and property	35,675	24,869	(10,806)	42,764	39,135	(3,629)
Fines, forfeitures and penalties						
Contributions from developers		1,785,800	1,785,800			
Miscellaneous revenues		9,738	9,738	2,343,160		(2,343,160)
Total Revenues	7,107,542	8,289,013	1,181,471	5,782,898	4,789,844	(993,054)
EXPENDITURES						
Current:						
Operating services and supplies						
Planning						
Home Improvement						
Main Library - Library Fund						
Parks And Recreation						
Olympus Pointe Lld Zone A	160,519	153,913	6,606			
Olympus Pointe Lld Zone D	50,324	39,825	10,499			
Nwrld Zone A	402,549	402,205	344			
Nwrld Zone B	17,539	15,996	1,543			
Johnson Ranch Lld Zone A	2,758	2,610	148			
Johnson Ranch Lld Zone B	1,799	1,729	70			
Johnson Ranch Lld Zone C	1,442	1,284	158			
Johnson Ranch Lld Zone D	88	3	85			
Johnson Ranch Lld Zone E	1,724	1,721	3			
Ncrlld Zone A	347,272	343,691	3,581			
Ncrlld Zone B	108,300	89,723	18,577			
Ncrlld Zone F	17,472	12,499	4,973			
Ncrlld Zone G	11,940	9,795	2,145			
Infill Lld Zone A	12,231	5,259	6,972			
Infill Lld Zone B	11,792	5,989	5,803			
Infill Lld Zone C	13,819	4,910	8,909			
Nrcfd 2 Sd Zone A	43,739	32,210	11,529			
Nrcfd 2 Sd Zone B	57,903	55,496	2,407			
Nrcfd 2 Sd Zone C	138,611	136,297	2,314			
Historic District Lld	26,903	20,298	6,605			
Riverside District Lld	19,865	18,868	997			
Stone Point Cfd #4 (Sd)	7,204	6,926	278			
Infill Cfd4-Wdcrk Oaks Preser	10,626	10,476	150			
Stoneridge Cfd #1 Srv Dist	410,758	357,998	52,760			
Stoneridge Parcel 1 Cfd #2 Sd	21,515	19,574	1,941			
Woodcrk West - Services District	311,454	274,744	36,710			
Crocker Ranch Services District	216,101	214,089	2,012			
Highland Res North Srv Dist	430,857	443,628	(12,771)			
Vernon St Lighting/Landscape	26,369	21,308	5,061			
Woodcreek East Services Dist	133,889	126,524	7,365			
Stone Point Cfd #2 Srv Dist	35,531	32,240	3,291			
Westpark Cfd #2 Services Dist	540,130	523,621	16,509			
Fiddymnt Ranch Cfd #2 Sd	571,281	560,551	10,730			
Municipal Services Cfd #3	20,203	19,925	278			
Longmeadow Cfd #2 Sd	48,111	43,999	4,112			
Infill Services Cfd	28,891	25,102	3,789			
NWRSP-Landscaping and Lighting District	400,000	279,396	120,604			
Gas Tax Operating Expenditures				11,600		11,600
Debt service:						
Interest and fiscal charges	113,703	97,771	15,932			
Total Expenditures	4,775,212	4,412,193	363,019	11,600		11,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,332,330	3,876,820	1,544,490	5,771,298	4,789,844	(981,454)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	1,785,800		(1,785,800)			
Transfers in				2,258,446	2,200,000	(58,446)
Transfers (out)	(2,335,560)	(2,117,006)	218,554	(3,019,022)	(2,984,065)	34,957
Total Other Financing Sources (Uses)	(549,760)	(2,117,006)	(1,567,246)	(760,576)	(784,065)	(23,489)
NET CHANGE IN FUND BALANCES	\$1,782,570	1,759,814	(\$22,756)	\$5,010,722	4,005,779	(\$1,004,943)
Adjustment to budgetary basis						
Capital outlay					(4,912,857)	
Fund balances (deficits) at beginning of year		7,759,642			12,227,459	
Fund balances (deficits) at end of year		\$9,519,456			\$11,320,381	

110,000	110,000	42,855	35,550	7,305

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	TRENCH CUT RECOVERY			LAW ENFORCEMENT BLOCK GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services		\$28,759	\$28,759			
Subventions and grants				\$100,000	\$204,150	\$104,150
Use of money and property	\$478	459	(19)	907	990	83
Miscellaneous revenues						
Total Revenues	478	29,218	28,740	100,907	205,140	104,233
EXPENDITURES						
Current:						
Salaries and benefits						
Parks And Recreation						
Utility Exploration Center						
Fire Tax Equipment						
Operating services and supplies						
Parks And Recreation						
Utility Exploration Center						
RUEC School Tour Annual						
Public Buildings - Fire Facilities						
Native Tree Projects						
Non-Native Tree Projects						
Debt service:						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	478	29,218	28,740	100,907	205,140	104,233
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in						
Transfers (out)	(49)	(49)		(100,144)	(169,532)	(69,388)
Total Other Financing Sources (Uses)	(49)	(49)		(100,144)	(169,532)	(69,388)
NET CHANGE IN FUND BALANCES	\$429	29,169	\$28,740	\$763	35,608	\$34,845
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		76,321			443	
Fund balances (deficits) at end of year		\$105,490			\$36,051	

FIRE FACILITIES			UTILITY EXPLORATION CENTER			TREE PROPAGATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$570,000	\$870,356	\$300,356						
15,500	15,576	76	\$10,500	\$18,763	\$8,263	\$9,200	\$42,598	\$33,398
216,000	216,000					100,000	100,000	
40,528	21,575	(18,953)	440	11	(429)	23,246	12,585	(10,661)
			56,000	21,273	(34,727)		15,256	15,256
842,028	1,123,507	281,479	66,940	40,047	(26,893)	132,446	170,439	37,993
16,220	9,827	6,393	353,343	315,269	38,074			
				4,975	(4,975)			
			133,480	78,053	55,427			
	369	(369)	15,000	2,084	12,916			
						716,007	531,096	184,911
						136,995	78,129	58,866
17,414	17,414							
33,634	27,610	6,024	501,823	400,381	101,442	853,002	609,225	243,777
808,394	1,095,897	287,503	(434,883)	(360,334)	74,549	(720,556)	(438,786)	281,770
	30,000	30,000						
(4,305,501)	(2,489,450)	1,816,051	767,652	377,673	(389,979)	(106,888)	(106,888)	
			(28,694)	(28,694)				
(4,305,501)	(2,459,450)	1,846,051	738,958	348,979	(389,979)	(106,888)	(106,888)	
(\$3,497,107)	(1,363,553)	\$2,133,554	\$304,075	(11,355)	(\$315,430)	(\$827,444)	(545,674)	\$281,770
	(345,401)						(228,828)	
	5,225,322			78,134			3,382,420	
	\$3,516,368			\$66,779			\$2,607,918	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	AIR QUALITY MITIGATION			COMMUNITY DEVELOPMENT BLOCK GRANT / HOME		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services	\$33,000	\$42,854	\$9,854			
Subventions and grants				\$1,418,000	\$583,211	(\$834,789)
Use of money and property	1,098	922	(176)		6,210	6,210
Fines, forfeitures and penalties						
Contributions from developers						
Miscellaneous revenues				400,000	353,818	(46,182)
Total Revenues	34,098	43,776	9,678	1,818,000	943,239	(874,761)
EXPENDITURES						
Current:						
Salaries and benefits						
Planning						
CDBG				96,677	90,546	6,131
Affordable Housing						
Housing Authority						
Operating services and supplies						
Planning						
Rehabilitation Account				400,000	207,078	192,922
CDBG				549,618	291,823	257,795
Home Program				669,739	383,554	286,185
Cal/Home				50,000		50,000
Housing Trust Fund						
Affordable Housing						
Housing Authority						
Public Safety:						
Fire						
Fire Museum Donation Fund						
Buckle Up Baby Fund						
Parks And Recreation						
Air Quality Mitigation	15,385		15,385			
Housing assistance payments						
Total Expenditures	15,385		15,385	1,766,034	973,001	793,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,713	43,776	25,063	51,966	(29,762)	(81,728)
OTHER FINANCING SOURCES (USES)						
Transfers in				14,210	7,540	(6,670)
Transfers (out)	(125)	(125)		(59,424)	(52,754)	6,670
Total Other Financing Sources (Uses)	(125)	(125)		(45,214)	(45,214)	
NET CHANGE IN FUND BALANCES	\$18,588	43,651	\$25,063	\$6,752	(74,976)	(\$81,728)
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		201,123			60,364	
Fund balances (deficits) at end of year		\$244,774			(\$14,612)	

HOUSING AUTHORITY SECTION 8			AFFORDABLE HOUSING			MISCELLANEOUS FIRE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,558,858	\$4,445,702 6	(\$113,156) 6	\$22,808	(\$15,908)	(\$38,716)	\$230	\$151	(\$79)
			44,000	94,916	50,916	15,000	6,570	(8,430)
25,600	84,641	59,041	10,000	128,196	118,196	10,000		(10,000)
4,584,458	4,530,349	(54,109)	76,808	207,204	130,396	25,230	6,721	(18,509)
526,400	476,315	50,085	737	737				
			190,000	40,776	149,224			
57,687	106,201	(48,514)	813,056	556,861	256,195			
						2,119	2,119	
						17,981	9,423	8,558
4,014,889	4,049,279	(34,390)						
4,598,976	4,631,795	(32,819)	1,003,793	598,374	405,419	20,100	11,542	8,558
(14,518)	(101,446)	(86,928)	(926,985)	(391,170)	535,815	5,130	(4,821)	(9,951)
(57,824)	(57,824)		(55,742)	(55,742)				
(57,824)	(57,824)		(55,742)	(55,742)				
(\$72,342)	(159,270)	(\$86,928)	(\$982,727)	(446,912)	\$535,815	\$5,130	(4,821)	(\$9,951)
	654,074			3,932,318			36,000	
	\$494,804			\$3,485,406			\$31,179	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	MISCELLANEOUS GENERAL GOVERNMENT			MISCELLANEOUS LIBRARY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services						
Subventions and grants						
Use of money and property	\$1,469	\$1,789	\$320	\$1,784	\$1,193	(\$591)
Miscellaneous revenues	168,320	237,237	68,917			
Total Revenues	169,789	239,026	69,237	1,784	1,193	(\$591)
EXPENDITURES						
Current:						
Salaries and benefits						
Public Works						
Storm Water Management Program						
Operating services and supplies						
General Government						
Cable Tv Peg Funds	256,585	101,995	154,590			
Public Works						
Storm Water Management Program						
Public Safety:						
Police						
Forfeited Property						
Police Evidence Funds						
Library						
Harrigan Trust-Adult Literacy				10,000	10,000	
Parks And Recreation						
Air Quality Mitigation						
Federal Asset Seizure Acct						
Environmental Utility Proj-Stormwater						
Grants	50,000	1,360	48,640			
Total Expenditures	306,585	103,355	203,230	10,000	10,000	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(136,796)	135,671	272,467	(8,216)	(8,807)	(\$591)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	(\$136,796)	135,671	\$272,467	(\$8,216)	(8,807)	(\$591)
Adjustment to budgetary basis						
Capital outlay						
Fund balances (deficits) at beginning of year		374,120			280,573	
Fund balances (deficits) at end of year		\$509,791			\$271,766	

MISCELLANEOUS POLICE			MISCELLANEOUS PARK			STORM WATER MANAGEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$41,500	\$46,640	\$5,140		\$23	\$23
\$5,918	\$10,857	\$4,939				\$314,717		(314,717)
1,502	1,131	(371)	2,072	1,707	(365)	95	(14)	(109)
37,378	74,621	37,243		38,596	38,596		200	200
44,798	86,609	41,811	43,572	86,943	43,371	314,812	209	(314,603)
						334,997	335,364	(367)
						350,526	228,654	121,872
63,139	43,358	19,781						
1		1						
13,000	10,834	2,166					6,970	(6,970)
76,140	54,192	21,948				685,523	570,988	114,535
(31,342)	32,417	63,759	43,572	86,943	43,371	(370,711)	(570,779)	(200,068)
			(66,000)	(34,288)	31,712	593,765	672,233	78,468
						(33,805)	(33,805)	
			(66,000)	(34,288)	31,712	559,960	638,428	78,468
(\$31,342)	32,417	\$63,759	(\$22,428)	52,655	\$75,083	\$189,249	67,649	(\$121,600)
							(53,395)	
	254,010			354,596			(14,254)	
	\$286,427			\$407,251				

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	TRAFFIC SIGNAL			BIKE TRAIL/OPEN SPACE MAINTENANCE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services	\$5,000	\$7,642	\$2,642			
Subventions and grants						
Use of money and property	18,047	15,958	(2,089)	\$6,433	\$3,808	(\$2,625)
Contributions from developers	24,000	32,570	8,570			
Miscellaneous revenues		27,542	27,542		30,675	30,675
Total Revenues	47,047	83,712	36,665	6,433	34,483	28,050
EXPENDITURES						
Current:						
Salaries and benefits						
Planning						
Roseville Community Development Corporation						
Parks And Recreation						
Traffic Signals	976,939	951,340	25,599			
Operating services and supplies						
Planning						
Roseville Community Development Corporation						
Public Works						
Traffic Signal Maintenance Fd		12,381	(12,381)			
Parks and Recreation						
Traffic Signals	498,817	468,071	30,746			
Traffic Signal Maintenance/Upgrades		49	(49)			
Bike Trail Maintenance				90,109	54,182	35,927
Open Space Maintenance				635,825	469,522	166,303
Low & Moderate Income Housing Successor Agency						
Total Expenditures	1,475,756	1,431,841	43,915	725,934	523,704	202,230
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,428,709)	(1,348,129)	80,580	(719,501)	(489,221)	230,280
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property		4,397	4,397		3,580	3,580
Transfers in	1,878,590	1,878,590		545,262	514,468	(30,794)
Transfers (out)	(169,138)	(167,247)	1,891	(32,596)	(35,214)	(2,618)
Total Other Financing Sources (Uses)	1,709,452	1,715,740	6,288	512,666	482,834	(29,832)
NET CHANGE IN FUND BALANCES	\$280,743	367,611	\$86,868	(\$206,835)	(6,387)	\$200,448
Adjustment to budgetary basis						
Capital outlay		(277,455)				
Fund balances (deficits) at beginning of year		3,402,762			984,776	
Fund balances (deficits) at end of year		\$3,492,918			\$978,389	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	ROSEVILLE FINANCE AUTHORITY			CITIZENS' BENEFIT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property		\$386,529	\$386,529	\$209,608	\$58,447	(\$151,161)
Miscellaneous revenues				13,933	17,946	4,013
Total Revenues		386,529	386,529	223,541	76,393	(147,148)
EXPENDITURES						
Current:						
Operating services and supplies						
General government						
Citizens Benefit				514,365	504,865	9,500
Debt service:						
Principal retirement	720,000	720,000				
Interest and fiscal charges	584,533	1,082,778	(498,245)			
Total Expenditures	1,304,533	1,802,778	(498,245)	514,365	504,865	9,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,304,533)	(1,416,249)	(111,716)	(290,824)	(428,472)	(137,648)
OTHER FINANCING SOURCES (USES)						
Issuance of debt		11,549,031	11,549,031			
Payment to escrow		(12,756,326)	(12,756,326)			
Transfers in	1,304,533	1,238,198	(66,335)			
Total Other Financing Sources (Uses)	1,304,533	30,903	(1,273,630)			
NET CHANGE IN FUND BALANCES		(1,385,346)	(\$1,385,346)	(\$290,824)	(428,472)	(\$137,648)
Fund balances (deficits) at beginning of year		1,530,324			18,020,764	
Fund balances (deficits) at end of year		\$144,978			\$17,592,292	

INTERNAL SERVICE FUNDS

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

Financial reporting standards require that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Automotive Services Fund. To account for the maintenance of vehicles used by City departments. Funds are received by means of a rental fee charged to the various departments.

Automotive Replacement Fund. To accumulate resources and account for the purchase of vehicles used by City departments. The source of revenue for this fund is replacement fees charged to City vehicles.

Workers' Compensation Fund. To account for the City's self-insurance program for Workers' Compensation benefits and for the administration of various preventative programs.

General Liability Fund. To account for the cost of claims and administrative costs of the City's self-insured general liability program.

Unemployment Reserve Fund. To account for State and Federal mandated unemployment insurance benefits for employees.

Vision Fund. To account for the City's insurance program for Vision benefits.

Dental Fund. To account for the City's insurance program for Dental benefits.

Section 125 Fund. To account for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

Post Retirement Fund. To account for the contributions and benefits paid in relation to accrued employee retirement compensation.

Central Stores Fund. To account for stores inventory that gets allocated out at year-end to the General Fund and Enterprise Funds.

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds Workers' Compensation	General Liability
ASSETS				
Current Assets				
Cash and investments in City Treasury		\$32,891,272	\$8,132,597	\$3,585,889
Receivables:				
Accounts		156		
Accrued interest		3,067,170	26,928	10,747
Due from other government agencies	\$16,958			
Due from other funds		1,931,378	200,000	
Notes receivable		829,201		
Inventories	771,515			
Total Current Assets	788,473	38,719,177	8,359,525	3,596,636
Non Current Assets				
Advances to other funds		3,809,017	190,353	
Capital assets, net of accumulated depreciation	7,544	11,880,949	3,293	
Total Assets	796,017	54,409,143	8,553,171	3,596,636
LIABILITIES				
Current Liabilities				
Accounts payable	155,858	207,731	11,798	12,529
Accrued liabilities	70,026		3,281	3,293
Due to other funds	942,093			
Self-insurance claims payable			924,444	548,855
Total Current Liabilities	1,167,977	207,731	939,523	564,677
Long-term Liabilities				
Advances from other funds				
Compensated absences	316,876		40,332	8,657
Net OPEB obligations				
Self-insurance claims payable			6,779,260	1,343,750
Total Liabilities	1,484,853	207,731	7,759,115	1,917,084
NET POSITION				
Net investment in capital assets	7,544	11,880,949	3,293	
Unrestricted	(696,380)	42,320,463	790,763	1,679,552
Total Net Position	(\$688,836)	\$54,201,412	\$794,056	\$1,679,552

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
\$164,661	\$298,895	\$739,688	\$64,079	\$2,468,794	\$227,409	\$48,573,284
275	961	2,041	141	4,188		156
						3,112,451
						16,958
						2,131,378
						829,201
						771,515
164,936	299,856	741,729	64,220	2,472,982	227,409	55,434,943
						3,999,370
						11,891,786
164,936	299,856	741,729	64,220	2,472,982	227,409	71,326,099
		28,050		783	199,376	616,125
						76,600
200,000						1,142,093
						1,473,299
200,000		28,050		783	199,376	3,308,117
190,353						190,353
						365,865
				33,246,786		33,246,786
						8,123,010
390,353		28,050		33,247,569	199,376	45,234,131
						11,891,786
(225,417)	299,856	713,679	64,220	(30,774,587)	28,033	14,200,182
(\$225,417)	\$299,856	\$713,679	\$64,220	(\$30,774,587)	\$28,033	\$26,091,968

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds Workers' Compensation	General Liability
OPERATING REVENUES				
Charges for services	\$7,095,456	\$5,014,398	\$29	
Other	72,179		2,781,360	\$2,146,190
Total Operating Revenues	7,167,635	5,014,398	2,781,389	2,146,190
OPERATING EXPENSES				
Operations	6,613,763	610,329	2,541,716	1,338,925
Depreciation and amortization	36,349	3,158,637	3,040	
Claims expense			1,394,561	641,456
Total Operating Expenses	6,650,112	3,768,966	3,939,317	1,980,381
Operating Income (Loss)	517,523	1,245,432	(1,157,928)	165,809
NONOPERATING (EXPENSES)				
Interest and rents revenue	26,489	181,436	29,914	12,564
Net Nonoperating Revenues (Expenses)	26,489	181,436	29,914	12,564
Income (Loss) Before Contributions and Transfers	544,012	1,426,868	(1,128,014)	178,373
Transfers in		349,593		
Transfers (out)	(1,165,483)	(143,362)	(27,409)	(100,511)
Change in Net Position	(621,471)	1,633,099	(1,155,423)	77,862
Net position (deficit) - beginning	(67,365)	52,568,313	1,949,479	1,601,690
Net position (deficit) - ending	(\$688,836)	\$54,201,412	\$794,056	\$1,679,552

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
						\$12,109,883
\$470,021	\$150,581	\$1,427,033	\$392,470	\$1,613,195		9,053,029
470,021	150,581	1,427,033	392,470	1,613,195		21,162,912
	151,337	159,682		16,040,204		27,455,956
						3,198,026
166,723		1,137,180	384,489			3,724,409
166,723	151,337	1,296,862	384,489	16,040,204		34,378,391
303,298	(756)	130,171	7,981	(14,427,009)		(13,215,479)
381	1,202	2,660	185	1,896		256,727
381	1,202	2,660	185	1,896		256,727
303,679	446	132,831	8,166	(14,425,113)		(12,958,752)
(3,895)	(1,796)	(13,563)	(3,902)	6,687,077 (39,199)		7,036,670 (1,499,120)
299,784	(1,350)	119,268	4,264	(7,777,235)		(7,421,202)
(525,201)	301,206	594,411	59,956	(22,997,352)	\$28,033	33,513,170
(\$225,417)	\$299,856	\$713,679	\$64,220	(\$30,774,587)	\$28,033	\$26,091,968

CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Automotive Services	Automotive Replacement	Self Insurance Funds	
			Workers' Compensation	General Liability
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$7,106,297	\$5,014,242	\$29	
Payments to suppliers	(4,533,229)	(1,037,503)	(2,450,352)	(\$1,280,507)
Payments to employees	(1,879,747)		(87,475)	(86,681)
Payments to OPEB trust				
Claims paid				(304,755)
Other receipts (payments)	72,179		2,781,360	2,146,190
Net Cash Provided (Used) by Operating Activities	765,500	3,976,739	243,562	474,247
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to other funds	371,955	(347,552)	(100,000)	
(Increase) decrease in advances to other funds		121,352	200,000	
Transfers in		349,593		
Transfers (out)	(1,165,483)	(143,362)	(27,409)	(100,511)
Cash Flows from (Used for) Noncapital Financing Activities	(793,528)	(19,969)	72,591	(100,511)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets, net	(1)	(3,787,419)	1	
Cash Flows (Used for) Capital and Related Financing Activities	(1)	(3,787,419)	1	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and rents received	26,489	145,136	29,005	10,553
Cash Flows from Investing Activities	26,489	145,136	29,005	10,553
Net increase (decrease) in cash and cash equivalents	(1,540)	314,487	345,159	384,289
Cash and investments at beginning of period	1,540	32,576,785	7,787,438	3,201,600
Cash and investments at end of period		\$32,891,272	\$8,132,597	\$3,585,889
NONCASH TRANSACTIONS:				
Retirement of capital assets		(\$7,245)		
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$517,523	\$1,245,432	(\$1,157,928)	\$165,809
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	36,349	3,158,637	3,040	
Retirement of capital assets		7,245		
Change in assets and liabilities:				
Receivables, net	172,399	(156)		
Net OPEB obligations				
Accounts and other payables	39,229	(434,419)	1,398,450	308,438
Net cash provided by operating activities	\$765,500	\$3,976,739	\$243,562	\$474,247

Self Insurance Funds						
Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
						\$12,120,568
	(\$151,337)	(\$159,296)			\$135,726	(9,476,498)
				(\$3,316,012)		(5,369,915)
				(5,131,475)		(5,131,475)
(\$244,972)		(1,137,180)	(\$384,489)			(2,071,396)
470,021	150,581	1,427,033	392,470	1,613,195		9,053,029
225,049	(756)	130,557	7,981	(6,834,292)	135,726	(875,687)
100,000						24,403
(200,000)						121,352
				6,687,077		7,036,670
(3,895)	(1,796)	(13,563)	(3,902)	(39,199)		(1,499,120)
(103,895)	(1,796)	(13,563)	(3,902)	6,647,878		5,683,305
						(3,787,419)
						(3,787,419)
122	1,118	2,144	169	4,858		219,594
122	1,118	2,144	169	4,858		219,594
121,276	(1,434)	119,138	4,248	(181,556)	135,726	1,239,793
43,385	300,329	620,550	59,831	2,650,350	91,683	47,333,491
\$164,661	\$298,895	\$739,688	\$64,079	\$2,468,794	\$227,409	\$48,573,284
						(\$7,245)
\$303,298	(\$756)	\$130,171	\$7,981	(\$14,427,009)		(\$13,215,479)
						3,198,026
						7,245
				7,705,056		172,243
(78,249)		386		(112,339)	\$135,726	7,705,056
\$225,049	(\$756)	\$130,557	\$7,981	(\$6,834,292)	\$135,726	1,257,222
						(875,687)

This Page Left Intentionally Blank

PRIVATE-PURPOSE TRUST FUNDS

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

The Endowment Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit private organizations.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Roseville.

CITY OF ROSEVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Endowment Private-Purpose Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Total
ASSETS			
Cash and investments in Treasury	\$2,457,576	\$2,795,256	\$5,252,832
Restricted cash and investments with fiscal agents		5,955,371	5,955,371
Taxes receivable		64	64
Accounts receivable		3,103	3,103
Accrued interest receivable	6,444	178,201	184,645
Due from other governments		7,304,420	7,304,420
Developer permit fee receivable	378		378
Notes receivable		5,089,106	5,089,106
Land held for resale		5,419,762	5,419,762
Capital Assets:			
Land		1,762,188	1,762,188
Total Assets	<u>2,464,398</u>	<u>28,507,471</u>	<u>30,971,869</u>
LIABILITIES			
Accounts payable		1,836,401	1,836,401
Accrued liabilities		574,563	574,563
Long-term liabilities:			
Due in one year		592,238	592,238
Due in over one year		65,333,117	65,333,117
Total Liabilities		<u>68,336,319</u>	<u>68,336,319</u>
NET POSITION(DEFICIT)			
Held in trust for private purposes or for other governments	<u>\$2,464,398</u>	<u>(\$39,828,848)</u>	<u>(\$37,364,450)</u>

CITY OF ROSEVILLE
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Endowment Private-Purpose Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Total
ADDITIONS			
Property taxes		\$3,416,590	\$3,416,590
Subventions and grants	\$13,541		13,541
Investment income	11,511	189,579	201,090
Other receipts		10,642	10,642
Total additions	25,052	3,616,811	3,641,863
DEDUCTIONS			
General government	44,216		44,216
Community services		286,122	286,122
Pass-through payments and payment to County Auditor-Controller		4,231,128	4,231,128
Debt service:			
Interest and fiscal charges		1,805,719	1,805,719
Total deductions	44,216	6,322,969	6,367,185
Change in net position	(19,164)	(2,706,158)	(2,725,322)
Net position (deficit) - beginning of period	2,483,562	(37,122,690)	(34,639,128)
Net position (deficit) - end of period	\$2,464,398	(\$39,828,848)	(\$37,364,450)

This Page Left Intentionally Blank

AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessments/Community Facility Districts (CFDs)

These funds account for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

Payroll Revolving Fund

This fund accounts for the payroll deductions and contributions that are held in transit.

Highway 65 JPA (Bizz Johnson JPA)

This JPA, which consists of the City, City of Rocklin and Placer County, was formed to fund interchanges off of Highway 65. The City acts as lead agency and treasurer. The fees are collected via building permits.

Dry Creek Drainage Basin

Fees are collected via building permits for the Dry Creek area and submitted quarterly to Placer County for drainage mitigation.

County Capital Facilities Fee

This fee was established by the County to fund future county capital facilities from development. It is collected via building permits and submitted quarterly to the County.

South Placer Wastewater Authority (SPWA)

SPWA is a Joint Powers Authority comprised of the City, Placer County and South Placer Public Utilities District. The City is acting as the treasurer and construction manager. This JPA was formed to issue debt to facilitate the construction of the regional wastewater infrastructure. The agencies collect regional wastewater connection fees and submit them to SPWA which is used for debt service payments and for the future expansion of facilities.

Special Sewer Benefit Area #3

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the northeast portion of the City. The reimbursements are made to various project participants.

Special Sewer Benefit Area #4

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the southeast portion of the City. The reimbursements are made to Southfork Partnership.

AGENCY FUNDS (Continued)

South Placer County Tourism Business Improvement District (SPCTBID)

All hotels in the region are assessed fees for the purpose of promoting tourism in the area. These fees are forwarded to the City quarterly and then submitted quarterly to the SPCTBID.

South Placer County Safe Kids Coalition

The fees are collected for and submitted to an organization in Placer County for child safety programs.

South Placer Regional Traffic Fee

This fee is collected via building permits and submitted quarterly to Placer County Transportation Authority to fund regional traffic mitigation.

City/County Traffic Mitigation Fund (TMF)

The fee is collected via building permits and submitted quarterly to Placer County to fund regional traffic mitigation due to new development.

Placer County Air Pollution Control Fund

The fee is collected to contribute towards construction of a future animal shelter in South Placer County.

Sierra College Boulevard Fund

To account for contributions to provide maintenance of bike trails and open space.

Other

To account for fees collected for Placer County's administration of the City's Special Assessments.

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Foothills Boulevard Special Assessment District</u>				
Taxes receivable	\$1,243	\$1,243	\$1,243	\$1,243
Total Assets	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>
Due to bondholders	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>	<u>\$1,243</u>
<u>North Roseville/Rocklin Sewer Special Assessment District</u>				
Cash and investments in City Treasury	\$11,186	\$670	\$11,837	\$19
Taxes receivable	375	362	\$375	362
Total Assets	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
Due to bondholders	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
Total Liabilities	<u>\$11,561</u>	<u>\$1,032</u>	<u>\$12,212</u>	<u>\$381</u>
<u>Champion Oaks Special Assessment District</u>				
Cash and investments in City Treasury	<u>\$19,287</u>			<u>\$19,287</u>
Due to bondholders	<u>\$19,287</u>			<u>\$19,287</u>
<u>Foothills Boulevard Extension Special Assessment District</u>				
Cash and investments in City Treasury	\$195,916	\$424	\$196,340	
Taxes receivable	5,992	6,407	5,992	\$6,407
Accrued interest receivable	15		15	
Total Assets	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
Due to bondholders	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
Total Liabilities	<u>\$201,923</u>	<u>\$6,831</u>	<u>\$202,347</u>	<u>\$6,407</u>
<u>Northeast Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$594	(\$1)	\$593	
Taxes receivable	88	106	88	\$106
Total Assets	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>
Due to bondholders	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>
Total Liabilities	<u>\$682</u>	<u>\$105</u>	<u>\$681</u>	<u>\$106</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Northwest Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$2,443,111	\$885,540	\$1,280,001	\$2,048,650
Restricted cash and investments with fiscal agents	2,298,788		706,250	1,592,538
Taxes receivable	30,731	36,264	30,731	36,264
Accrued interest receivable	4,171	2,775	4,171	2,775
Total Assets	<u>\$4,776,801</u>	<u>\$924,579</u>	<u>\$2,021,153</u>	<u>\$3,680,227</u>
Accounts payable		\$2,200		\$2,200
Due to bondholders	<u>\$4,776,801</u>	<u>922,379</u>	<u>\$2,021,153</u>	<u>3,678,027</u>
Total Liabilities	<u>\$4,776,801</u>	<u>\$924,579</u>	<u>\$2,021,153</u>	<u>\$3,680,227</u>
<u>Stoneridge East Community Facilities District #1</u>				
Cash and investments in City Treasury	\$986,372	\$722,768	\$760,300	\$948,840
Restricted cash and investments with fiscal agents	1,176,603	74		1,176,677
Taxes receivable	8,311	7,646	8,311	7,646
Accrued interest receivable	1,658	1,645	1,658	1,645
Total Assets	<u>\$2,172,944</u>	<u>\$732,133</u>	<u>\$770,269</u>	<u>\$2,134,808</u>
Accounts payable	\$35	\$1,950	\$35	\$1,950
Due to bondholders	<u>2,172,909</u>	<u>730,183</u>	<u>770,234</u>	<u>2,132,858</u>
Total Liabilities	<u>\$2,172,944</u>	<u>\$732,133</u>	<u>\$770,269</u>	<u>\$2,134,808</u>
<u>Northeast Roseville Community Facilities District #2</u>				
Cash and investments in City Treasury	\$898,616	\$318,384	\$408,929	\$808,071
Restricted cash and investments with fiscal agents	953,896		299,026	654,870
Taxes receivable	5,985	1,511	5,985	1,511
Accrued Interest receivable	1,534	923	1,534	923
Total Assets	<u>\$1,860,031</u>	<u>\$320,818</u>	<u>\$715,474</u>	<u>\$1,465,375</u>
Accounts payable	\$482	\$2,235	\$482	\$2,235
Due to bondholders	<u>1,859,549</u>	<u>318,583</u>	<u>714,992</u>	<u>1,463,140</u>
Total Liabilities	<u>\$1,860,031</u>	<u>\$320,818</u>	<u>\$715,474</u>	<u>\$1,465,375</u>
<u>North Central Roseville Community Facilities District #1</u>				
Cash and investments in City Treasury	\$5,149,414	\$998,450	\$2,025,094	\$4,122,770
Restricted cash and investments with fiscal agents	2,310,777	224,404		2,535,181
Taxes receivable	31,905	24,947	31,905	24,947
Accrued interest receivable	8,678	9,471	8,678	9,471
Total Assets	<u>\$7,500,774</u>	<u>\$1,257,272</u>	<u>\$2,065,677</u>	<u>\$6,692,369</u>
Accounts payable	\$35	\$142	\$35	\$142
Due to bondholders	<u>\$7,500,739</u>	<u>1,257,130</u>	<u>2,065,642</u>	<u>6,692,227</u>
Total Liabilities	<u>\$7,500,774</u>	<u>\$1,257,272</u>	<u>\$2,065,677</u>	<u>\$6,692,369</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
North Roseville Community Facilities District #1				
Cash and investments in City Treasury	\$1,851,710	\$658,693	\$747,193	\$1,763,210
Restricted cash and investments with fiscal agents	1,743,959		\$975	1,742,984
Accounts receivable				
Taxes receivable	10,651	7,938	10,651	7,938
Accrued interest receivable	3,031	3,400	3,031	3,400
Total Assets	\$3,609,351	\$670,031	\$761,850	\$3,517,532
Accounts payable	\$71		\$71	
Due to bondholders	3,609,280	670,031	761,779	\$3,517,532
Total Liabilities	\$3,609,351	\$670,031	\$761,850	\$3,517,532
Woodcreek West Community Facilities District #1				
Cash and investments in City Treasury	\$1,266,444	\$750,935	\$838,524	\$1,178,855
Restricted cash and investments with fiscal agents	1,408,573		\$5,919	1,402,654
Taxes receivable	7,722	7,449	7,722	7,449
Accrued interest receivable	2,145	2,112	2,145	2,112
Total Assets	\$2,684,884	\$760,496	\$854,310	\$2,591,070
Accounts payable		\$71		\$71
Accrued Liabilities	\$4,871			4,871
Due to bondholders	2,680,013	760,425	\$854,310	2,586,128
Total Liabilities	\$2,684,884	\$760,496	\$854,310	\$2,591,070
Highland Reserve North Community Facilities District #1				
Cash and investments in City Treasury	\$2,333,303	\$1,202,238	\$1,323,182	\$2,212,359
Restricted cash and investments with fiscal agents	2,544,811		\$1,627	2,543,184
Taxes receivable	11,512	11,580	11,512	11,580
Accrued interest receivable	4,217	4,011	4,217	4,011
Total Assets	\$4,893,843	\$1,217,829	\$1,340,538	\$4,771,134
Accounts payable	\$71	\$1,950	\$71	\$1,950
Due to bondholders	4,893,772	1,215,879	1,340,467	4,769,184
Total Liabilities	\$4,893,843	\$1,217,829	\$1,340,538	\$4,771,134
Stoneridge Parcel 1 Community Facilities District #1				
Cash and investments in City Treasury	\$154,111	\$83,920	\$94,067	\$143,964
Restricted cash and investments with fiscal agents	138,060		\$92	137,968
Taxes receivable	135	191	135	191
Accrued interest receivable	318	310	318	310
Total Assets	\$292,624	\$84,421	\$94,612	\$282,433
Accounts payable		\$1,950		\$1,950
Due to bondholders	\$292,624	82,471	\$94,612	280,483
Total Liabilities	\$292,624	\$84,421	\$94,612	\$282,433

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Woodcreek East Community Facilities District #1				
Cash and investments in City Treasury	\$540,179	\$236,354	\$281,489	\$495,044
Restricted cash and investments with fiscal agents	486,393		342	486,051
Taxes receivable	5,280	3,469	5,280	3,469
Accrued interest receivable	1,107	1,073	1,107	1,073
Total Assets	<u>\$1,032,959</u>	<u>\$240,896</u>	<u>\$288,218</u>	<u>\$985,637</u>
Accounts payable	\$1,950	\$1,950	\$1,950	\$1,950
Due to bondholders	1,031,009	238,946	286,268	983,687
Total Liabilities	<u>\$1,032,959</u>	<u>\$240,896</u>	<u>\$288,218</u>	<u>\$985,637</u>
Stoneridge West Community Facilities District #1				
Cash and investments in City Treasury	\$1,069,356	\$663,840	\$589,525	\$1,143,671
Restricted cash and investments with fiscal agents	920,718		\$398	920,320
Taxes receivable	151,133	162,071	151,133	162,071
Accrued interest receivable	1,921	2,444	1,921	2,444
Total Assets	<u>\$2,143,128</u>	<u>\$828,355</u>	<u>\$742,977</u>	<u>\$2,228,506</u>
Accounts payable	\$71	\$1,950	\$71	\$1,950
Due to bondholders	\$2,143,057	826,405	\$742,906	2,226,556
Total Liabilities	<u>\$2,143,128</u>	<u>\$828,355</u>	<u>\$742,977</u>	<u>\$2,228,506</u>
Crocker Ranch Community Facilities District #1				
Cash and investments in City Treasury	\$1,123,189	\$1,019,538	\$1,023,266	\$1,119,461
Restricted cash and investments with fiscal agents	1,390,895		\$211	1,390,684
Taxes receivable	6,455	6,802	6,455	6,802
Accrued interest receivable	1,515	1,929	1,515	1,929
Total Assets	<u>\$2,522,054</u>	<u>\$1,028,269</u>	<u>\$1,031,447</u>	<u>\$2,518,876</u>
Accounts payable	\$71	\$1,985	\$71	\$1,985
Due to bondholders	\$2,521,983	1,026,284	\$1,031,376	2,516,891
Total Liabilities	<u>\$2,522,054</u>	<u>\$1,028,269</u>	<u>\$1,031,447</u>	<u>\$2,518,876</u>
Stone Point Community Facilities District #1				
Cash and investments in City Treasury	\$981,978	\$477,265	\$612,572	\$846,671
Restricted cash and investments with fiscal agents	905,441	1,588		907,029
Accrued interest receivable	2,055	1,857	2,055	1,857
Total Assets	<u>\$1,889,474</u>	<u>\$480,710</u>	<u>\$614,627</u>	<u>\$1,755,557</u>
Accounts payable		\$1,950		\$1,950
Due to bondholders	\$1,889,474	478,760	\$614,627	1,753,607
Total Liabilities	<u>\$1,889,474</u>	<u>\$480,710</u>	<u>\$614,627</u>	<u>\$1,755,557</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Stone Point Community Facilities District #5				
Cash and investments in City Treasury	\$222,926	\$342,885	\$299,340	\$266,471
Restricted cash and investments with fiscal agents	495,647		(866)	496,513
Accrued interest receivable	248	396	248	396
Total Assets	\$718,821	\$343,281	\$298,722	\$763,380
Accounts payable		\$1,950		\$1,950
Due to bondholders	\$718,821	341,331	\$298,722	761,430
Total Liabilities	\$718,821	\$343,281	\$298,722	\$763,380
Westpark Community Facilities District #1				
Cash and investments in City Treasury	\$3,562,249	\$4,134,452	\$4,117,148	\$3,579,553
Restricted cash and investments with fiscal agents	5,555,177	9,744		5,564,921
Taxes receivable	7,401	7,003	7,401	7,003
Accrued interest receivable	4,914	4,968	4,914	4,968
Total Assets	\$9,129,741	\$4,156,167	\$4,129,463	\$9,156,445
Accounts payable		\$79		\$79
Due to bondholders	\$9,129,741	4,156,088	\$4,129,463	9,156,366
Total Liabilities	\$9,129,741	\$4,156,167	\$4,129,463	\$9,156,445
Fiddymment Ranch Community Facilities District #1				
Cash and investments in City Treasury	\$3,315,552	\$3,981,298	\$4,119,906	\$3,176,944
Restricted cash and investments with fiscal agents	6,709,646		219,871	6,489,775
Taxes receivable	1,911	1,498	1,911	1,498
Accrued interest receivable	60,352	243,138	60,352	243,138
Total Assets	\$10,087,461	\$4,225,934	\$4,402,040	\$9,911,355
Accounts payable		\$35		\$35
Due to bondholders	10,087,461	4,225,899	4,402,040	9,911,320
Total Liabilities	\$10,087,461	\$4,225,934	\$4,402,040	\$9,911,355
Longmeadow Community Facilities District #1				
Cash and investments in City Treasury	\$410,096	\$475,296	\$584,476	\$300,916
Restricted cash and investments with fiscal agents	593,964		19,685	574,279
Taxes receivable	2,448	2,703	2,448	2,703
Accrued interest receivable	493	379	493	379
Total Assets	\$1,007,001	\$478,378	\$607,102	\$878,277
Accounts payable		\$2,200		\$2,200
Due to bondholders	\$1,007,001	476,178	\$607,102	876,077
Total Liabilities	\$1,007,001	\$478,378	\$607,102	\$878,277

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Diamond Creek Community Facilities District #1</u>				
Cash and investments in City Treasury	\$378,948	\$269,034	\$376,455	\$271,527
Restricted cash and investments with fiscal agents	640,556	11,324		651,880
Accrued interest receivable	714	694	714	694
Total Assets	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
Due to bondholders	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
Total Liabilities	<u>\$1,020,218</u>	<u>\$281,052</u>	<u>\$377,169</u>	<u>\$924,101</u>
<u>Fountains Community Facilities District #1</u>				
Cash and investments in City Treasury	\$426,438	\$782,530	\$775,037	\$433,931
Restricted cash and investments with fiscal agents	1,121,349		\$628	1,120,721
Accrued interest receivable	554	639	554	639
Total Assets	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
Due to bondholders	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
Total Liabilities	<u>\$1,548,341</u>	<u>\$783,169</u>	<u>\$776,219</u>	<u>\$1,555,291</u>
<u>Automall Community Facilities District #1</u>				
Cash and investments in City Treasury	\$763,609	(\$64,553)	\$185,404	\$513,652
Accrued interest receivable	749	1,421	749	1,421
Total Assets	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
Due to bondholders	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
Total Liabilities	<u>\$764,358</u>	<u>(\$63,132)</u>	<u>\$186,153</u>	<u>\$515,073</u>
<u>Payroll Revolving</u>				
Cash and investments in City Treasury	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>
Total Assets	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>
Accounts payable		\$5,592		\$5,592
Due to others	<u>\$951,135</u>	<u>22,121</u>		<u>973,256</u>
Total Liabilities	<u>\$951,135</u>	<u>\$27,713</u>		<u>\$978,848</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Highway 65 JPA				
Cash and investments in City Treasury	\$730,315	\$818,239	\$213,923	\$1,334,631
Accrued interest receivable	4,238	3,258	4,238	3,258
Permit fees receivable				
Due from other government agencies	99,866	94,266	99,866	94,266
Total Assets	\$834,419	\$915,763	\$318,027	\$1,432,155
Accounts payable	\$135	\$842	\$135	\$842
Due to member agencies	834,284	914,921	317,892	1,431,313
Total Liabilities	\$834,419	\$915,763	\$318,027	\$1,432,155
Dry Creek Drainage Basin				
Cash and investments in City Treasury	\$1,257	\$817		\$2,074
Accrued interest receivable	3	10	\$3	10
Total Assets	\$1,260	\$827	\$3	\$2,084
Accounts Payable	\$1,232	\$1,655	\$1,232	\$1,655
Due to others	28	(828)	(1,229)	429
Total Liabilities	\$1,260	\$827	\$3	\$2,084
County Capital Facilities Fee				
Cash and investments in City Treasury	\$425,975	\$351,388	\$346,796	\$430,567
Accrued interest receivable	754	1,160	754	1,160
Total Assets	\$426,729	\$352,548	\$347,550	\$431,727
Accounts payable	\$345,778	\$351,794	\$345,778	\$351,794
Due to others	80,951	754	1,772	79,933
Total Liabilities	\$426,729	\$352,548	\$347,550	\$431,727
South Placer Wastewater Authority				
Cash and investments in City Treasury	91,057,152	\$15,139,081	\$10,641,002	\$95,555,231
Restricted cash and investments with fiscal agents	9,804,924		873,347	8,931,577
Accounts receivable		1,654		1,654
Accrued interest receivable	213,949	278,603	213,949	278,603
Permit fees receivable	1,377,933		403,724	974,209
Due from other government agencies	802,818	1,430,980	802,818	1,430,980
Total Assets	\$103,256,776	\$16,850,318	\$12,934,840	\$107,172,254
Accounts payable	\$118,946	\$44,042	\$118,946	\$44,042
Accrued liabilities	560,334	570,534	560,334	570,534
Due to member agencies	102,577,496	16,235,742	12,255,560	106,557,678
Total Liabilities	\$103,256,776	\$16,850,318	\$12,934,840	\$107,172,254

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Special Sewer Benefit Area #3				
Cash and investments in City Treasury	\$5,031	\$1,925		\$6,956
Accrued interest receivable	12	19	\$12	19
Permit fees receivable		5,249		5,249
Total Assets	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Due to others	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Total Liabilities	<u>\$5,043</u>	<u>\$7,193</u>	<u>\$12</u>	<u>\$12,224</u>
Special Sewer Benefit Area #4				
Cash and investments in City Treasury	\$152,329	\$589	\$1	\$152,917
Accrued interest receivable	445	506	445	506
Total Assets	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
Due to others	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
Total Liabilities	<u>\$152,774</u>	<u>\$1,095</u>	<u>\$446</u>	<u>\$153,423</u>
South Placer County Tourism Business Improvement District (SPCTBID)				
Cash and investments in City Treasury	\$14,230	\$214,238	\$214,700	\$13,768
Accounts receivable	189,798	214,782	189,798	214,782
Accrued interest receivable	170	248	170	248
Total Assets	<u>\$204,198</u>	<u>\$429,268</u>	<u>\$404,668</u>	<u>\$228,798</u>
Accounts payable	\$190,512	\$24,270		\$214,782
Due to others	13,686	\$404,998	404,668	14,016
Total Liabilities	<u>\$204,198</u>	<u>\$429,268</u>	<u>\$404,668</u>	<u>\$228,798</u>
South Placer County Safe Kids Coalition				
Cash and investments in City Treasury	\$10,451	\$5,502	\$9,389	\$6,564
Accrued interest receivable	12	30	12	30
Total Assets	<u>\$10,463</u>	<u>\$5,532</u>	<u>\$9,401</u>	<u>\$6,594</u>
Accounts payable	\$149	\$92	\$149	\$92
Due to others	10,314	5,440	9,252	6,502
Total Liabilities	<u>\$10,463</u>	<u>\$5,532</u>	<u>\$9,401</u>	<u>\$6,594</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>South Placer Regional Traffic Fee</u>				
Cash and investments in City Treasury	\$192,501	\$278,210	\$192,525	\$278,186
Accounts receivable	1,121		1,121	
Accrued interest receivable	324	622	324	622
Total Assets	<u>\$193,946</u>	<u>\$278,832</u>	<u>\$193,970</u>	<u>\$278,808</u>
Accounts payable	\$192,524	\$278,979	\$192,524	\$278,979
Due to others	1,422	(147)	1,446	(171)
Total Liabilities	<u>\$193,946</u>	<u>\$278,832</u>	<u>\$193,970</u>	<u>\$278,808</u>
<u>City/County TMF</u>				
Cash and investments in City Treasury	\$56,622	\$76,566	\$56,962	\$76,226
Accrued interest receivable	89	152	89	152
Total Assets	<u>\$56,711</u>	<u>\$76,718</u>	<u>\$57,051</u>	<u>\$76,378</u>
Accounts payable	\$56,628	\$76,477	\$56,628	\$76,477
Due to others	83	241	423	(99)
Total Liabilities	<u>\$56,711</u>	<u>\$76,718</u>	<u>\$57,051</u>	<u>\$76,378</u>
<u>Placer County Air Pollution Control</u>				
Cash and investments in City Treasury	\$26,418	\$10,325		\$36,743
Total Assets	<u>\$26,418</u>	<u>\$10,325</u>		<u>\$36,743</u>
Due to others	\$26,418	\$10,325		\$36,743
Total Liabilities	<u>\$26,418</u>	<u>\$10,325</u>		<u>\$36,743</u>
<u>Sierra College Boulevard</u>				
Cash and investments in City Treasury	\$13,028		\$1,481	\$11,547
Total Assets	<u>\$13,028</u>		<u>\$1,481</u>	<u>\$11,547</u>
Due to others	\$13,028		\$1,481	\$11,547
Total Liabilities	<u>\$13,028</u>		<u>\$1,481</u>	<u>\$11,547</u>

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<u>Other</u>				
Cash and investments in City Treasury	\$13,122			\$13,122
Total Assets	<u>\$13,122</u>			<u>\$13,122</u>
Due to other government agencies	\$13,122			\$13,122
Total Liabilities	<u>\$13,122</u>			<u>\$13,122</u>
<u>Total Agency Funds</u>				
Cash and investments in City Treasury	\$121,754,150	\$34,864,553	\$32,327,457	\$124,291,246
Restricted cash and investments with fiscal agents	41,200,177	247,134	2,127,505	39,319,806
Accounts receivable	190,919	216,436	190,919	216,436
Taxes receivable	289,278	289,190	289,278	289,190
Accrued interest receivable	320,385	568,193	320,385	568,193
Permit fees receivable	1,377,933	5,249	403,724	979,458
Due from other government agencies	902,684	1,525,246	902,684	1,525,246
Total Assets	<u>\$166,035,526</u>	<u>\$37,716,001</u>	<u>\$36,561,952</u>	<u>\$167,189,575</u>
Accounts payable	\$908,690	\$806,340	\$718,178	\$996,852
Accrued liabilities	565,205	570,534	560,334	575,405
Due to other government agencies	13,122			13,122
Due to member agencies	103,411,780	17,150,663	12,573,452	107,988,991
Due to bondholders	59,881,847	18,737,272	22,291,717	56,327,402
Due to others	1,254,882	451,192	418,271	1,287,803
Total Liabilities	<u>\$166,035,526</u>	<u>\$37,716,001</u>	<u>\$36,561,952</u>	<u>\$167,189,575</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and electric revenue:

1. Sales Tax Revenue
2. Assessed Value and Estimated Value of Taxable Property
3. Property Tax Rates, All Direct and Overlapping Governments
4. Principal Property Tax Payers
5. Property Tax Levies and Collections
6. Electric Customers and Revenues
7. Residential Energy Prices
8. Business Energy Prices

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 2013 Refunding Variable Rate Wastewater Revenue Bonds
3. Revenue Bond Coverage – 2011 Refunding Fixed Rate Wastewater Revenue Bonds – Series C
4. Revenue Bond Coverage – 2011 Refunding SIFMA Index Wastewater Revenue Bonds – Series D
5. Bonded Debt Pledged Revenue Coverage – 2002 Redevelopment Tax Allocation Bonds
6. Bonded Debt Pledged Revenue Coverage – 2006A Redevelopment Tax Allocation Bonds
7. Bonded Debt Pledged Revenue Coverage – 2006AT Redevelopment Tax Allocation Bonds
8. Bonded Debt Pledged Revenue Coverage – 2006HT Redevelopment Tax Allocation Bonds
9. Computation of Direct and Overlapping Debt
10. Computation of Legal Bonded Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION (Continued)

Operating Information

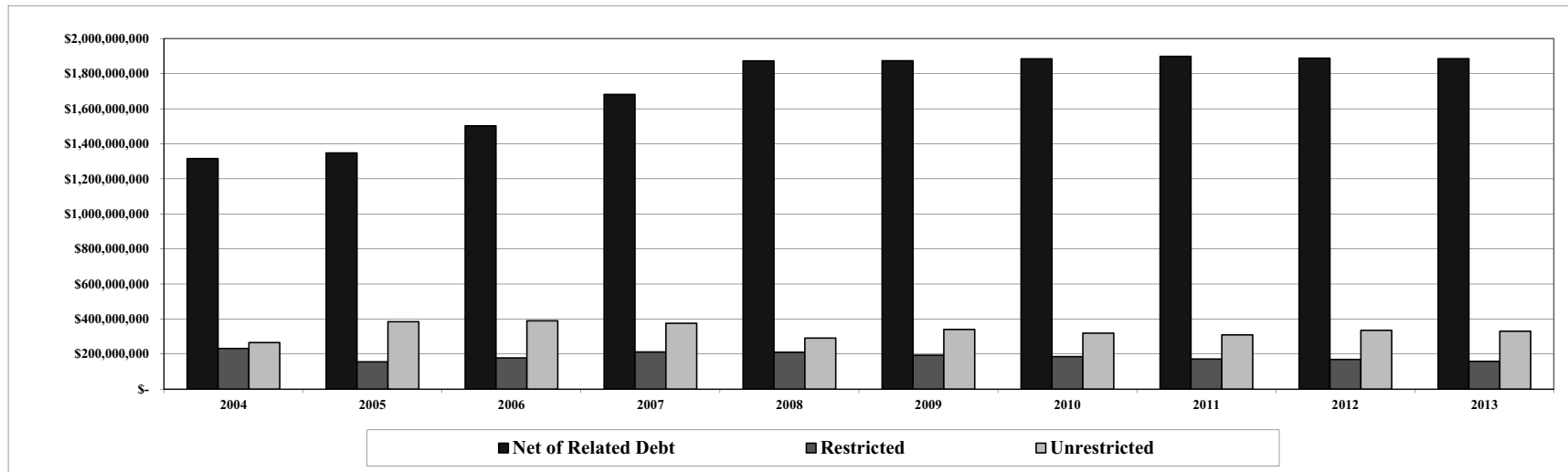
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF ROSEVILLE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**



	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$540,714,647	\$579,757,919	\$664,131,414	\$742,822,158	\$775,922,473	\$809,874,186	\$821,029,885	\$827,793,866	\$834,840,748	\$838,848,266
Restricted	142,404,742	124,527,445	149,738,041	177,189,997	165,833,165	149,364,179	141,943,254	144,584,184	140,299,702	131,372,528
Unrestricted	73,230,549	89,038,317	109,395,679	107,064,085	131,434,721	114,855,293	100,170,093	84,860,426	94,429,280	87,148,942
Total governmental activities net position	<u>\$756,349,938</u>	<u>\$793,323,681</u>	<u>\$923,265,134</u>	<u>\$1,027,076,240</u>	<u>\$1,073,190,359</u>	<u>\$1,074,093,658</u>	<u>\$1,063,143,232</u>	<u>\$1,057,238,476</u>	<u>\$1,069,569,730</u>	<u>\$1,057,369,736</u>
Business-type activities										
Net investment in capital assets	\$774,624,921	\$767,628,987	\$838,373,690	\$938,933,934	\$1,096,922,321	\$1,063,872,692	\$1,063,903,341	\$1,070,888,251	\$1,053,701,396	\$1,046,687,207
Restricted	89,408,729	31,082,339	28,178,946	34,553,611	44,622,022	43,873,415	43,565,544	26,825,766	28,837,472	27,217,358
Unrestricted	191,964,333	295,600,560	280,399,506	268,413,147	159,481,947	225,358,784	219,151,174	224,337,296	241,020,358	243,176,781
Total business-type activities net position	<u>\$1,055,997,983</u>	<u>\$1,094,311,886</u>	<u>\$1,146,952,142</u>	<u>\$1,241,900,692</u>	<u>\$1,301,026,290</u>	<u>\$1,333,104,891</u>	<u>\$1,326,620,059</u>	<u>\$1,322,051,313</u>	<u>\$1,323,559,226</u>	<u>\$1,317,081,346</u>
Primary government										
Net investment in capital assets	\$1,315,339,568	\$1,347,386,906	\$1,502,505,104	\$1,681,756,092	\$1,872,844,794	\$1,873,746,878	\$1,884,933,226	\$1,898,682,117	\$1,888,542,144	\$1,885,535,473
Restricted	231,813,471	155,609,784	177,916,987	211,743,608	210,455,187	193,237,594	185,508,798	171,409,950	169,137,174	158,589,886
Unrestricted	265,194,882	384,638,877	389,795,185	375,477,232	290,916,668	340,214,077	319,321,267	309,197,722	335,449,638	330,325,723
Total primary government net position	<u>\$1,812,347,921</u>	<u>\$1,887,635,567</u>	<u>\$2,070,217,276</u>	<u>\$2,268,976,932</u>	<u>\$2,374,216,649</u>	<u>\$2,407,198,549</u>	<u>\$2,389,763,291</u>	<u>\$2,379,289,789</u>	<u>\$2,393,128,956</u>	<u>\$2,374,451,082</u>

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

Source: The City's Comprehensive Annual Financial Report

**CITY OF ROSEVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$19,299,495	\$22,350,454	\$25,437,535	\$30,929,747	\$34,826,790	\$35,306,470	\$31,596,121	\$30,387,717	\$35,564,864	\$36,146,055
Community development and planning	10,370,401	10,131,568	11,893,312	13,171,347	16,004,720	16,399,001	20,004,902	13,441,264	11,625,120	6,070,940
Public Works	21,567,351	39,391,505	33,498,385	42,070,119	33,682,426	35,299,262	33,143,591	30,932,981	32,524,417	42,655,128
Police	19,351,991	22,761,768	24,500,396	27,440,631	33,717,164	36,257,952	34,190,552	31,720,789	31,262,454	33,163,354
Fire	12,768,918	15,226,498	16,435,774	20,572,207	26,372,987	27,405,634	27,543,494	25,191,924	25,282,596	26,611,217
Library	2,839,127	2,996,195	3,156,087	3,552,614	5,506,954	5,184,868	4,692,455	3,933,549	4,631,691	4,537,528
Parks and recreation	13,257,771	14,001,045	16,052,655	17,634,887	20,021,127	20,607,763	18,358,870	17,664,088	20,209,935	22,032,310
Community facilities districts										
Payments under developer agreements	2,607,608	3,093,615								
Housing assistance payments	3,127,150	3,050,762	2,974,236	3,328,656	3,399,145	3,530,527	3,628,510	3,643,394	4,232,695	4,049,279
Interest on long-term debt	1,813,647	1,760,833	1,933,654	4,920,776	6,858,207	5,847,054	7,131,216	3,181,266	999,436	1,274,294
Total Governmental Activities Expenses	\$107,003,459	\$134,764,243	\$135,882,034	\$163,620,984	\$180,389,520	\$185,838,531	\$180,289,711	\$160,096,972	\$166,333,208	\$176,540,105
Business-Type Activities:										
Electric	\$69,630,286	\$93,061,537	\$97,101,941	\$131,224,885	\$155,579,953	\$163,739,748	\$172,512,453	\$148,271,687	\$144,985,608	\$144,141,500
Water	15,748,289	16,719,257	18,510,040	15,855,579	25,826,409	21,842,893	23,025,281	22,335,757	24,311,517	24,669,405
Wastewater	18,050,409	23,885,474	27,207,717	28,948,611	37,098,813	28,512,359	29,169,860	29,516,033	34,587,583	33,820,510
Solid Waste	11,614,060	12,749,998	14,220,731	15,182,395	15,743,209	14,914,734	15,172,092	14,979,891	15,855,280	16,173,643
Natural Gas				5,152,447	15,123,490	27,665,056	27,398,886	27,106,564	26,792,658	26,383,130
Golf Course	2,365,048	2,473,835	2,479,378	2,351,603	2,883,713	3,003,690	2,814,274	2,828,099	2,487,080	2,617,733
Local Transportation	3,768,970	4,106,631	4,415,411	5,410,630	5,872,368	6,221,260	7,084,490	6,609,048	6,727,985	7,909,058
School-age Child Care	3,824,316	4,211,285	4,430,801	4,825,366	5,575,761	4,649,458	4,258,304	4,277,245	4,461,275	4,691,235
Total Business-Type Activities Expenses	125,001,378	157,208,017	168,366,019	208,951,516	263,703,716	270,549,198	281,435,640	255,924,324	260,208,986	260,306,214
Total Primary Government Expenses	\$232,004,837	\$291,972,260	\$304,248,053	\$372,572,500	\$444,093,236	\$456,387,729	\$461,725,351	\$416,021,296	\$426,542,194	\$436,846,319
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$1,318,112	\$1,570,571	\$3,364,921	\$3,980,445	\$2,658,458	\$3,780,716	\$2,655,834	\$2,914,657	\$2,778,080	\$2,650,873
Community development and planning	2,988,881	3,652,829	4,312,464	3,543,270	3,386,649	1,903,124	2,704,794	2,564,206	1,983,989	1,691,318
Public Works	6,612,890	6,814,277	7,959,770	9,246,666	5,843,426	3,327,869	2,841,931	2,913,603	2,919,180	3,124,557
Police	1,581,324	2,009,281	1,900,144	2,346,493	1,845,245	2,346,230	2,088,346	1,525,433	1,319,271	1,504,357
Fire	945,366	1,082,211	1,253,881	1,505,547	1,402,158	1,362,379	1,185,742	1,203,109	1,009,954	821,543
Library	136,710	162,479	188,738	235,231	272,057	230,290	216,064	228,343	339,589	297,467
Parks and recreation	5,508,574	6,224,464	7,315,217	4,167,719	9,986,005	9,728,400	9,843,940	10,057,346	10,242,291	12,574,853
Community facilities districts										
Operating Grants and Contributions	8,476,255	9,449,752	7,717,503	7,246,321	9,514,427	12,465,557	12,354,931	10,943,019	2,984,979	9,609,400
Capital Grants and Contributions	35,094,840	41,143,945	113,531,406	101,768,467	59,279,903	22,813,349	27,053,063	11,716,689	19,862,713	21,787,386
Total Government Activities Program Revenues	62,662,952	72,109,809	147,544,044	134,040,159	94,188,328	57,957,914	60,944,645	44,066,405	43,440,046	54,061,754
Business-Type Activities:										
Charges for Services:										
Electric	94,387,590	98,949,341	102,772,594	130,264,098	143,898,715	155,843,041	163,315,149	163,234,969	160,141,372	159,002,035
Water	11,804,088	13,163,434	13,450,264	14,938,665	16,925,351	17,765,674	17,473,099	17,967,074	19,954,068	22,899,867
Wastewater	14,739,888	16,355,694	19,025,742	22,455,645	24,014,362	27,087,117	24,961,516	30,472,704	28,088,503	27,693,272
Solid Waste	14,678,394	15,244,048	17,558,492	18,575,194	19,562,798	19,951,063	20,082,492	20,682,638	20,903,993	21,437,536
Natural Gas				4,059,943	4,059,943	16,528,513	16,557,517	16,528,513	16,563,722	16,530,605
Golf Course	2,436,735	2,564,469	2,747,851	3,162,637	3,182,357	2,953,223	2,801,963	2,415,583	2,702,741	2,460,509
Local Transportation	526,204	530,516	601,087	739,826	863,606	1,184,861	861,730	949,192	974,344	1,075,864
School-age Child Care	3,810,089	4,193,923	4,833,884	4,845,460	5,193,488	4,779,262	4,358,762	4,296,761	4,047,021	4,475,225
Operating Grants and Contributions	6,717,432	7,104,895	2,299,189	14,328,217	13,630,808	10,139,913	6,327,458	6,174,016	13,729,467	7,175,122
Capital Grants and Contributions	52,603,696	49,828,229	68,914,968	108,453,838	88,497,473	55,050,971	26,604,588	16,234,957	12,323,429	17,501,234
Total Business-Type Activities Program Revenue	201,704,116	207,934,549	232,204,071	317,763,580	319,828,901	311,283,638	283,344,274	278,956,407	279,428,660	280,251,269
Total Primary Government Program Revenues	\$264,367,068	\$280,044,358	\$379,748,115	\$451,803,739	\$414,017,229	\$369,241,552	\$344,288,919	\$323,022,812	\$322,868,706	\$334,313,023
Net (Expense)/Revenue										
Governmental Activities	(\$44,340,507)	(\$62,654,434)	\$11,662,010	(\$29,580,825)	(\$86,001,192)	(\$127,880,617)	(\$119,345,066)	(\$116,030,567)	(\$122,893,162)	(\$122,478,351)
Business-Type Activities	76,702,738	50,726,532	63,838,052	108,812,064	56,125,185	40,734,440	1,908,634	23,032,083	19,219,674	19,945,055
Total Primary Government Net Expense	\$32,362,231	(\$11,927,902)	\$75,500,062	\$79,231,239	(\$29,876,007)	(\$87,146,177)	(\$117,436,432)	(\$92,998,484)	(\$103,673,488)	(\$102,533,296)

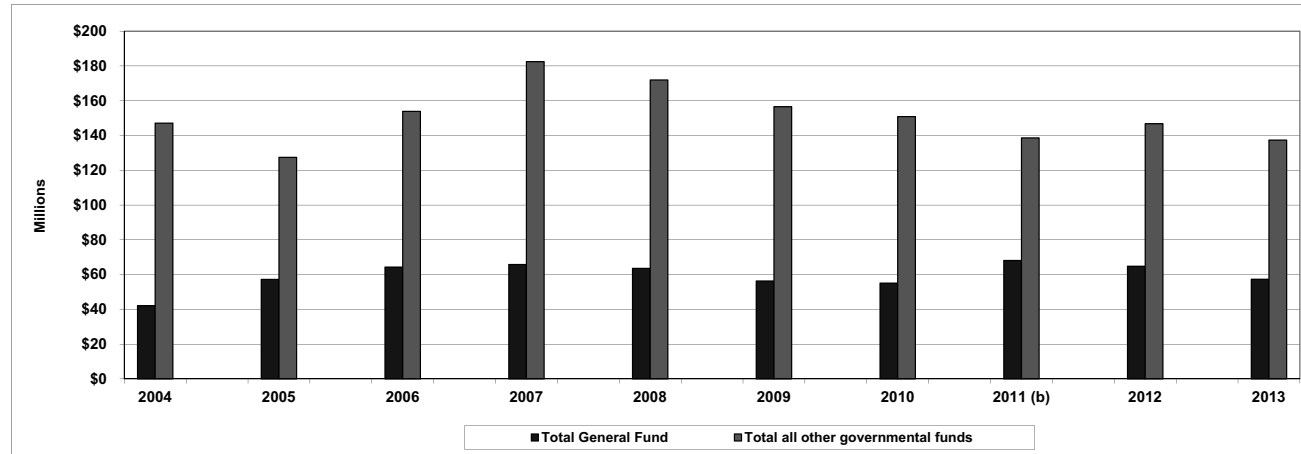
Source: The City's Comprehensive Annual Financial Report.

**CITY OF ROSEVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$20,101,838	\$26,548,498	\$30,867,256	\$38,737,491	\$41,066,666	\$39,688,660	\$38,102,029	\$34,721,253	\$31,758,352	\$31,075,967
Less Education Revenue Augmentation Fund Payment	(143,182)	(260,676)								
Sales taxes	38,031,918	40,973,365	42,642,034	44,772,743	40,982,384	36,024,500	32,139,544	37,332,222	38,129,931	43,002,643
Franchise taxes	954,396	1,060,903	1,267,707	1,429,155	1,607,214	930,003	1,615,166	1,735,495	1,822,869	1,874,700
Motor fuel taxes	1,775,122	1,897,211	3,116,638	1,999,542	1,985,315	1,855,462	2,909,176			
Motor vehicle in lieu (Intergovernmental- unrestricted)	4,152,209	2,123,202	710,510	565,719	471,834	373,495	332,224	523,609	122,230	
Other Taxes	2,978,450	3,671,924	3,630,534	3,529,485	3,306,271	2,974,201	2,779,885	2,936,778	6,626,071	6,465,560
Licenses and permits										
Use of money and property	2,992,312	5,631,061	8,077,599	14,208,032	16,918,766	14,048,619	4,737,938	3,645,241	3,243,932	533,505
Miscellaneous revenues	12,975	664,191	1,680,851	2,926,467	887,173	4,568,055	1,934,366	1,089,608	1,511,125	2,113,638
Transfers	15,605,538	17,318,498	23,582,576	25,223,297	24,622,443	28,320,921	23,844,312	26,144,153	30,374,582	25,212,344
Extraordinary item										
Assets transferred to/liabilities assumed by										
Successor Agency									34,223,315	
Gain/(Loss) from sales of capital assets	92,324		2,703,738							
Bond issuance premium	351,119									
Extraordinary item - litigation settlement										
Total Government Activities	86,905,019	99,628,177	118,279,443	133,391,931	131,848,066	128,783,916	108,394,640	108,128,359	147,812,407	110,278,357
Business-Type Activities:										
Use of money and property	1,096,493	4,487,348	10,559,581	11,359,783	27,622,856	19,665,082	15,450,846	12,812,162	12,662,821	11,245,022
Miscellaneous revenues			1,825,199							150,119
Provision for disputed SCS charges		418,521								
Transfers	(15,605,538)	(17,318,498)	(23,582,576)	(25,223,297)	(24,622,443)	(28,320,921)	(23,844,312)	(26,144,153)	(30,374,582)	(25,212,344)
Gain/(Loss) from sales of capital assets	(227,334)									
Special Item	(7,394,906)									(22,715,022)
Total Business-Type Activities	(22,131,285)	(12,412,629)	(11,197,796)	(13,863,514)	3,000,413	(8,655,839)	(8,393,466)	(13,331,991)	(17,711,761)	(36,532,225)
Total Primary Government	\$64,773,734	\$87,215,548	\$107,081,647	\$119,528,417	\$134,848,479	\$120,128,077	\$100,001,174	\$94,796,368	\$130,100,646	\$73,746,132
Change in Net Position										
Governmental Activities	\$42,564,512	\$36,973,743	\$129,941,453	\$103,811,106	\$45,846,874	\$903,299	(\$10,950,426)	(\$7,902,208)	\$24,919,245	(\$12,199,994)
Business-Type Activities	\$4,571,453	\$8,313,903	\$2,640,256	\$9,948,550	\$9,125,598	\$2,078,601	(6,484,832)	9,700,092	1,507,913	(16,587,170)
Total Primary Government	\$97,135,965	\$75,287,646	\$182,581,709	\$198,759,656	\$104,972,472	\$32,981,900	(\$17,435,258)	\$1,797,884	\$26,427,158	(\$28,787,164)

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

**CITY OF ROSEVILLE
FUND BALANCES OF GOVERNMENT FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011 (b)	2012	2013
General Fund										
Reserved	\$18,414,069	\$18,449,612	\$16,669,748	\$13,421,646	\$10,786,244	\$13,472,640	\$13,730,063			
Unreserved	23,647,906	38,788,181	47,642,690	52,376,837	52,774,303	42,850,836	41,375,295	\$23,734,548	\$17,036,815	\$24,350,331
Nonspendable								5,328,824	2,944,900	3,002,686
Assigned								39,068,183	44,796,255	29,957,714
Unassigned										
Total General Fund	\$42,061,975	\$57,237,793	\$64,312,438	\$65,798,483	\$63,560,547	\$56,323,476	\$55,105,358	\$68,131,555 (a)	\$64,777,970 (a)	\$57,310,731
All Other Governmental Funds										
Reserved	\$23,989,841	\$27,132,041	\$53,194,568	\$71,775,257	\$56,547,018	\$56,058,554	\$51,548,654			
Unreserved, reported in:										
Special Revenue Funds	87,880,374	66,266,786	64,447,245	73,726,293	79,723,403	65,941,856	64,422,284			
Capital Projects	19,522,248	17,733,928	19,807,821	20,128,123	18,146,007	16,456,146	16,542,186			
Permanent Funds	15,725,381	16,318,672	16,425,999	16,833,979	17,495,650	18,066,202	18,353,285			
Nonspendable								\$17,411,864	\$17,503,760	\$17,691,169
Restricted								108,226,582	113,465,925	106,099,078
Committed								2,195,164	2,248,644	2,290,938
Assigned								14,890,220	14,472,182	12,625,416
Unassigned								(4,081,313)	(925,077)	(1,333,659)
Total all other governmental funds	\$147,117,844	\$127,451,427	\$153,875,633	\$182,463,652	\$171,912,078	\$156,522,758	\$150,866,409	\$138,642,517 (a)	\$146,765,434	\$137,372,942

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

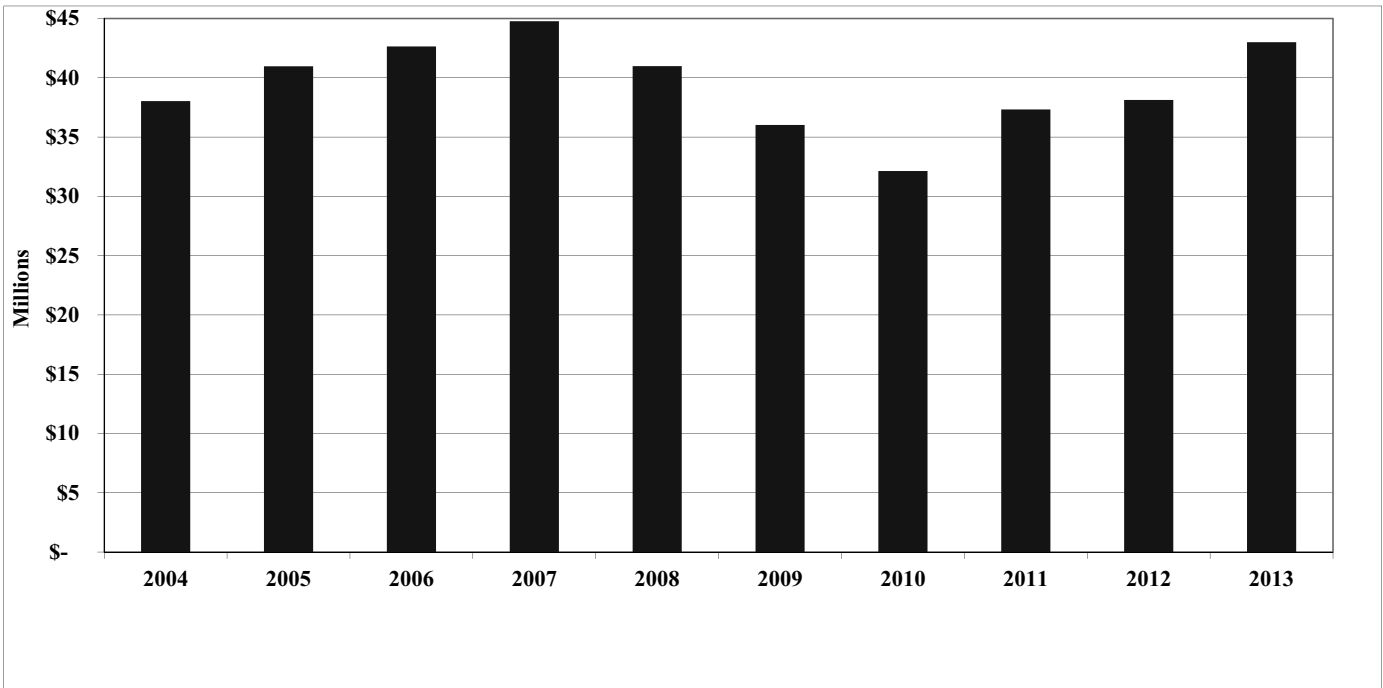
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation.

CITY OF ROSEVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal year ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$65,815,061	\$75,900,403	\$82,770,691	\$93,500,227	\$93,457,602	\$85,601,833	\$79,623,097	\$82,023,333	\$80,584,812	\$85,621,989
Less Educational Revenue Augmentation	(143,182)	(260,676)	(323,743)							
Licenses, permits and fees	2,784,570	2,591,354	2,020,467	2,762,883	2,537,988	1,832,029	1,624,422	1,651,822	1,756,255	1,805,452
Charges for services	27,343,649	26,814,640	31,295,267	40,301,825	31,892,013	18,899,792	18,080,957	17,111,034	17,222,182	20,613,195
Subventions and grants	13,758,850	12,630,086	10,351,281	12,744,920	12,819,741	16,909,738	22,554,411	13,612,705	11,835,085	17,307,222
Use of money and property	3,455,309	4,922,685	7,784,975	16,943,196	19,198,906	16,183,845	9,528,347	3,107,947	3,271,208	1,892,467
Fine, forfeitures and penalties	1,471,716	1,803,562	1,953,405	2,358,742	2,147,695	2,283,349	2,115,882	1,829,785	1,502,408	1,447,757
Contributions from property owners	2,574,635	7,841,639	92,645,369	71,488,795	9,100,000					
Contributions from developers	2,662,371	4,373,481	3,337,645	1,591,059	2,070,716	957,680	706,385	1,483,872	2,900,578	3,673,089
Miscellaneous revenues	3,331,708	4,213,970	7,899,568	9,286,123	12,455,601	7,264,395	5,991,250	3,032,677	2,458,788	3,409,782
Total Revenues	123,054,687	140,831,144	239,734,925	250,977,770	185,680,262	149,932,661	140,224,751	123,853,175	121,531,316	135,770,953
Expenditures										
Current:										
General government	20,766,474	19,962,845	24,103,076	27,910,341	28,222,016	26,639,267	21,737,861	21,840,332	23,676,727	25,215,600
Community development and planning	10,807,567	9,751,722	10,888,062	11,961,479	16,710,067	13,481,274	17,310,689	10,229,425	7,303,223	6,095,964
Public works	10,956,006	10,817,148	15,396,696	16,947,884	16,228,157	16,022,025	10,700,041	11,013,467	10,597,421	10,746,489
Public safety:										
Police	19,051,384	21,547,825	25,567,869	28,988,754	30,498,603	30,408,122	28,564,889	27,411,509	28,650,241	29,638,540
Fire	12,602,614	13,753,902	16,915,393	20,719,718	24,352,812	24,527,743	23,349,639	23,264,497	23,573,792	25,041,187
Library	2,842,537	2,762,274	3,133,367	3,520,834	4,542,287	3,449,204	3,224,523	2,855,794	3,560,396	3,726,160
Parks and recreation	13,249,576	13,507,359	16,007,377	17,955,082	19,092,606	17,979,576	16,199,096	15,610,257	18,320,063	19,671,070
Housing assistance payments	3,127,150	3,050,762	2,974,236	3,328,656	3,399,145	3,530,527	3,628,510	3,643,394	4,232,695	4,049,279
Capital outlay	41,149,143	58,729,356	108,314,784	125,426,074	63,142,168	49,795,093	36,534,025	20,416,652	19,529,120	34,879,208
Payments under development agreements	2,607,608	5,389,110	2,592,039	2,396,314	2,157,821	1,601,494	1,445,960	1,146,915	880,852	567,619
Annexation payments	153,085	285,335	835,780	1,810,538	2,138,963	1,959,852	2,131,802	2,045,843	2,228,371	2,302,077
Debt service:										
Principal repayment	1,439,690	1,264,702	941,946	1,206,803	1,590,991	1,392,486	1,397,222	1,402,625	2,694,645	802,821
Interest and fiscal charges	1,912,196	1,789,098	1,941,002	4,523,725	6,873,248	7,090,871	7,396,273	2,932,461	1,612,858	1,217,231
Total Expenditures	140,665,030	162,611,438	229,611,627	266,696,202	218,948,884	197,877,534	173,620,530	143,813,171	146,860,404	163,953,245
Excess (deficiency) of revenues over (under) expenditures	(17,610,343)	(21,780,294)	10,123,298	(15,718,432)	(33,268,622)	(47,944,873)	(33,395,779)	(19,959,996)	(25,329,088)	(28,182,292)
Other Financing Sources (Uses)										
Proceeds from capital lease		147,266	2,239,765			385,538				
Proceeds from issuance of bonds				23,215,524						
Proceeds from sale of property			3,503,467		129,284	12,040	10,000			159,482
Proceeds from debt issuance	18,275,000									
Transfers in	27,934,748	26,116,934	38,439,158	54,227,228	42,487,182	53,047,351	42,615,799	44,206,780	43,818,402	38,821,810
Transfers (out)	(23,543,935)	(8,974,505)	(20,806,837)	(31,650,256)	(22,404,599)	(28,126,447)	(18,935,737)	(23,444,479)	(18,447,291)	(19,147,016)
Payment to refunded bond escrow	(18,080,000)									
Issuance of debt										11,549,031
Payment to bond escrow agent										(12,756,326)
Contributions from developers							2,831,250			
Bond issuance premium	351,119									
Total other financing sources (uses)	4,936,932	17,289,695	23,375,553	45,792,496	20,211,867	25,318,482	26,521,312	20,762,301	25,371,111	18,626,981
Net Change in fund balances before extraordinary item	(12,673,411)	(4,490,599)	33,498,851	30,074,064	(13,056,755)	(22,626,391)	(6,874,467)	802,305	42,023	(9,555,311)
Extraordinary items										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor									4,727,309	
Increase in loan to the Successor Agency										(7,304,420)
Net Change in fund balances	(\$12,673,411)	(\$4,490,599)	\$33,498,851	\$30,074,064	(\$13,056,755)	(\$22,626,391)	(\$6,874,467)	\$802,305	\$4,769,332	(\$16,859,731)
Debt service as a percentage of noncapital expenditures	3.5%	3.0%	2.5%	4.3%	5.8%	5.3%	5.7%	3.5%	3.4%	1.5%

Source: The City's Comprehensive Annual Financial Report

**CITY OF ROSEVILLE
SALES TAX REVENUE
Last Ten Fiscal Years**



Fiscal Year	Amount
2004	\$ 38,031,918
2005	40,973,365
2006	42,642,035
2007	44,772,743
2008	40,982,384
2009	36,024,500
2010	32,139,544
2011	37,332,222
2012	38,129,931
2013	43,002,643

Source: The City's Comprehensive Annual Financial Report

CITY OF ROSEVILLE
ASSESSMENT ROLL VALUES
Last Ten Fiscal Years

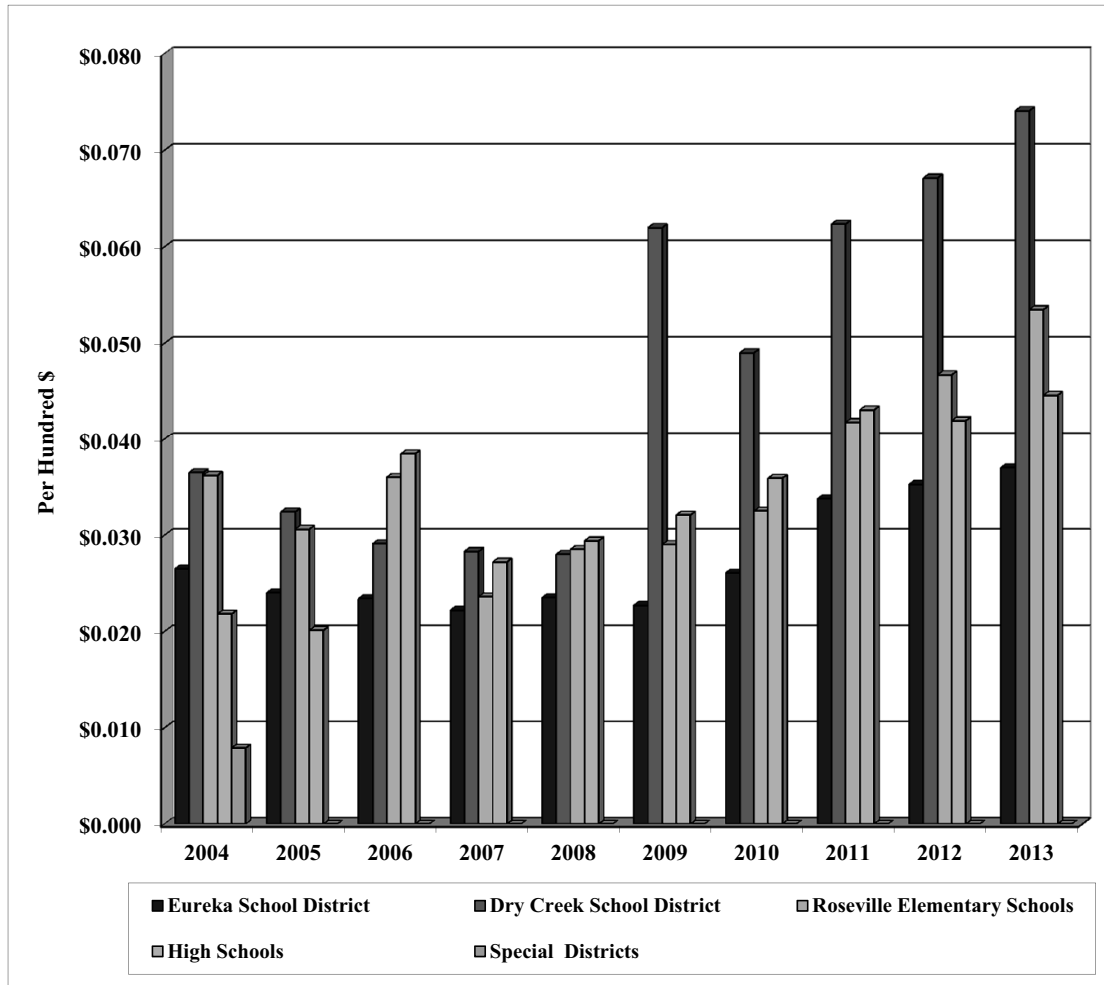
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Secured										
Land	\$ 3,061,114,759	\$ 3,418,314,468	\$ 3,913,353,838	\$ 4,975,004,883	\$ 5,277,609,490	\$ 5,022,518,855	\$ 4,702,676,886	\$ 4,258,240,370	\$ 4,138,902,907	\$ 4,139,152,114
Structure	7,430,126,682	8,499,941,082	9,524,344,265	10,721,828,793	11,554,289,752	11,950,909,732	12,095,007,943	11,439,696,023	10,859,970,035	10,942,930,883
Growing Imp.				3						
Fixtures	112,206,794	114,463,857	100,605,428	156,459,551	96,186,460	172,326,456	121,330,197	122,138,875	86,539,606	86,949,612
Personal Property	445,929,780	397,085,676	377,171,200	356,221,219	424,035,810	439,345,074	397,416,205	398,032,391	195,128,458	185,441,743
Gross	11,049,378,015	12,429,805,083	13,915,474,731	16,209,514,449	17,352,121,512	17,585,100,117	17,316,431,231	16,218,107,659	15,280,541,006	15,354,474,352
Exemptions	(678,676,580)	(716,288,525)	(741,780,248)	(795,302,289)	(876,567,514)	(1,037,586,092)	(1,185,170,787)	(1,271,501,002)	(1,183,664,559)	(1,216,280,788)
Net Value	10,370,701,435	11,713,516,558	13,173,694,483	15,414,212,160	16,475,553,998	16,547,514,025	16,131,260,444	14,946,606,657	14,096,876,447	14,138,193,564
Unsecured										
Land	38,767,508	14,182,736	13,788,052	13,914,030	9,561,508	9,752,733	9,938,066	9,918,107	10,652,978	15,107,515
Structure	5,098,218	18,355,347	18,174,770	18,345,848	18,712,755	19,086,998	19,483,398	19,054,920	19,198,391	40,452,068
Fixtures	115,637,346	131,950,837	137,587,407	143,205,188	151,270,219	170,668,416	195,965,488	204,471,411	278,372,656	204,335,331
Personal Property	287,440,808	303,697,290	311,390,275	379,757,859	386,574,785	420,787,592	404,628,665	427,041,927	456,724,821	440,681,012
Gross	446,943,880	468,186,210	480,940,504	555,222,925	566,119,267	620,295,739	630,015,617	660,486,365	764,948,846	700,575,926
Exemptions	(5,966,951)	(9,564,930)	(17,829,447)	(25,233,403)	(28,052,319)	(40,368,799)	(69,496,206)	(98,512,303)	(88,790,688)	(92,879,612)
Net Value	440,976,929	458,621,280	463,111,057	529,989,522	538,066,948	579,926,940	560,519,411	561,974,062	676,158,158	607,696,314
Total Net										
Assessed Value (a)	\$ 10,811,678,364	\$ 12,172,137,838	\$ 13,636,805,540	\$ 15,944,201,682	\$ 17,013,620,946	\$ 17,127,440,965	\$ 16,691,779,855	\$ 15,508,580,719	\$ 14,773,034,605	\$ 14,745,889,878
Direct Tax Rate (b)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(a) Article XIII A, added to the California Constitution by Proposition 13 in 1978 fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1975/76 assessment roll. Thereafter, full cash value can be increased to reflect:

- annual inflation up to 2%; or
- market value at the time of ownership change; or
- market value for new construction.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF ROSEVILLE
PROPERTY TAX RATES
DIRECT & OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**



Fiscal Year	Direct Rate	Overlapping Rates					Total**
	Basic County Wide Levy	Eureka School District	Dry Creek School District	Roseville Elementary Schools	High Schools	Special Districts	
2004	1.0000	0.0265	0.0365	0.0362	0.0218	0.0079	1.0628
2005	1.0000	0.0240	0.0324	0.0306	0.0201	N/A*	1.0491
2006	1.0000	0.0234	0.0291	0.0360	0.0384	N/A*	1.0679
2007	1.0000	0.0222	0.0283	0.0236	0.0272	N/A*	1.0519
2008	1.0000	0.0235	0.0280	0.0285	0.0294	N/A*	1.0561
2009	1.0000	0.0227	0.0620	0.0290	0.0321	N/A*	1.0700
2010	1.0000	0.0261	0.0490	0.0325	0.0359	N/A*	1.0718
2011	1.0000	0.0338	0.0624	0.0418	0.0431	N/A*	1.0890
2012	1.0000	0.0353	0.0671	0.0467	0.0420	N/A*	1.0917
2013	1.0000	0.0370	0.0741	0.0535	0.0446	N/A*	1.0995

* San Juan Water bond matured and paid in 2004/05

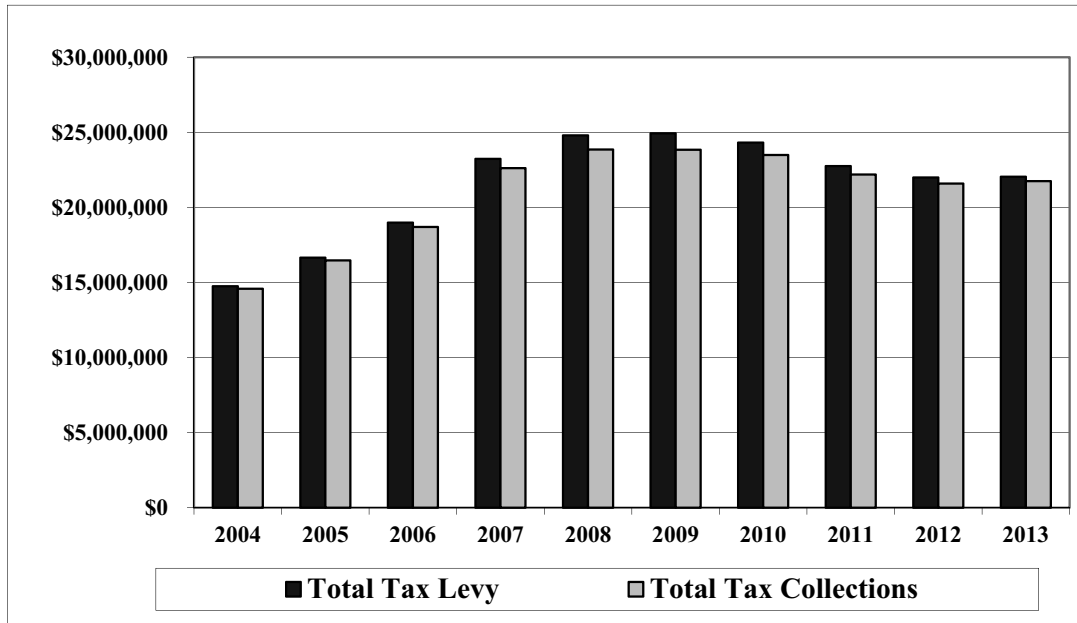
** Total Overlapping Rates uses an average of Eureka School District, Dry Creek School District and Roseville Elementary School

CITY OF ROSEVILLE
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago

			2013			2004		
Property Owner	Primary Land Use	Rank	Percent of		Rank	Percent of		
			Taxable Assessed Value	Total City Taxable Assessed Value		Taxable Assessed Value	Total City Taxable Assessed Value	
Roseville Shoppingtown LLC	Shopping Center	1	\$330,836,869	2.31%	3	\$ 214,981,460	2.04%	
Hewlett Packard Co.	Industrial	2	127,794,526	0.89%	2	368,032,445	3.50%	
W2005 Fargo Hotels Pool C Realty LP	Hotel	3	87,497,560	0.61%				
Slate Creek Roseville LLC	Apartments	4	78,209,289	0.55%				
Roseville Fountains LP	Shopping Center	5	63,200,078	0.44%				
CPT Creekside Town Center LLC	Shopping Center	6	60,077,000	0.42%				
UCM Caiprosemeade LLC	Apartments	7	55,892,220	0.39%				
Timberpine Holdings LLC	Industrial	8	47,500,000	0.33%				
Walmart Stores Inc.	Commercial	9	46,237,979	0.32%				
John L. Sullivan Family LP	Auto Dealership	10	44,692,023	0.31%				
Safeway Inc.	Commercial	11	38,270,033	0.27%				
Realty Associates Fund IX LP	Apartments	12	35,700,000	0.25%				
NNN Parkway Corporate Plaza LLC	Office Building	13	34,550,000	0.24%				
JB Management LP	Shopping Center	14	33,443,155	0.23%	19	29,764,333	0.28%	
Conam Highland Park LLC	Apartments	15	33,062,664	0.23%				
Rreef America REIT II Corp.	Office Building	16	32,600,000	0.23%				
Hines Summit at Douglas LP	Office Building	17	31,050,000	0.22%				
Hines Douglas Corporate Center LP	Office Building	18	31,000,000	0.22%				
Eureka Development Company LLC	Shopping Center	19	30,972,725	0.22%				
Terraces at Highland Property Owner LLC	Apartments	20	30,647,130	0.21%				
NEC Electronics USA Inc.					1	409,950,443	3.90%	
Spieker Properties					4	69,348,000	0.66%	
Creekside Center LLC					5	58,485,379	0.56%	
SI VII LLC					6	54,548,600	0.52%	
Evergreen Britanna Land Joint Venture					7	54,099,081	0.51%	
John Mourier Construction Inc.					8	52,610,666	0.50%	
Rosemead LLC					9	47,313,135	0.45%	
Demmon Haverhill Partners LP					10	44,152,510	0.42%	
Homarose LP					11	40,107,420	0.38%	
Kobra Properties					12	39,768,837	0.38%	
Nordstrom Inc.					13	36,036,923	0.34%	
Property Reserve Inc.					14	32,313,600	0.31%	
Macys West Inc.					15	32,148,014	0.31%	
Preserve at Creekside LLC					16	32,056,536	0.30%	
Lennar Renaissance Inc.					17	30,579,077	0.29%	
SMII Highland Reserve LLC					18	30,182,718	0.29%	
Autumn Oaks 200 LLC / Autumn Oaks 216 Ltd.					20	29,034,551	0.28%	
			\$1,273,233,251	8.90%	\$1,705,513,728 16.21%			
Local Secured Assessed Valuation:			\$ 14,313,557,564		\$ 10,522,257,652			

Source: California Municipal Statistics, Inc.

**CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2004	\$ 14,747,241	\$ 14,582,072	98.88%
2005	16,653,884	16,469,026	98.89%
2006	18,987,819	18,695,407	98.46%
2007	23,231,927	22,616,281	97.35%
2008	24,795,852	23,856,089	96.21%
2009	24,932,869	23,840,809	95.62%
2010	24,317,144	23,490,361	96.60%
2011	22,749,169	22,191,814	97.55%
2012	21,991,913	21,585,063	98.15%
2013	22,044,604	21,749,207	98.66%

Notes:

Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

Placer County uses an estimate for the delinquency rate and compiles delinquency as a lump sum.

Subsequent collections are not broken out by fiscal year from the County. This information is not available.

**CITY OF ROSEVILLE
ELECTRIC CUSTOMERS & REVENUES**

Ten Largest Electric Customers as of 6/30/2013

Rank	Business Type (a)	kWh	Percent Total kWh	Revenue	Percent to Total Revenue
1	Manufacturing	100,650,000	8.43%	\$9,218,211	5.93%
2	Admin/Office/R&D	41,847,000	3.50%	\$4,135,219	2.66%
3	Medical Care	31,950,088	2.68%	\$3,343,671	2.15%
4	Government and Utilities	25,882,400	2.17%	\$2,598,630	1.67%
5	Medical Care	22,300,917	1.87%	\$2,459,244	1.58%
6	Retail and Property Management	18,972,727	1.59%	\$2,330,450	1.50%
7	Telecommunications	12,335,452	1.03%	\$1,309,183	0.84%
8	Retail	11,559,932	0.97%	\$1,369,092	0.88%
9	Grocery	10,298,200	0.86%	\$1,297,871	0.84%
10	Grocery	9,621,000	0.81%	\$1,043,220	0.67%

Electric Sales Revenue as of 06/30/2013

Residential	\$ 66,205,815
Commercial	89,227,695
Total Electric Revenue	<u><u>\$ 155,433,509</u></u>

(a) Customer's name not shown to follow the City's Administrative Regulation regarding confidentiality of customers.

Source: City of Roseville Electric Department

**City of Roseville
Residential Energy Prices
Effective January 1, 2011**

Residential	
Basic Service Charge (per meter, per month)	\$10.00
Energy Charge (\$/kWh)	
Tier 1- up to 500 kWh/month	\$0.1083
Tier 2- 501 to 1,000 kWh/month	\$0.1541
Tier 3- greater than 1,000 kWh/month	\$0.1756
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029

Special Residential Rates

Electric Rate Assistance Program ⁽³⁾	
Basic Service Charge (per meter, per month)	\$8.50
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0913
Tier 2- 501 to 1,000 kWh/month	\$0.1302
Tier 3- greater than 1,000 kWh/month	\$0.1485
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029
Medical Support Rate Reduction ⁽⁴⁾	
Basic Service Charge (per meter, per month)	\$10.00
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0516
Tier 2- 501 to 1,000 kWh/month	\$0.1302
Tier 3- greater than 1,000 kWh/month	\$0.1485
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029
Senior Citizen Rate Reduction ⁽⁵⁾	
Basic Service Charge (per meter, per month)	\$8.80
Energy Charges w/ discounts (\$/kWh):	
Tier 1- up to 500 kWh/month	\$0.0947
Tier 2- 501 to 1,000 kWh/month	\$0.1350
Tier 3- greater than 1,000 kWh/month	\$0.1539
Hydroelectric Adjustment (\$/kWh) ⁽¹⁾	\$0.00000
Environmental Compliance Charge (\$/kWh) ⁽²⁾	\$0.00500
State Energy Surcharge (\$/kWh)	\$0.00029

NOTES

- 1 There is no hydroelectric adjustment in effect through June 2013.
- 2 Customers enrolled in Roseville Electric's green energy program, Green Roseville, and pay to have 100% of their energy provided by renewable resources are exempt from the Climate Change Mitigation Charge.
- 3 An application must be submitted along with a copy of the most recent energy bill and proof of income. For complete program guidelines or to receive an application, call the City of Roseville's Housing and Redevelopment Office at 774-5270. This rate is 15% credit on all electric service charges.
- 4 An application must be completed for the Medical Support Rate reduction. A doctor's certification is also required. For more information or an application, please call the City of Roseville Finance Department at 774-5300.
This rate is a 50% credit on the first 500 kWh per month and 15% credit for usage >500 kWh.
- 5 Rate closed July 1, 1998. Seniors receive a twelve percent credit on all electric service charges.

Source: City of Roseville Electric Department

**City of Roseville
Business Energy Prices
Effective January 1, 2011**

Small General Service (GS-1) (Demand < 20 kW) Basic Service Charge (per meter, per month) Energy Charge (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	\$15.50 \$0.1174 \$0.00000 \$0.00500 \$0.00029																															
Medium General Service (GS-2) (20 kW < Demand ≤ 500 kW) Basic Service Charge (per meter, per month) Demand Charge(\$/kW-month) Energy Charge (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	\$42.00 \$4.48 \$0.1121 \$0.00000 \$0.00500 \$0.00029																															
Large General Service (GS-3) (500 kW < Demand ≤ 1000 kW) Basic Service Charge (per meter, per month) Demand Charge (\$/kW-month) Energy Charge Off Peak (\$/kWh) On Peak (\$/kWh) Super Peak (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	<table border="1"> <thead> <tr> <th></th><th>Winter</th><th>Summer</th></tr> </thead> <tbody> <tr> <td>Basic Service Charge (per meter, per month)</td><td>\$315.00</td><td>\$315.00</td></tr> <tr> <td>Demand Charge (\$/kW-month)</td><td>\$3.28</td><td>\$11.32</td></tr> <tr> <td>Energy Charge</td><td></td><td></td></tr> <tr> <td> Off Peak (\$/kWh)</td><td>\$0.0715</td><td>\$0.0827</td></tr> <tr> <td> On Peak (\$/kWh)</td><td>\$0.0921</td><td>\$0.1100</td></tr> <tr> <td> Super Peak (\$/kWh)</td><td>\$0.0921</td><td>\$0.1418</td></tr> <tr> <td>Hydroelectric Adjustment (\$/kWh)</td><td>\$0.00000</td><td>\$0.00000</td></tr> <tr> <td>Environmental Compliance Charge (\$/kWh)</td><td>\$0.00500</td><td>\$0.00500</td></tr> <tr> <td>State Energy Surcharge (\$/kWh)</td><td>\$0.00029</td><td>\$0.00029</td></tr> </tbody> </table>			Winter	Summer	Basic Service Charge (per meter, per month)	\$315.00	\$315.00	Demand Charge (\$/kW-month)	\$3.28	\$11.32	Energy Charge			Off Peak (\$/kWh)	\$0.0715	\$0.0827	On Peak (\$/kWh)	\$0.0921	\$0.1100	Super Peak (\$/kWh)	\$0.0921	\$0.1418	Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000	Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500	State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029
	Winter	Summer																														
Basic Service Charge (per meter, per month)	\$315.00	\$315.00																														
Demand Charge (\$/kW-month)	\$3.28	\$11.32																														
Energy Charge																																
Off Peak (\$/kWh)	\$0.0715	\$0.0827																														
On Peak (\$/kWh)	\$0.0921	\$0.1100																														
Super Peak (\$/kWh)	\$0.0921	\$0.1418																														
Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000																														
Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500																														
State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029																														
Very Large General Service (GS-4) (Demand > 1000 kW) Basic Service Charge (per meter, per month) Demand Charge (\$/kW-month) Energy Charge Off Peak (\$/kWh) On Peak (\$/kWh) Super Peak (\$/kWh) Hydroelectric Adjustment (\$/kWh) Environmental Compliance Charge (\$/kWh) State Energy Surcharge (\$/kWh)	<table border="1"> <thead> <tr> <th></th><th>Winter</th><th>Summer</th></tr> </thead> <tbody> <tr> <td>Basic Service Charge (per meter, per month)</td><td>\$380.00</td><td>\$380.00</td></tr> <tr> <td>Demand Charge (\$/kW-month)</td><td>\$3.18</td><td>\$10.96</td></tr> <tr> <td>Energy Charge</td><td></td><td></td></tr> <tr> <td> Off Peak (\$/kWh)</td><td>\$0.0695</td><td>\$0.0801</td></tr> <tr> <td> On Peak (\$/kWh)</td><td>\$0.0895</td><td>\$0.1068</td></tr> <tr> <td> Super Peak (\$/kWh)</td><td>\$0.0895</td><td>\$0.1375</td></tr> <tr> <td>Hydroelectric Adjustment (\$/kWh)</td><td>\$0.00000</td><td>\$0.00000</td></tr> <tr> <td>Environmental Compliance Charge (\$/kWh)</td><td>\$0.00500</td><td>\$0.00500</td></tr> <tr> <td>State Energy Surcharge (\$/kWh)</td><td>\$0.00029</td><td>\$0.00029</td></tr> </tbody> </table>			Winter	Summer	Basic Service Charge (per meter, per month)	\$380.00	\$380.00	Demand Charge (\$/kW-month)	\$3.18	\$10.96	Energy Charge			Off Peak (\$/kWh)	\$0.0695	\$0.0801	On Peak (\$/kWh)	\$0.0895	\$0.1068	Super Peak (\$/kWh)	\$0.0895	\$0.1375	Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000	Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500	State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029
	Winter	Summer																														
Basic Service Charge (per meter, per month)	\$380.00	\$380.00																														
Demand Charge (\$/kW-month)	\$3.18	\$10.96																														
Energy Charge																																
Off Peak (\$/kWh)	\$0.0695	\$0.0801																														
On Peak (\$/kWh)	\$0.0895	\$0.1068																														
Super Peak (\$/kWh)	\$0.0895	\$0.1375																														
Hydroelectric Adjustment (\$/kWh)	\$0.00000	\$0.00000																														
Environmental Compliance Charge (\$/kWh)	\$0.00500	\$0.00500																														
State Energy Surcharge (\$/kWh)	\$0.00029	\$0.00029																														

Note: General Service Customers include all commercial, industrial, governmental and other non-residential customers.

Time of Use (TOU) seasons, days, hours, holidays:

Winter - bills with meter read dates October through May

Summer - bills with meter read date June through September

Off Peak: 10:00pm to 7:00am Monday through Friday (Except Holidays)

All Day Saturday, Sunday, and Holidays

On Peak: 7:00am to 3:00pm AND 7:00pm to 10:00pm

Monday through Friday (Except Holidays)

Super Peak: 3:00pm to 7:00pm Monday through Friday (Except Holidays)

Holidays are defined as: New Years Day, Martin Luther King Day, Presidents' Day, Memorial Day, Labor Day,

Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

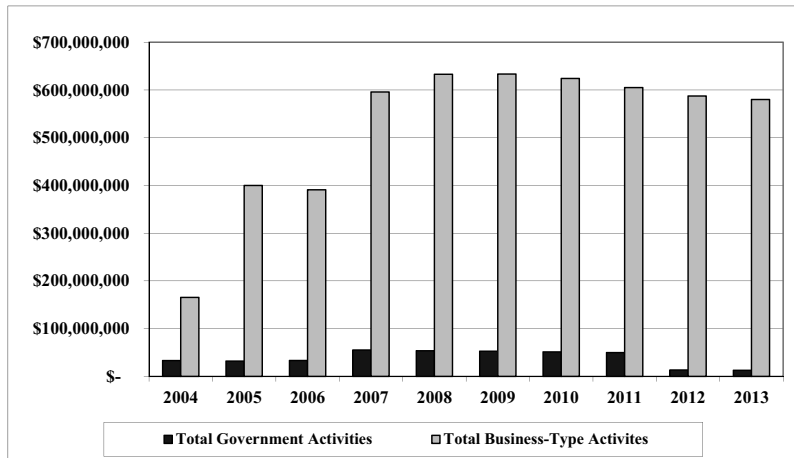
There is no hydroelectric adjustment in effect through June 2013.

The California State Energy Surcharge may change from time to time as specified in State law.

A 2% discount is available for primary service customers.

Source: City of Roseville Electric Department

CITY OF ROSEVILLE
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years



Fiscal Year	Governmental Activities					Total
	Tax Allocation Bonds	Certificates of Participation	Installment Purchase Obligations	Other Long Term Obligations	2013 Pub Fac Lease	
2004	\$ 14,180,000	\$ 18,275,000	\$ 635,743	\$ 9,083		\$ 33,099,826
2005	13,960,000	17,710,000	306,140	6,250		31,982,390
2006	13,735,000	17,105,000	2,436,986	3,223		33,280,209
2007	36,405,000	16,490,000	2,390,707			55,285,707
2008	35,745,000	15,860,000	2,089,716			53,694,716
2009	35,305,000	15,220,000	2,145,277			52,670,277
2010	34,845,000	14,560,000	1,868,055			51,273,055
2011	34,365,000	13,885,000	1,620,430			49,870,430
2012	[c]	13,190,000	125,785			13,315,785
2013	[c]	[d]	1,234,286		\$ 11,549,031	12,783,317

Fiscal Year	Business-Type Activities						Total	Total Primary Government	Percentage of Placer County Personal Income [a]	Debt Per Capita [a]
	Electric System Revenue	Golf Course Refunding Bonds	Water Utility Revenue	Wastewater Revenue Bonds	Gas Revenue Bond	Other Long Term Obligations				
2004	\$ 35,808,204	\$ 8,240,000	\$ 27,350,000	\$ 93,738,248		\$ 192,155	\$ 165,328,607	\$ 198,428,433	16.63%	\$ 2,054
2005	273,325,043	7,945,000	26,075,000	92,390,603		182,351	399,917,997	431,900,387	33.04%	4,226
2006	267,326,882	7,630,000	24,740,000	90,977,962		172,056	390,846,900	424,127,109	29.77%	4,053
2007	266,098,723	7,310,000	23,345,000	89,494,883	\$209,350,000	161,246	595,759,852	651,045,559	43.11%	6,127
2008	271,323,395	6,985,000	55,611,761	89,572,262	209,350,000		632,842,418	686,537,134	42.24%	6,290
2009	267,662,000	6,650,000	53,860,879	89,193,072	215,951,385		633,317,336	685,987,613	43.15%	6,106
2010	268,431,581	6,310,000	52,039,997	88,800,339	208,565,475		624,147,392	675,420,447	41.02%	5,834
2011	260,127,436	5,960,000	50,149,114	87,906,198	200,914,565		605,057,313	654,927,743	37.83%	5,431
2012	254,404,084	5,600,000	48,178,231	86,271,586	192,913,655		587,367,556	600,683,341	[b]	4,921
2013	248,495,732	4,775,578	46,631,417	95,510,269	184,502,745		579,915,741	592,699,058	[b]	4,770

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

[a] These ratios are calculated using personal income and population as shown on the Demographics Statistics page.

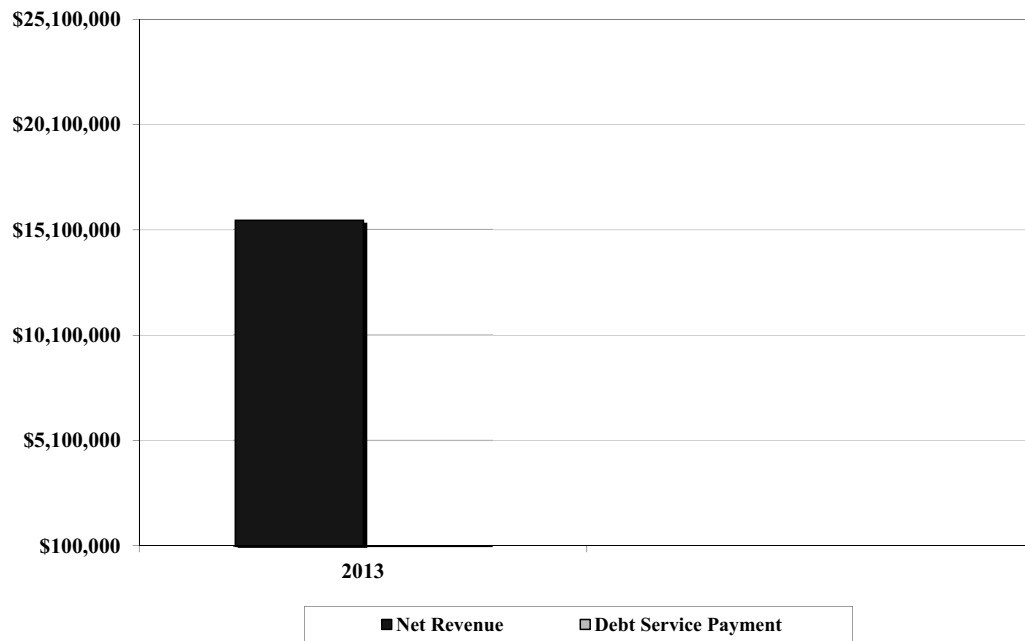
[b] Total personal income information not available.

[c] Tax Allocation Bonds are zero; The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

[d] The Certificates of Participation were refunded by the 2013 Lease.

Sources: *The City's Comprehensive Annual Financial Reports*
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

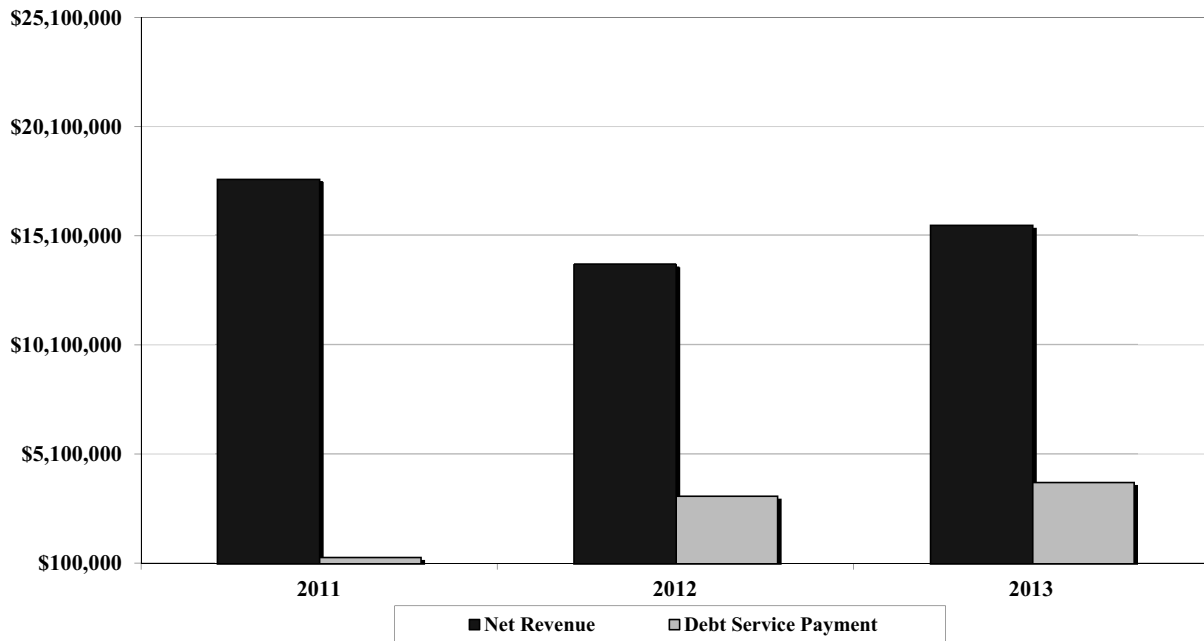
**CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2013 REFUNDING VARIABLE RATE WASTEWATER REVENUE BONDS
Fiscal Year 2013 (1)**



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2013	\$33,605,925	\$18,039,506	\$15,566,419	\$0	\$112,244	\$112,244	138.68

Notes: (1) Series 2013 refunded the 2011 A/B Series on April 3, 2013
(2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
(3) Includes all Wastewater Operating Expenses less Depreciation and Interest

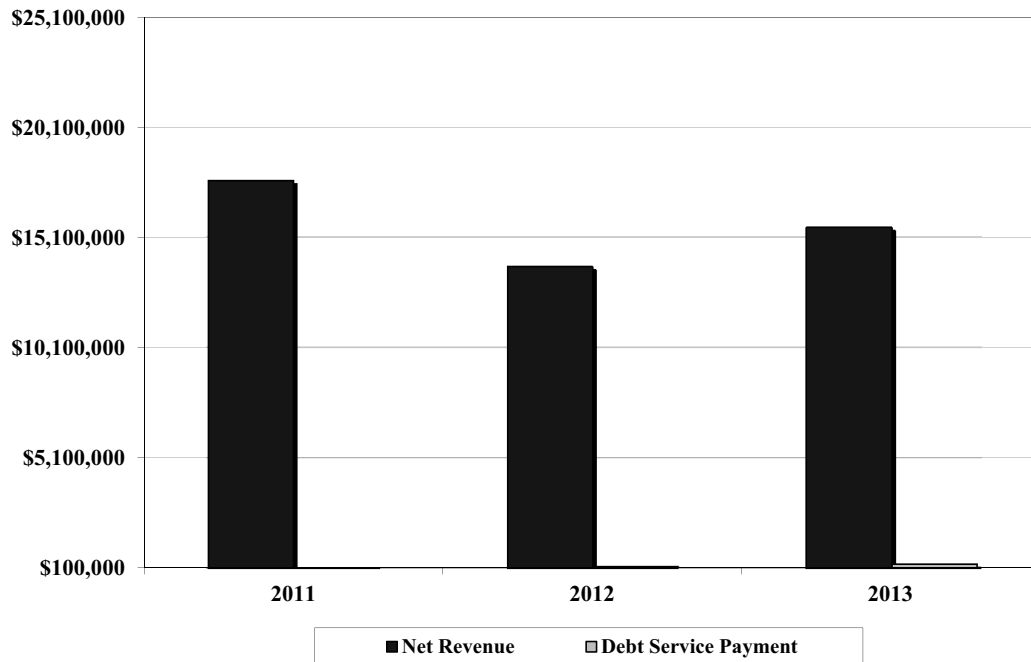
**CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2011 REFUNDING FIXED RATE WASTEWATER REVENUE BONDS SERIES C
Last Three Fiscal Years ⁽¹⁾**



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$34,177,527	\$16,494,109	\$17,683,418	\$0	\$400,337	\$400,337	44.17
2012	32,738,613	18,957,898	13,780,715	1,457,173	1,721,010	3,178,183	4.34
2013	33,605,925	18,039,506	15,566,419	1,874,464	1,922,096	3,796,560	4.10

- Notes:
- (1) Ten years of data are not available due to the bonds being issued on April 7, 2011
 - (2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
 - (3) Includes all Wastewater Operating Expenses less Depreciation and Interest

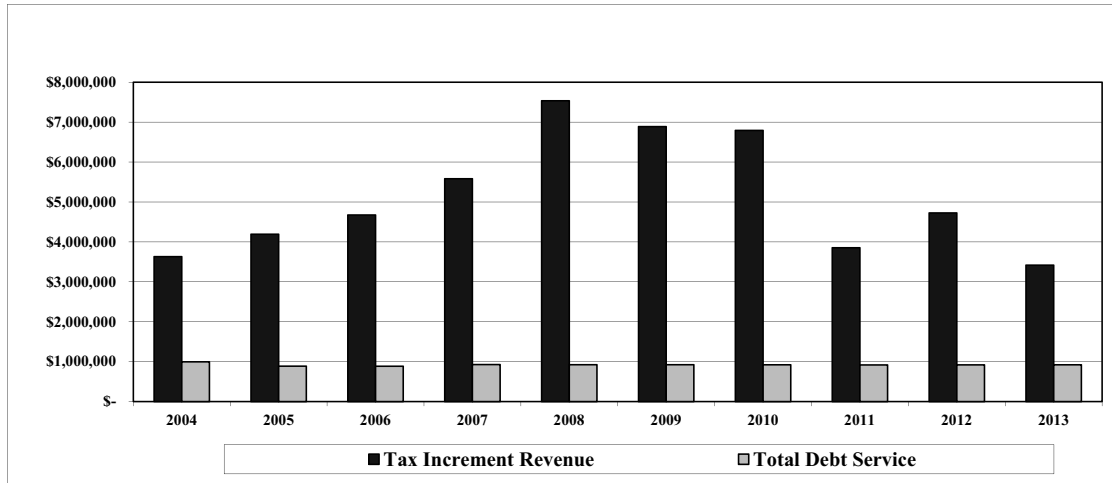
CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2011 REFUNDING SIFMA INDEX WASTEWATER REVENUE BONDS SERIES D
Last Three Fiscal Years ⁽¹⁾



Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$34,177,527	\$16,494,109	\$17,683,418	\$0	\$38,820	\$38,820	455.53
2012	32,738,613	18,957,898	13,780,715	0	160,193	160,193	86.03
2013	33,605,925	18,039,506	15,566,419	0	291,218	291,218	53.45

Notes: (1) Ten years of data are not available due to the bonds being issued in April 7, 2011
(2) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
(3) Includes all Wastewater Operating Expenses less Depreciation and Interest

CITY OF ROSEVILLE
2002 REDEVELOPMENT TAX ALLOCATION BONDS
Last Ten Fiscal Years



Fiscal Year	Tax Incremental Revenue	Debt Service Requirements				Coverage
		Principal Payment	Interest Due	Total Debt Service	Principal Outstanding	
2004	\$ 3,630,050	\$ 320,000	\$ 674,550	\$ 994,550	\$ 14,180,000	0.04
2005	4,190,987	220,000	666,450	886,450	13,960,000	0.05
2006	4,673,904	225,000	659,775	884,775	13,735,000	0.05
2007	5,581,407 (a)	275,000	651,875	926,875	13,460,000	0.06
2008	7,535,590 (a)	280,000	642,750	922,750	13,180,000	0.08
2009	6,888,510 (a)	290,000	632,125	922,125	12,890,000	0.07
2010	6,792,567 (a)	300,000	619,875	919,875	12,590,000	0.07
2011	3,853,172 (a)	310,000	607,225	917,225	12,280,000	0.04
2012	4,724,200 (a) (b)	325,000	594,050	919,050 (b)	11,955,000	0.05
2013	3,416,590 (c)	340,000	580,069	920,069 (c)	11,615,000	0.04

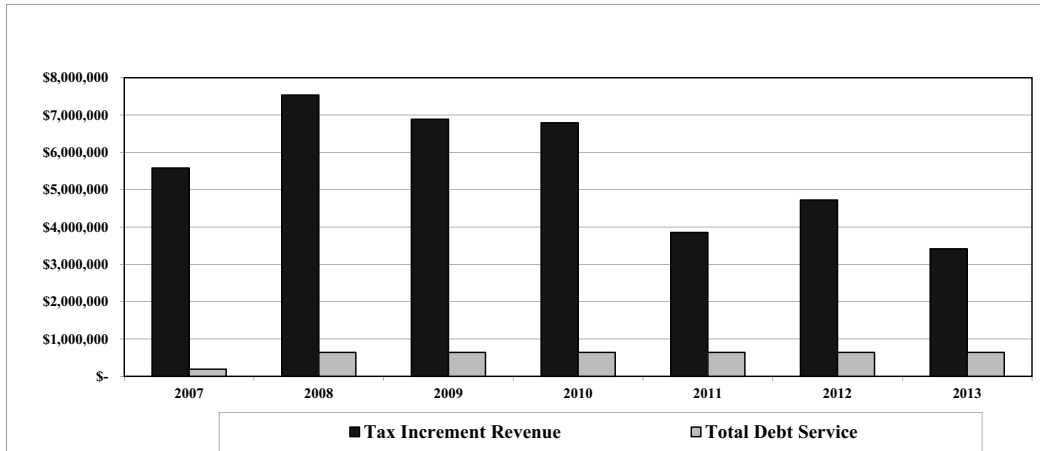
(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006A REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (c)



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$5,581,407 (a)	\$0	\$190,408	\$190,408	\$13,155,000	0.29
2008	7,535,590 (a)	0	640,625	640,625	13,155,000	0.12
2009	6,888,510 (a)	0	640,625	640,625	13,155,000	0.11
2010	6,792,567 (a)	0	640,625	640,625	13,155,000	0.11
2011	3,853,172 (a)	0	640,625	640,625	13,155,000	0.06
2012	4,724,200 (a)(b)	0	640,625	640,625 (b)	13,155,000	0.07
2013	3,416,590 (d)	0	640,625	640,625 (d)	13,155,000	0.05

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

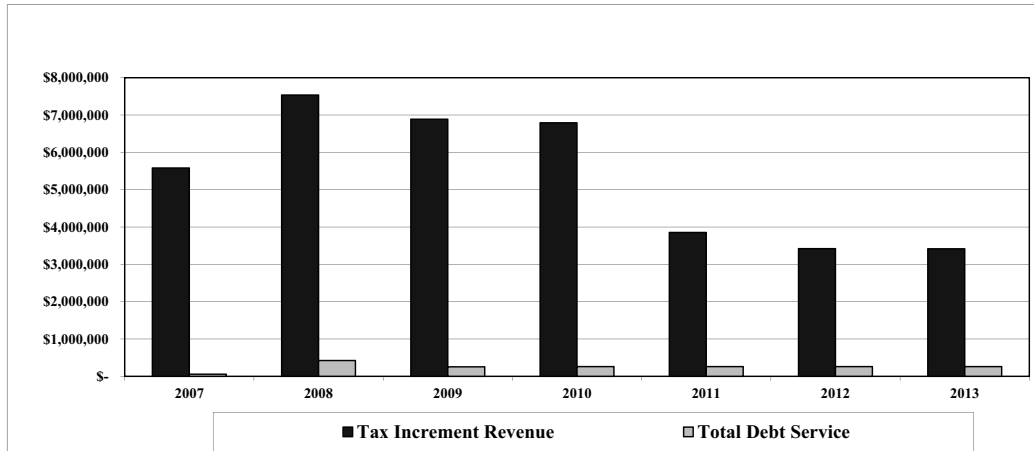
(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Bond issued November 14, 2006

(d) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006AT REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (c)



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$5,581,407 (a)	\$0	\$56,168	\$56,168	\$3,285,000	0.99
2008	7,535,590 (a)	240,000	182,605	422,605	3,045,000	0.18
2009	6,888,510 (a)	80,000	174,109	254,109	2,965,000	0.27
2010	6,792,567 (a)	90,000	169,596	259,596	2,875,000	0.26
2011	3,853,172 (a)	95,000	164,684	259,684	2,780,000	0.15
2012	3,419,138 (a)(b)	100,000	159,507	259,507 (b)	2,680,000	0.13
2013	3,416,590 (d)	105,000	154,064	259,064 (d)	2,575,000	0.13

(a) Tax Incremental Revenue for RDA 2002, RDA 2006A, and RDA 2006AT are combined into one figure representing their combined revenue.

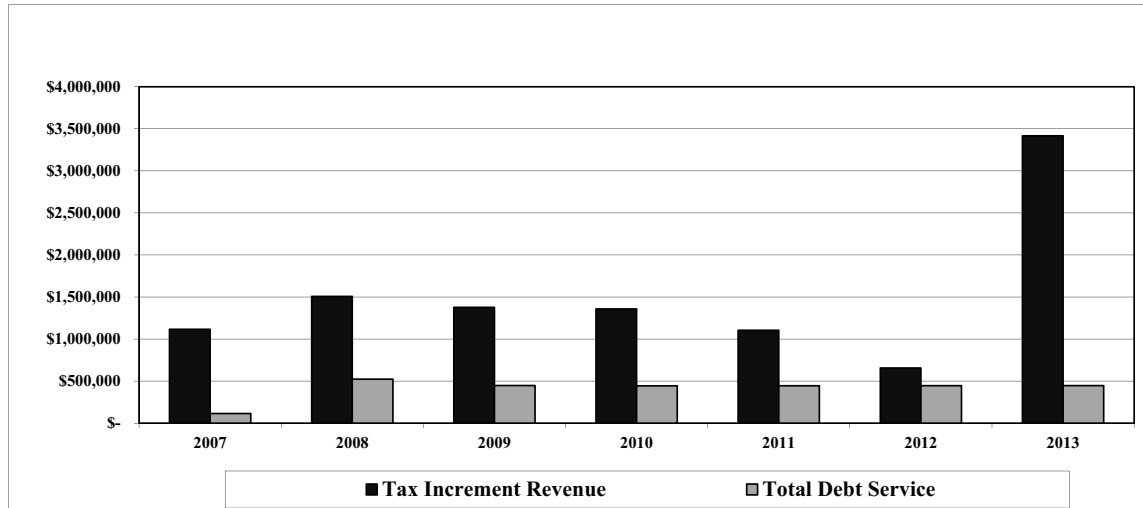
(b) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(c) Bond issued November 14, 2006

(d) Amounts reported here include tax revenue and debt service of the Successor Agency.

CITY OF ROSEVILLE
2006HT REDEVELOPMENT TAX ALLOCATION BONDS
Last Seven Fiscal Years (b)



Fiscal Year	20% Set Aside	Debt Service Requirements			Principal Outstanding	Coverage
		Principal Payment	Interest Due	Total Debt Service		
2007	\$1,116,281	\$0	\$114,895	\$114,895	\$6,505,000	0.10
2008	1,507,118	140,000	382,846	522,846	6,365,000	0.03
2009	1,377,575	70,000	377,270	447,270	6,295,000	0.03
2010	1,358,641	70,000	373,553	443,553	6,225,000	0.03
2011	1,103,919	75,000	369,703	444,703	6,150,000	0.02
2012	656,429	80,000	365,588	445,588 (a)	6,070,000	0.01
2013	3,416,590 (c)	85,000	361,207	446,207 (c)	5,985,000	0.08

(a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency.

Amounts reported here include debt service of both the former Redevelopment Agency and the Successor Agency.

(b) Bond issued November 14, 2006

(c) Amounts reported here include tax revenue and debt service of the Successor Agency.

After January 31, 2012, the Successor Agency is no longer required to set-aside 20% of tax revenue for low and moderate income housing, but the tax revenue collected by the Successor Agency is pledged for the repayment of the 2006HT Bonds.

CITY OF ROSEVILLE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2013

2012-13 Assessed Valuation: \$ 14,926,038,431

	Total Debt 6/30/2013	% Applicable [1]	City's Share of Debt 6/30/2013
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Roseville Joint Union High School District	\$ 89,038,664	74.333%	\$ 66,185,110
Roseville Joint Union High School District SFID No. 1	4,730,624	94.114%	4,452,179
Rocklin Unified School District	69,463,935	0.601%	417,478
Dry Creek Joint School District	46,496,660	58.558%	27,227,514
Eureka Union School District	4,617,368	35.860%	1,655,788
Roseville City School District	27,472,522	96.948%	26,634,061
City of Roseville Community Facilities Districts	340,303,500	100.000%	340,303,500
California Statewide Communities Development Authority Assessment Districts	14,714,238	5.225%-100%	8,798,425
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 475,674,055</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Placer County Certificates of Participation	\$ 43,720,000	28.760%	\$ 12,573,872
Placer County Office of Education Certificates of Participation	1,970,000	28.760%	566,572
Sierra Joint Community College District Certificates of Participation	10,793,000	21.274%	2,296,103
Roseville Joint Union High School District Certificates of Participation	2,620,000	74.333%	1,947,525
Rocklin Unified School District Certificates of Participation	19,380,000	0.601%	116,474
Eureka Union School District Certificates of Participation	4,390,000	35.860%	1,574,254
Roseville City School District Certificates of Participation	11,300,000	96.948%	10,955,124
Placer Mosquito and Vector Control District Certificates of Participation	4,300,000	28.760%	1,236,680
City of Roseville Public Facilities Lease	11,549,031	100.000%	11,549,031
City of Roseville Installment Purchase Obligations	1,234,286	100.000%	1,234,286
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 44,049,921</u>
TOTAL DIRECT DEBT			\$ 12,783,317
TOTAL OVERLAPPING DEBT			\$ 540,270,659
COMBINED TOTAL DEBT			<u>\$ 553,053,976</u> (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value.

Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-2013 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.19%
Total Direct Debt (\$12,783,317)	0.12%
Combined Total Debt	3.74%

Source: California Municipal Statistics, Inc.

CITY OF ROSEVILLE
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2013

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$14,313,557,564

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$536,758,409

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$592,699,058

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	(592,699,058)

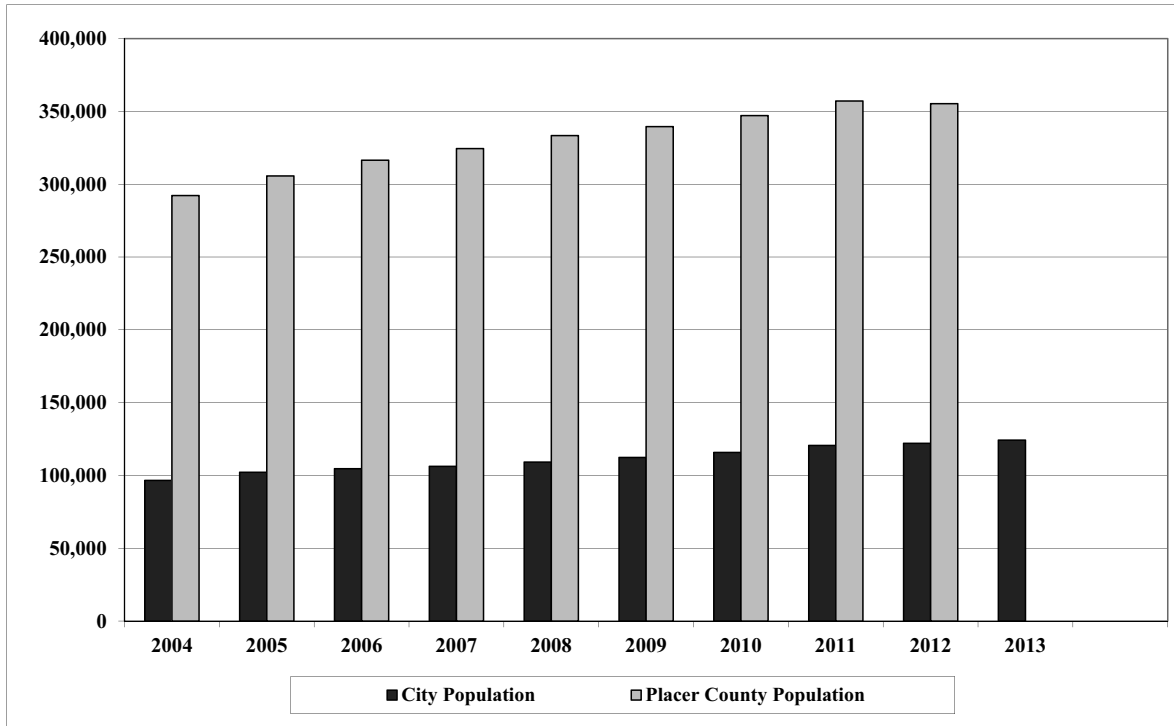
Amount of debt subject to limit	(0)

LEGAL BONDED DEBT MARGIN	\$536,758,408

Fiscal Year*	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2004	\$ 394,584,662	\$ 0	\$ 394,584,662	0.00%
2005	445,276,653	0	445,276,653	0.00%
2006	500,173,479	0	500,173,479	0.00%
2007	584,311,626	0	584,311,626	0.00%
2008	624,162,731	0	624,162,731	0.00%
2009	626,993,562	0	626,993,562	0.00%
2010	611,493,748	0	611,493,748	0.00%
2011	567,178,798	0	567,178,798	0.00%
2012	560,837,192	0	560,837,192	0.00%
2013	536,758,408	0	536,758,408	0.00%

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF ROSEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**



Fiscal Year	City of Roseville Population	County Total Personal Income (a)	County Per Capita Personal Income	City of Roseville Unemployment Rate (%)	Placer County Population	City Population % of County
2004	96,600	\$ 11,933,069	\$ 38,958	4.5%	292,235	33.06%
2005	102,191	13,070,082	41,248	4.0%	305,675	33.43%
2006	104,655	14,247,775	43,937	4.2%	316,508	33.07%
2007	106,266	15,101,855	45,471	4.9%	324,495	32.75%
2008	109,154	16,252,937	47,657	6.6%	333,401	32.74%
2009	112,343	15,898,900	45,614	10.6%	339,577	33.08%
2010	115,781	16,464,986	47,012	11.3%	347,102	33.36%
2011	120,593	17,312,666	48,476	11.4%	357,138	33.77%
2012	122,060	(b)	(b)	10.0%	355,328	34.35%
2013	124,255	(b)	(b)	7.5%	(b)	(b)

(a) In thousands of dollars
(b) Information not available

Source: Bureau of Economic Analysis
Placer County
State of California Department of Finance
State of California Employment Development Department

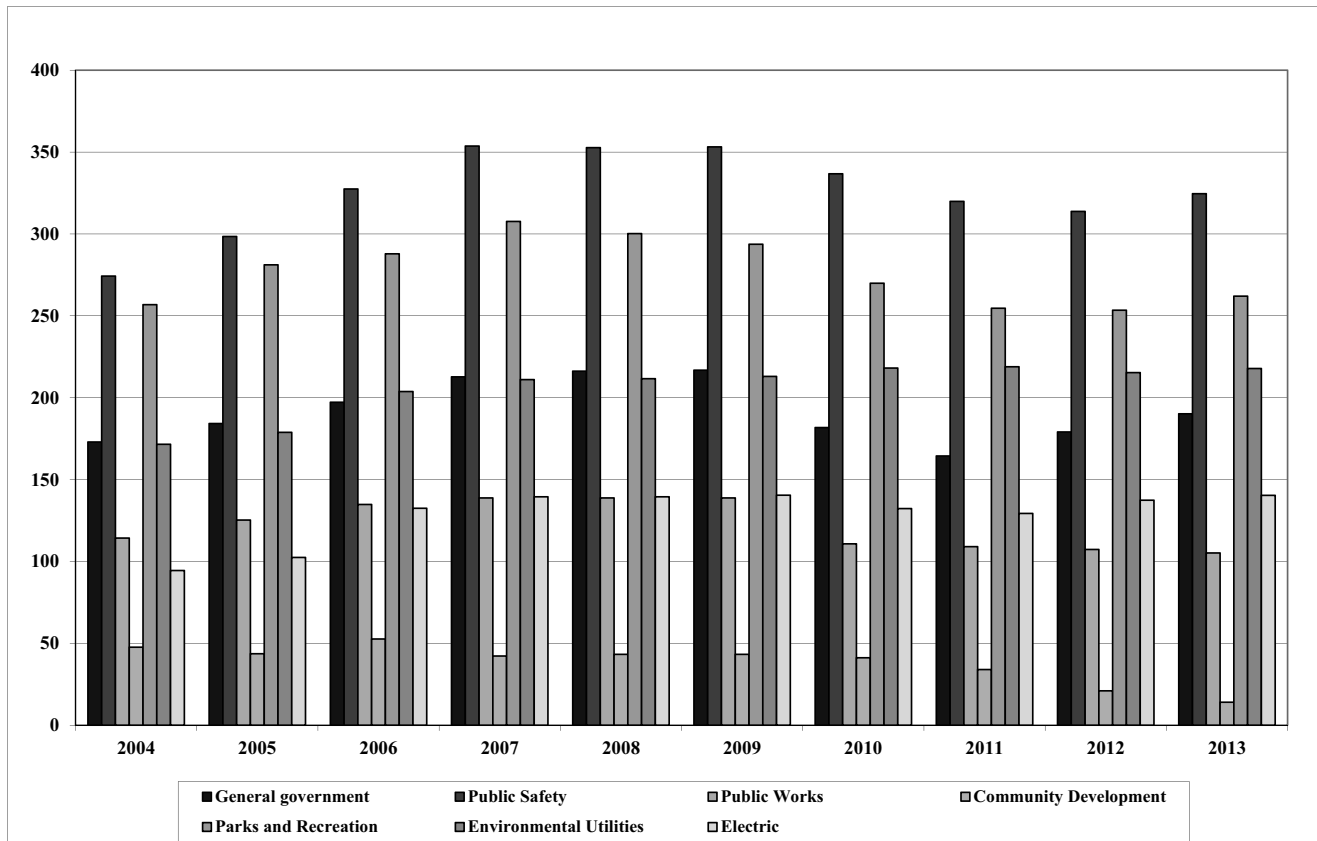
**CITY OF ROSEVILLE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2013			2004	
	Number of Employees	Rank	Percentage of Total City Employees	Number of Employees	Rank
Kaiser Permanente	3,724	1	6.70%	3,000	2
Hewlett-Packard	3,200	2	5.75%	3,803	1
Sutter Roseville Medical Center	1,654	3	2.97%	1,800	3
Roseville Joint Union High School District	1,299	4	2.34%	982	6
City of Roseville	1,254	5	2.26%	1,046	5
Union Pacific Railroad	1,168	6	2.10%	1,294	4
PRIDE	1,021	7	1.84%	800	7
Roseville Elementart School District	929	8	1.67%		
Wal-Mart (2 stores)	790	9	1.42%		
Telefunken Semiconductors America	600	10	1.08%		
NEC Electronics				725	8
Surewest Communications				683	9
State Farm Insurance				560	10
Subtotal	<u>15,639</u>		<u>28.13%</u>	<u>14,693</u>	
Total Employment	<u>55,604</u> (a)			<u>(b)</u>	

(a) Total Employment as used above represents the total employment of all employees located within the City limits.

(b) Information not available

CITY OF ROSEVILLE
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General government	172.95	184.23	197.23	212.71	216.21	216.79	181.75	164.38	179.09	190.14
Public Safety	274.24	298.43	327.46	353.69	352.69	353.18	336.75	319.90	313.78	324.59
Public Works	114.29	125.29	134.77	138.77	138.77	138.77	110.75	109.03	107.33	105.17
Community Development	47.63	43.63	52.63	42.25	43.25	43.25	41.17	33.98	21.00	14.00
Parks and Recreation	256.83	281.12	287.86	307.65	300.19	293.70	269.89	254.65	253.43	262.00
Environmental Utilities	171.57	178.82	203.74	211.03	211.59	213.00	218.09	218.90	215.32	217.82
Electric	94.46	102.46	132.46	139.46	139.46	140.46	132.29	129.33	137.39	140.36
Total	1,131.97	1,213.98	1,336.15	1,405.56	1,402.16	1,399.15	1,290.69	1,230.17	1,227.34	1,254.08

Source: City of Roseville Annual Budget

CITY OF ROSEVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Public safety:										
Fire:										
Number of Haz-Mat alarms answered	126	134	413	330	287	194	192	172	199	201
Number of medical emergencies answered	5,234	5,228	6,458	6,622	6,737	6,967	7,485	7,836	8,429	9,045
Total Number of alarms answered	8,390	8,023	9,784	10,065	9,492	8,694	9,129	9,609	10,006	10,936
Police:										
Law violations:										
Physical arrests (adult and juvenile)	4,120	5,578	7,602	7,360	5,464	5,245	4,520	5,845	4,264	4,647
Traffic citations	11,382	15,260	18,587	19,893	18,883	20,889	19,033	6,404	4,826	4,470
Public works:										
Total building permits issued	5,718	4,434	5,703	4,272	4,849	3,975	3,884	4,078	4,338	4,131
Total square feet of street maintenance performed	3,174,672	9,529,760	3,763,328	7,707,910	3,853,433	7,648,976	4,501,241	4,342,272	3,375,318	4,275,981
Park and recreation:										
Community Services:										
Number of participants in Cultural Art classes	6,582	3,029	3,447	1,926	1,520	2,688	n/a	n/a	n/a	n/a Note 1
Total attendance Youth/Adult/Senior programs							299,134	301,906	265,736	86,951
Total attendance to aquatic facilities	361,104	271,377	234,542	243,429	235,548	250,182	266,931	278,860	306,455	291,407 Note 2
Library:										
Number of materials checked out	510,421	554,174	627,317	685,097	818,428	946,224	1,001,179	994,990	1,058,434	1,194,909 Note 3
Water:										
Average Daily Consumption (in gallons)	28.77M	26.82M	27.26M	30.43M	28.15M	28.19M	25.6 M	25.9M	28.6M	30.2M
Number of backflow devices tested	3,817	4,122	3,836	4,348	4,679	4,728	4,895	4,965	4,558	3,862
Number of meters sold	1,870	1,987	1,800	1,031	1,917	2,268	807	497	555	770
Wastewater:										
Number of miles of sewer mains flushed	419	448	427	218	280	258	209	284	277	271
Total preventative work orders completed	2,192	3,107	7,065	9,247	n/a	n/a	n/a	n/a	n/a	n/a Note 4
% of preventative work orders hours					43.1%	45.5%	48.0%	55%	n/a	40.2% Note 5
Solid Waste:										
Tons of solid waste collected	99,082	98,910	102,370	100,148	96,265	89,512	87,446	89,125	87,336	87,946
Number of incoming phone calls	37,943	22,684	23,672	26,870	26,491	22,340	25,369	24,538	22,898	20,732
Electric:										
Number of customers participating in energy efficiency and solar programs	2,124	2,793	3,123	3,663	2,949	6,333	3,477	4,188	3,443	3,731
Number of trees planted (Shade Tree Program)	836	625	621	628	842	1,106	611	680	795	457

Notes:

- 1 - No longer tracked in FY09-10. Attendance are now tracked by Youth/Adult/Senior by programs.
- 2 - Roseville Aquatics Center closed for pool repairs Nov 2007-Jan 2008.
- 3 - The Library totals include Downtown Library, Maidu Library and Riley Library. The Bookmobile was retired during the winter 2008.
- 4 - Preventative work orders are no longer tracked by the number completed. It is now tracked by the percentage of number of hours worked (effective FY07-08).
- 5 - Data not available for FY11-12 due to change in software (Maximo) used by the City.

CITY OF ROSEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Public safety:										
Fire stations	6	7	7	8	8	8	8	8	8	8
Police stations	1	1	1	1	1	1	1	1	1	1
Number of Police patrol cars	75	97	110	107	107	106	51	49	58	61
Public works:										
Miles of streets	428	432	455	475	432	428	429	432	438	440
Number of Traffic Signals	133	135	141	150	154	162	165	166	167	167
Park and recreation:										
Community services:										
Golf courses (18 holes)	40	2	2	2	2	2	2	2	2	2
City parks	57	48	53	56	58	61	61	63	66	68
Miles of creek	2	57	60	60	60	60	60	60	60	60
Swimming pools (Note 1)	4	4	4	4	4	4	3	3	3	3
Tennis courts	12	12	12	12	14	16	16	16	16	16
Library:										
City Libraries	2	3	3	3	3	3	3	3	3	3
Water										
Miles of water mains	480	494	506	540	556	562	567	569	569	570
Fire hydrants	4,499	3,881	3,978	4,278	4,413	4,473	4,514	4,533	4,542	4,545
Wastewater										
Miles of sanitary sewers	600	460	447	472	485	485	492	493	487	487
Miles of storm drain	420	352	435	474	376	373	382	348	349	351
Solid Waste:										
Number of new residential refuse customers	1,490	1,062	705	809	984	800	750	522	537	768
Electric:										
Number of residential customers	40,312	41,883	43,001	43,793	44,662	45,478	46,400	47,021	47,611	48,387
Number of commercial customers	5,101	5,410	5,523	5,788	6,038	6,349	6,411	6,437	6,505	6,561

Note 1 - Swimming pool at Oakmont High School no longer used by the City.

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

The following is a summary of the provisions of the Master Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to the aforementioned documents.

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) City Obligated to Make Payment Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Contracts" means the Contract and all Supplemental Contracts.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Master Contract, the Trust Agreement and the sale of the 2014 Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 2014 Bonds, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the 2014 Bonds.

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

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

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

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

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

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest with respect to which are unconditionally and fully guaranteed by the United States of America.

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

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

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

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

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

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

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

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

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

"Independent Engineer" means any certified public accountant or firm of such accountants appointed and paid by the Authority or the City, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial identity of interest, direct or indirect, with the Authority or the City; and

(c) is not and no member of which is connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means the Municipal Securities Rulemaking Board (in an electronic format as prescribed by the Municipal Securities Rulemaking Board); 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 Trustee may have knowledge or the Authority may designate to the Trustee.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2015.

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Master Contract to the contrary notwithstanding, "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

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

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

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

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

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

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

"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 First Trust of California, National Association, as original trustee thereunder with respect to the 1997 Certificates.

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

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in the Master Contract, and when used as of any particular time with reference to 2014 Bonds, means (subject to the provisions of the Trust Agreement) all 2014 Bonds except (1) 2014 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) 2014 Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) 2014 Bonds in lieu of or in substitution for which other 2014 Bonds have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who will be the registered owner of any Outstanding 2014 Bond as indicated in the registration books of the Trustee.

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

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

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

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

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

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset

or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

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

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

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

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

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law (provided that the Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the current investment policy of the City):

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC)
 - b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations
 - c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - g) Financing Corporation (FICO) Debt obligations
 - h) Resolution Funding Corporation (REFCORP) Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million, including the Trustee and its affiliates.
 6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's at the time of purchase.
 7. Money market funds rated "AAM" or "AAM-G" by S&P, or better, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee..
 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 will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

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

- a) The market value of the collateral is maintained at 104%;
- b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- d) All other requirements of S&P in respect of repurchase agreements will be met.
- e) The repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:
- a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2014 Bonds;
 - b) the invested funds are available for withdrawal without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - c) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
 - d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the Authority) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
 - e) the investment agreement will provide that if during its term
 - i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest 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, 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 will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
 - g) the investment agreement must provide that if during its term

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate, and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program;

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, provided, however, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Trust Agreement.

"Project" means any additions, betterments, extensions or improvements to the Electric System designated by the City Council of the City as a Project, the cost of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rating Agencies," when used in the Contract, means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City. "Rating Agency," when used in the Trust Agreement, means S&P and its successors or assigns, or any other nationally recognized securities rating agency selected by the Authority.

"RBI" means the *Bond Buyer* Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

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

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies

of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain such ratings as required as described in the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means: (a) all of the 2014 Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Trust Agreement.

"Securities Depositories" means: The Depository Trust Company, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Certificate of the Authority to the Trustee.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"State" means the State of California.

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2014 Bonds, executed and delivered by the Authority and the City on the date of delivery of the 2014 Bonds, including any and all exhibits attached thereto.

"Trust Agreement" or "2014 Trust Agreement" means that certain Trust Agreement, dated as of August 1, 2014, between the Authority and the Trustee.

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreement.

"2014 Bonds" will mean the City of Roseville Electric System Revenue Refunding Bonds, Series 2014.

"2014 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"2014 Interest Account" means the account by that name established pursuant to the Trust Agreement.

"2014 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2014 Supplemental Contract.

"2014 Redemption Account" means the account by that name established pursuant to the Trust Agreement.

"2014 Principal Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"2014 Supplemental Contract" means that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, between the City and the Authority.

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate will be as specified in the applicable Parity Obligation, which Parity Obligation will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations will not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force will be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in the Master Contract.

"Written Request of the Authority" means an instrument in writing signed by the Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

THE MASTER INSTALLMENT PURCHASE CONTRACT

Under the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City and appoints the City as its agent for the purpose of such acquisition and construction. Certain provisions of the Master Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE MASTER CONTRACT.

Acquisition, Construction and Sale of Projects; Funds

Acquisition, Construction and Sale of Projects. Pursuant to the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement such provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such agreements, construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Master Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

Improvement Fund. The Master Contract establishes the City of Roseville Electric System Improvement Fund (the "Improvement Fund"), which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund will be used and withdrawn by the City to pay the costs of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City will maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project will be transferred by the City to the Electric Revenue Fund.

Rate Stabilization Fund. The Master Contract establishes a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Gross Revenues. Notwithstanding the foregoing, no Gross Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the additional Parity Obligations test or the rate covenant of the City pursuant to the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

Electric Revenue Fund. In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Gross Revenues received by it will be deposited when and as received in the City of Roseville Electric System Revenue Fund (the "Electric Revenue Fund"), which fund will be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Master Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

(a) Parity Obligation Payment Fund Deposits. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payments become due and payable by the City under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in The City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(b) Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

Investments. Any moneys held in the Electric Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Master Contract. Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any outstanding Parity Obligation. All investment earnings from moneys or deposits in the Electric Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund will be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) established pursuant to the Master Contract into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the City under the Master Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Master Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments of which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts, provided, however, there will be on file with the Trustee either:

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

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

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there will first be delivered to the City and the Trustee (which will serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract) the following documents or money or securities:

(i) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(ii) A Request of the City as to the delivery of such Parity Obligation;

(iii) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and

(b) such Parity Obligation has been duly and validly authorized and issued in accordance with the Master Contract;

(iv) A Certificate of the City or an Engineer's Report as required pursuant to the applicable provisions of the Master Contract, containing such statements as may be reasonably necessary to show compliance with the requirements of the applicable provisions of the Master Contract;

(v) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(vi) Such further documents, money and securities as are required by the provisions of the Master Contract and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(vii) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in the Master Contract.

Covenants

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Master Contract and therein.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any

obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Electric System.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant of the City pursuant to the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

Maintenance and Operation of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times and will operate the Electric System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Master Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

Compliance with Contracts for Use of the Electric System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Electric System and all other contracts affecting or involving the Electric System to the extent that the City is a party thereto.

Insurance. The City will procure and maintain such insurance relating to the Electric System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with public electric utility systems similar to the Electric System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Master Contract will provide that the Authority will be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Electric System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) --

- (1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination

that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Master Contract; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Electric System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Electric System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Electric System.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Contract.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates, fees and charges applicable to the Electric Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing herein will prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Master Contract.

Eminent Domain and Insurance Proceeds. If all or any part of the Electric System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Electric System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Electric System.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say --

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

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

(3) if the City will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding, subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Net Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract regarding events of default, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available will not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date,

together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs Second and Third above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by law or by the Master Contract may be enforced and exercised from time to time and as often as will be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

(a) If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in

subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided therein.

(c) All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment thereof.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything contained in the Master Contract, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

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

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the 2014 Bonds, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Equal Security

In consideration of the acceptance of the 2014 Bonds by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all 2014 Bonds authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, on the 2014 Bonds which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2014 Bonds over any other 2014 Bonds by reason of the number or date thereof or the time of authorization, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

Pledge of Revenues

Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the 2014 Bonds) held in any fund or account established under the Trust Agreement are pledged to secure the payment of the principal of and interest and premium (if any) on the 2014 Bonds in accordance with their terms and the provisions of the Trust Agreement. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act. Notwithstanding anything in the Trust Agreement or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Trust Agreement for any of the purposes in the Trust Agreement mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Trust Agreement. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Trust Agreement any funds of the Authority which may be made available to it for such purposes.

2014 Debt Service Fund

Deposit of Revenues. The Trustee agrees to establish and maintain the 2014 Debt Service Fund, for so long as any 2014 Bonds are Outstanding under the Trust Agreement. All Revenues received by the Trustee will be immediately deposited in the 2014 Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the 2014 Debt Service Fund. Subject to the terms of the Trust Agreement, all money in the 2014 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2014 Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain) in the following order of priority:

- (a) 2014 Interest Account and
- (b) 2014 Redemption Account (with a 2014 Principal Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

(a) 2014 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Interest Account that amount of money which is equal to the amount of interest on the 2014 Bonds becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 2014 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the 2014 Bonds becoming due and payable on such Interest Payment Date.

All money in the 2014 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it becomes due and payable (including accrued interest on by any 2014 Bonds purchased or prepaid prior to their respective maturity date).

(b) 2014 Redemption Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Principal Subaccount in the 2014 Redemption Account an amount of money equal to the principal amount on the Outstanding serial 2014 Bonds with a maturity date of such February 1.

No deposit need be made in the 2014 Redemption Account if the amount contained in the 2014 Principal Subaccount therein is at least equal to the aggregate amount of the principal of the Outstanding serial 2014 Bonds with a maturity date of such February 1.

All money in the 2014 Principal Subaccount in the 2014 Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the serial 2014 Bonds as they will become due and payable, whether at their respective maturity dates or on prior redemption.

Parity Reserve Fund

The Trustee agrees and covenants to maintain the Parity Reserve Fund established under the 1997 Trust Agreement and subsequently carried forward upon the issuance of Parity Obligations so long as the Master Contract has not been discharged in accordance with its terms or any 2014 Bonds remain Outstanding under the Trust Agreement. After the release of amounts in the Parity Reserve Fund in connection with the prepayment of the 2004 Certificates, the combined amount on deposit in the Parity Reserve Fund will be equal to the Reserve Fund Requirement as of the Closing Date. Such amount is available to all outstanding Parity Obligations. As a result, a 2014 Parity Reserve Account need not initially be established within the Parity Reserve Fund, but may be established as a special account of the 2014 Debt Service Fund at a later date, if the need arises. In such event, the Trustee will deposit in the 2014 Parity Reserve Account such amounts transferred to the Trustee by the City from any source, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the 2014 Parity Reserve Account will be transferred by the Trustee to the 2014 Debt Service Fund to pay principal and interest on the 2014 Bonds on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 2014 Parity

Reserve Account, transfer or cause to be transferred to any applicable debt service fund established under the a trust agreement under which any Parity Obligations are issued in connection with a supplement to the Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a supplement to the Contract.

Interest earnings on amounts on deposit in the 2014 Parity Reserve Account and any amount in the 2014 Parity Reserve Account that exceeds the Reserve Fund Requirement, unless needed to pay debt service on any obligations issued pursuant to the Master Installment Purchase Contract or to replenish the Parity Reserve Fund, or unless subject to rebate requirements, will be withdrawn from the 2014 Parity Reserve Account and transferred, upon Written Request of the Authority submitted to the Trustee, to the City for deposit in the Revenue Fund established under the Contract. Any withdrawals of excess amounts in either or both of the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations which are attributable to other-than interest earnings will be allocated and withdrawn, upon Written Request of the Authority submitted to the Trustee, from the amount on deposit in the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations pro-rata, based on the portion of the Reserve Fund Requirement originally deposited in the Parity Reserve Fund from such Parity Obligations, in the 2014 Parity Reserve Account from the Bonds, and in such other accounts established in connection with other Parity Obligations from proceeds of such Parity Obligations, except that to the extent that the reduction is attributable in whole or in part to any particular Parity Obligations, the Parity Reserve Fund will be reduced by the portion of the total reduction that is reasonably attributable to such Parity Obligations, and the 2014 Parity Reserve Account will be reduced by the portion of the total reduction that is reasonably attributable to the 2014 Bonds and the accounts established in connection with the other Parity Obligations will be reduced by the portion of the total reduction that is reasonably attributable to such other Parity Obligations.

Deposit and Investments of Money in Accounts and Funds

Subject to the terms of Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance with the Trust Agreement; provided, however, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof. Subject to the Trust Agreement, all interest or profits received on any money so invested will be deposited in the 2014 Debt Service Fund. Investments purchased with funds on deposit in the Parity Reserve Fund will have an average aggregate weighted term to maturity not greater than five years.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements that include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of in accordance with the Trust Agreement

Assignment to Trustee: Enforcement of Obligations

The Authority irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Revenues and in the Master Contract as supplemented by the 2014 Supplemental Contract (excepting only the Authority's rights to indemnification), including but not limited to all of the Authority's rights to receive and collect all of the 2014 Payments. The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the 2014 Supplemental Contract.

The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any 2014 Bonds in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the 2014 Bonds.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Tax Covenants. The Authority covenants with the Owners of the 2014 Bonds that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2014 Bonds under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the 2014 Bonds or any of the property financed or refinanced with proceeds of the 2014 Bonds, 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 on the 2014 Bonds.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the 2014 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2014 Bonds or any of the property financed or refinanced with proceeds of the 2014 Bonds, or any portion thereof, or any other funds of the Authority, that would cause the 2014 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2014 Bonds 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 has established reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the 2014 Bonds as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any 2014 Bonds, 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 2014 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2014 Bonds.

The Authority will not make any use of the proceeds of the 2014 Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the 2014 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the 2014 Bonds.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2014 Payments and the proceeds of the 2014 Bonds, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 2014 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 2014 Payments and the proceeds of the 2014 Bonds or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses that it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all 2014 Bonds secured may have been fully paid and satisfied.

Amendments to Master Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Master Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Master Contract, or consent to any such supplement, amendment, modification or termination unless (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the 2014 Bonds, or (b) the Authority or the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount on the 2014 Bonds and Parity Obligations then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2014 Payments to be made to the Authority or the Trustee by the City pursuant to the Master Contract, or extend the time for making such 2014 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully

vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

The Trustee

General. The Bank of New York Mellon Trust Company, N.A will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest and principal and redemption premiums, if any, on the 2014 Bonds presented for payment and for the purpose of canceling all paid or redeemed 2014 Bonds as provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time (unless there exists any Event of Default as defined in Trust Agreement) remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank, national banking association or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the 2014 Bonds will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the 2014 Bonds, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the 2014 Bonds or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence, willful misconduct or breach of duty.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the 2014 Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

Amendment of the Trust Agreement

General. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the

written consents of the Owners of a majority in aggregate principal amount of the 2014 Bonds then Outstanding, exclusive of 2014 Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided, however, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the maturity date of, or change the payment dates of, or reduce the rate of interest or principal or redemption premium, if any, on any 2014 Bond without the express written consent of the Owner of such 2014 Bond, or (2) reduce the percentage of 2014 Bonds required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

1. to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;
2. to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;
3. to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;
4. to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2014 Bonds 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 2014 Bonds by any the Rating Agency; or
6. to add to the rights of the Trustee.

Amendment by Mutual Consent. The Trust Agreement does not prevent any Owner from accepting any amendment as to the particular 2014 Bonds held by him, provided, that due notation thereof is made on such 2014 Bonds.

Events of Default; Waiver of Default

Events of Default. The following events constitute "Events of Default" under the Trust Agreement:

- (a) Failure to pay any installment of the principal of any 2014 Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the 2014 Bonds when due.

- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Trust Agreement or in the 2014 Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an Event of Default under and as defined in the Master Contract.

Remedies of the Trustee. If an Event of Default shall happen, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may exercise the remedies provided to the Authority in the Contract; provided, that nothing contained herein shall affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of such Owner's Bonds.

If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Trust Agreement or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

The Trustee additionally shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default hereunder to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

No Liability by the City to the Owners. Except for the payment when due of the 2014 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Master Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2014 Bonds or the disbursement of the 2014 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 2014 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Master Contract.

Defeasance

Discharge of Trust Agreement. When the obligations of the City under the Master Contract cease pursuant to the Master Contract (except for the right of the Trustee and the obligation of the City to have the money and securities mentioned therein applied to the payment of Payments as therein set forth), then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the 2014 Bonds as set forth the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of 2014 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2014 Bonds at maturity or on redemption, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2014 Bonds, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Master Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2014 Bonds, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be --

1. lawful money of the United States of America in an amount equal to the principal amount represented by such 2014 Bonds and all unpaid interest represented thereby to maturity, except that, in the case of 2014 Bonds which are to be prepaid prior to maturity and in respect of which notice of such redemption will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of redemption plus a redemption premium, if any, represented by such 2014 Bonds; 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 Agency, 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 redemption premium, if any, plus all accrued interest to maturity or to the redemption date, as the case may be, represented by the 2014 Bonds to be paid or prepaid, as such amounts become due; provided, however, that in the case of 2014 Bonds which are to be prepaid prior to the maturity thereof, notice of such redemption will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Master Contract or by Written Request of the City) to apply such money to the payment of such principal plus redemption premium, if any, plus interest represented by such 2014 Bonds.

Unclaimed Money. Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the 2014 Bonds which remains unclaimed for two years after the date when such 2014 Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such 2014 Bonds have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2014 Payments on such 2014 Bonds; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

August 21, 2014

Board of Directors of the
Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

OPINION: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014

Members of the Board:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Revenues, as such term is defined in the Indenture, including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014 (the "2014 Supplemental Contract" and collectively with the Master Contract and the prior supplements, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.
3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its

terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF ROSEVILLE (the "City") for and on behalf of itself and the Roseville Finance Authority (the "Authority"), in connection with the issuance of the \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "2014 Bonds"). The 2014 Bonds are being issued in accordance with a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2014 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Official Statement" means the Official Statement relating to the 2014 Bonds.

"Participating Underwriters" means Morgan Stanley & Co. LLC and U.S. Bancorp Investments, Inc., the original underwriters of the 2014 Bonds required to comply with the Rule in connection with offering of the 2014 Bonds.

"Report Date" means seven months after the end of the City's fiscal year, (currently January 31 of each year based on the City's June 30 fiscal year end).

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, beginning on January 31, 2015, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice, in substantially the form attached as Exhibit A, with a copy to the Trustee and the Participating Underwriters.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Trustee and the Participating Underwriters, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City's municipal electric power utility (the "Electric System") prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, the following financial information and operating data with respect to the City and the Electric System for the preceding fiscal year as of June 30 of the previous fiscal year:

(1) The principal amount of the outstanding 2014 Bonds.

(2) The balance in the Reserve Fund.

(3) The Reserve Fund Requirement for the 2014 Bonds and all outstanding Parity Obligations.

(4) The balance in the Rate Stabilization Fund.

(5) An updated table substantially in the form of Table 1 in the Official Statement entitled "Customers, Sales and Peak Demand."

(6) An updated table substantially in the form of Table 2 in the Official Statement entitled "Ten Largest Customers."

(7) An updated table substantially in the form of Table 3 in the Official Statement entitled "Sources of Power Supply."

(8) An updated table substantially in the form of Table 7 in the Official Statement entitled "City Share of Outstanding Debt of Joint Powers Agencies."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2014 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or

if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2014 Bonds. If such termination occurs prior to the final maturity of the 2014 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent is The Bank of New York Mellon Trust Company, N. A. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2014 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2014 Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2014 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or

information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article V of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bondholders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2014 Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of Roseville
311 Vernon Street
Roseville, California 95678
Attention: Administrative Services Director
Fax: (916) 774-5514

To the Trustee: The Bank of New York Mellon Trust Company, N. A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Department
Fax: (415) 399-1647

To the Participating Underwriters: Morgan Stanley & Co. LLC
555 California Street, Suite 2200
San Francisco, California 94104
Attention: Municipal Finance Department
Fax: (415) 591-4582

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2014 Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 21, 2014

CITY OF ROSEVILLE

By _____
Treasurer

ACCEPTED AND AGREED:

The Bank of New York Mellon Trust Company, N.A.,
as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF ROSEVILLE

Name of Issue: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

Date of Issuance: August 21, 2014

NOTICE IS HEREBY GIVEN that the City, on behalf of itself and of the Roseville Finance Authority, has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of August 21, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____

Title: _____

cc: Trustee

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2014 Bonds, payment of principal, interest and other payments on the 2014 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2014 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2014 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2014 Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. 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.

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

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

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

6. Redemption notices will be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



TRUST AGREEMENT

between

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee,**

and the

ROSEVILLE FINANCE AUTHORITY

**Dated as of
August 1, 2014**

relating to the

**\$16,485,000
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014**

TABLE OF CONTENTS

ARTICLE I DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions	3
SECTION 1.02. Equal Security	12

ARTICLE II THE BONDS

SECTION 2.01. Authorization of Bonds	13
SECTION 2.02. Terms of the Bonds	13
SECTION 2.03. Redemption of Bonds	14
SECTION 2.04. Form of Bonds	15
SECTION 2.05. Execution of Bonds	15
SECTION 2.06. Transfer and Payment of Bonds	15
SECTION 2.07. Exchange of Bonds	16
SECTION 2.08. Bond Registration Books	16
SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds	16
SECTION 2.10. Temporary Bonds	17
SECTION 2.11. Use of Book-Entry System for Bonds	17
SECTION 2.12. Procedure for the Delivery of Bonds	18

ARTICLE III 2014 PAYMENTS

SECTION 3.01. Pledge of Revenues	19
SECTION 3.02. Deposit of Revenues	19
SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in the 2014 Debt Service Fund	20
SECTION 3.04. Parity Reserve Fund	20
SECTION 3.05. Deposit and Investments of Money in Accounts and Funds	21
SECTION 3.06. Assignment to Trustee, Enforcement of Obligations	22

ARTICLE IV COVENANTS OF THE AUTHORITY AND THE TRUSTEE

SECTION 4.01. Compliance with Trust Agreement	23
SECTION 4.02. Issuance and Payment of Bonds	23
SECTION 4.03. Tax Covenants	23
SECTION 4.04. Accounting, Records and Reports	24
SECTION 4.05. Prosecution and Defense of Suits	25
SECTION 4.06. Enforcement of Contract; Amendments to Contract	25
SECTION 4.07. Further Assurances	25

ARTICLE V THE TRUSTEE

SECTION 5.01. The Trustee	26
SECTION 5.02. Liability of Trustee	26
SECTION 5.03. Compensation and Indemnification of Trustee	30

ARTICLE VI AMENDMENT OF THE TRUST AGREEMENT

SECTION 6.01. Amendment of the Trust Agreement	31
SECTION 6.02. Disqualified Bonds	31
SECTION 6.03. Endorsement or Replacement of Bonds After Amendment	32
SECTION 6.04. Amendment by Mutual Consent	32

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES OF OWNERS

SECTION 7.01. Events of Default; Acceleration; Waiver of Default	33
SECTION 7.02. Remedies Upon Event of Default	33
SECTION 7.03. Application of Revenues and Other Funds After Default	34

SECTION 7.04. Non-Waiver.....	35
SECTION 7.05. Remedies Not Exclusive.....	35
SECTION 7.06. Trustee to Represent Bond Owners.....	35
SECTION 7.07. Limitation on Bond Owners' Right to Sue.....	35
SECTION 7.08. Absolute Obligation of Authority	36
SECTION 7.09. Termination of Proceedings.....	36
ARTICLE VIII	
DEFEASANCE	
SECTION 8.01. Discharge of Trust Agreement.....	37
SECTION 8.02. Deposit of Money or Securities with Trustee.....	37
SECTION 8.03. Unclaimed Money.....	38
ARTICLE IX	
MISCELLANEOUS	
SECTION 9.01. Benefits of this Trust Agreement Limited to Parties	39
SECTION 9.02. Successor Is Deemed Included In All References To Predecessor.....	39
SECTION 9.03. Execution of Documents by Owners.....	39
SECTION 9.04. Waiver of Personal Liability.....	39
SECTION 9.05. Content of Bonds.....	39
SECTION 9.06. Accounts and Funds, Business Days.....	40
SECTION 9.07. Notices.....	40
SECTION 9.08. CUSIP Numbers.....	40
SECTION 9.09. Article and Section Headings and References.....	41
SECTION 9.10. Partial Invalidity.....	41
SECTION 9.11. California Law.....	41
SECTION 9.12. Execution in Several Counterparts.....	41
EXHIBIT A Form of Bond	A-1

TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of August 1, 2014, is between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as trustee (the "Trustee") and the ROSEVILLE FINANCE AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

RECITALS:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to the Joint Exercise of Powers Act (being Sections 6500 et seq. of the Government Code of the State of California) (the "Act") and a Joint Exercise of Powers Agreement (the "Joint Powers Agreement"), between the City of Roseville (the "City") and the Redevelopment Agency of the City of Roseville; and

WHEREAS, the Act and the Joint Powers Agreement authorize and empower the Authority to assist the City in acquiring and financing and refinancing certain additions, betterments, extensions and improvements to the electric system of the City; and

WHEREAS, the Authority and the City have entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"), a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract"), a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "2009 Supplemental Contract"), a 2010 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2010 (the "2010 Supplemental Contract"), a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract"), and a 2013 Supplemental Installment Purchase Contract dated as of November 1, 2013 (the "2013 Supplemental Contract") pursuant to which the Authority has agreed to assist the City by financing and refinancing certain additions, betterments, extensions and improvements to the electric system of the City; and

WHEREAS, the City and the Authority have executed and entered into a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014 (the "2014 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract, the 2008 Supplemental Contract, the 2009 Supplemental Contract, the 2010 Supplemental Contract, the 2012 Supplemental Contract and the 2013 Supplemental Contract, the "Contract") under and pursuant to which the Authority has agreed to assist the City in refinancing a portion of the improvements to the electric system

of the City as described in the 2004 Supplemental Contract (the "2004 Project" as defined therein); and

WHEREAS, in connection with the 2004 Supplemental Contract, the City financed the 2004 Project with the proceeds of Certificates of Participation, Series 2004 (the "2004 Certificates") executed and delivered pursuant to a Trust Agreement dated as of July 1, 2004 (the "2004 Trust Agreement") between the Authority and the Trustee; and

WHEREAS, the City and the Authority, after due investigation and deliberation, have determined that it is in the best interests of the City that the Authority at this time provide for the prepayment of a portion of the 2004 Certificates through bonds authorized under this Trust Agreement; and

WHEREAS, the City has determined that the consummation of the transactions contemplated in the Contract, including the 2014 Supplemental Contract, are necessary and proper for City purposes and is for the common benefit of the City as a whole; and

WHEREAS, the Authority is empowered pursuant to the Act to assist the City in refinancing a portion of the cost of acquisition and construction of the projects financed or refinanced by the 2004 Supplemental Contract by executing and delivering revenue bonds payable from and secured by revenues consisting primarily of payments (the "2014 Payments") received by the Authority under the 2014 Supplemental Contract; and

WHEREAS, all rights to receive the 2014 Payments (described herein) have been assigned by the Authority to the Trustee pursuant to this Trust Agreement; and

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement, the Trustee has agreed to execute and deliver bonds (the "2014 Bonds") described herein in an aggregate principal amount equal to the aggregate principal amount of such 2014 Payments; and

WHEREAS, the Authority has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the execution and delivery of this Trust Agreement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section will for all purposes of this Trust Agreement and of any Supplemental Trust Agreement and of the 2014 Bonds and of any certificate, opinion, request or other documents herein mentioned, have the meanings herein specified or specified in the Master Contract.

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

"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 Los Angeles, California.

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

"Bonds" or "2014 Bonds" means all electric system revenue refunding bonds executed and delivered in accordance with Article II hereof.

"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.

"Closing Date" means August 21, 2014, the date of original issuance and delivery of the 2014 Bonds.

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

"Contract" means the Master Contract, as supplemented by a 1997 Supplemental Installment Purchase Contract dated as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract dated as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract dated as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract dated as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"); a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract"), a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "2009 Supplemental Contract"), a 2010 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2010 (the "2010 Supplemental Contract"), a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract"), a 2013 Supplemental Installment Purchase Contract dated as of November 1, 2013 (the "2013 Supplemental Contract") and the 2014 Supplemental Contract pursuant to which the Authority has agreed to assist the City by refinancing certain obligations under the 2004 Supplemental Contract, and as otherwise amended or supplemented from time to time.

"Corporate Trust Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other office designated by the Trustee from time to time, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

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

"Event of Default" means an event described in Section 7.01 hereof.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority or the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"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.

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

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

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

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

"Information Services" means the Municipal Securities Rulemaking Board (in an electronic format as prescribed by the Municipal Securities Rulemaking Board); 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 Trustee may have knowledge or the Authority may designate to the Trustee.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2015.

"Joint Powers Agreement" means that certain Joint Exercise of Powers Agreement, originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville, as amended from time to time.

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

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

"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 Bonds, means (subject to the provisions of Section 6.02) all Bonds theretofore executed, issued and delivered by the Authority under this Trust Agreement except:

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of Section 8.01; and

(3) Bonds in lieu of or in substitution for which other Bonds will have been executed and delivered by the Trustee pursuant hereto.

"Owner" means any person who will be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Parity Reserve Fund" means the fund by that name established pursuant to Section 3.04 of 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 and to the extent then permitted by law (provided that the Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the current investment policy of the City):

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

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

- a) Federal Home Loan Mortgage Corporation (FHLMC);
- b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;
- c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;
- d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;
- e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
- f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);
- g) Financing Corporation (FICO) Debt obligations;
- h) Resolution Funding Corporation (REFCORP) Debt obligations.

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

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

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

7. Money market funds rated "AAm" or "AAM-G" by S&P, or better, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

8. "State Obligations", which means:

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

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

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

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

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

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

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

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

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

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

10. Repurchase agreements:

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

a) The market value of the collateral is maintained at 104%;

b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d) All other requirements of S&P in respect of repurchase agreements will be met;

e) The repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee;

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as

such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2014 Bonds;

b) the invested funds are available for withdrawal, for reasons under this Trust Agreement, without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the Authority) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

e) the investment agreement will provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest with respect to the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest with respect to the investment, in either case with no penalty or premium to the Authority or Trustee, and

f) the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g) the investment agreement must provide that if during its term:

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate; and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program.

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of this Trust Agreement.

"Rating Agency" means S&P, and its respective successors or assigns, or any other nationally recognized securities rating agency selected by the Authority.

"Record Date" means, with respect to an Interest Payment Date, the 15th day of the month immediately preceding such Interest Payment Date, whether or not such date is a Business Day.

"Representation Letter" means the letter of representation to The Depository Trust Company, New York, New York, from the Authority.

"Reserve Fund Requirement" has the meaning set forth in the Master Contract, which is as follows: "Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of

the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition shall no longer maintain ratings as required in accordance with the immediately preceding sentence, the City shall provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means: (a) all of the 2014 Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Trust Agreement.

"Securities Depositories" means The Depository Trust Company, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Certificate of the Authority to the Trustee.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

"Tax Certificate" means the Certificate as to Arbitrage of the City concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed and delivered by the City on the date of delivery of the Bonds, including any and all exhibits attached thereto.

"Trust Agreement" means this Trust Agreement, dated as of August 1, 2014, 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 hereof.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation, which may at any time be substituted in its place as provided in Section 5.01.

"2004 Escrow Agreement" means the Escrow Deposit and Trust Agreement (2004 Certificates of Participation) dated as of August 1, 2014, among the City, the Authority and the 2004 Escrow Bank.

"2004 Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow bank under the 2004 Escrow Agreement.

"2004 Escrow Fund" means the account by that name established pursuant to the 2004 Escrow Agreement.

"2014 Debt Service Fund" means the fund by that name established pursuant to Section 3.02.

"2014 Interest Account" means the account by that name established pursuant to Section 3.03.

"2014 Parity Reserve Account" means the 2014 Parity Reserve Account established under Section 3.04.

"2014 Payments" means the installment payments of interest, principal and redemption premiums, if any, payable by the City under and pursuant to the 2014 Supplemental Contract.

"2014 Redemption Account" means the account by that name established pursuant to Section 3.03.

"2014 Principal Subaccount" means the subaccount by that name established in Section 3.03.

"2014 Supplemental Contract" means that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, by and between the City and the Authority.

"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.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all Bonds authorized, executed and delivered hereunder and then Outstanding to secure the full and final payment of the interest, and principal and redemption premiums, if any, on the Bonds which may from time to time be authorized, executed and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II THE BONDS

SECTION 2.01. Authorization of Bonds. The Trustee is hereby authorized and directed to execute and deliver the Bonds in the aggregate principal amount of \$16,485,000 under and subject to the terms of this Trust Agreement and other applicable laws of the State of California. The Bonds will be designated the "Roseville Finance Authority Electric System Revenue Refunding Bonds Series 2014." Bonds will be lettered and numbered in a customary manner as determined by the Trustee.

SECTION 2.02. Terms of the Bonds. The Bonds will be dated the Closing Date, will be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. No Bond principal will become payable in more than one year. Principal on the Bonds will be payable on the dates and in the principal amounts and evidence interest at the rates as set forth in the following schedule:

Maturity Date (February 1)	Principal Amount	Interest Rate
2030	\$2,985,000.00	5.000%
2031	3,130,000.00	5.000%
2032	3,290,000.00	5.000%
2033	3,455,000.00	5.000%
2034	3,625,000.00	5.000%

Interest on the Bonds will be payable in lawful money of the United States of America at the rates (based on a 360-day year of twelve 30-day months) set forth above, payable on February 1, 2015, and semiannually thereafter on August 1 and February 1 in each year to the respective maturity date or redemption prior thereto. The Bonds will bear interest from the Interest Payment Date next preceding the date of execution thereof, unless such date of execution is after a Record Date and on or before the following Interest Payment Date, in which event they will bear interest from such Interest Payment Date, or unless such date of execution is on or before the first Record Date, in which event such Bond will bear interest from the Closing Date; provided, that if at the time of execution of any Outstanding Bond interest is then in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Bonds. Payment of interest on the Bonds will be made to the person whose name appears in the Bond registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, and will be paid by check mailed on such Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided, that upon the written request of any Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date (which such request will remain in effect until rescinded in writing by such Owner) interest will be paid by wire transfer in immediately available funds to an account in the United States designated by the Owner.

The principal amount of the Bonds will be payable in lawful money of the United States of America upon the surrender thereof on the respective maturity date or on redemption prior thereto at the Corporate Trust Office of the Trustee.

"CUSIP" identification numbers will be imprinted on the Bonds, but such numbers will not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto will not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City or the Trustee to use such CUSIP numbers in any notice to Owners will not constitute an event of default or any violation of the Authority's contract with such Owners and will not impair the effectiveness of any such notice.

SECTION 2.03. Redemption of Bonds.

(a) [Not Used]

(b) Optional Redemption. The Bonds are subject to optional redemption prior to their respective stated maturity dates, upon notice as hereinafter provided, from prepayment of 2014 Payments made by the City pursuant to the Contract, as a whole or in part (from such maturity dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such maturity dates, in inverse order of maturity date and by lot within a maturity date) on any date on or after August 1, 2024, at a redemption price equal to the principal amount of the 2014 Bonds called for redemption, plus accrued and unpaid interest to the redemption date, without premium.

If less than all Outstanding Bonds of any particular maturity date are to be redeemed at any one time, the Trustee will select the portions of the Bonds of such maturity date to be redeemed by lot in a manner that the Trustee deems to be fair. For purposes of selecting Bonds to be redeemed, Bonds of each maturity date will be deemed to be composed of five thousand dollars (\$5,000) multiples and any such multiple may be separately redeemed. If the Authority elects to redeem Bonds pursuant to Section 2.03(b), it will notify the Trustee of the redemption date and the principal amount of the Bonds of each maturity date to be redeemed on such redemption date at least forty-five (45) days prior to such redemption date; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

Notice of redemption will be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail, certified mail, overnight delivery or facsimile transmission or by other acceptable means. Each notice of redemption will state the date of such notice, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the Bonds to be redeemed, and, if less than all of the Bonds of any one maturity date are to be redeemed, the distinctive bond numbers of the Bonds of such maturity date to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount evidenced and represented thereby to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount evidenced and represented thereby to be redeemed, together with accrued and unpaid interest evidenced and represented thereby to the redemption date, and that from and after such redemption date interest evidenced and represented thereby will cease to accrue, and will require that such Bonds be then surrendered at the address of the

Trustee specified in the redemption notice. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of Bonds, the Trustee will mail a notice of redemption upon receipt of a Written Request of the Authority or written notice from the City, may give notice of optional redemption which is conditional upon the Trustee having funds available for the redemption on the date designated for such redemption and which may provide for rescission of the contemplated redemption in the event that funds do not become available.

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

All Bonds redeemed pursuant to the provisions of this section will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) Purchase in lieu of Redemption. In lieu of redemption of Bonds as provided above, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such Bonds were redeemed.

SECTION 2.04. Form of Bonds. The Bonds will be substantially in the form set forth in Exhibit A hereto attached and by this reference herein incorporated.

SECTION 2.05. Execution of Bonds. The Bonds will be executed by the Executive Director or Treasurer of the Authority, or by any other official of the Authority duly authorized by the Authority for that purpose.

SECTION 2.06. Transfer and Payment of Bonds. Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond at the Corporate Trust Office of the Trustee for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Trustee will execute and deliver to the transferee a new Bond or Bonds of the same maturity date evidencing and representing a like aggregate principal amount in authorized denominations. The Trustee will require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment of the principal and interest and redemption premium, if any, evidenced and represented thereby and for all other purposes, whether such Bond will be overdue or not, and the Trustee will not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and redemption premium, if

any, on such Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

The Trustee will not be required to register the transfer of any Bond during the period commencing on the date 15 days preceding the selection of Bonds for redemption and ending on the date of mailing of notice of such redemption, or any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bonds selected for redemption in whole or in part as provided in Section 2.03.

SECTION 2.07. Exchange of Bonds. Any Bond may be exchanged at the Corporate Trust Office of the Trustee for a Bond evidencing and representing a like aggregate principal amount of Bond of the same maturity date of other authorized denominations. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The Trustee will not be required to exchange any Bond during the period commencing on the date 15 days preceding the selection of Bonds for redemption and ending on the date of mailing of notice of such redemption, or any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bonds selected for redemption in whole or in part as provided in Section 2.03.

SECTION 2.08. Bond Registration Books. The Trustee will keep at its Corporate Trust Office sufficient books for the registration and transfer of the Bonds which will at all times be open to inspection by the Authority during regular business hours with reasonable prior notice, and upon presentation for such purpose the Trustee will, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. If any Bond will become mutilated, the Trustee, at the expense of the Owner, will thereupon execute and deliver a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be cancelled and destroyed.

If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee will be given, the Trustee, at the expense of the Owner, will thereupon execute and deliver a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond delivered under this Section 2.09 and of the expenses that may be incurred by the Authority and the Trustee in the premises. Any Bond executed and delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bonds secured by this Trust Agreement. The Trustee will not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond will be treated as one and the same.

SECTION 2.10. Temporary Bonds. The Bonds executed and delivered under this Trust Agreement may be initially executed and delivered in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denominations as may be determined by the Trustee, will be in fully registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. Every temporary Bond will be executed and delivered by the Trustee, upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee executes and delivers temporary Bonds it will execute and furnish definitive Bonds and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee will deliver in exchange for such temporary Bonds definitive Bonds evidencing and representing an equal aggregate principal amount of Bonds of authorized denominations. Until so exchanged, the temporary Bonds will be entitled to the same benefits under this Trust Agreement as definitive Bonds delivered hereunder.

SECTION 2.11. Use of Book-Entry System for Bonds.

(a) The Bonds initially will be delivered in the form of a single executed fully registered Bond for each stated maturity date of the Bonds, representing the aggregate principal amount of the Bonds of such maturity date. Upon initial delivery, the ownership of all such Bonds will be registered in the registration records maintained by the Trustee pursuant to Section 2.08 hereof in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC will request pursuant to the Representation Letter. The Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price and interest on such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners of the Bonds and for all other purposes whatsoever; and the Trustee will not be affected by any notice to the contrary. Neither the Trustee nor the Authority will have any responsibility or obligation to any Participant (which will mean, for purposes of this section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner of Bonds, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price or interest on the Bonds (iii) any notice which is permitted or required to be given to Owners of Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Owner of Bonds. The Trustee will pay all principal, redemption premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments will be valid and effective to satisfy fully and discharge the principal, redemption premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (c) of this section.

(b) In the event that the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain securities certificates, the Trustee will,

upon the written instruction of the Authority, so notify DTC, whereupon DTC will notify the Participants of the availability through DTC of securities certificates. In such event, the Bonds will be transferable in accordance with subsection (c) of this section. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (c) of this section. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (c) of this section, and thereafter, all references in this Trust Agreement to DTC or its nominee will be deemed to refer to such successor securities depository and its nominee, as appropriate.

(c) In the event that any transfer or exchange of Bonds is authorized under subsection (a) or (b) of this section, such transfer or exchange will be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07 hereof. In the event certificates are delivered to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Bonds, another securities depository as Owner of all the Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.06 and 2.07 hereof will also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal, redemption premium, if any, and interest on the Bonds.

SECTION 2.12. Procedure for the Delivery of Bonds. The Trustee is hereby authorized to execute and deliver the Bonds to the purchaser thereof upon the Written Request of the Authority and upon receipt of the proceeds of the sale thereof. On the Closing Date, the Trustee will deposit the proceeds received from the sale of the Bonds from the purchaser thereof and other amounts transferred to the Trustee for such purposes as provided herein. The amount transferred to the Trustee is \$18,570,531.45, calculated as follows:

Principal Amount of Bonds	\$16,485,000.00
Less: Underwriter's Discount	103,758.50
Plus: Original Issue Premium	<u>2,129,223.60</u>
Proceeds Available From Purchase Price of Bonds	18,510,465.10
Amount Available from Parity Reserve Account	<u>60,066.35</u>
Total Moneys Deposited	\$18,570,531.45

(a) On the Closing Date, the proceeds of the 2014 Bonds and other available moneys described below will be transferred and deposited as follows:

(i) \$18,318,527.40 from proceeds of the Bonds to the 2004 Escrow Bank for deposit in the 2004 Escrow Fund, to be utilized for accumulating the moneys needed to redeem the 2004 Certificates in accordance with the 2004 Escrow Agreement.

(ii) The Trustee will deposit the remainder of the proceeds of sale of the Bonds in the amount of \$191,937.70 in the Costs of Issuance Fund, which fund is hereby created and which fund the Authority hereby agrees to maintain with the Trustee

until February 1, 2015. All money in the Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon receipt of a Written Request of the Authority filed with the Trustee, each of which will be sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On February 1, 2015 or upon the earlier Written Request of the Authority, any remaining balance in the Costs of Issuance Fund will be transferred for deposit in the 2014 Debt Service Fund established under Section 3.03 below.

(iii) On or before the Closing Date, the Trustee, as trustee for the 2004 Certificates, will transfer \$60,066.35 from the Parity Reserve Fund into the Escrow Fund.

(iv) There will be no deposit into the 2014 Parity Reserve Account. After the release of amounts in the Parity Reserve Fund set forth in subsection (iii) above, the aggregate amount on deposit in the Parity Reserve Fund will be \$16,493,250.00, which is the Reserve Fund Requirement as of the Closing Date. As a result, no deposit will be made into the 2014 Parity Reserve Account at the time the Bonds are issued.

The Authority hereby directs the Trustee to make the transfers required above.

The Trustee may, at its option, establish and maintain a temporary account or accounts in connection with the deposit and transfer of the proceeds of the Bonds.

ARTICLE III 2014 PAYMENTS

SECTION 3.01. Pledge of Revenues. Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Trust Agreement are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Trust Agreement. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act. Notwithstanding anything in this Trust Agreement or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Trust Agreement for any of the purposes in this Trust Agreement mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Trust Agreement. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 3.02. Deposit of Revenues. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "2014 Debt Service Fund" which the Trustee will establish, maintain and hold in trust, for so long as any Bonds will be Outstanding hereunder. All Revenues will be promptly deposited by the Trustee upon receipt thereof in the 2014 Debt Service Fund; except that all moneys received by the Trustee and required hereunder or under the 2014 Supplemental Contract to be used for optional redemption of Bonds pursuant to Section 2.03(b) will be promptly deposited in a special fund and disbursed for that purpose. All Revenues deposited with the Trustee will be held,

disbursed, allocated and applied by the Trustee only as provided in this Trust Agreement. Any surplus remaining in the 2014 Debt Service Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article VIII, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in the 2014 Debt Service Fund. Subject to Section 4.03, all money in the 2014 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2014 Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) and disbursed as provided below in the following order of priority:

- (i) 2014 Interest Account, and
- (ii) 2014 Redemption Account (with a 2014 Principal Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) 2014 Interest Account. On the Business Day immediately preceding each February 1 and August 1, commencing on February 1, 2015, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such February 1 or August 1, as the case may be.

No deposit need be made in the 2014 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such Interest Payment Date.

All money in the 2014 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to their respective maturity dates).

(b) 2014 Redemption Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2030, the Trustee will set aside from the 2014 Debt Service Fund and deposit in the 2014 Principal Subaccount in the 2014 Redemption Account an amount of money equal to the principal amount of the Outstanding serial Bonds with a maturity date of such February 1.

No deposit need be made in the 2014 Redemption Account if the amount contained in the 2014 Principal Subaccount therein is at least equal to the aggregate amount of the principal of the Outstanding serial Bonds with a maturity date of such February 1.

All money in the 2014 Principal Subaccount in the 2014 Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the serial Bonds as they will become due and payable, whether at their respective maturity dates or on prior redemption.

SECTION 3.04. Parity Reserve Fund. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund originally established under the 1997 Trust Agreement so long as the Contract has not been discharged in accordance with its terms or any Bonds remain

Outstanding hereunder notwithstanding that the Parity Reserve Fund is no longer maintained under the 1997 Trust Agreement. The Parity Reserve Fund will be maintained so long as any Parity Obligations remain outstanding.

After the release of amounts in the Parity Reserve Fund as set forth in Section 2.12, the combined amount on deposit in the Parity Reserve Fund will be \$16,493,250.00, which is the Reserve Fund Requirement as of the Closing Date. Such amount is available to all outstanding Parity Obligations. As a result, a 2014 Parity Reserve Account need not initially be established within the Parity Reserve Fund, but may be established as a special account of the 2014 Debt Service Fund at a later date, if the need arises. In such event, the Trustee will deposit in the 2014 Parity Reserve Account such amounts transferred to the Trustee by the City from any source, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the 2014 Parity Reserve Account will be transferred by the Trustee to the 2014 Debt Service Fund to pay principal and interest on the Bonds on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 2014 Parity Reserve Account, transfer or cause to be transferred to the debt service fund established under any applicable debt service fund established under a trust agreement under which any Parity Obligations are issued in connection with a supplement to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to the 1997 Trust Agreement or such trust agreement under which any Parity Obligations are issued in connection with a supplement to the Master Contract.

Interest earnings on amounts on deposit in the 2014 Parity Reserve Account, and any amount in the 2014 Parity Reserve Account in excess of the amount which, when added to the amount in the Parity Reserve Fund equals the Reserve Fund Requirement, unless needed to pay debt service on any obligations issued pursuant to the Master Contract or to replenish the Parity Reserve Fund, or unless subject to rebate requirements pursuant to Section 2.06 of the 2014 Supplemental Contract, will be withdrawn from the 2014 Parity Reserve Account and transferred, upon Written Request of the Authority submitted to the Trustee, to the City for deposit in the Revenue Fund established under the Contract. Any withdrawals of excess amounts in either or both of the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations which are attributable to other-than interest earnings will be allocated and withdrawn, upon Written Request of the Authority submitted to the Trustee, from the amount on deposit in the Parity Reserve Fund, the 2014 Parity Reserve Account and any accounts established in connection with other Parity Obligations pro-rata, based on the portion of the Reserve Fund Requirement originally deposited in the Parity Reserve Fund from such Parity Obligations, in the 2014 Parity Reserve Account from the Bonds, and in such other accounts established in connection with other Parity Obligations from proceeds of such Parity Obligations, except that to the extent that the reduction is attributable in whole or in part to any particular Parity Obligations, the Parity Reserve Fund, to the extent possible, will be reduced by the portion of the total reduction that is reasonably attributable to such Parity Obligations, and the 2014 Parity Reserve Account will be reduced by the portion of the total reduction that is reasonably attributable to the 2014 Bonds and the accounts established in connection with the other Parity Obligations will be reduced by the portion of the total reduction that is reasonably attributable to such other Parity Obligations.

SECTION 3.05. Deposit and Investments of Money in Accounts and Funds. Subject to Section 4.03, all money held by the Trustee in any of the accounts or funds established

pursuant hereto will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof, provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee will hold such moneys uninvested. Subject to Sections 3.04 and 4.03, all interest or profits received on any money so invested will be deposited in the 2014 Debt Service Fund. Investments purchased with funds on deposit in the Parity Reserve Fund will have an average aggregate weighted term to maturity not greater than five years.

For Investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but will account for each separately.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements that include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

The Trustee will not be liable for any loss from any Permitted Investments acquired, held or disposed of in accordance herewith.

SECTION 3.06. Assignment to Trustee, Enforcement of Obligations. (a) The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Revenues and in the Contract as supplemented by the 2014 Supplemental Contract (excepting only the Authority's rights under Section 7.09 of the Contract), including but not limited to all of the Authority's rights to receive and collect all of the 2014 Payments. The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of Article V, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the 2014 Supplemental Contract.

(b) The Trustee may, in performing the obligations set forth in Section 3.06(a) above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

ARTICLE IV
COVENANTS OF THE AUTHORITY AND THE TRUSTEE

SECTION 4.01. Compliance with Trust Agreement. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions hereby; and the Authority will not suffer or permit any default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein and in the Bonds.

SECTION 4.02. Issuance and Payment of Bonds. (a) The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Trust Agreement, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Trust Agreement.

(b) The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default hereunder, to the benefits of this Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

(c) The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Trust Agreement while any of the Bonds are Outstanding, except the pledge and assignment created by this Trust Agreement. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other trust agreements for any of its purposes, and reserves the right to issue other obligations for such purposes.

(d) Authority is duly authorized under law to issue the Bonds and to enter into this Trust Agreement and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Trust Agreement in the manner and to the extent provided in this Trust Agreement. The Bonds and the provisions of this Trust Agreement are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms. The Authority and the Trustee will at all times, subject to the provisions of Article V and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Trust Agreement against all claims and demands of all persons whomsoever.

(e) The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

SECTION 4.03. Tax Covenants. The Authority hereby covenants with the Owners of the Bonds that, notwithstanding any other provisions of this Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely

affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, 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 on the Bonds.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority, that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Bonds 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 has established reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any Bonds, 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 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

The Authority will not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

The Authority will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants will survive payment in full or defeasance of the Bonds.

SECTION 4.04. Accounting, Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2014 Payment and the proceeds of the Bonds, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions and with reasonable notice. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 2014 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

SECTION 4.05. Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 2014 Payments and the proceeds of the Bonds or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision hereof, this covenant will remain in full force and effect even though all Bonds secured hereby may have been fully paid and satisfied.

SECTION 4.06. Enforcement of Contract; Amendments to Contract. (a) The Authority will promptly collect all amounts due pursuant to the 2014 Supplemental Contract and will diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder.

(b) Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, unless (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 Bonds, or (b) the Authority or the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds and Parity Obligations then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2014 Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such 2014 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with Section 6.01 hereof.

SECTION 4.07. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE V THE TRUSTEE

SECTION 5.01. The Trustee. The Bank of New York Mellon Trust Company, N.A. will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds presented for payment and for the purpose of canceling all paid or redeemed Bonds as provided herein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time (unless there exists any Event of Default as defined in Section 7.01) remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank, national banking association or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) (including, for such proposal, the combined capital and surplus of any parent holding companies) and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

The Trustee will, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied covenants, duties or obligations will be read into this Trust Agreement. The Trustee will, during the existence of any Event of Default (that has not been cured), exercise such of the rights and powers vested in it hereby, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Bonds will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same, or makes any representation as to the sufficiency or validity hereof or of the Bonds, and will not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee will not be liable in

connection with the performance of its duties hereunder except for its own active or passive negligence, willful misconduct or breach of duty.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or redemption premium, if any, on the Bonds from its own funds; but rather the Trustee's obligations will be limited to the performance of its duties hereunder.

The Trustee will not be deemed to have knowledge of any default hereunder or default under the Contract unless and until it will have actual knowledge thereof or will have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a default hereunder.

The Trustee will be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee will not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of any moneys that will be released or withdrawn in accordance with the provisions hereof.

Whether or not therein expressly so provided, every provision hereof or of the Contract or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of this article.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or City of the project financed or refinanced with proceeds of the Bonds. In no event will the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Contract or this Trust Agreement for the existence, furnishing or use of the project financed or refinanced with proceeds of the Bonds.

The Trustee will be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Trustee will deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which certificate will be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

No provision of this Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee will have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Bonds.

All immunities, indemnifications and releases from liability granted herein to the Trustee will extend to the directors, employees, officers and agents thereof.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company will meet the requirements set forth in Section 5.01, will be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee will be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Authority.

Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of this Section 5.02.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists,

acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project financed or refinanced with proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" will mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The permissive right of the Trustee to do things enumerated in this Trust Agreement will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee will not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

SECTION 5.03. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee will be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel, agents and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, will indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense (including legal fees and expenses) incurred without negligence, default or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its powers or duties hereunder, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this section will survive the discharge of the Bonds and the Trust Agreement and the resignation or removal of the Trustee.

ARTICLE VI
AMENDMENT OF THE TRUST AGREEMENT

SECTION 6.01. 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 will become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 6.02, are filed with the Trustee; provided, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the maturity date of, or change the payment dates of, or reduce the rate of interest or principal or redemption premium, if any, on any Bond without the express written consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required herein 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 herein to or conferred herein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(c) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939,

(d) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

(e) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Bonds by the Rating Agency; or

(f) to add to the rights of the Trustee.

SECTION 6.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and will not be entitled to consent to or take any other action provided in this article. Upon request of the Trustee, the

Authority will specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 6.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of such Owner's Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action will be made on such Bond. If the Authority will so determine, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds will be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

SECTION 6.04. Amendment by Mutual Consent. The provisions of this article will not prevent any Owner from accepting any amendment as to the particular Bonds held by him or her, provided that due notation thereof is made on such Bonds.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES OF OWNERS

SECTION 7.01. Events of Default; Acceleration; Waiver of Default

The following events constitute “Events of Default” hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Trust Agreement or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee or the Bond Insurer; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an Event of Default under and as defined in the Contract.

SECTION 7.02. Remedies Upon Event of Default. If an Event of Default will happen, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may exercise the remedies provided to the Authority in the Contract; provided, that nothing contained herein will affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of such Owner’s Bonds.

If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding will, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in this Trust Agreement or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such

overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair or exhaust any right or power consequent thereon.

The Trustee additionally will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default hereunder to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Trust Agreement will be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Trust Agreement and in the opinion of the Trustee necessary to protect the interests of the Owners of the Bonds;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Trust Agreement, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the

payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

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

SECTION 7.04. Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this article may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee, and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 7.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

SECTION 7.06. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Trust Agreement and applicable provisions of any law. All rights of action under this Trust Agreement or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Trust Agreement.

SECTION 7.07. Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Trust Agreement, the 2014 Supplemental Contract or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then

Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Trust Agreement, the 2014 Supplemental Contract or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Trust Agreement.

SECTION 7.08. Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Trust Agreement or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.09. Termination of Proceedings. In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee, the Bond Insurer or the Bond Owners, then in every such case the Authority, the Trustee, the Bond Insurer and the Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners will continue as though no such proceedings had been taken.

ARTICLE VIII DEFEASANCE

SECTION 8.01. Discharge of Trust Agreement. When the obligations of the City under the Contract will cease pursuant to Article VI of 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 this Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the Bonds as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee will turn over to the City, as an overpayment of 2014 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the Bonds at maturity or on redemption, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the Bonds, and after such payment, this Trust Agreement will become void, except for the Authority's obligation to indemnify the Trustee pursuant to Section 5.03.

If moneys or securities are deposited with and held by the Trustee as hereinabove provided, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, stating that (a) moneys or Federal Securities are so held by it, and (b) that this Trust Agreement has been released in accordance with the provisions of this Section.

SECTION 8.02. Deposit of Money or Securities with Trustee. Whenever in this 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 Bonds in full on the maturity or redemption date) in the necessary amount to pay or redeem any Bonds, 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 this Trust Agreement and will be --

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such Bonds and all unpaid interest represented thereby to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as in Article II provided or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of redemption plus a redemption premium, if any, represented by such Bonds; or

(b) 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 Agency, 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 redemption premium, if any, plus all accrued interest to maturity or to the redemption date, as the case may be, represented by the Bonds to be paid or redeemed, as such amounts become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as in Article II provided or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will

have been irrevocably instructed (by the terms of this Trust Agreement and the Contract or by Written Request of the City) to apply such money to the payment of such principal plus redemption premium, if any, plus interest represented by such Bonds.

SECTION 8.03. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity date, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2014 Payments; provided, however, that before being required to make any such payment to the City, the Trustee will at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

ARTICLE IX MISCELLANEOUS

SECTION 9.01. Benefits of this Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof will be for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 9.02. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference will be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 9.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly-sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity date, number and date of holding the same may be proved by the registration books relating to the Bonds at the Corporate Trust Office of the Trustee.

Any declaration, request or other instrument or writing of the Owner of any Bond will bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

SECTION 9.04. Waiver of Personal Liability. No member, officer or employee of the Authority will be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds by reason of their delivery, but nothing herein contained will relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

SECTION 9.05. Content of Bonds. Every Certificate of the Authority with respect to compliance with any agreement, condition, covenant or provision provided herein will include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 9.06. Accounts and Funds, Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of account such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds will at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day will be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

SECTION 9.07. Notices. All written notices to be given hereunder will be given by mail or hand delivery to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Authority: Roseville Finance Authority
 c/o City of Roseville
 311 Vernon Street
 Roseville, CA 95678
 Attention: Treasurer

If to the City: City of Roseville
 311 Vernon Street
 Roseville, CA 95678
 Attention: Administrative Services Director/Treasurer

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
 400 South Hope Street, Suite 400
 Los Angeles, CA 90071
 Attention: Corporate Trust

SECTION 9.08. CUSIP Numbers. Neither the Authority nor the Trustee will be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto. The Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee will be liable for any defects or inaccuracies in such numbers.

SECTION 9.09. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto will be solely for convenience of reference and will not affect the meaning, construction or effect hereof. All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 9.10. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee will be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof will be null and void and will be deemed separable from the remaining agreements and covenants or portions thereof and will in no way affect the validity hereof or of the Bonds, and the Owners will retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered this Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.11. California Law. This Trust Agreement will be construed and governed in accordance with the laws of the State of California.

SECTION 9.12. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee will preserve undestroyed, will together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Roseville Finance Authority has caused this Trust Agreement to be signed in its name by its Treasurer and attested by its Secretary, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: Jay Panjica
Treasurer

Attest:

By: Denia Orozco
Secretary

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee**

By: _____
Authorized Officer

IN WITNESS WHEREOF, the Roseville Finance Authority has caused this Trust Agreement to be signed in its name by its Treasurer and attested by its Secretary, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

Attest:

By: _____
Secretary

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee**

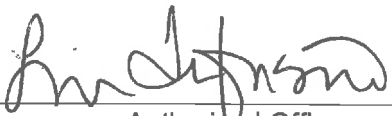
By:  _____
Authorized Officer

EXHIBIT A
[FORM OF BOND]

No. R-_____

\$ _____

ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bond Date</u>	<u>CUSIP</u>
_____ %	February 1, ____	August 21, 2014	77781R ____

REGISTERED OWNER: CEDE & CO

PRINCIPAL SUM: \$ _____

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584

of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms of the Bonds, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the registered owners of the Bonds with respect thereto and for the other agreements, conditions, covenants and terms upon which the Bonds are executed and delivered.

The Bonds are special obligations of the Authority and this Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Trust Agreement) are payable from, and are secured by a lien on Revenues (as that term is defined in the Trust Agreement) consisting primarily of installment payments ("2014 Payments") to be made under and pursuant to that certain 2014 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 2014, which is supplemental to that certain Master Contract executed and entered into as of November 1, 1997, each by and between the City of Roseville, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") (which Master Contract as so supplemented is referred to herein as the "Contract"), all of which rights to receive such 2014 Payments have been assigned by the Authority to the Trustee, or any other association or corporation which may at any time be substituted in place of the original trustee as provided the Trust Agreement. Capitalized terms used in this Bond not otherwise defined herein will have the meanings given such terms in the Trust Agreement hereinafter mentioned or in the Contract.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto, but no such amendment will (1) extend the maturity date of this Bond, or change the payment dates of, or reduce the rate of interest or principal or redemption premium, if any, evidenced and represented hereby, without the express written consent of the registered owner hereof, or (2) reduce the percentage of Bonds required for the written consent to any amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Bonds are subject to optional redemption prior to their respective stated maturity dates, upon notice as provided in the Trust Agreement, from prepayment of 2014 Payments made by the City pursuant to the Contract, as a whole or in part (from such maturity dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such maturity dates, in inverse order of maturity date and by lot within a maturity date) on any date on or after August 1, 2024, at a redemption price equal to the principal amount of the 2014 Bonds called for redemption, plus accrued and unpaid interest to the redemption date, without premium.

If less than all Outstanding Bonds of any particular maturity date are to be redeemed at any one time, the Trustee will select the portions of the Bonds of such maturity date to be redeemed by lot in a manner that the Trustee deems to be fair. For purposes of selecting Bonds to be redeemed, Bonds of each maturity date will be deemed to be composed of five thousand dollars (\$5,000) multiples and any such multiple may be separately redeemed. If the Authority elects to optionally redeem Bonds pursuant to the foregoing paragraph, it will notify the Trustee of the redemption date and the principal amount of the Bonds of each maturity date to be redeemed on such redemption date at least forty-five (45) days prior to such redemption

date; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

Notice of redemption of any Bond selected for redemption will be mailed by the Trustee not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price is held by the Trustee, then this Bond will, on the redemption date designated in such notice, become due and payable, and from and after the date so designated interest on this Bond will cease to accrue, and the registered owner of this Bond will have no rights with respect hereto except to receive payment of the redemption price hereof.

This Bond is transferable on the books required to be kept for that purpose at the Corporate Trust Office of the Trustee in whose name it is registered, in person or by his duly authorized attorney, upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, and thereupon a new Bond or Bonds of the same maturity date evidencing and representing a like aggregate principal amount in authorized denominations will be delivered to the transferee. This Bond may be exchanged at the Corporate Trust Office of the Trustee, upon payment of the charges provided in the Trust Agreement, for Bonds evidencing and representing a like aggregate principal amount of Bonds of the same maturity date of other authorized denominations. The Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest and principal and redemption premium, if any, evidenced and represented hereby and for all other purposes, whether this Bond will be overdue or not, and the Trustee will not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and redemption premium, if any, on this Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The Bonds each evidence and represent a proportionate interest in the 2014 Payments to be held in trust by the Trustee pursuant to the Trust Agreement in an amount equal to the aggregate principal amount of Bonds originally executed and delivered by the Trustee pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the Authority to pay the Bonds is a special obligation of the Authority payable solely from the Revenues (as defined in the Trust Agreement) and the obligation of the City to make the 2014 Payments is a special obligation of the City payable solely from the Net Revenues on a parity with the Parity Obligations (as defined in the Contract) of the City's Electric System 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 2014 Payments under the Contract. The City may incur other obligations payable on parity with the 2014 Payments in accordance with the Contract.

The Trustee has no obligation or liability to the Bond owners for the payment of the interest or principal or the redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligations are those stated in the Trust Agreement.

No member, officer or employee of the Authority will be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds by

reason of their delivery, but nothing herein contained will relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

The Trust Agreement prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Agreement.

The Authority has certified that all acts, conditions and things required by the Constitution and statutes of the State of California and the Trust Agreement, to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Bond, have been performed, have happened and do exist in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Bond, and that the amount of this Bond, together with all other Bonds executed and delivered under the Trust Agreement, is not in excess of the amount of Bonds authorized to be executed and delivered thereunder.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Roseville Finance Authority has caused this Bond to be dated as of the Bond Date stated above and to be signed by the Treasurer of the Authority and countersigned by the Secretary of the Authority.

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

By: _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the Trust Agreement.

Dated: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., *as Trustee*

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

(Name, address and Tax identification Number of Assignee)

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)
_____, attorney, _____

to transfer the same on the registration books of the Fiscal Agent with full power of substitution
in the premises.

Dated: _____

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by a
member firm of the New York Stock Exchange or a
commercial bank or trust company.

NOTE: The signature(s) on this Assignment must
correspond with the name(s) as written on the face of
the within Bond in every particular without alteration or
enlargement or any change whatsoever.

MASTER INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of November 1, 1997

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions	2

ARTICLE II

ACQUISITION, CONSTRUCTION AND SALE OF PROJECTS; FUNDS

SECTION 2.01. Acquisition, Construction and Sale of Projects	18
SECTION 2.02. Improvement Fund	18
SECTION 2.03. Rate Stabilization Fund	18
SECTION 2.04. Pledge of Net Revenues; Electric Revenue Fund	19
SECTION 2.05. Investments	20

ARTICLE III

EXECUTION OF PARITY OBLIGATIONS AND OTHER OBLIGATIONS

SECTION 3.01. Conditions for the Execution of Parity Obligations	21
SECTION 3.02. Procedure for the Execution of Parity Obligations	21
SECTION 3.03. Other Obligations	22

ARTICLE IV

COVENANTS OF THE CITY

SECTION 4.01. Compliance with Contracts	22
SECTION 4.02. Use of Proceeds	23
SECTION 4.03. Against Encumbrances	23
SECTION 4.04. Sale or Other Disposition of Property	23
SECTION 4.05. Prompt Acquisition and Construction of the Projects	23
SECTION 4.06. Maintenance and Operation of the Electric System; Budgets	23
SECTION 4.07. Compliance with Contracts for Use of the Electric System	24
SECTION 4.08. Insurance	24
SECTION 4.09. Accounting Records; Financial Statements and Other Reports	24
SECTION 4.10. Protection of Security and Rights of the Authority	24
SECTION 4.11. Payment of Taxes and Compliance with Governmental Regulations	25

SECTION 4.12.	Amount of Rates and Charges	25
SECTION 4.13.	Collection of Rates and Charges	25
SECTION 4.14.	Eminent Domain and Insurance Proceeds	25
SECTION 4.15.	Further Assurances	25

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01.	Events of Default and Acceleration of Principal	26
SECTION 5.02.	Application of Net Revenues upon Acceleration	27
SECTION 5.03.	Other Remedies	27
SECTION 5.04.	Non-Waiver	28
SECTION 5.05.	Remedies Not Exclusive	28

ARTICLE VI

DISCHARGE OF OBLIGATIONS

SECTION 6.01.	Discharge of Obligations	28

ARTICLE VII

MISCELLANEOUS

SECTION 7.01.	Liability of City Limited to Net Revenues	29
SECTION 7.02.	Benefits of Contracts Limited to Parties	30
SECTION 7.03.	Successor Is Deemed Included in all References to Predecessor	30
SECTION 7.04.	Waiver of Personal Liability	30
SECTION 7.05.	Article and Section Headings, Gender and References	30
SECTION 7.06.	Partial Invalidity	30
SECTION 7.07.	Net Contract	31
SECTION 7.08.	California Law	31
SECTION 7.09.	Indemnification	31
SECTION 7.10.	Funds	31
SECTION 7.11.	Notices	32
SECTION 7.12.	Effective Date	32
SECTION 7.13.	Execution in Counterpart	32

MASTER INSTALLMENT PURCHASE CONTRACT

This Master Installment Purchase Contract (the "Master Contract"), executed and entered into as of November 1, 1997, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

W I T N E S S E T H:

WHEREAS, the City is authorized by law to acquire and construct facilities for the generation and transmission of electricity for its electric utility system; and

WHEREAS, the Authority is authorized by law to enter into contracts to pay the costs and expenses of acquiring and constructing facilities for the generation and transmission of electricity; and

WHEREAS, the City has determined that the financing and refinancing of the costs of the acquisition and construction from time to time of various additions, betterments and improvements to its electric utility system is necessary and proper for City purposes under the terms of applicable law and is for the common benefit of the City as a whole; and

WHEREAS, the City has determined to enter into installment purchase contracts with the Authority for the financing and refinancing of the costs of the acquisition, construction, additions, betterments and equipping of such improvements; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Master Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Master Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

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

Adjusted Annual Debt Service

"Adjusted Annual Debt Service" means, for any Fiscal Year or any designated twelve (12) month period in question, the Annual Debt Service for such Fiscal Year or twelve (12) month period minus the sum of (i) for the purposes of Section 4.12 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 twelve (12) month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a Certificate of the City.

Adjusted Annual Net Revenues

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

Adjusted Annual Revenues

"Adjusted Annual Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Revenues during such Fiscal Year or twelve (12) month period plus, for the purposes of determining compliance with Section 4.12 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 twelve (12) month period), as of the first day of such Fiscal Year or twelve (12) month period minus, for the purposes of determining compliance with Section 4.12 only, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or twelve (12) month period.

Annual Debt Service

"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 Section 4.12, 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 Counterparty 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 Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that is required to be used to calculate interest on the Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it 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 Counterparty 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 Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

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

(3) Certain Payment Agreements May be Disregarded.

Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City 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.

Authority

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

Average Annual Debt Service

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

Balloon Parity Obligation

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

Business Day

"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 City

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

City

"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

"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.

Contracts

"Contracts" means the Master Contract and all Supplemental Contracts.

Electric Revenue Fund

"Electric Revenue Fund" means the City of Roseville Electric Utility Fund continued pursuant to Section 2.04.

Electric Service

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

Electric System

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

Engineer's Report

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

Event of Default

"Event of Default" means an event described in Section 5.01 hereof.

Federal Securities

"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).

Finance Director

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

Fiscal Year

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

Generally Accepted Accounting Principles

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

Improvement Fund

"Improvement Fund" means the City of Roseville Electric System Improvement Fund established pursuant to Section 2.02 hereof.

Independent Certified Public Accountant

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

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a director, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

Independent Engineer

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

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

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

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

Maintenance and Operation Costs

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained herein to the contrary notwithstanding, "Maintenance and Operation Costs" shall include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

Master Contract

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

Maximum Annual Debt Service

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

Maximum Annual Payments

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

Moody's

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

Net Proceeds

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

Net Revenues

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

1997 Trust Agreement

"1997 Trust Agreement" means the Trust Agreement dated as of November 1, 1997, by and between the Authority and the Trustee.

Opinion of Counsel

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

Outstanding

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in Article VI.

Parity Bank Agreements

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

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the City of Roseville Electric System Parity Obligation Payment Fund established pursuant to Section 2.04.

Parity Obligations

"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

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

Parity Reserve Fund

"Parity Reserve Fund" means the City of Roseville Electric System Parity Reserve Fund referred to in Section 2.04.

Payment Agreement

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

Payment Agreement Payments

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

Payment Agreement Receipts

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

Payment Date

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

Payments

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

Permitted Investments

"Permitted Investments" means, except as otherwise provided in any Supplemental Contract, 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 and to the extent then permitted by law:

- (1) Federal Securities;
- (2) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under said act; bonds, debentures, participation certificates or other obligations of the Government National Mortgage Association or the Federal National Mortgage Association established under the National Housing Act, as amended;
- (3) Demand deposits, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, including the Trustee and its affiliates, or a state or national savings and loan association, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or (ii) issued by any bank or trust company organized under the laws of any state of the United States, or any national banking association (including the Trustee), having a combined capital and surplus of at least \$500,000,000, whose non-guaranteed senior debt is rated "A1" or equivalent or better by the Rating Agencies and such certificates shall have maturities of six months or less;
- (4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in

clause (1) or (2) of this definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent on behalf of the Trustee, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by the Rating Agencies, and (d) failure to maintain the requisite collateral level will require the liquidation of the collateral;

(5) Bankers' acceptances which are issued by a bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee and its affiliates) rated "A" or equivalent or better by the Rating Agencies; provided, that such banker's acceptances may not exceed 270 days' maturity;

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical-rating as provided by the Rating Agencies, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A" or equivalent or higher rating for the issuer's debentures, other than commercial paper, as provided by the Rating Agencies; provided that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuer corporation;

(7) Bonds, notes, warrants or other evidence of indebtedness of any of the states of the United States or of any political subdivision or public agency thereof which are rated in the highest short-term or one of the two highest long-term rating categories by the Rating Agencies;

(8) Any investment agreement with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee and its affiliates) or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, having a combined capital and surplus of at least \$100,000,000 and that is rated at least "AA" or equivalent by the Rating Agencies, or (ii) any corporation that is rated at least "AA" or equivalent by the Rating Agencies and is organized and operating within the United States of America and has total assets in excess of five hundred million dollars (\$500,000,000); provided, that the form of such investment agreement shall have been approved by the Rating Agencies;

(9) Government money market portfolios or money market funds (including portfolios or funds of the Trustee and its affiliates) restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios shall have an "Am" or "Am-G" or equivalent or higher rating by the Rating Agencies;

(10) Tax-exempt securities rated "AAA" or equivalent by the Rating Agencies, for which the interest and principal has been provided by an escrow deposit which, in the opinion of an Independent Certified Public Accountant, is fully sufficient to pay the principal of and interest and redemption premium, if any, on such tax-exempt securities at their stated maturity or redemption date;

(11) A taxable or tax-exempt government money market portfolio (including portfolios of the Trustee and its affiliates) restricted to obligations with maturities of one year or less, and either issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America or rated "AAA" or equivalent by the Rating Agencies;

(12) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the City of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto;

(13) The investment pool operated by or on behalf of the County of Placer;
and

(14) The California Asset Management Program (CAMP).

Project

"Project" means any additions, betterments or improvements to the Electric System, designated by the City Council of the City as a Project, the costs of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

Qualified Counterparty

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been or whose debt service obligations have been assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

Rate Stabilization Fund

"Rate Stabilization Fund" means the fund by that name established pursuant to Section 2.03.

Rating Agencies

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City.

RBI

"RBI" means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

Request of the City

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

Reserve Fund Requirement

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

Revenues

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

S&P

"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 rating Parity Obligations at the Request of the City.

State

"State" means the State of California.

Subordinate Obligations

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

Supplemental Contracts

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and

pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues on a parity.

Trust Agreements

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the 1997 Trust Agreement.

Trustee

"Trustee" means First Trust of California, National Association, a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreements.

Variable Interest Rate

"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

"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 this Section 1.01.

ARTICLE II

ACQUISITION, CONSTRUCTION AND SALE OF PROJECTS; FUNDS

SECTION 2.01. Acquisition, Construction and Sale of Projects. The Authority hereby agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement this provision, the Authority hereby appoints the City as its agent for the purpose of such acquisition and construction, and the City hereby agrees to enter into such agreements, construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the acquisition and construction of the Projects.

The City hereby agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to Section 2.02, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority hereby agrees to and hereby sells the Projects to the City. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

SECTION 2.02. Improvement Fund. There is hereby established the City of Roseville Electric System Improvement Fund (the "Improvement Fund"), which fund the City hereby agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund shall be used and withdrawn by the City to pay the costs of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City shall maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project shall be transferred by the City to the Electric Revenue Fund.

SECTION 2.03. Rate Stabilization Fund. There is hereby established a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City hereby agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate

Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be accounted for as Revenues. Notwithstanding the foregoing, no Revenues shall be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with Section 3.01 or Section 4.12 and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

SECTION 2.04. Pledge of Net Revenues; Electric Revenue Fund. (a) All Net Revenues of the Electric System are hereby irrevocably pledged to the payment of the Payments and all payments required to be made by the City hereunder or under any other Parity Obligations, and the Net Revenues of the Electric System shall not be used for any other purposes 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 hereby. This pledge shall constitute a first pledge of and charge and lien upon the Net Revenues of the Electric System for the payment of amounts due with respect to the Contracts and all other Parity Obligations in accordance with the terms hereof.

(b) In order to carry out and effectuate the obligation of the City contained herein and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it shall be deposited when and as received in the City of Roseville Electric Utility Fund (the "Electric Revenue Fund"), which fund shall be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund shall be applied and used only as provided herein. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund shall be set aside and deposited by the City 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 shall, from the money in the Electric Revenue Fund, deposit in the City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is hereby established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity

Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund shall be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement 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 shall, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund established pursuant to Section 3.04 of the 1997 Trust Agreement, that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City shall also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to Section 3.02(5)(b), without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

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

SECTION 2.05. Investments. Any moneys held in the Electric Revenue Fund or the Parity Obligation Payment Fund shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement hereunder. Any moneys held in the Rate Stabilization Fund shall be invested in Permitted Investments which shall mature at such dates as the City shall determine but prior to the final date on which payments are due under any Outstanding Parity Obligation. All investment earnings from moneys or deposits in the Electric Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund shall be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which shall be held separately) established pursuant hereto into a separate fund or funds for investment purposes only; provided however, that all funds or accounts held by the City hereunder shall be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments

credited to such fund or account shall be valued, except as otherwise provided herein, at the lower of cost or market value (inclusive of all interest accrued but not paid).

ARTICLE III

EXECUTION OF PARITY OBLIGATIONS AND OTHER OBLIGATIONS

SECTION 3.01. Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligation, the payments of which are payable from the Net Revenues on a parity with the Payments due under the Supplemental Contracts provided herein, provided there shall be on file with the Trustee:

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

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

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Parity Obligations at any time to refund any Outstanding Parity Obligations.

SECTION 3.02. Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there shall first be delivered to the City and the Trustee (which shall serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract), the following documents or money or securities:

(1) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(2) A Request of the City as to the delivery of such Parity Obligation;

(3) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other

similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance herewith;

(4) A Certificate of the City or an Engineer's Report as required pursuant to Section 3.01(a) or (b), whichever is applicable, containing such statements as may be reasonably necessary to show compliance with the requirements of Section 3.01(a) or (b), as the case may be;

(5) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(6) Such further documents, money and securities as are required by the provisions hereof and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(7) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

SECTION 3.03. Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in Section 3.01.

ARTICLE IV

COVENANTS OF THE CITY

SECTION 4.01. Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm,

earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

SECTION 4.02. Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided herein and therein.

SECTION 4.03. 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.

SECTION 4.04. 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 Section 4.12 hereof.

SECTION 4.05. 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.

SECTION 4.06. 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 hereunder 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.

SECTION 4.07. 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.

SECTION 4.08. 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 herein shall provide that the Authority shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

SECTION 4.09. Accounting Records; Financial Statements and Other Reports.

(a) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Electric System, which records shall be available for inspection by the Authority at reasonable hours and under reasonable conditions.

(b) The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1997) --

(1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

SECTION 4.10. 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.

SECTION 4.11. 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.

SECTION 4.12. Amount of Rates and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

SECTION 4.13. 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 herein 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 hereunder.

SECTION 4.14. 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.

SECTION 4.15. 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.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01. 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 herein 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 herein 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.

SECTION 5.02. Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in Section 5.01 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 this article, 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.

SECTION 5.03. Other Remedies. The Authority shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors officers and employees to account as the trustee of an express trust.

SECTION 5.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 5.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VI

DISCHARGE OF OBLIGATIONS

SECTION 6.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder and under all Supplemental Contracts shall cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority shall pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments shall continue to be held in trust for the payment thereof.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are

derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Net Revenues as provided herein. 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 Payments.

SECTION 7.02. Benefits of Contracts Limited to Parties. Nothing contained in any Contract, expressed or implied, is intended to give to any person other than the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City any right, remedy or claim under or pursuant thereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City shall be for the sole and exclusive benefit of the other party; provided, that with respect to enforcing the Trustee's rights hereunder, the Trustee shall be a third party beneficiary hereof and shall have the right to enforce the obligations of the City hereunder.

SECTION 7.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 7.04. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Payments, but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or by the terms of the Contracts.

SECTION 7.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Master Contract as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

SECTION 7.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity

hereof. The Authority and the City hereby declare that they would have executed the Master Contract, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 7.07. Net Contract. The Contracts shall be deemed and construed to be net contracts, and the City shall pay absolutely net during the term hereof the Payments and all other payments required under the Contracts, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 7.08. California Law. The Contracts shall be construed and governed in accordance with the laws of the State of California.

SECTION 7.09. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of (i) the entering into of the Contracts, the acquisition, construction, installation and use of any of the Projects and each portion thereof or any accident in connection with the operation, use, condition or possession of any of the Projects or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority, (ii) any claim for patent, trademark or copyright infringement, (iii) any claim arising out of strict liability in tort, (iv) without negligence or wilful misconduct, the Trustee's acceptance or administration of the trust under the Trust Agreements, or the exercise or performance of any of its powers or duties thereunder or hereunder; or (v) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any bonds or other evidences of indebtedness issued under the Trust Agreements. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of any of the Projects. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof. The rights to indemnification from the City hereunder shall survive the termination hereof or the resignation or removal of the Trustee.

SECTION 7.10. Funds. Any fund required to be established and maintained herein by the City may be established and maintained in the accounting records of the City either as an account or a fund and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund;

but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice.

SECTION 7.11. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of Roseville
311 Vernon Street
Roseville, CA 95678
Attention: Finance Director

If to the Authority:

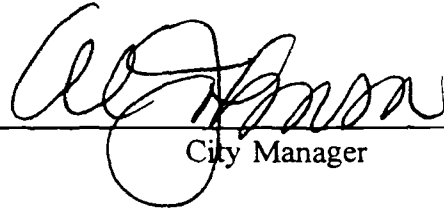
Roseville Finance Authority
c/o City of Roseville
311 Vernon Street
Roseville, CA 95678
Attention: Finance Director

SECTION 7.12. Effective Date. All Contracts shall become effective upon their execution and delivery, and shall terminate when the Payments provided therein shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI).

SECTION 7.13. Execution in Counterpart. The Master Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and attested the Master Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By 
City Manager

(SEAL)

Attest:

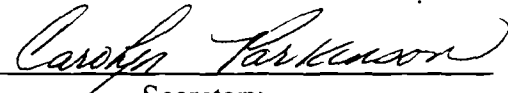

City Clerk

ROSEVILLE FINANCE AUTHORITY

By 
Executive Director

(SEAL)

Attest:


Secretary



2014 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of August 1, 2014

TABLE OF CONTENTS

Page

ARTICLE I	
DEFINITIONS	
SECTION 1.01	Definitions.....2
ARTICLE II	
TERMS OF THE 2014 SUPPLEMENTAL CONTRACT	
SECTION 2.01.	Authority for the 2014 Supplemental Contract.....4
SECTION 2.02.	Purpose of the 2013 Supplemental Contract.....4
SECTION 2.03.	Payment of the 2014 Supplemental Contract.....4
SECTION 2.04.	Payment of 2014 Payments. 4
SECTION 2.05.	Prepayment of 2014 Payments. 5
SECTION 2.06.	Establishment of 2014 Funds and Accounts 5
SECTION 2.07.	Tax Covenants. 7
SECTION 2.08.	Continuing Disclosure.....8
SECTION 2.09.	Prior Amendments to the Master Contract. 8
SECTION 2.10.	Terms of the 2014 Supplemental Contract Subject to the Master Contract.....9
SECTION 2.11.	Assignment of the 2014 Supplemental Contract. 9
EXHIBIT A	SCHEDULE OF 2014 PAYMENTS

2014 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

This 2014 Supplemental Installment Purchase Contract (the "2014 Supplemental Contract"), dated as of August 1, 2014, is between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"), a 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008 (the "2008 Supplemental Contract") a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "2009 Supplemental Contract"), a 2010 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2010 (the "2010 Supplemental Contract"), a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract"), and a 2013 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2013 (the "2013 Supplemental Contract") to finance and refinance the costs of various improvements to the Electric System of the City; and

WHEREAS, the City and the Authority desire to refinance a portion of the costs of improvements to the Electric System of the City financed through the 2004 Payments (as described in the 2004 Supplemental Contract), and in connection therewith to enter into this 2014 Supplemental Contract pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this 2014 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2014 Supplemental Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section will for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.04 of the Master Contract.

Prepaid 2004 Certificates

"Prepaid 2004 Certificates" means a portion of the 2004 Certificates maturing in 2034, in the principal amount of \$18,315,000, being prepaid with proceeds of the 2014 Bonds.

Tax Certificate

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2014 Bonds executed and delivered by the City on the date of initial delivery of the 2014 Bonds, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of August 1, 2014, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2004 Certificates

"2004 Certificates" means the \$39,940,000 original principal amount of Electric System Revenue Certificates of Participation, Series 2004 executed and delivered by the Authority.

2004 Project

"2004 Project" means capital improvements to the City's electric system financed by the 2004 Payments described in the 2004 Supplemental Contract.

2014 Bonds

"2014 Bonds" means the Electric System Revenue Refunding Bonds, Series 2014, executed and delivered by the Authority pursuant to the Trust Agreement.

2014 Payment Date

"2014 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2014 Bonds become due (whether at maturity or because of prepayment or acceleration).

2014 Payments

"2014 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof, as described in Exhibit A hereto.

2014 Project

"2014 Project" means the portion of the 2004 Project refinanced by the 2014 Payments hereunder.

2014 Rebate Fund

"2014 Rebate Fund" means the City of Roseville Electric System 2014 Rebate Fund established pursuant to Section 2.06 of the 2014 Supplemental Contract.

2014 Supplemental Contract

"2014 Supplemental Contract" means this 2014 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 2014, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2014 Supplemental Contract Payment Account

"2014 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.04 of the Master Contract.

ARTICLE II

TERMS OF THE 2014 SUPPLEMENTAL CONTRACT

SECTION 2.01. Authority for the 2014 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2014 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2014 Supplemental Contract in the manner and form provided herein for the financing and refinancing of the costs of the 2014 Project.

SECTION 2.02. Purpose of the 2014 Supplemental Contract. The City hereby transfers to the Authority the 2014 Project for the purpose of refinancing a portion of the acquisition of the 2004 Project from the Authority. The City agrees to acquire the 2014 Project from the Authority pursuant to the terms hereof, to cause the acquisition of the 2014 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon prepayment of the Prepaid 2004 Certificates and execution and delivery of the 2014 Bonds, all right, title and interest in and to the 2014 Project will transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03. Payment of the 2014 Supplemental Contract. The City hereby establishes a 2014 Supplemental Contract Payment Account within the Parity Obligation Payment Fund. On or before the fourth Business Day immediately preceding each 2014 Payment Date, the City will, from the money in the Electric Revenue Fund, deposit in the 2014 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2014 Payments becoming due and payable under the 2014 Supplemental Contract on the next succeeding 2014 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2014 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2014 Payments becoming due and payable under the 2014 Supplemental Contract on the next succeeding 2014 Payment Date; and all money on deposit in the 2014 Supplemental Contract Payment Account will be transferred by the City to the Trustee on the fourth Business Day preceding each 2014 Payment Date to make and satisfy the 2014 Payment due on such 2014 Payment Date in accordance with the Master Contract. On or before the fourth Business Day preceding each 2014 Payment Date, the City will from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 2014 Payments. The City will, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2014 Project the sum of \$16,485,000, without offset or deduction of any kind, by paying the principal installments of the 2014 Payments in accordance with the payment schedule set forth in Exhibit A attached hereto and incorporated herein, together with interest installments of the 2014 Payments, which interest installments will be paid in the amounts and on the 2014 Payment Dates in accordance with Section 2.03 hereof and the interest payment schedule set forth in Exhibit A attached hereto and incorporated herein and in Article II of the Trust

Agreement, and which interest will constitute interest paid on the principal amount of the City's obligations hereunder.

The obligation of the City to pay the 2014 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2014 Payments will have been paid in full (or provision for the payment thereof will have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2014 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2014 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset, abatement or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City additionally agrees to undertake the obligations of the Authority for compensation and indemnification as set forth in Section 5.03 of the Trust Agreement. The Trustee shall be considered a third party beneficiary hereunder with regard to enforcing such rights.

SECTION 2.05. Prepayment of 2014 Payments. The City may elect to pay all or part of the 2014 Payments, on the same terms as set forth in Section 2.03 of the Trust Agreement for prepayment of the 2014 Bonds. Notwithstanding any such prepayment, the City will not be relieved of its obligations hereunder until all of the 2014 Bonds have been fully paid and retired (or provision for payment thereof has been made as provided in Section 8.02 of the Trust Agreement).

SECTION 2.06. Establishment of 2014 Funds and Accounts.

(a) [Reserved]

(b) 2014 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 2014 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2014 Rebate Fund (the "2014 Rebate Fund"). All amounts at any time on deposit in the 2014 Rebate Fund will be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts will be free and clear of any lien under the Master Contract and the 2014 Supplemental Contract and will be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (i) the City will calculate or cause to be calculated with the 2014 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (ii) the City will deposit to the 2014 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the respective subaccounts of the 2014 Rebate Fund to be equal to the "rebate amount" so calculated.

With respect to each subaccount, the City will not be required to deposit any amount to the 2014 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2014 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2014 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City will not be required to calculate the "rebate amount," and will not be required to deposit any amount to the 2014 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2014 Bonds (including amounts treated as proceeds of the 2014 Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2014 Rebate Fund after payment of all the 2014 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, will be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2014 Rebate Fund, the City will pay to the United States, from amounts on deposit the 2014 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2014 Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, which will be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2014 Rebate Fund, the amount in the 2014 Rebate Fund is not sufficient to

make such payment when such payment is due, the City will calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2014 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 2014 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City will transfer the excess from the 2014 Rebate Fund to the Revenue Fund.

(7) The City will retain records of all determinations made hereunder until six years after the final payment or discharge of all 2014 Bonds.

(8) Notwithstanding anything in the Master Contract or the 2014 Supplemental Contract to the contrary, the Rebate Requirement will survive the payment in full or discharge of the 2014 Bonds and the 2014 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2014 Payments constituting interest under Section 103 of the Code. The City will not, directly or indirectly, use or permit the use of proceeds of the 2014 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2014 Supplemental Contract, 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 the portion of the 2014 Payments constituting interest.

The City will not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2014 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2014 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2014 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2014 Bonds or other obligations delivered in connection with the 2014 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2014 Payments are unpaid, the City, 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 City will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2014 Supplemental Contract as "governmental bonds."

The City will not, directly or indirectly, use or permit the use of any proceeds of the 2014 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2014 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2014 Supplemental Contract.

The City will not make any use of the proceeds of the 2014 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2014 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants will survive payment in full or discharge of the 2014 Bonds and the 2014 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that, in accordance with continuing disclosure requirements under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, it will undertake to comply with and carry out all applicable provisions for compliance therewith for such 2014 Bonds. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with such continuing disclosure obligation will not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Prior Amendments to the Master Contract.

(a) The definition of "Parity Obligations" in the Master Contract was corrected and amended in the 2005 Supplemental Contract to read in its entirety as follows:

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of Article III, (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).

(b) The definition of "Annual Debt Service" in the Master Contract was amended in the 2010 Supplemental Contract to add after subsection "(E)" thereof, the following, provided however, this addition will only become operative at such time as the City no longer has outstanding payment obligations under any Supplemental Contracts entered into prior to July 1, 2010:

"(F) Government Refundable Credits. For purposes of calculating Annual Debt Service for the purposes of determining compliance with Section 4.12 and conditions for the execution of Parity Obligations, it will be assumed that the calculation of the actual amount of interest, as referred to in subsection (A) above, that is payable under any Parity Obligation is the net amount after deducting for any portion of such interest that the Federal government is obligated to pay (the "Refundable Credits") under a program which provides for interest subsidy payments to a governmental issuer of bonds, provided such Refundable Credits are pledged to such Parity Obligation and deposited directly with the trustee of such Parity Obligation; and provided further that such Refundable Credits will not be included as "Revenues" in making such calculation.

(c) The 2010 Supplemental Contract deleted Section 3.02(5) of the Master Contract, provided however, this deletion will only become operative at such time as the City no longer has outstanding payment obligations under any Supplemental Contracts entered into prior to July 1, 2010.

SECTION 2.10. Terms of the 2014 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract will apply to the 2014 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2014 Supplemental Contract.

SECTION 2.11. Assignment of the 2014 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2014 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee will not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2014 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By: Jay Panzica
Treasurer

Approved as to form:

[Signature]
City Attorney
(SEAL)

Attest:

[Signature]
City Clerk

ROSEVILLE FINANCE AUTHORITY

By: Jay Panzica
Treasurer

Attest:

[Signature]
Secretary

EXHIBIT A

Schedule of 2014 Payments

Principal Amount: \$16,485,000

Fiscal Year Ending June 30	2014 Bonds Principal	2014 Bonds Interest	2014 Bonds Total Debt Service
2015		\$366,333.33	\$366,333.33
2016		824,250.00	824,250.00
2017		824,250.00	824,250.00
2018		824,250.00	824,250.00
2019		824,250.00	824,250.00
2020		824,250.00	824,250.00
2021		824,250.00	824,250.00
2022		824,250.00	824,250.00
2023		824,250.00	824,250.00
2024		824,250.00	824,250.00
2025		824,250.00	824,250.00
2026		824,250.00	824,250.00
2027		824,250.00	824,250.00
2028		824,250.00	824,250.00
2029		824,250.00	824,250.00
2030	\$2,985,000.00	824,250.00	3,809,250.00
2031	3,130,000.00	675,000.00	3,805,000.00
2032	3,290,000.00	518,500.00	3,808,500.00
2033	3,455,000.00	354,000.00	3,809,000.00
2034	3,625,000.00	181,250.00	3,806,250.00
Total	\$16,485,000.00	\$14,458,833.33	\$30,943,833.33

ESCROW DEPOSIT AND TRUST AGREEMENT (2004 Certificates of Participation)

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated as of August 1, 2014, is among the CITY OF ROSEVILLE, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), the ROSEVILLE FINANCE AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee for the 2004 Certificates described below (the "2004 Trustee") and as Escrow Bank (the "Escrow Bank") herein.

WITNESSETH:

WHEREAS, the City has previously caused the execution and delivery of Electric System Revenue Certificates of Participation, Series 2004 in the aggregate original principal amount of \$39,940,000 (the "2004 Certificates") under a Trust Agreement dated as of July 1, 2004 (the "2004 Trust Agreement"), between the Authority and the 2004 Trustee, evidencing installment payments payable by the City under a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as previously supplemented and as supplemented by a 2004 Supplemental Installment Sale Agreement (the "2004 Supplemental Agreement"), between the Authority and the City, all to finance and refinance the costs of various improvements to the Electric System of the City; and

WHEREAS, the City has determined that it is in the economic interests of the City at this time to provide for the current refunding of a portion of the outstanding 2004 Certificates maturing in 2034, in the principal amount of \$18,315,000 (the "Prepaid Certificates"); and

WHEREAS, to that end, the City and the Authority have entered into a 2014 Supplemental Installment Purchase Contract (the "2014 Supplemental Contract") pursuant to the Master Contract, and the Authority has issued its Electric System Revenue Refunding Bonds, Series 2014 in the aggregate principal amount of \$16,485,000 (the "Refunding Bonds") pursuant to a Trust Agreement, dated as of August 1, 2014 (the "2014 Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "2014 Trustee"); and

WHEREAS, the City, the Authority and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the payment and prepayment of the Prepaid Certificates as set forth on Exhibit A, in accordance with the provisions of the 2004 Trust Agreement and the 2014 Trust Agreement and providing the terms relating to the payment of costs of issuance for the Refunding Bonds;

NOW, THEREFORE, the parties hereto do hereby agree as follows:

SECTION 1. *[Reserved]*

SECTION 2. *Appointment of Escrow Bank.* The City and the Authority hereby appoint The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”) for all purposes of this Agreement and in accordance with the terms and provisions of this Agreement, and the Escrow Bank hereby accepts such appointment. The Bank of New York Mellon Trust Company, N.A., currently acts as the trustee for the 2004 Certificates (in such capacity, the “2004 Trustee”).

SECTION 3. *Establishment of Escrow Fund.* There is hereby created an escrow fund (the “Escrow Fund”) to be held by the Escrow Bank as an irrevocable escrow securing the payment of the Prepaid Certificates, subject to and in accordance with the provisions of this Agreement.

SECTION 4. *Deposit into Escrow Fund; Investment of Amounts.* Concurrently with delivery of the Refunding Bonds on August 21, 2014 (the “Refunding Bond Issuance Date”), the Authority and the City will cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the total amount of \$18,378,593.75 from the following sources, all in immediately available funds to be held by the Escrow Bank hereunder:

- (i) \$18,318,527.40 from the proceeds of the Refunding Bonds; and
- (ii) \$60,066.35 from the Parity Reserve Fund for the Parity Obligations (as such term is defined in the 2014 Trust Agreement).

The Escrow Fund will be held solely in cash.

SECTION 5. *Instructions as to Application of Deposit; Prepayment Notice.* From and after the Refunding Bond Issuance Date, all cash in the Escrow Fund will be and are hereby irrevocably pledged as special funds for the payment of the principal of, premium, if any, and interest on the Prepaid Certificates in accordance with the 2004 Trust Agreement. The Prepaid Certificates consist of a portion of the 2004 Certificates due on February 1, 2034 in the principal amount of \$18,315,000. In accordance with Section 2.02 of the Trust Agreement, the Authority directs that the Sinking Fund Payments (as defined in the 2004 Trust Agreement) with respect to the 2004 Certificates due on February 1, 2034 be reduced as follows:

Mandatory Prepayment Date (Feb. 1)	Reduction in Principal Amount	Remaining Principal Amount
2030	\$3,315,000	\$ 0
2031	3,480,000	0
2032	3,655,000	0
2033	3,840,000	0
2034 (maturity)	<u>4,025,000</u>	<u>5,000</u>
TOTAL	\$18,315,000	\$5,000

For such purpose, the total amount of cash deposited in the Escrow Fund pursuant to Section 4 will be applied by the Escrow Bank for the sole purpose of paying the principal of, premium, if any, and interest on the Prepaid Certificates to the 2004 Trustee, at the times and in the amounts set forth in the schedule shown in Exhibit A attached hereto and by this reference incorporated herein. The Escrow Bank will have no lien upon or right of set off against the cash at any time on deposit in the Escrow Fund. If at any time the Escrow Bank will receive actual

knowledge that the cash in the Escrow Fund will not be sufficient to make any payment required by this Section 5, the Escrow Bank will notify the City of such fact and the City will immediately cure such deficiency from any source of legally available funds. Following payment in full of the principal of, premium if any and interest on the Prepaid Certificates, all amounts remaining on deposit in the Escrow Fund will be transferred by the Escrow Bank to the 2014 Trustee for deposit in the debt service fund established pursuant to the 2014 Trust Agreement.

The Escrow Bank has previously given notice of prepayment in accordance with the requirements of the 2004 Trust Agreement not less than 30 days nor more than 60 days prior to the prepayment date of the Prepaid Certificates. Such notice, together with a copy of the executed 2014 Supplemental Contract and 2014 Trust Agreement, was also be given to FSA Capital Management Services LLC, or its successor, as provider of the Collateralized Investment Agreement dated as of July 21, 2004 relating to the 2004 Certificates, in accordance with Sections 6.1(b) and 11.10 of such agreement.

SECTION 6. *Application of Certain Terms of 2004 Trust Agreement.* All of the terms of the 2004 Trust Agreement relating to the making of payments of principal of and interest and prepayment premium on the Prepaid Certificates are incorporated in this Agreement as if set forth in full herein. To the extent the terms of the 2004 Trust Agreement are inconsistent herewith, the terms of the 2004 Trust Agreement will control.

SECTION 7. *Compensation and Indemnification to Escrow Bank.* The City will pay the Escrow Bank compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto. The Escrow Bank will have no lien on amounts on deposit in the Escrow Fund for such compensation.

The City agrees to indemnify and hold the Escrow Bank, its officers, employees, directors and agents harmless from and against any and all losses, costs, expenses, claims and liabilities whatsoever (including, without limitation, fees and expenses of attorneys) which may be imposed on, asserted against or incurred by the Escrow Bank related to or arising from the acceptance and performance by the Escrow Bank of its duties hereunder.

The obligations of the City under this Section will survive the termination, discharge of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 8. *Resignation of Escrow Bank.* The Escrow Bank may at any time resign by giving written notice to the City of such resignation. The City will promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective only upon acceptance of appointment by a successor Escrow Bank. If the City does not appoint a successor, the Escrow Bank may at the expense of the City petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of Escrow Bank, the City may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the City appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the City, will immediately and without further act be superseded by the successor Escrow Bank so appointed.

SECTION 9. *Amendment.* This Agreement may be amended by the parties hereto, but only if there will have first been filed with the City, the Authority and the Escrow Bank a written

opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the 2004 Certificates, and that such amendment will not cause interest with respect to the 2004 Certificates to become includable in the gross income of the owners thereof for federal income tax purposes.

SECTION 10. *Successors.* Whenever in this Agreement either the City or the Escrow Bank is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Escrow Bank will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, will be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

SECTION 11. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

SECTION 12. *Applicable Law.* This Agreement will be governed by and construed in accordance with the laws of the State of California.

SECTION 13. *Immunities and Liability of Escrow Bank.* The Escrow Bank undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations will be read into this Agreement against the Escrow Bank.

The Escrow Bank will not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event will the Escrow Bank be liable for any special, indirect or consequential damages.

The Escrow Bank may consult with legal counsel of its own choice and the Escrow Bank will not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel.

The Escrow Bank will not be liable for the recitals or representations contained in this Agreement and will not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys to pay the principal of or interest and prepayment premium on the Prepaid Certificates.

Whenever in the administration of this Agreement the Escrow Bank will deem it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and will be full protection for any action taken or not taken by the Escrow Bank in good faith reliance thereon.

The Escrow Bank may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and will be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Bank in connection with

this Agreement and believed by the Escrow Bank to be signed by the proper party, and it need not investigate any fact or matter stated therein.

The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and will not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. None of the provisions of this Agreement will require the Escrow Bank to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions will be deemed controlling. The Escrow Bank will not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Securities that is to be submitted pursuant to this Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the City with respect to escrowed funds which were to be invested in securities. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the City. In the absence of investment instructions from the City, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the City's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 14. *Termination of Agreement.* Upon payment in full of the principal of, interest and prepayment premium on the Prepaid Certificates and all fees, expense and charges of the Escrow Bank as described above, this Agreement will terminate and the Escrow Bank will be discharged from any further obligation or responsibility hereunder.

IN WITNESS WHEREOF, the City, the Authority and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF ROSEVILLE

By: Jay Panzica
Treasurer

ROSEVILLE FINANCE AUTHORITY

By: Jay Panzica
Treasurer

Approved:

[Signature]
City Attorney
City of Roseville

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,**
as Escrow Bank

By: _____
Authorized Officer

IN WITNESS WHEREOF, the City, the Authority and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF ROSEVILLE

By: _____
Treasurer

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

Approved:

City Attorney
City of Roseville

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,**
as Escrow Bank

By:  _____
Authorized Officer

EXHIBIT A

PAYMENT SCHEDULE OF THE PREPAID CERTIFICATES

Prepayment <u>Date</u>	<u>Interest</u>	Principal <u>Prepaid</u>	Prepayment <u>Premium</u>	<u>Total</u>
8/26/2014	\$63,593.75	\$18,315,000.00	N/A	\$18,378,593.75

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF ROSEVILLE (the “City”) for and on behalf of itself and the Roseville Finance Authority (the “Authority”), in connection with the issuance of the \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the “Bonds”). The Bonds are being issued in accordance with a Trust Agreement, dated as of August 1, 2014 (the “Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Dissemination Agent*” means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the Official Statement relating to the Bonds.

“*Participating Underwriters*” means Morgan Stanley & Co. LLC and U.S. Bancorp Investments, Inc., the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Report Date*” means seven months after the end of the City’s fiscal year, (currently January 31 of each year based on the City’s June 30 fiscal year end).

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, beginning on January 31, 2015, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice, in substantially the form attached as Exhibit A, with a copy to the Trustee and the Participating Underwriters.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Trustee and the Participating Underwriters, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City’s municipal electric power utility (the “Electric System”) prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, the following financial information and operating data with respect to the City and the Electric System for the preceding fiscal year as of June 30 of the previous fiscal year:

- (1) The principal amount of the outstanding 2014 Bonds.
- (2) The balance in the Reserve Fund.
- (3) The Reserve Fund Requirement for the Bonds and all outstanding Parity Obligations.
- (4) The balance in the Rate Stabilization Fund.
- (5) An updated table substantially in the form of Table 1 in the Official Statement entitled "Customers, Sales and Peak Demand."
- (6) An updated table substantially in the form of Table 2 in the Official Statement entitled "Ten Largest Customers."
- (7) An updated table substantially in the form of Table 3 in the Official Statement entitled "Sources of Power Supply."
- (8) An updated table substantially in the form of Table 7 in the Official Statement entitled "City Share of Outstanding Debt of Joint Powers Agencies."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent is The Bank of New York Mellon Trust Company, N. A. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form,

the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article V of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bondholders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of Roseville
311 Vernon Street
Roseville, California 95678
Attention: Administrative Services Director
Fax: (916) 774-5514

To the Trustee: The Bank of New York Mellon Trust Company, N. A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Department
Fax: (415) 399-1647

To the Participating Underwriters: Morgan Stanley & Co. LLC
555 California Street, Suite 2200
San Francisco, California 94104
Attention: Municipal Finance Department
Fax: (415) 591-4582

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 21, 2014

CITY OF ROSEVILLE

By: Jay Panzica
Jay Panzica
City Treasurer/ Financial Executive

ACCEPTED AND AGREED:

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Dissemination Agent

By: _____
Authorized Officer

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 21, 2014

CITY OF ROSEVILLE

By: _____
Jay Panzica
City Treasurer/ Financial Executive

ACCEPTED AND AGREED:

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Dissemination Agent

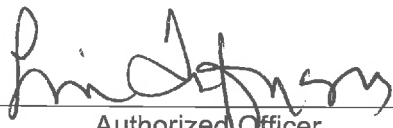
By:  _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: ROSEVILLE FINANCE AUTHORITY

Name of Issue: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

Date of Issuance: August 21, 2014

NOTICE IS HEREBY GIVEN that the City, on behalf of itself and of the Roseville Finance Authority, has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____

Title: _____

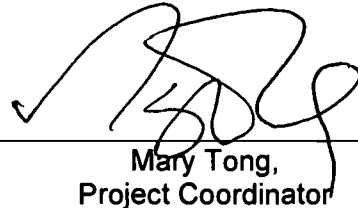
cc: Trustee

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE OF FILING REPORT OF FINAL SALE

I, Mary Tong, Project Coordinator, of Jones Hall, A Professional Law Corporation, hereby state and certify that on the date hereof, for and on behalf of the Roseville Finance Authority, I caused to be filed via email to cdiac_issuance@treasurer.ca.gov, a Report of Final Sale relating to the captioned bonds with the California Debt and Investment Advisory Commission, a true copy of which Report is hereto attached.

Dated: August 21, 2014



Mary Tong,
Project Coordinator
Jones Hall, A Professional Law Corporation

REPORT OF FINAL SALE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440

CDIAC #: 2014-0851

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement (or alternate bond documents) to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

ISSUER NAME: Roseville Finance Authority

(If pool bond, list participants)

ISSUE NAME: Electric System Revenue Refunding Bonds, Series 2014

IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?

1) Marks-Roos Local Bond Pooling Act 2) JPA Law 3) Installment Sales Agreement, Lease... 4) Housing Revenue Bond Law & Industrial Development Bond Law 5) Other

ACTUAL SALE DATE: 7/24/2014 PRINCIPAL SOLD: \$ 16,485,000.00
(Date Purchase Agreement Signed/Bid Acceptance)

DATED DATE: 08/21/2014

IS ANY PORTION OF THE DEBT FOR REFUNDING?¹

☐ No ☒ Yes, refunding amount (including costs) \$ 18,378,593.75

Issuer Contact:

Name: Monty Hanks Title: Finance Director
Address: 311 Vernon Street City, State, Zip: Roseville, CA 95678
Phone: 916-774-5313 ISSUER LOCATED IN Placer COUNTY
E-Mail: mhanks@roseville.ca.us

Filing Contact: Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: David T. Fama, Esq. Firm/Agency: Jones Hall, A Professional Law Corporation
Address: 650 California Street, 18th Floor City, State, Zip: San Francisco, CA 94108-2722
Phone: 415-391-5780 Ext. 260 E-Mail: dfama@joneshall.com
Send acknowledgement/copies to: Mike Kelley E-Mail: mkelley@joneshall.com

Name of individual to whom an invoice for the CDIAC issue fee should be sent:²

Name: Renuka Lakshmanan Firm: Morgan Stanley & Co. Incorporated
Address: 555 California St., 21st Floor City, State, Zip: San Francisco, CA 94104
Phone: 415-576-2072 E-Mail: renuka.lakshmanan@ms.com

¹ Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.

² This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.

FINANCING PARTICIPANTS (Firm name)FINANCIAL ADVISOR: The PFM GroupLEAD UNDERWRITER/PURCHASER: Morgan Stanley & Co.BOND COUNSEL: Jones Hall, A Professional Law Corporation

CO-BOND COUNSEL: _____

TRUSTEE/PAYING AGENT: The Bank of New York Mellon TrustPLACEMENT AGENT: none**OFFICE LOCATION (City/State)**Arlington, VASan Francisco, CASan Francisco, CALos Angeles, CA**MATURITY SCHEDULE**☐ Attached ☒ Included in Official Statement**MATURITY STRUCTURE**☒ Serial (S) ☐ Term (T)☐ Serial and term bonds or two or more term (B)FINAL MATURITY DATE: 8/1/2034FIRST OPTIONAL CALL DATE: 8/1/2024SENIOR/SUBORDINATE STRUCTURE ☐ Yes ☒ No**OFFICIAL STATEMENT/OFFERING MEMORANDUM:**☒ Enclosed ☐ None prepared**WAS THE ISSUE INSURED OR GUARANTEED?**☒ No☐ Bond Insurance (I)☐ Letter of Credit (L)☐ State Intercept Program (T)☐ Other (O)

GUARANTOR: _____

ENHANCEMENT EXPIRATION DATE: _____

INDICATE CREDIT RATING:

(For example, "AAA" or "Aaa")

☐ Not Rated☒ RatedStandard & Poor's: A+Fitch: A+

Moody's: _____

Other: _____

REASON FOR NEGOTIATED REFUNDINGS

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

☐ (1) Timing of the sale provided more flexibility than a public sale☐ (2) More cost savings were expected to be realized than a public sale☐ (3) More flexibility in debt structure was available than a public sale☐ (4) Issuer able to work with participants familiar with issue/r than a public sale☒ (5) All of the above☐ (6) Other (please specify) _____**IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?**Under State Law: ☐ No (taxable) ☒ Yes (tax-exempt)Under Federal Law: ☐ No (taxable) ☒ Yes (tax-exempt)If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☒ No**INTEREST TYPE:**☒ NIC - Int. Cost: 4.299575 %☒ TIC - Int. Cost: 4.016047 %☐ VariableCAPITAL APPRECIATION BOND: ☐ Yes ☒ No**ISSUANCE COSTS AND FEES:**A) Management Fee \$ unavailable - pls contactB) Total Takedown \$ unavailable - pls contactC) Underwriter Expenses \$ unavailable - pls contactUnderwriter Spread or Discount \$ 103,758.50D) Bond Counsel \$ 65,000.00E) Co-Bond Counsel \$ 0.00F) Disclosure Counsel \$ 35,000.00G) Financial Advisor \$ 35,000.00H) Rating Agency \$ 32,250.00I) Credit Enhancement \$ 0.00J) Trustee Fee \$ 5,400.00K) Placement Agent \$ 0.00L) Other Expenses \$ 7,500.00Total Issuance Costs \$ 180,150.00ORIGINAL ISSUE PREMIUM \$ 2,129,223.60

ORIGINAL ISSUE DISCOUNT \$ _____

NET ORIGINAL ISSUE DISCOUNT/PREMIUM \$ _____



CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

915 CAPITOL MALL ROOM 400
PO BOX 942809
SACRAMENTO, CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

June 4, 2014

TO: Mike Kelley
Jones Hall A Professional Law Corp
650 California Street 18th Floor
San Francisco, CA 94108-2722

FROM: Mark Campbell, Executive Director

RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE

California Government Code Section 8855 requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

CDIAC Number: 2014-0851
Issuer: Roseville Finance Authority
Project: Power generation/transmission
Proposed Amount: \$10,000,000
Proposed Sale Date: August 15, 2014
Date Notice Received: June 03, 2014

Issuers may electronically file the Report of Final Sale through CDIAC's website, using the following information:

CDIAC Number: 2014-0851
Password: 126000

A CDIAC Number and Password will be provided for each electronic filing of the Report of Proposed Debt Issuance. This information is unique to this filing and must be used for any subsequent reporting under this CDIAC Number.

Please submit the Report of Final Sale and the Official Statement/Offering Memorandum or other Bond Documents in accordance with Government Code Section 8855 on this issue within 45 days of the signing of the bond purchase contract or the acceptance of a bid to purchase the debt, to www.treasurer.ca.gov/cdiac/reporting.asp under the heading "Reporting Forms". Official Statements/Offering Memorandums or other Bond Documents can be sent by e-mail to CDIAC_issuance@treasurer.ca.gov.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit at (916) 653-3269.

Cc: Monty Hanks
Financial Analyst

REPORT OF PROPOSED DEBT ISSUANCE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440

For Office Use Only

CDIAC NO.: **2014-0851**

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.¹

ISSUER NAME: Roseville Finance Authority

ISSUE NAME: Electric System Revenue Refunding Bonds, Series 2014

Please specify type/name of project: _____

PROPOSED SALE DATE: 8/15/2014

PRINCIPAL TO BE SOLD: \$10,000,000.00

WILL A VALIDATION ACTION BE PURSUED: ☒ No ☐ Yes ☐ Unknown

IS ANY PORTION OF THE DEBT FOR REFUNDING?²

☐ No ☐ Yes, proposed amount for refunding \$ _____

Issuer Contact:

Name: Monty Hanks

Email: mhanks@roseville.ca.us

Title: Finance Director

Address: 311 Vernon Street, Roseville, CA 95678

Phone: 916-774-5313

Issuer Located In Placer

County

Filing Contact: Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: David T. Fama, Esq.

Firm/Agency: Jones Hall, A Professional Law Corporation

Address: 650 California Street, 18th Floor, San Francisco, CA 94108-2722

Phone: 415-391-5780 Ext. 260

E-mail: dfama@joneshall.com

Send acknowledgement/copies to: Mike Kelley

E-mail: mkelley@joneshall.com

FINANCING PARTIPANTS:

BOND COUNSEL: Jones Hall, A Professional Law Corporation

FINANCIAL ADVISOR: The PFM Group

UNDERWRITER/PURCHASER: Morgan Stanley & Co. Incorporated

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?

Under State law: ☐ NO (taxable)

☒ YES (tax-exempt)

Under Federal law: ☐ NO (taxable)

☒ YES (tax-exempt) If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ Yes, preference item ☒ No, not a preference item

TYPE OF SALE: ☐ Competitive ☒ Negotiated

IS THIS FINANCING A PRIVATE PLACEMENT? ☒ No ☐ Yes

¹ Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

² Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

TYPE OF DEBT INSTRUMENT**NOTE**

- ☐ Bond anticipation (BAN)
- ☐ Grant obligation (GAN)
- ☐ Other note (Please specify below.) (OTHN)
- ☐ Revenue anticipation (RAN)
- ☐ Tax allocation (TALN)
- ☐ Tax and revenue anticipation (TRAN)
- ☐ Tax anticipation (TAN)

- ☐ Commercial paper (CP)
- ☐ Certificates of participation/leases (COPL)
- ☐ Other (Please specify below.) (OTH)

BOND

- ☐ Conduit revenue (Private obligor) (CRB)
- ☐ General obligation (GOB)
- ☐ Limited tax obligation (LTOB)
- ☐ Other bond (Please specify below.) (OTHB)
- ☐ Public lease revenue (PLRB)
- ☐ Revenue (Pool) (RB)
- ☒ Revenue (Public enterprise) (PERB)
- ☐ Sales tax revenue (STRB)
- ☐ Special assessment (SAB)
- ☐ Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked: _____

SOURCE(S) OF REPAYMENT

- ☐ Bond proceeds (BDPR)
- ☐ General fund of issuing jurisdiction (GNFD)
- ☐ Grants (GRNT)
- ☐ Intergovernmental transfers other than grants (ITGV)
- ☐ Local obligations (LOB)
- ☐ Private obligor payments (POP)
- ☐ Other (Please specify.) (OTHS): _____

- ☐ Property tax revenues (PRTX)
- ☒ Public enterprise revenues (PER)
- ☐ Sales tax revenues (SATR)
- ☐ Special assessments (SA)
- ☐ Special tax revenues (SPTR)
- ☐ Tax-increment (TI)

PURPOSE(S) OF FINANCING

- ☐ Cash flow, interim financing (CFIF)
- ☐ Project, interim financing (PIF)

- ☐ College/university housing (CUH)
- ☐ Multifamily housing (MFH)³
- ☐ Single-family housing (SFH)³

- ☐ Health care facilities (HCF)
- ☐ Hospital (HOSP)
- ☐ Other/multiple health care purposes (equipment; etc.)(OMHC)

- ☐ College/university facility (CUF)
- ☐ K-12 school facility (KSCH)
- ☐ Other/multiple education uses (equipment, etc.)(OMED)
- ☐ Student loans (SLC)

- ☐ Redevelopment, multiple uses (RD)

- ☐ Commercial development (CMDV)
- ☐ Industrial development (INDV)
- ☐ Pollution control (PC)

- ☐ Airport (APRT)
- ☐ Bridges and highways (BRHI)
- ☐ Convention center (CCTR)
- ☐ Equipment (EQU)
- ☐ Flood control/storm drainage (FLDS)
- ☐ Multiple capital improvements and public works (MCAP)
- ☐ Other capital improvements and public works (OCAP)
- ☐ Parking (PRKG)
- ☐ Parks/open space (PRKO)
- ☐ Ports and marinas (PRTS)
- ☒ Power generation/transmission (PWR)
- ☐ Prisons/jails/correctional facilities (PRSN)
- ☐ Public building (PB)
- ☐ Public transit (PTR)
- ☐ Recreation and sports facilities (RCSP)
- ☐ Seismic safety improvements/repair (SSI)
- ☐ Solid waste recovery facilities (SWST)
- ☐ Street construction and improvements (SCI)
- ☐ Wastewater collection and treatment (WSTW)
- ☐ Water supply/storage/distribution (WTR)

- ☐ Insurance/pension funds (IPF)
- ☐ Other than listed above (OTH)

Please Specify type/name of project: Electric System Refunding

³ Certain local government issuers of housing bonds are required to obtain a certification from the State Treasurer attesting to their compliance with the State housing reporting requirements prior to issuance of the bonds to finance single- or multifamily housing.



State of California
March Fong Eu
Secretary of State

FILE NO. JP 986

FILED

In the office of the Secretary of State
of the State of California

JUL 31 1989

March Fong Eu
MARCH FONG EU, Secretary of State

(Office Use Only)

NOTICE OF A JOINT POWERS AGREEMENT
(Government Code Section 6503.5 or 6503.7)

Instructions:

1. Complete and mail to: Secretary of State,
P.O. Box 704, Sacramento, CA 95812-0704 (916) 324-6778
2. Include filing fee of \$5.00.
3. Do not include attachments, unless otherwise specified.

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is: ROSEVILLE FINANCE AUTHORITY

Mailing address: 311 Vernon Street, Roseville, CA 95678

Provide a short title of the agreement if applicable: JOINT EXERCISE OF POWERS AGREEMENT
BY AND BETWEEN THE CITY OF ROSEVILLE AND THE REDEVELOPMENT AGENCY OF
THE CITY OF ROSEVILLE CREATING THE ROSEVILLE FINANCE AUTHORITY.

The public agencies party to the agreement are:

- (1) City of Roseville
- (2) Redevelopment Agency of the City of Roseville
- (3) _____

if more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is: July 18, 1989

Provide a condensed statement of the agreement's purpose or the powers to be exercised: To assist
the City of Roseville in connection with the acquisition by the City
of its 1989 Public Facilities Project or any other public financing,
and to authorize all acts necessary or desirable in connection therewith.

Helen Florance
Signature

Helen Florance, CMC, City Clerk
Typed Name and Title



State of California

Bill Jones
Secretary of State

AMENDMENT TO A JOINT POWERS AGREEMENT

(Government Code Section 6503.5 or 6503.7)

Instructions:

1. Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
2. Include filing fee of \$5.00.
3. Do not include attachments.

Date of filing initial notice with the Secretary of State: July 31, 1989

File number of initial notice: 86

Name of Joint Powers agreement: Roseville Finance Authority

Mailing Address: 311 Vernon Street, Roseville, California 95678

Complete one or more boxes below. The agreement has been amended to:

- ☐ Change the parties to the agreement as follows: _____
- ☐ Change the name of the administering agency or entity as follows: _____
- ☒ Change the purpose of the agreement or the powers to be exercised as follows: To clarify application of Marks-Roos Local Bond Pooling Act of 1985.
- ☐ Change the short title of the agreement as follows: _____
- ☐ Make other changes to the agreement as follows: _____

September 26, 1997

Date

Signature

Mark J. Doane, General Counsel

Typed Name and Title

FILE NO. 977

FILED

In the office of the Secretary of State
of the State of California

SEP 29 1997

Bill Jones

BILL JONES, Secretary of State

(Office Use Only)



State of California

Bill Jones

Secretary of State

AMENDED AND RESTATED

NOTICE OF A JOINT POWERS AGREEMENT

(Government Code Section 6503.5 or 6503.7)

Date of Initial Filing July 31 1989

File Number of Initial Notice 986

Instructions:

1. Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
2. Include filing fee of \$5.00.
3. Do not include attachments, unless otherwise specified.

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is: Roseville Finance Authority

Mailing Address: 311 Vernon Street, Roseville, California 95678

Provide a short title of the agreement if applicable:

Amended and Restated Joint Exercise of Powers Agreement

The public agencies party to the agreement are:

- (1) City of Roseville
- (2) Redevelopment Agency of the City of Roseville
- (3) _____

If more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is: June 18, 1987

Provide a condensed statement of the agreement's purpose or the powers to be exercised:

To provide a mechanism for the financing of public capital improvements.

Date: July 29, 1998

John T. Kennedy, Esq., Notary Public
Kutner, Brock & Elliott, LLP
 Typed Name and Title

FILE NO. 1016

FILED

In the office of the Secretary of State
of the State of California

JUL 29 1998

[Signature]

Bill Jones, Secretary of State

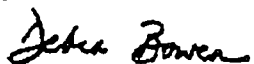
(Office Use Only)



I hereby certify that the foregoing
transcript of - 03 - page(s)
is a full, true and correct copy of the
original record in the custody of the
California Secretary of State's office.

AUG 11 2014 

Date: _____



DEBRA BOWEN, Secretary of State



State of California
Secretary of State

STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING
(Government Code section 53051)

FILED
Secretary of State
State of California
JUN 19 2013

Instructions:

1. Complete and mail to: Secretary of State,
P.O. Box 942777, Sacramento, CA 94277-0001 (916) 653-3884
2. A street address must be given as the official mailing address or as
the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, attach information on an 8 1/2" X 11" page, one sided and legible.

New Filing ☐ Update ☒

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: Update members

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, CA 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Susan Rohan Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Sonia Orozco Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Carol Garcia Address: same as above

Name: Bonnie Gore Address: same as above

Name: Tim Herman Address: same as above

Name: Pauline Roccuoli Address: same as above

Name: Susan Rohan Address: same as above

RETURN ACKNOWLEDGMENT TO: (Type or Print)

June 17, 2013

Date

NAME

David T. Fama, Esq.
Jones Hall, A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, CA 94108

Signature

ADDRESS

CITY/STATE/ZIP

David T. Fama, Esq., Bond Counsel
Typed Name and Title



I hereby certify that the foregoing transcript of 21 page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

AUG 11 2014

AB

Date: _____

Debra Bowen

DEBRA BOWEN, Secretary of State

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

**CERTIFICATE REGARDING EFFECTIVENESS OF AMENDED AND
RESTATED JOINT EXERCISE OF POWERS AGREEMENT**

The undersigned hereby states and certifies that:

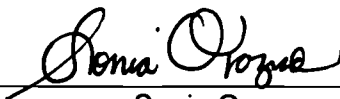
(i) the undersigned is the duly appointed, qualified and acting Secretary of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and operating pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Act") and pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of July 1, 1997 (the "Agreement"), by and between the City of Roseville and the Redevelopment Agency of the City of Roseville, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) attached hereto is a true, correct and complete copy of the Agreement, which Agreement has not been amended, modified or rescinded in any way and is in full force and effect as of the date hereof; and

(iii) to the best of the undersigned's knowledge after due inquiry, all required filings have been made with the Secretary of State of the State of California, and the Authority is in good standing as a joint exercise of powers agency under the Act.

Dated: August 21, 2014

ROSEVILLE FINANCE AUTHORITY

By: 
Sonia Orozco
Secretary

**AMENDED AND RESTATED
JOINT EXERCISE OF POWERS AGREEMENT**

This AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT, dated as of July 1, 1997, by and between the CITY OF ROSEVILLE, a municipal corporation duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the "City"), and the REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE, a public corporation duly organized and existing under and by virtue of the laws of the State of California (the "Agency");

W I T N E S S E T H:

WHEREAS, pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City and the Agency have entered into that certain Joint Exercise of Powers Agreement, dated as of July 1, 1989 (the "Original Agreement"), thereby creating a joint exercise of powers entity known as the Roseville Finance Authority (the "Authority");

WHEREAS, the City and the Agency now desire to amend and restate the Original Agreement in its entirety;

NOW, THEREFORE, the City and the Agency, for and in consideration of the mutual promises and agreements herein contained, do hereby amend and restate the Original Agreement such that the Agreement, as defined below, provides as follows:

SECTION 1. DEFINITIONS

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of the Agreement have the meanings herein specified.

Agency

The term "Agency" shall mean the Redevelopment Agency of the City of Roseville, a public corporation duly organized and existing under and by virtue of the laws of the State of California.

Agreement

The term "Agreement" shall mean the Joint Exercise of Powers Agreement, dated as of July 1, 1989, between the City and the Agency, as it shall be amended or restated from time to time (including as amended and restated by this Amended and Restated Joint Exercise of Powers Agreement).

Authority

The term "Authority" shall mean the Roseville Finance Authority created by this Agreement.

Board

The term "Board" shall mean the governing board of the Authority.

Bond Pooling Act

The term "Bond Pooling Act" shall mean the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Law, as now or hereafter amended, or any other law hereafter legally available for use by the Authority in the authorization and issuance of Bonds to finance the acquisition of Obligations or Public Capital Improvements.

Bonds

The term "Bonds" shall mean bonds, notes, commercial paper, lease-purchase agreements, certificates of participation, floating rate and variable maturity securities, or other evidences of

indebtedness within the meaning of the term "bonds" as defined in Section 6585(c) of the Law issued by the Authority pursuant to the Bond Pooling Act.

City

The term "City" shall mean the existing municipal corporation known as the City of Roseville, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Law

The term "Law" shall mean Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California.

Local Agency

The term "Local Agency" shall mean a "local agency" as defined in Section 6585(f) of the Law.

Obligation

The term "Obligation" shall mean any bond, note, commercial paper, lease-purchase agreement, certificate of participation, floating rate and variable maturity securities, or other evidences of indebtedness within the meaning of the term "bond" as defined in Section 6585(c) of the Law, which is purchased by the Authority from a Local Agency which is the issuer thereof at a public or negotiated sale or which is otherwise acquired by the Authority pursuant to the Bond Pooling Act or a trust agreement providing for the issuance of Bonds.

Project

The term "Project" shall mean those certain public facilities to be leased by the Authority to the City under the Project Lease.

Project Lease

The term "Project Lease" shall mean that certain lease between the Authority and the City, executed and entered into as of August 1, 1989.

Public Capital Improvement

The term "Public Capital Improvement" shall have the meaning given to such term in Section 6585(g) of the Law.

Working Capital

The term "Working Capital" shall have the meaning given to such term in Section 6585(i) of the Law.

SECTION 2. PURPOSE

The purpose of creating the Authority is to accomplish the purposes of the Law and the Bond Pooling Act, including the financing of Public Capital Improvements and the purchase of certain Obligations issued by the City, the Agency, or other public agencies or the sale of such Obligations or the issuance of Bonds of the Authority secured in whole or in part by such Obligations, or by any other designated source of revenues, all as permitted by the Law or the Bond Pooling Act.

SECTION 3. TERM

The Agreement shall continue in full force and effect until terminated by a supplemental written agreement of the City and the Agency; provided, that in no event shall the Agreement terminate until such time as all rental payments due under the Project Lease, all principal of and interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for. In any event, the Authority

shall cause all records regarding its formation, existence, the Project, and proceedings pertaining to its termination to be retained for at least six (6) years following termination of the Authority.

SECTION 4. AUTHORITY

A. Creation of Authority

There is hereby created pursuant to the Law an agency and public entity to be known as the "Roseville Finance Authority." As provided in the Law, the Authority shall be a public entity separate from the City and the Agency. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the City or the Agency.

Within thirty (30) days after the effective date of the Agreement or any amendment hereto, the Authority will cause a notice of the Agreement or such amendment to be prepared and filed with the office of the Secretary of State of the State of California in the manner set forth in Section 6503.5 of the Law.

B. Governing Board

The Authority shall be administered by the Board, which shall consist of the members of the City Council of the City. The term of office of any member of the Board shall be equivalent to such member's term of office on the City Council.

Members of the Board shall not receive any compensation for serving as such, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member if the Board and the City shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

C. Meetings of Board

(1) **Regular Meetings.** The Board shall hold at least one regular meeting each year, and, by resolution, may provide for the holding of regular meetings at more frequent

intervals. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by resolution of the Board.

(2) Legal Notice. All meetings of the Board shall be called, noticed, held and conducted subject to the provisions of the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (Sections 54950-54961)) or any successor legislation hereinafter enacted.

(3) Minutes. The Secretary of the Authority shall cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Board and to the City and the Agency.

(4) Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

D. Officers; Duties

(1) The Mayor of the City shall serve as Chairperson of the Authority and the Vice-Mayor of the City shall serve as Vice-Chairperson of the Authority. The City Clerk shall serve as the Secretary of the Authority. The City Manager shall serve as Executive Director of the Authority.

(2) The Director of Finance of the City is hereby designated as Treasurer of the Authority. The Director of Finance is designated as the depository of the Authority to have custody of all the money of the Authority, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Law.

(3) The Director of Finance of the City, who performs the functions of auditor and controller for the City, is hereby designated as Controller of the Authority, and, as such, shall

have the powers, duties and responsibilities specified in Section 6505.5 of the Law. The Controller shall draw checks to pay demands against the Authority when the demands have been approved by the Authority.

(4) The City shall determine the charges to be made against the Authority for the services of the Treasurer and the Controller.

(5) The Treasurer and Controller of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond in the amount of \$25,000 as required by Section 6505.1 of the Law; provided, that such bond shall not be required if the Authority does not possess or own property or funds with an aggregate value of greater than \$500.00.

(6) The Treasurer and Controller of the Authority is hereby authorized and directed to prepare or cause to be prepared:

(a) a special audit as required pursuant to Section 6505 of the Government Code of the State of California every year during the term of the Agreement; and

(b) a report in writing on the first day of July, October, January, and April of each year to the Board, the City and the Agency, which report shall describe the amount of money held by the Treasurer and Controller of the Authority for the Board, the amount of receipts since the last such report, and the amount paid out since the first such report.

(7) The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

SECTION 5. POWERS

The Authority shall have all powers common to the City and the Agency and all powers granted by applicable law, including, without limitation, the Law and the Bond Pooling Act, and is authorized, in its own name, to do all acts necessary to exercise such powers to fulfill the purposes of this Agreement. Without limiting the foregoing, the Authority shall have the power to do each of the following:

- A. Finance and refinance, through the issuance of Bonds or other instruments of indebtedness, Public Capital Improvements and Working Capital and other costs as permitted by the Law and the Bond Pooling Act.
- B. Purchase Obligations.
- C. Incur debts, liabilities, and obligations.
- D. Acquire, hold or dispose of real and personal property by lease, purchase, sale, eminent domain and other appropriate means.
- E. Receive contributions and donations of property, funds, services, and other forms of assistance from any source.
- F. Sue and be sued in its own name.
- G. Employ agents and employees.
- H. Acquire, construct, rehabilitate, remodel, install, manage, or operate buildings, works, or improvements.
- I. Lease real and personal property (including that of the City, the Agency, or any other Local Agency) as lessor and as lessee.
- J. Receive, collect, and disburse monies.

K. Invest money in the treasury of the Authority in the same manner and on the same conditions as Local Agencies pursuant to Government Code Section 53601.

L. Exercise all other powers necessary and proper to carry out the provisions of this Agreement.

For purposes of, and to the extent required by, Government Code Section 6509, in exercising its powers the Authority shall be subject to the restrictions upon the manner of exercising the powers of the Agency, except as otherwise authorized or permitted by the Law and the Bond Pooling Act.

SECTION 6. TERMINATION OF POWERS

The Authority shall continue to exercise the powers herein conferred upon it until the termination of the Agreement as provided in Section 3; provided, that in no event shall the Agreement be terminated or rescinded until such time as all rental payments due under the Project Lease, all principal of and interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for.

SECTION 7. FISCAL YEAR

Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period from July 1 of each year to and including the following June 30, except for the first fiscal year which shall be the period from July 1, 1989 to the following June 30.

SECTION 8. DISPOSITION OF ASSETS

At the end of the term hereof or upon the earlier termination of the Agreement as set forth in Section 6 hereof, all assets of the Authority shall be distributed to the City, subject to the provisions of Section 9 hereof.

SECTION 9. CONTRIBUTIONS AND ADVANCES

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the City and the Agency for any of the purposes of the Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance shall be made subject to repayment, and shall be repaid, in the manner agreed upon by the City or the Agency, as the case may be, and the Authority at the time of making such advance. It is mutually understood and agreed that neither the City nor the Agency has any obligation to make advances or contributions to the Authority to provide for the costs and expenses of administration of the Authority, even though either may do so. The City or the Agency may allow the use of personnel, equipment or property in lieu of other contributions or advances to the Authority. After termination of the Agreement pursuant to Section 3, any surplus money in possession of the Authority shall be returned to the City and the Agency in proportion to the unreimbursed contributions each has made.

SECTION 10. AGREEMENT NOT EXCLUSIVE

The Agreement shall not be exclusive and shall not be deemed to amend or alter the terms of other agreements between the City and the Agency, except as the terms of the Agreement may conflict therewith, in which case the terms of this Agreement shall prevail.

SECTION 11. ACCOUNTS AND REPORTS

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice. The books and records of the Authority shall be open to inspection at all reasonable times by the City and the Agency and their representatives. The Authority shall give an audited written report of all financial activities for each fiscal year to the City and to the Agency within 150 days after the close of each fiscal year.

So long as required by Section 6505.6 of the Government Code of the State of California, the Controller of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of an account and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with the City, the Agency and, if required by Section 6505.6 of the Government Code of the State of California, with the County Auditor/Controller of the County of Placer. Such report shall be filed within 12 months of the end of the fiscal year or years under examination.

Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants, in making an audit pursuant to this section shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for the purpose.

In any year the Authority may, by unanimous request of the Board, replace the annual special audit with an audit covering a two-year period.

SECTION 12. CONFLICT OF INTEREST CODE

The Authority by resolution shall adopt a Conflict of Interest Code as required by law.

SECTION 13. BREACH

If default shall be made by the City or the Agency in any covenant contained in the Agreement, such default shall not excuse either the City or the Agency from fulfilling its obligations under the Agreement and the City and the Agency shall continue to be liable for the

performance of all conditions herein contained. The City and the Agency hereby declare that the Agreement is entered into for the benefit of the Authority created hereby and the City and the Agency hereby grant to the Authority the right to enforce by whatever lawful means the Authority deems appropriate all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

SECTION 14. SEVERABILITY

Should any part, term, or provision of the Agreement be decided by the courts to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

SECTION 15. SUCCESSORS; ASSIGNMENT

The Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, neither party may assign any right or obligation hereunder without the consent of the other.

SECTION 16. AMENDMENT OF AGREEMENT

The Agreement may be amended by supplemental agreement executed by the City and the Agency at any time to provide for the financing of public capital improvements or projects whenever there are significant public benefits, as determined by the City and the Agency in accordance with the Law or for any other purpose; provided, that in no event shall the Agreement terminate until such time as all rental payments due under the Project Lease, all principal of and

interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for.

SECTION 17. FORM OF APPROVALS

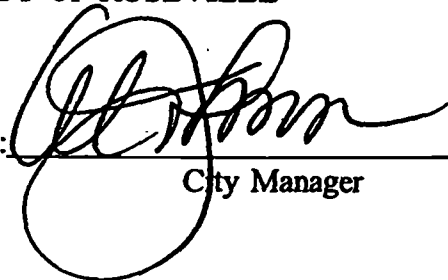
Whenever an approval is required in the Agreement, unless the context specifies otherwise, it shall be given, in the case of the City, by resolution duly and regularly adopted by the City Council of the City, and, in the case of the Agency, by resolution duly and regularly adopted by the Agency, and, in the case of the Authority, by resolution duly and regularly adopted by the Board. Whenever in the Agreement any consent or approval is required, the same shall not be unreasonably withheld.

SECTION 18. SECTION HEADINGS

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of the Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

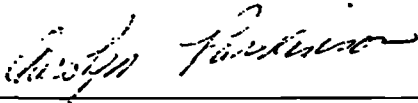
CITY OF ROSEVILLE

By: 

City Manager

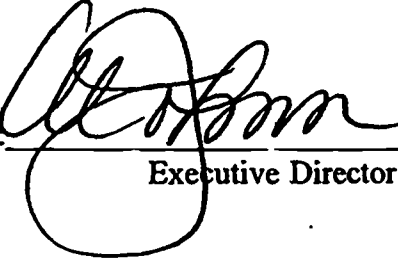
[SEAL]

ATTEST:



City Clerk

REDEVELOPMENT AGENCY OF THE
CITY OF ROSEVILLE

By: 

Executive Director

ATTEST:


Secretary

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

OFFICER'S CERTIFICATE OF THE AUTHORITY

The undersigned hereby state and certify that:

(i) the undersigned are the duly appointed, qualified and acting Treasurer and the Secretary, respectively, of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, are familiar with the facts herein certified and are authorized and qualified to certify the same on behalf of the Authority;

(ii) the signatures set forth opposite the names of the following persons are the true and correct specimens of, or are, the genuine signatures of such persons, each of whom holds the office designated below:

Name and Title

Signature

Jay Panzica, Treasurer

A handwritten signature in black ink, reading "Jay Panzica", written over a horizontal line.

Sonia Orozco, Secretary

A handwritten signature in black ink, reading "Sonia Orozco", written over a horizontal line.

(iii) on July 16, 2014, at an open public meeting which was called, noticed and conducted in accordance with all applicable requirements of California law and at which a quorum was present and acting throughout, the Board of Directors of the Authority duly adopted Resolution No. 2-14, entitled "Resolution of the Board of Directors of the Roseville Finance Authority Authorizing the Issuance and Sale of Electric System Revenue Bonds in the Principal Amount of Not to Exceed \$20,000,000 to Refinance Electric System Projects of the City of Roseville, and Approving Related Documents and Official Actions" (the "Resolution"), which Resolution has not been amended, supplemented, modified, rescinded or repealed and remains in full force and effect as of the date hereof;

(iv) by all necessary action, the Authority has duly authorized and approved the delivery of the Official Statement, dated July 24, 2014 (the "Official Statement"), relating to the captioned Bonds (the "Bonds"), and the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the following agreements (collectively, the "Agreements"):

- (a) Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), between Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), and the Authority, as approved by the City of Roseville (the "City"),
- (b) Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"),
- (c) Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, each by and between the City and the Authority, and
- (d) Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014, among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank;

(v) for and on behalf of the Authority, the within-named Treasurer has executed and the within-named Secretary has attested, as applicable, the Official Statement and the Agreements;

(vi) the Authority is a joint exercise of powers authority, duly organized and existing under the laws of the State of California, with full right, power and authority to execute, deliver and perform its obligations under the Agreements and to carry out and consummate the transactions on its part contemplated by the Agreements and the Official Statement;

(vii) the representations, warranties and covenants of the Authority contained in the Agreements are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the Authority has complied with and performed all of its covenants and agreements in the Agreements to be complied with and performed by the Authority on or prior to the date hereof;

(viii) other than as described in the Official Statement, no litigation is pending (with the Authority having received service of process) or, to the Authority's knowledge, threatened in any court (a) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (b) seeking to restrain or enjoin the delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (c) in any way contesting or affecting the validity of the Bonds or any of the documents to which the Authority is a party; (d) in any way contesting or affecting the execution and delivery of the document to which the Authority is a party and the performance of its obligations contained therein or with respect thereto; (e) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the Authority or to have a material adverse effect on the ability of the Authority to meet its obligations under any of the documents to which it is a party or with respect to the Bonds; or (f) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ix) the Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization and execution thereof by the respective parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(x) the execution and delivery of the Agreements and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the Authority a breach of or default under, any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(xi) all acts, conditions and things required by the Constitution and statutes of the State of California, and the Agreements to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, to exist, have happened and have been performed in due time, form and manner as required by law and that the Trustee is duly authorized to execute and deliver the Bonds, and that the amount of the Bonds is not in excess of the amount of the Bonds authorized to be executed and delivered under the Agreements;

(xii) pursuant to Section 2.12 of the Trust Agreement, the Trustee is requested to authenticate the Bonds, substantially in the form attached as Exhibit A to the Trust Agreement, and to deliver the Bonds to, or upon the order of, the Underwriters and, upon receipt on the date hereof by the Trustee of the net purchase price of the Bonds; and

(xiii) the Authority's employer identification number, for federal tax purposes, is 94-6000409.

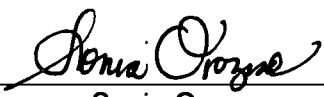
* * * * *

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement.

Dated: August 21, 2014

ROSEVILLE FINANCE AUTHORITY

By: 
Jay Panzica,
Treasurer

By: 
Sonia Orozco,
Secretary

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE AS TO ARBITRAGE

I, the undersigned Treasurer of the Roseville Finance Authority, Roseville, California (the "Authority"), being one of the officers of the Authority duly charged (by resolution of the members of the Authority), with others, with the responsibility of issuing the Authority's \$16,485,000 principal amount of Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"), dated August 21, 2014, and being issued this date, hereby certify and covenant as follows:

(1) Purpose of Bonds. The Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and will be payable from installment payments (the "Installment Payments") paid pursuant to a 2014 Supplemental Installment Sale Agreement, dated as of August 1, 2014 (the "2014 Agreement"), supplementing a Master Installment Purchase Contract (the "Master Contract"), dated as of August 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1997, a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999, a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002, a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004, a 2005 Supplemental Installment Purchase Contract dated as of June 1, 2005, a 2008 Supplemental Installment Sale Agreement, dated as of May 1, 2008, a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009, a 2010 Supplemental Installment Purchase Contract executed and entered into as of October 1, 2010, a 2012 Installment Purchase Agreement executed and entered into as of November 1, 2012, and a 2013 Installment Purchase Agreement executed and entered into as of November 1, 2013 (together the "Agreement"), between the Authority and the City of Roseville (the "City").

The Bonds are being issued in order to provide funds for the purpose of refunding on a current basis of a portion of the outstanding 2004 Supplemental Installment Sale Agreement (the "2004 Agreement"), dated as of July 1, 2004, between the Authority, as seller, and the City, as purchaser. The 2004 Agreement was entered into for the purpose of financing the costs of certain public facilities (the "Prior Project") constituting a part of the City's electric enterprise (the "Enterprise"), which Prior Project is more particularly described in the Certificate Regarding Use of Proceeds, dated the date hereof and included elsewhere in the transcript for the Agreement (the "Proceeds Certificate"). The 2004 Agreement provided for installment payments (the "2004 Installment Payments") in a principal amount of \$39,940,000 (of which \$18,320,000 principal amount is outstanding and \$18,315,000 principal amount is being prepaid with proceeds of the 2014 Bonds) and with respect to which 2004 Installment Payments, certificates of participation

(the "2004 Certificates") were executed and delivered on the date of delivery of the 2004 Agreement. The 2004 Certificates being prepaid are referred to herein as the "Prior 2004 Certificates" and the 2004 Installment Payments being prepaid are referred to as the "Prior 2004 Installment Payments."

(2) Status of the Authority. The Authority constitutes a joint exercise of powers authority created by the City and the redevelopment agency of the City (the "Agency"). The City Council of the City constitutes the governing body of the Agency and, by virtue of such fact, has the inherent power to approve and to remove the governing body of the Agency. Based on the above statements, the City directly controls the Agency and indirectly controls the Authority, and the Authority thereby constitutes a controlled entity of the City and a subordinate entity of the City. The Authority possesses the sovereign power of eminent domain and by reason of such fact constitutes a political subdivision of the State of California.

(3) Statement of Expectations. On the basis of the facts and estimates in existence on the date hereof, I reasonably expect the following with respect to the amount and use of gross proceeds of the Certificates:

(a) Amount Received from Sale of Certificates; No Aggregated Issues. The Certificates were sold to Morgan Stanley & Co. LLC and U.S. Bancorp Investments, Inc., (together, the "Underwriter"), at the purchase price of \$18,510,465.10 (equal to their face amount of \$16,485,000.00 plus \$2,129,223.60 original issue premium, less \$103,758.50 of Underwriter's discount). Of said amount, \$191,937.70 will be deposited in the Roseville Finance Authority Refunding Revenue Bonds, 2014 Cost of issuance Fund (the "Cost of Issuance Fund") held by the Trustee; and the remaining \$18,318,527.40 will be deposited in the Escrow Fund for the Prior 2004 Certificates (the "2004 Escrow Fund") held by The Bank of New York Mellon Trust Company, N.A., as trustee for the 2004 Certificates (in such capacity, the "Escrow Bank"). No tax-exempt debt has been sold within fifteen (15) days before or after the date the Bonds were sold that will be paid from substantially the same source of funds as the Bonds (excluding guarantees from unrelated parties).

(b) Refunding Schedules. At the request of the Authority, the schedules included elsewhere in the transcript for the Bonds (the "Schedules") have been prepared by the Underwriter for the purpose of detailing all relevant aspects of the refunding program. The Schedules are incorporated herein by this reference.

(c) Costs of Issuance Fund. The Authority reasonably expects that all of the proceeds of the Bonds deposited in the Costs of Issuance Fund will be used for payment of legal fees, printing costs and other costs of issuance of the Bonds and the Agreement and will be fully expended promptly upon receipt of invoices. Amounts deposited in the Costs of Issuance Fund, if invested, will be invested without yield restrictions. Interest earnings and gains resulting from said investment will be retained in the Costs of Issuance Fund and used for the purposes thereof. Amounts, if any, remaining in the Costs of Issuance Fund on the earlier of February 1, 2015, or payment of costs of issuance in full will be deposited in the 2014 Debt Service Fund held by the Trustee and used for the payment of debt service on the Bonds.

(d) 2004 Escrow Fund; Deposits and Investment. The Authority and the Escrow Bank have entered into an Escrow Deposit and Trust Agreement pertaining to the Prior 2004 Certificates, dated as of August 1, 2014 (the "2004 Escrow Agreement"). Pursuant to the 2004 Escrow Agreement, on the date hereof, the City will cause the Trustee to make a total deposit into the 2004 Escrow Fund of \$18,378,593.75. Of said amount, \$18,318,527.40 will be deposited from proceeds of the Bonds and \$60,066.35 will be transferred from interest earnings on the Parity Reserve Accounts with respect to the Parity Obligations as described below representing that portion of the Parity Reserve Accounts allocable to the excess reserve requirement for the Prior 2004 Certificates. The total amount deposited into the 2004 Escrow Fund will be retained in cash and not invested. Amounts on deposit in the 2004 Escrow Fund may be invested at an unrestricted yield for a temporary period not exceeding 90 days after the date hereof.

(e) 2004 Escrow Fund; Use and Allocation of Amounts Deposited. Amounts deposited in the 2004 Escrow Fund will be used to pay the Prior 2004 Installment Payments of interest with respect to the Prior 2004 Certificates through August 26, 2014 and on said date will be used to prepay the then outstanding principal component of Prior 2004 Installment Payments and to prepay the then outstanding principal payable with respect to the Prior 2004 Certificates of \$18,315,000 (there is no redemption premium). Amounts, if any, remaining in the 2004 Escrow Fund following prepayment of the Prior 2004 Installment Payments and redemption of the Prior 2004 Certificates will be transferred to the 2014 Debt Service Fund and used for payment of debt service on the Bonds when and as due.

(f) Reserve Account, Parity Reserve Accounts. The City has previously elected to compute the "Reserve Requirement" for the Bonds and all future debt on parity with the Bonds on the basis of aggregate outstanding debt service of all obligations issued on a parity basis under the Master Agreement with the Bonds. The following are outstanding obligations issue on parity with the Bonds: (i) the 2004 Certificates not being prepaid, (ii) the 2005A Certificates, (iii) 2009 Certificates of Participation (the "2009 Certificates"), (iv) 2010 Bonds (the "2010 Bonds"), (v) the 2012 Certificates of Participation (the "2012 Certificates"), and (vi) 2013 Bonds (the "2013 Bonds"), and together with the 2004 Certificates, the 2005 Certificates, the 2009 Certificates, the 2010 Bonds, and the 2012 Certificates, the "Parity Obligations"). The amounts deposited into the reserve accounts created for each of the Parity Obligations (together the "Parity Reserve Accounts") equal to Parity Reserve Requirement. As set forth in the Schedules, the Parity Reserve Requirement for the combined Bonds and Parity Obligations (together the "Combined Parity Debt") is \$16,493,250.00, being maximum annual debt service on the Combined Parity Debt. After the transfers from the Parity Reserve Accounts into the 2004 Escrow Fund as set forth above, the amount remaining on deposit in the Parity Reserve Accounts (being \$16,493,250.00) equals the Parity Reserve Requirement. Because the amounts remaining on deposit in the Parity Reserve Accounts after the transfers referenced above equal the Parity Reserve Requirement, the Reserve Account for the Bonds, held by the Trustee, is not being funded on the date hereof; although the Reserve Fund will become one of the Parity Reserve Accounts. The Parity Reserve Requirement is less than 125% of average annual aggregate debt service on the Combined Parity Debt and less than 10% of the aggregate stated principal amount of the Combined Parity Debt. The Underwriter has represented that the establishment of the Parity Reserve Accounts in the amount of the

Parity Reserve Requirement was vital to the marketing of the Bonds and reasonably required to assure the payment of the Installment Payments on a parity basis. Amounts deposited in the Reserve Account and in the Parity Reserve Accounts will be invested without yield restrictions. Interest earnings and gains resulting from said investment will be retained in the respective Reserve Account and Parity Reserve Account in the event that the amount on deposit in such Account is less than the Parity Reserve Requirement and otherwise will be deposited in the Revenue Fund where it is expected to be spent for governmental purposes of the City within 6 months of the date of deposit therein.

(g) 2014 Debt Service Funds. The Authority has pledged certain revenues (the "Revenues"), consisting primarily of Installment Payments, to the payment of debt service on the Bonds. Upon receipt the Revenues will be deposited in the 2014 Debt Service Fund and, when required for the payment of debt service on the Bonds, will be transferred to 2014 Interest Account and the 2014 Prepayment Account including the 2014 Principal Subaccount therein, and said moneys will be used by the Trustee to make payments due with respect to the Bonds. The 2014 Debt Service including the 2014 Interest Account, the 2014 Prepayment Account, and the 2014 Principal Payment subaccount (together the "2014 Debt Service Funds") have been established primarily to achieve a proper matching of revenues (consisting primarily of Net Revenues, as referenced below, and certain interest earnings) and debt service (that is, Installment Payments and payments with respect to the Bonds) due during each year that the Agreement is outstanding. Amounts deposited in the 2014 Debt Service Funds will be spent within thirteen (13) months of the date of deposit, and said Funds and Accounts will be depleted at least once a year except for a reasonable carryover amount not in excess of the greater of earnings on said Fund during the preceding bond year for the Agreement (below) or one-twelfth (1/12th) of Installment Payments during the preceding bond year for the Agreement. Amounts in the 2014 Debt Service Funds will be invested without yield restrictions. Interest earnings and gains resulting from investment of the 2014 Debt Service Funds will be retained in the respective Fund or Account and used for the payment of Installment Payments and payments on the Bonds when and as due.

(h) Pledge of Net Revenues; Revenue Fund. The City has pledged certain net revenues of the Enterprise (the "Net Revenues") to the payment of Installment Payments. Upon receipt, the Net Revenues will be deposited in the City of Roseville Electric Utility Fund (the "Revenue Fund") held by the City. On or before the fourth business day preceding each payment date on the Bonds, the City will transfer from the Revenue Fund into the Payment Account the amount of the next payment. Amounts in the Revenue Fund will be used for costs of maintenance, operation, repair and improvement of the Enterprise and other lawful purposes of the City. While on deposit in the Revenue Fund, there is no assurance that the Net Revenues will be available to pay Installment Payments or payments with respect to the Bonds if the City or the Enterprise encounters financial difficulties. Net Revenues and other amounts in the Revenue Fund, if invested, will be invested without yield restrictions.

(i) No Other Pledged Amounts or Investment-Type Property. Except as described herein, no amounts have been pledged to, or are reasonably expected to be used directly or indirectly to pay, principal or interest on the Bonds, nor are there any amounts that have been reserved or otherwise set aside such that there is a reasonable assurance that such amounts will be available to pay principal or interest on the Bonds.

In addition, the City has not entered into, and does not reasonably expect to enter into, a hedge contract primarily for the purpose of reducing the City's risk of interest rate changes with respect to the Bonds.

(j) No Negative Pledges. There are no amounts held under any agreement requiring the maintenance of amounts at a particular level for the direct or indirect benefit of the owners of the Bonds or any guarantor of the Bonds, excluding for this purpose amounts in which the Authority may grant rights that are superior to the rights of the owners of the Bonds or any guarantor of the Bonds and amounts that do not exceed reasonable needs for which they are maintained and as to which the required level is tested no more frequently than every six (6) months and that may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.

(k) No Replacement Proceeds. There are no amounts that have a sufficiently direct nexus to the Bonds, the Agreement or the refunding program to conclude that the amounts would have been used for the refunding program, for Installment Payments or for debt service on the Bonds if the proceeds of the Bonds were not being used for those purposes. The term of Bonds is not longer than reasonably necessary for refunding of the Prior 2004 Certificates in that the weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected remaining economic life of the Prior Project.

(l) No Improper Financial Advantage. The transaction contemplated herein does not represent an exploitation of the difference between tax-exempt and taxable interest rates to obtain a material financial advantage and does not overburden the tax-exempt bond market in that the Authority is not issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the bonds.

(m) Bond Year for the Bonds. The Authority hereby selects each period from February 2 through February 1 of the following calendar year as the bond years for the Bonds, except that the first bond year will commence on the date hereof and the last bond year will end on the date of payment of the Bonds in full.

(n) Rebate Requirement. The Authority has covenanted in the Trust Agreement to comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable and acknowledges that the first payment of excess investment earnings, if any, is required to be rebated to the federal government no later than sixty (60) days after the end of the fifth (5th) bond year for the Bonds. No portion of the Bonds will constitute a private activity bond within the meaning of section 141(a) of the Internal Revenue Code of 1986, as amended (the "Code"), the average maturity of the Bonds is greater than five (5) years and none of the interest rates on the Bonds vary during the term of the Bonds. As a consequence of the foregoing, investment earnings on the 2014 Debt Service Funds will be excluded for the purposes of computation of the amount required to be rebated to the federal government as referenced in this subparagraph without regard to the total amount of said earnings. The use of actual facts is elected for purposes of determining eligibility for and compliance with any expenditure exceptions to arbitrage rebate. The Agreement is subject to requirements

for rebate of excess investment earnings to the federal government and the City acknowledges that it is in compliance with those requirements.

(o) Yield of the Bonds. The Underwriter has represented that the yield of the Bonds is 3.4545%, determined on the basis of regularly scheduled principal and interest payments on the Bonds, adjusted by assuming present value in lieu of certain principal payments in the case of Bonds constituting certain discounted term Bonds, if any, and by assuming certain early redemption of principal in the case of certain yield-to-call Bonds, if any, all in accordance with the procedures for computing the yield on a fixed yield issue contained in Treasury Regulation §1.148-4(b). Said amounts are all discounted to \$18,614,223.60, representing the issue price of the Bonds (being the face amount of the Bonds of \$16,485,000, plus net original issue premium of \$2,129,223.60). The Underwriter has represented that (i) based upon reasonable expectations and actual facts which existed on the date (the "Sale Date") the Underwriter agreed to purchase the Bonds from the Authority, the initial offering price of each maturity of the Bonds to the public (excluding bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of each maturity of the Bonds was expected to be sold to the public as of the Sale Date is set forth on Exhibit A attached hereto and by this reference incorporated herein; and (ii) the Bonds of each maturity were actually offered to the general public in a bona fide public offering for the prices set forth in Exhibit A.

(p) No Remaining Amounts. After the transfers referenced above, no funds remain in any account or fund established for payment of debt service on the Prior 2004 Installment Payments or established from the proceeds of the Prior 2004 Certificates.

(q) No Hedge Bonds. The Bonds do not constitute "hedge bonds" because the 2004 Agreement was not a hedge bond. The 2004 Agreement was not a hedge bond because on the date of delivery of the 2004 Certificates, respectively, the City reasonably expected that not less than eighty-five percent (85%) of the proceeds of the 2004 Certificates would be expended within three (3) years of that date of delivery and not more than fifty percent (50%), if any, of the proceeds of the 2004 Certificates invested in investments having a substantially guaranteed yield for four (4) or more years.

(4) Allocation and Accounting Procedures. The Authority and the City will use a consistently applied accounting method to account for investments and expenditures of proceeds of the Bonds. Allocations of Bond proceeds to expenditures will be made only with respect to a current outlay of cash for the expenditures. The Authority and the City will not invest proceeds of the Bonds in a commingled fund in which the Authority and the City owns more than 10% of the beneficial interest thereof. The Authority and the City will maintain books and records until three years after the date of retirement or redemption of the Bonds sufficient to (i) establish the accounting method used, (ii) account for all investments of proceeds of the Bonds, and (iii) substantiate the allocation of proceeds of the Bonds to expenditures. In the event such allocations of Bond proceeds to expenditures are not made within 60 days after the date five years after the date hereof, the Authority and the City will use a specific tracing accounting method to account for investment and expenditures of proceeds of the Bonds.

On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of section 148 of the Code and applicable regulations. To the best of my knowledge, information and belief, the expectations herein expressed are reasonable and there are no facts or estimates, other than those expressed herein, that would materially affect the expectations herein expressed.

DATED: August 21, 2014

ROSEVILLE FINANCE AUTHORITY

By:  _____
Jay Panzica,
Treasurer

EXHIBIT A

Maturity Date	Amount	Rate	Price*	
2/1/30	\$2,985,000.00	5.000%	114.219	C
2/1/31	3,130,000.00	5.000%	113.583	C
2/1/32	3,290,000.00	5.000%	112.862	C
2/1/33	3,455,000.00	5.000%	112.325	C
2/1/34	3,625,000.00	5.000%	111.880	C

*Stated as a percentage of par.

C – Priced to first optional call date of August 1, 2024 at par.

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014**

**CERTIFICATE REGARDING
PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby certifies and represents to Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), that he is a duly appointed and acting officer of the Roseville Finance Authority (the "Authority"), and as such is to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority to the Underwriters as follows:

(1) This Certificate is delivered to enable the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the captioned Bonds (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds and the Authority (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final contract of purchase, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriters thereof.

IN WITNESS WHEREOF, we have hereunto set our hands as of the 17th day of July, 2014.

ROSEVILLE FINANCE AUTHORITY

By: 
Jay Panzica,
Treasurer

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

**REQUISITION NO. 1 FOR DISBURSEMENT
FROM COSTS OF ISSUANCE FUND**

The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Treasurer of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Authority;

(ii) pursuant to Section 2.12(a)(ii) of that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the undersigned hereby requests the Trustee to disburse from the Costs of Issuance Fund established under the Trust Agreement to the payee(s) designated on the attached Exhibit A, the respective sum set forth opposite each payee, for payment or reimbursement of the Costs of Issuance (as such term is defined in the Trust Agreement) described on said Exhibit A; and

(iii) the amounts to be disbursed herein are for Costs of Issuance properly chargeable to the Costs of Issuance Fund, and have not been the subject of a previous disbursement requisition.

Dated: August 21, 2014

ROSEVILLE FINANCE AUTHORITY

By: 
Jay Panzica,
Treasurer

EXHIBIT A**COSTS OF ISSUANCE DISBURSEMENTS**

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
Public Financial Management, Inc. 4350 North Fairfax Drive, Suite 580 Arlington, VA 22203	Issuer Financial Advisor Services Rendered and Reimbursable Expenses	\$35,000.00
Jones Hall, A Professional Law Corp. 650 California Street, 18th Floor San Francisco, CA 94108	Bond Counsel Services Rendered and Reimbursable Expenses	\$65,000.00
Jones Hall, A Professional Law Corp. 650 California Street, 18th Floor San Francisco, CA 94108	Disclosure Counsel Services Rendered	\$35,000.00
The Bank of New York Mellon Trust Co. 400 South Hope Street, Suite 400 Los Angeles, CA 90071	Trustee/Escrow Bank Fees	\$5,400.00
Law Office of Sam Waldman 64 Oak Knoll Drive San Anselmo, CA 94960	Trustee's Counsel Fee	\$2,300.00
Grant Thornton LLP 200 South Sixth Street, Suite 500 Minneapolis, MN 55402	Verification Agent Fee	\$2,500.00
Standard & Poor's Corporation 55 Water Street, 38th Floor New York, NY 10041	Rating Services	\$16,250.00
Fitch, Inc. One State Street Plaza New York, NY 10004	Rating Services	\$16,000.00
Image Master Inc. 1182 Oak Valley Drive Ann Arbor, MI 48108	Printing and distribution of Official Statements	\$5,000.00
Total:		\$182,450.00

* Not to exceed amount to be paid upon receipt of an invoice.



Public Financial Management

Two Logan Square
Suite 1600
18th & Arch Streets
Philadelphia, PA
19103-2770

215 567-6100
215-557-1493 fax
www.pfm.com

August 18, 2014

City of Roseville, California
Mr. Monty Hanks, Finance Director
311 Vernon Street
Roseville, CA 95678-2649

INVOICE: PFM-157494-0-0
SEQ.: 001-000-000

Emailed: Mary Tong, Jones Hall
mtong@joneshall.com

RE: For Financial Advisory Services provided to the City of Roseville, California in connection with the Roseville Electric Series 2004 Refunding.

INVOICE

Description	Total
Financial Advisory Fee	\$35,000.00
Total Professional Fees	\$35,000.00
<u>Amount Due</u>	<u>\$35,000.00</u>

Thank You,

****PLEASE NOTE OUR REMITTANCE AND BANKING INFORMATION HAS
CHANGED EFFECTIVE 6/1/2014****

Remittance Address:
Public Financial Management, Inc.
P.O. Box 62920
Baltimore, MD 21264-2920

EFT Instructions:
M&T Bank
ABA (for Wires): 022000046
ABA (for ACH) : 031302955
Acct#: 9856661229

INVOICE TERMS: UPON RECEIPT

Client ID: 07563.076



JONES HALL

August 21, 2014

475 Sansome Street
Suite 1700
San Francisco, CA 94111
t. 415.391.5780
f 415.276.2088

Monty Hanks,
Finance Director
Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

RE: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds,
Series 2014

INVOICE

For Legal Services Rendered Inclusive of Reimbursable Expenditures:

Bond Counsel:	\$ 65,000.00
Disclosure Counsel:	<u>35,000.00</u>
	\$ 100,000.00

Instructions for Wire Transfer:

Comerica Bank
ABA No. 121137522
Two Embarcadero Center, Suite 300
San Francisco, CA 94111
For Credit : Jones Hall, APLC
Acct. No. 1894734241



BNY MELLON

The Bank of New York Mellon
Trust Company, N.A.

INVOICE

Valere Boyd
400 S Hope Street, Suite 400
Los Angeles, CA 90071

000001

Invoice Number: 252-1807903
Account Number: ROSELEC14
Invoice Date: 14-Aug-14
Cycle Date: 14-Aug-14
Administrator: Valere Boyd
Phone Number: 213-630-6247
Currency: USD

ROSEVILLE FINANCE AUTHORITY ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2014

	<u>Quantity</u>	<u>Rate</u>	<u>Proration</u>	<u>Subtotal</u>	<u>Total</u>
Flat					
Dissemination Agent Fee					250.00
For the period: August 21, 2014 to July 01, 2015					
Trustee Fee					2,000.00
For the period: August 21, 2014 to July 01, 2015					
One Time Charges					
Acceptance Fee					600.00
Escrow Agent Fee					500.00

Invoice Total: 3,350.00
Satisfied To Date: 0.00
Balance Due: 3,350.00

Terms: Payable upon receipt. Please reference the invoice and account number with your remittance.
Our Tax ID Number is 95-3571558. Please fax Taxpayer Certification requests to (732) 667-9576.

Check Payment Instructions:
The Bank of New York Mellon
Corporate Trust Department
P.O. Box 392013
Pittsburgh, PA 15251-9013

Wire Payment Instructions:
The Bank of New York Mellon
ABA # 021000018
Account: GLA # 111-565
For further credit: TAS # 016760

Please enclose billing stub.

Please reference Invoice Number: 252-1807903

Billing Stub

ROSEVILLE FINANCE AUTHORITY ELECTRIC SYSTEM REVENUE
REFUNDING BONDS, SERIES 2014

Invoice Number: 252-1807903
Account Number: ROSELEC14
Invoice Date: 14-Aug-14
Cycle Date: 14-Aug-14
Administrator: Valere Boyd
Phone Number: 213-630-6247
Amount: 3,350.00 USD

000000601004252D180790300000000000003350001

LAW OFFICES OF
SAMUEL D. WALDMAN

64 OAK KNOLL DR.
SAN ANSELMO, CALIFORNIA 94960
TELEPHONE: (415) 459-4535
FACSIMILE: (415) 459-4747

August 21, 2014

Mr. Daniel Marroquin
The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite #400
Los Angeles, CA 90071

Re: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

STATEMENT

Services rendered in connection with the bond closing	\$2,250.00
Printing/copying	50.00
Total	\$2,300.00

Submit payment to:

Citibank, N.A.
ABA #: 321171184
Credit: A/C #:40021240391
Beneficiary: Samuel D. Waldman
Ref: Roseville Elect.-2014

Grant Thornton LLP
200 South Sixth Street
Ste 1400
Minneapolis, MN 55402-1434

T 612.332.0001
F 612.332.8361
www.GrantThornton.com

This address should be used for correspondence only
For all payments, kindly use remittance instructions below

City of Roseville
Mr. Jay Panzica, City Treasurer
311 Vernon Street
Roseville, CA 95678

Date: August 19, 2014

Remittance Copy

Bill Number: 952777414

Client Code: 6259290

Assignment Code: 72789

LOB: 620

Bill Amount:

\$2,500.00

TO ENSURE TIMELY PROCESSING PLEASE REMIT PAYMENT TO:

Grant Thornton LLP
33562 Treasury Center
Chicago, IL 60694-3500

Optional Wire Transfer Instructions:

Bank Name:	Harris N.A.
ABA#:	071 000 288
Swift Code:	HATRUS44
Account#:	2750602
Bank Address:	111 West Monroe Street, Chicago, IL 60690
Beneficiary:	Grant Thornton LLP
Reference:	Bill Number: 952777414
(Mandatory)	Client Number: 6259290

When making an ACH payment, kindly send remittance detail via email to: Cash@us.gt.com

Grant Thornton LLP
200 South Sixth Street
Ste 1400
Minneapolis, MN 55402-1434

T 612.332.0001
F 612.332.8361
www.GrantThornton.com

This address should be used for correspondence only
For all payments, kindly use remittance instructions below

To: City of Roseville
Mr. Jay Panzica, City Treasurer
311 Vernon Street
Roseville, CA 95678

Date: August 19, 2014

Bill Number: 952777414

Client-Assignment Code: 6259290-72789

Invoice for cash flow and yield verification services relating to the issuance of
\$16,485,000 Electric System Revenue Refunding Bonds, Series 2014 and
preparation of report dated August 21, 2014 on behalf of the Roseville Finance
Authority, California

REFERENCE/BILL NO. MUST BE ON WIRE TRANSFER OR CHECK
TO ENSURE PROPER CREDIT

\$ 2,500.00

Total Amount of Bill:

\$ 2,500.00

Terms: As agreed upon
Federal ID No. 36-6055558

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

WRITTEN ORDER TO TRUSTEE REGARDING INVESTMENTS

The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Treasurer of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Authority;

(ii) the undersigned has read Section 3.05 of that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the definitions contained in the Trust Agreement of the capitalized terms used in said Section;

(iii) on behalf of the Authority, the undersigned hereby requests the Trustee to invest, on the date hereof, the amounts deposited on the date hereof in the funds established pursuant to the Trust Agreement in the investments set forth on Exhibit A attached hereto and by this reference incorporated herein and hereby requests that those investments be acquired at their Fair Market Value as such term is defined in the Trust Agreement; and

(iv) the undersigned acknowledges that the investments listed on Exhibit A are "Permitted Investments" as that term is defined in the Trust Agreement.

Dated: August 21, 2014

ROSEVILLE FINANCE AUTHORITY

By: 
Jay Panzica,
Treasurer

EXHIBIT A

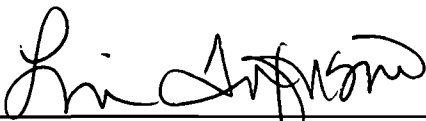
<u>Account</u>	<u>Amount of Deposit</u>	<u>Invested Amount</u>	<u>Description by Name</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Purchase Price</u>
Costs of Issuance Fund	\$191,937.70	\$48,787.50	Dreyfus Government Cash Management	Daily	Variable	100%

* This amount is equal to the amount initially deposited into the Costs of Issuance Fund \$191,937.70 less disbursements made on the date hereof in the amount of \$143,150.00.

The undersigned hereby acknowledges that the foregoing investment instructions have been complied with.

Dated: August 21, 2014

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,**
as Trustee

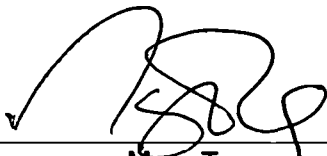
By: 
Authorized Officer

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE OF MAILING FORM 8038-G

I, Mary Tong, Project Coordinator, of Jones Hall, A Professional Law Corporation, hereby state and certify that on the date hereof, for and on behalf of the Roseville Finance Authority, I caused to be mailed by UPS 2nd Day Air, an Information Return For Tax-Exempt Governmental Obligations Form 8038-G relating to the captioned bonds to the Department of the Treasury, Internal Revenue Service Center, Ogden, Utah 84201, a true copy of which Form 8038-G is hereto attached.

Dated: August 21, 2014



Mary Tong,
Project Coordinator
Jones Hall, A Professional Law Corporation

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here ☐	
1 Issuer's name Roseville Finance Authority		2 Issuer's employer identification number (EIN) 94 6000409	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) 311 Vernon Street	Room/suite	5 Report number (For IRS Use Only) 3	
6 City, town, or post office, state, and ZIP code Roseville, CA 95678		7 Date of issue 08/21/2014	
8 Name of issue Electric System Revenue Refunding Bonds, Series 2014		9 CUSIP number 77781R BN2	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Jay Panzica, Treasurer		10b Telephone number of officer or other employee shown on 10a (916) 774-5313	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.			
11 Education		11	
12 Health and hospital		12	
13 Transportation		13	
14 Public safety		14	
15 Environment (including sewage bonds)		15	
16 Housing		16	
17 Utilities		17	18,614,223 60
18 Other. Describe ►		18	
19 If obligations are TANs or RANs, check only box 19a ☐			
If obligations are BANs, check only box 19b ☐			
20 If obligations are in the form of a lease or installment sale, check box ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	02/01/2034	\$ 18,614,223.60	\$ 16,485,000.00	17.5314 years	3.4545 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest	22	0	00
23	Issue price of entire issue (enter amount from line 21, column (b))	23	18,614,223	60
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	295,696	20
25	Proceeds used for credit enhancement	25	0	00
26	Proceeds allocated to reasonably required reserve or replacement fund	26		
27	Proceeds used to currently refund prior issues	27	18,318,527	40
28	Proceeds used to advance refund prior issues	28	0	00
29	Total (add lines 24 through 28)	29	18,614,223	60
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	0	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.		
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	17.5416 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	08/26/2014
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	07/13/2004

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

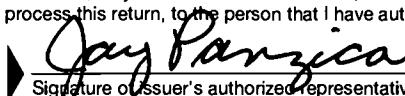
Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	
b	Enter the final maturity date of the GIC ▶ _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:		
b	Enter the date of the master pool obligation ▶ _____		
c	Enter the EIN of the issuer of the master pool obligation ▶ _____		
d	Enter the name of the issuer of the master pool obligation ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box		☐
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		☐
41a	If the issuer has identified a hedge, check here ☐ and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box		☐
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box		☒
44	If the issuer has established written procedures to monitor the requirements of section 148, check box		☒
45a	If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement ▶ _____		
b	Enter the date the official intent was adopted ▶ _____		

Signature and Consent

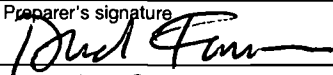
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.


8/21/14

Signature of issuer's authorized representative
Jay Panzica, Treasurer

Date
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name David T. Fama, Esq.	Preparer's signature 	Date 8/21/14	Check ☐ if self-employed	PTIN P01083298
Firm's name ▶ Jones Hall, A Professional Law Corporation			Firm's EIN ▶ 94-2698987	
Firm's address ▶ 475 Sansome Street, Suite 1700, San Francisco, CA 94111			Phone no. 415 391-5780	

August 21, 2014

Roseville Finance Authority
Roseville, California

City of Roseville
Roseville, California

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
San Francisco, California

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

Re: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

I am the City Attorney of the City of Roseville (the "City"), and as such, I have acted as counsel to the Roseville Finance Authority (the "Authority") in connection with the issuance by the Authority of the above-captioned Bonds (the "Bonds"). In that connection, I have reviewed and am familiar with the executed Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); the executed Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, each by and between the City and the Authority; the executed Contract of Purchase (the "Contract of Purchase"), dated July 24, 2014, between Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), and the Authority, as approved by the City; the executed Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014, among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the foregoing documents are collectively referred to herein as the "Authority Documents"); the Preliminary Official Statement, dated July 17, 2014 (the "Preliminary Official Statement"); the Official Statement, dated July 24, 2014 (the "Official Statement"), relating to the Bonds; Resolution No. 2-14, adopted by the Board of Directors of the Authority on July 16, 2014 (the "Authority Resolution"); and such other documents and matters of fact and law as I have deemed necessary to render this opinion. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Contract of Purchase.

As to questions of fact material to my opinion, I have relied upon representations of the Authority contained in the Authority Documents and in the certified proceedings and other certifications of public officials furnished to me, without undertaking to verify such facts by independent investigation.

Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The Authority is a joint exercise of powers agency duly organized, validly existing and in good standing under the laws of the State of California.

2. The Authority Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the Governing Board of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof.

3. The Authority has full legal power and authority to issue the Bonds, enter into the Authority Documents to which it is a party and to own its properties and to carry on its business as then conducted.

4. The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

5. No consent, approval, authorization or order of any court or governmental body is required for the consummation by the Authority of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriters.

6. To the best of my knowledge, there are no legal or governmental proceedings pending or threatened against the Authority: (i) to restrain or enjoin the issuance of the Bonds, (ii) in any way contesting or affecting the validity of the Bonds or the Authority Documents, (iii) contesting in any way the completeness or accuracy of the Official Statement; or (iv) which are otherwise required to be disclosed in the Official Statement, other than those disclosed therein.

7. The execution and delivery of the Authority Documents to which the Authority is a party by the Authority, and performance by the Authority or its obligations thereunder, will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Authority is a party or by which it is bound or constitute a default thereunder, and all consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the Authority for the consummation or the transactions contemplated thereby or as conditions precedent to the execution and delivery of the Bonds have been obtained (provided no opinion is expressed as to any action required under state securities or blue sky laws in connection with the purchase or distribution of the Bonds by the Underwriters).

8. Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement as of July 24, 2014 and the Official Statement, and based upon the information made available to me in the course of my participation in the preparation of the Preliminary Official Statement and the Official Statement as counsel to the Authority, nothing has come to my attention which would cause me to believe that the Preliminary Official Statement, as of July 24, 2014, and the Official Statement (excluding therefrom the information concerning DTC and the book-entry system and the financial statements and the statistical data included in the Preliminary Official Statement and the Official Statement, as to which no opinion is expressed), as of the date thereof and as of the date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

9. The assignment of rights by the Authority to the Trustee pursuant to the Trust Agreement is effective to grant to the Trustee all of the rights granted thereby (including the right to receive payments paid by the City under the Installment Purchase Contract free and clear of any lien or security interest or other claim of any third party or entity claiming by or through the Authority other than as set forth in the Official Statement.

I have not verified and am not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, other than as specifically stated above.

The enforceability of the Authority Documents may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the addressees named above. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

This letter is solely for the information of, and assistance to, the addressees named above and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the Bonds.

Respectfully submitted,



BRITA J. BAYLESS
City Attorney

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

OFFICER'S CERTIFICATE OF THE CITY

The undersigned hereby state and certify that:

(i) the undersigned is the duly appointed, qualified and acting City Treasurer/ Financial Executive and City Clerk, respectively of the City of Roseville, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) the signatures set forth opposite the names of the following persons are the true and correct specimens of, or are, the genuine signatures of such persons, each of whom holds the office designated below:

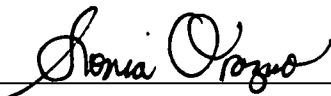
Name and Title

Signature

Jay Panzica, City Treasurer/ Financial Executive



Sonia Orozco, City Clerk



(iii) on July 16, 2014, at an open public meeting which was called, noticed and conducted in accordance with all applicable requirements of California law and at which a quorum was present and acting throughout, the City Council of the City duly adopted Resolution No. 14-323, entitled "Resolution of the City Council of the City of Roseville Authorizing the Issuance and Sale of Electric System Revenue Refunding Bonds by the Roseville Finance Authority; Approving and Authorizing the Execution and Delivery of Related Documents and Actions; and Authorizing Certain Other Related Actions" (the "Resolution"), which Resolution has not been amended, supplemented, modified, rescinded or repealed and remains in full force and effect as of the date hereof;

(iv) the undersigned have reviewed that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Roseville Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(v) by all necessary action, the City has duly authorized and approved the execution and delivery of the Official Statement, dated July 24, 2014 (the "Official Statement"), relating to the captioned Bonds (the "Bonds"), and the execution and delivery of, and the performance by the City of the obligations on its part contained in, the following agreements (collectively, the "Agreements"):

- (a) Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), between Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters, and the Authority, as approved by the City,
- (b) Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by that certain 2014 Supplemental Installment Purchase Contract, dated as of August 1, 2014, each by and between the City and the Authority,
- (c) Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014, among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), and
- (d) Continuing Disclosure Certificate of the City, dated August 21, 2014, as accepted and agreed to by the Trustee, as dissemination agent;

(vi) for and on behalf of the City, the within-named City Treasurer/ Financial Executive has executed the Official Statement and the Agreements;

(vii) the representations, warranties and covenants of the City contained in the Agreements are true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, and the City has complied with and performed all of its covenants and agreements in the Agreements to be complied with and performed on or prior to the date hereof;

(viii) on the date of the Official Statement and on the date hereof (a) the descriptions and statements of or pertaining to the City and the Electric System contained in the Official Statement were and are true and correct in all material respects; (b) the Official Statement did not and does not contain an untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect (no representation being made as to DTC and its book-entry only system);

(ix) the Agreements have been duly authorized, executed and delivered by the City and, assuming due authorization and execution thereof by the respective parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(x) other than as described in the Official Statement, no litigation is pending (with the City having received service of process) or, to the City's knowledge, threatened in any court (a) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (b) seeking to restrain or enjoin the delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (c) in any way contesting or affecting the validity of the Bonds, the Trust Agreement or any of the Agreements; (d) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the City to cause the execution and delivery of the Bonds and the performance of its obligations contained therein or the execution and delivery of the Trust Agreement or the Agreements and the performance of its obligations contained therein or with respect thereto; (e) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the City or to have a material adverse effect on the ability of the City to meet its obligations under any of the Trust Agreement or the Agreements or with respect to the Bonds; or (f) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xi) the execution and delivery of the Agreements and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the City a breach of or default under, any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(xii) all acts, conditions and things required by the Constitution and statutes of the State of California, and the Agreements to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, to exist, have happened and have been performed in due time, form and manner as required by law; and

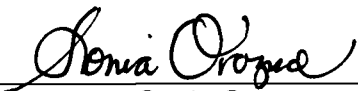
(xiii) the risk manager of the City has reviewed and is familiar with the provisions of Section 4.08 of the Master Contract and has compared the coverage provided by the City's existing insurance policies, or the availability thereof (and the City's existing self-insurance coverage, if any) with the provisions of the Master Contract and based upon such review, the undersigned certify that the City's insurance meets the requirements set forth in the Master Contract.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement or the Purchase Contract.

Dated: August 21, 2014

CITY OF ROSEVILLE

By: 
Jay Panzica,
City Treasurer/ Financial Executive

By: 
Sonia Orozco,
City Clerk

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014**

**CERTIFICATE REGARDING
PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby certifies and represents to Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), that he is a duly appointed and acting officer of the City of Roseville (the "City"), and as such is to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City to the Underwriters as follows:

(1) This Certificate is delivered to enable the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the captioned Bonds (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds and the City (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final contract of purchase, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriters thereof.

IN WITNESS WHEREOF, we have hereunto set our hands as of the 17th day of July, 2014.

CITY OF ROSEVILLE

By: 
Jay Panzica,
City Treasurer/ Financial Executive

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE REGARDING USE OF PROCEEDS

The undersigned is the City Treasurer/ Financial Executive of the City of Roseville (the "City"), is authorized to execute this certificate on behalf of the City, is knowledgeable with respect to the matters set forth herein, and hereby states and certifies as follows:

(1) Issuance of Bonds. On the date of this Certificate (the "Closing Date"), the Roseville Finance Authority (the "Authority") is issuing the bonds captioned above (the "Bonds") pursuant to a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

(2) Escrow Fund Deposits. Of the proceeds of the Bonds received on the Closing Date, \$18,318,527.40 will be deposited in a refunding escrow fund (the "Escrow Fund"), which together with the amount of \$60,066.35 derived from the Parity Reserve Fund with respect to the Parity Obligations, brings the total amount deposited in the Escrow Fund to \$18,378,593.75. Amounts on deposit in the Escrow Fund will be used to refund on a current basis \$18,315,000 of the outstanding \$18,320,000 City of Roseville Electric System Revenue Certificates of Participation, Series 2004, issued on July 13, 2004, in the original principal amount of \$39,940,000 (the "Refunded Certificates.")

(3) Description of Prior Projects. The Refunded Certificates financed the capital improvements (the "Prior Projects") described in Part I of Exhibit A hereto attached and by this reference herein incorporated.

(4) Private Uses of Prior Projects. Part II of Exhibit A describes:

(A) each use previously made (between the date the Refunded Certificates were issued and the Closing Date of the Bonds) and to be made in the future of the Prior Projects by any private person or entity (that is, any entity *other than* (i) the City, (ii) other non-federal governmental entities, or (iii) members of the public generally), and

(B) all payments (if any) directly or indirectly in respect of any use to be made of the Project by any private person or entity, previously made (between the date the Refunded Certificates were issued and the Closing Date of the Bonds) and to be made after the Closing Date.

(5) No Private Loans. No portion of the proceeds of the Bonds or the Refunded Certificates will be used, directly or indirectly, to make or finance a loan to any person (other than a State or local government unit).

(6) Expectations Regarding Project Use for Life of Bonds. The Issuer reasonably expects to use the Prior Projects for the purposes referenced in the Exhibits attached hereto or for other governmental purposes of the Issuer during the entire term of the Bonds.

The Issuer acknowledges that, for the purposes hereof, proceeds of the Bonds used to refund the Refunded Certificates are deemed to be used for the same purposes as the proceeds of the Refunded Certificates (that is, the proceeds of the Bonds are deemed to have been used to finance the Prior Projects).

(7) Practices and Procedures for Accounting for and Monitoring of Bond Proceeds. The Issuer agrees to implement the practices and procedures (the "Written Procedures") set forth in Exhibit B in order to assure that the proceeds of the Bonds are used in such a manner so as not to violate the provisions of the Internal Revenue Code of 1986, as amended, under which interest on the Bonds is excluded from federal income taxation, and to take remedial actions in the event of a violation. These Written Procedures generally account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Project financed with the proceeds of the Bonds, and (iii) any changes in the underlying structure of the Bond financing.

The Issuer acknowledges that Written Procedures in Exhibit B are not exclusive and covenants to comply with (1) all tax limitations and requirements imposed with respect to the Bonds and (2) all State and local legal requirements regarding the valid incurrence of debt and permitted uses of the proceeds of the Bonds. Unless otherwise set forth in the Written Procedures or subsequently changed by the Issuer, the City Treasurer/ Financial Executive will undertake post-issuance compliance relating to the Bonds.

Notwithstanding the foregoing, failure to perform any task set forth in the Written Procedures will not constitute an event of default under the Trust Agreement.

(8) Certifications.

(a) The above statements are made on the basis of the facts, estimates and circumstances in existence on the date hereof and the undersigned has exercised due diligence to assure that all material facts, estimates and circumstances relating to the above statements were made available to the undersigned and reviewed by the undersigned.

(b) To the best knowledge of the undersigned the above statements are reasonable and there are no other facts, estimates or circumstances, other than those set forth herein, that would materially affect the statements made herein.

(c) The undersigned is aware that Jones Hall, A Professional Law Corporation, is rendering an opinion on the date hereof substantially to the effect that the interest on the Bonds is excluded from gross income for federal income tax purposes and in rendering such opinion is relying upon the statements made in this Certificate and in the Exhibits attached to this Certificate.

IN WITNESS WHEREOF, I have hereunto set my name this 21st day of August, 2014.

CITY OF ROSEVILLE

By: 
Jay Panzica,
City Treasurer/ Financial Executive

EXHIBIT A

PART I. Detailed Description of Prior Projects

A portion of the proceeds from the sale of the Refunded Certificates were used to finance certain improvements to the Electric System (the "2004 Electric Project").

The 2004 Electric Project generally consisted of capital improvement projects related to the City's power distribution system that were needed to maintain a reliable electric system and meet the demand of the City's increasing electricity load. The capital improvement projects included the following:

- Construction of two new substations.*
- 60 KV line extensions from/to existing and new substations and 60 KV line network improvements, capacitor upgrades and communications improvements.*
- Reconductoring of ten miles of 60 KV line to increase capacity.*
- 12 KV Distribution line upgrades and extensions.*
- Cable and Switching upgrades and improvements.*
- New operations center for construction and maintenance staff.*
- Overhead to underground system conversion and upgrades.*
- Substation expansion and upgrades.*

PART II. Description of Any Private Use of Prior Projects

A. Describe each use previously made or to be made of the Prior Projects by any private person or entity (that is, any entity *other than* (i) the Issuer, (ii) other non-federal governmental entities, or (iii) members of the public generally). For this purpose, "use" includes, without limitation, sales, leases or other use agreements with respect to the Prior Projects with private, nongovernmental entities. "Use" of the Prior Projects *does not include* uses by members of the general public within the meaning of §1.141-3(c) of the Treasury Regulations (the "Regulations").

None.

B. Payments to be made from the date of issue of the Refunded Certificates and expected to be made through the final maturity of the Bonds in respect of above uses.

EXHIBIT B

PRACTICES AND PROCEDURES FOR POST ISSUANCE COMPLIANCE

General

The Issuer will take all appropriate action to assure that (i) no use of the proceeds of the Bonds, and no other event or action, will cause the Bonds to violate federal income tax limitations with respect to the exclusion of interest on the Bonds from federal income taxation, and (ii) all uses of proceeds of the Bonds comply with State and local legal requirements regarding the valid incurrence of debt and permitted uses of proceeds of the Bonds.

Without limiting the generality of the foregoing, the Issuer will take the following actions to account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Prior Projects refinanced with the proceeds of the Bonds, and (iii) any changes in the underlying structure of the Bond financing. The Issuer has the discretion to make exceptions or to require additional procedures as it deems necessary or desirable. The Issuer reserves the right to modify these written procedures.

The City Treasurer/ Financial Executive (the "Responsible Officer") will undertake post-issuance compliance relating to the Bonds. The Responsible Officer is familiar with the provisions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations (the "Regulations") governing the tax-exempt status of the Bonds. The Responsible Officer may delegate tasks to other officers or staff of the Issuer or to outside attorneys or other experts.

Initial Documentation Review

1. Upon receipt of the transcript for the Bonds, review the covenants of the Issuer with respect to the tax-exempt status of the Bonds, the use of proceeds certificate, the Certificate as to Arbitrage (the "Tax Certificate"), the verification report (if any) and any additional tax documentation. Confirm filing of the applicable 8038 form with the IRS.
2. Create a written schedule for due diligence reviews based upon expectations set forth in the transcribed documents.

Refunding

1. For advance refunding escrows, confirm that any scheduled purchases of State and Local Government Series or open market securities are made as scheduled.
2. On the redemption date, confirm that the Refunded Certificates have been redeemed and cancelled.
3. Promptly following the redemption date, confirm that all proceeds of the Bonds and all proceeds of the Refunded Certificates have been spent. Verify that excess proceeds, if any, of the Bonds do not exceed an amount permitted by the Regulations.

Allocation of Refunded Bond Proceeds to Expenditures

With respect to the proceeds of the Refunded Certificates, confirm that the following steps were taken and appropriate documentation retained:

1. No less often than every six months through completion of the Prior Projects, monitor and document all expenditures from the Project Fund and make the relevant determinations set forth under "Arbitrage and Rebate" below.
2. Monitor and document reimbursement of expenditures paid from non-bond proceeds prior to the date of issue of the Refunded Certificates and verify compliance with §1.150-2 of the Regulations.
3. Allocate proceeds of Refunded Certificates to expenditures subject to §1.148-6(d) and §1.141-6(a) of the Regulations by 18 months after the later of the date the expenditure was made or the date the Prior Projects were placed in service, but not later than the earlier of 5 years after the Bonds were issued or 60 days after the issue is retired. Use a consistent application of the same methodology for all expenditures of Refunded Bond proceeds. Document this allocation.

Non-governmental Uses of the Bond-Financed Facilities

No less than annually, take the following steps to review and document any non-governmental uses of the Prior Projects:

1. Confer with personnel responsible for the Prior Projects to identify, and discuss, any existing or planned use of Bond-financed or refinanced facilities, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate.
2. Monitor and document sales, leases or other use agreements with respect to the Prior Projects with nongovernmental entities, not including uses by members of the general public within the meaning of §1.141-3(c) of the Regulations. Compute the percent of private business use or private payments or private security with respect to those nongovernmental uses.
3. Monitor and document management contracts (see e.g., Rev. Proc. 97-13) with nongovernmental entities.
4. Monitor and document other special legal entitlements with respect to the Bond-financed property (e.g., licenses, use agreements, easements, etc.).
5. Consult with legal counsel regarding any private use or proposed change in use with respect to the Prior Projects.

Arbitrage and Rebate

1. If the Bonds are exempt from rebate, as set forth in the Tax Certificate, no rebate payments under Section 148(f) of the Tax Code will be required.

2. If Bonds are not exempt from rebate, hire a rebate calculation agent or perform rebate calculations internally.
3. Make any required rebate payments according to the following schedule:
 - a. The first installment is due 60 days after the end of 5th bond year.
 - b. Succeeding installments are due 60 days after end of every 5th bond year thereafter.
 - c. The final installment is due 60 days after retirement of the last bond of the issue.
4. Monitor expenditures of Bond proceeds for qualification for the 6 month rebate expenditure exception.
5. Consult with legal counsel before entering into any post-issuance credit enhancement transactions or any hedging transactions with respect to the Bonds or Bond proceeds.

Response to Noncompliance

Upon a determination of noncompliance, consult promptly with qualified bond counsel and other legal counsel and advisers to determine what course of actions can be taken to preserve the tax-exempt status of the Bonds.

1. If the noncompliance will be remediated under existing remedial action provisions or tax-exempt bond closing agreement programs contained in the Regulations or other published guidance from the IRS, determine the deadline for taking action and proceed with diligence to take the required remedial actions.
3. If remedial actions are unavailable, determine whether to make a submission to the Tax Exempt Bonds Voluntary Closing Agreement Program ("VCAP") under Internal Revenue Manual 7.2.3.

Record Retention

1. Retain records of accounting and monitoring with respect to the Refunded Certificates at least 3 years after the earlier of the maturity or redemption of the Bonds.
2. Retain records of all accounting and monitoring the Issuer carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the bonds which refunded the Bonds.
3. Maintain special records required by the safe harbor for investment contracts or defeasance escrows under §1.148-5 of the Regulations.

4. Maintain a record of the identification on the Issuer's books and records of any "qualified hedge" contract under §1.148-4(h)(2)(viii) and §1.148-11A(i)(3) of the Regulations.

5. Maintain a record of any election not to take depreciation on property required to be owned by a governmental unit which is leased to a nongovernmental entity as required by §1.103(n)-2T Q/A7 of the Regulations.

6. Maintain records of accounting for rebate for a period of at least 3 years after the earlier of the maturity or redemption of the Bonds.

Reissuance

A significant modification of the Bond documents may result in the Bonds being deemed refunded or "reissued". Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new arbitrage certificate. Qualified bond counsel should be consulted in the event of modification of the Bond documents.

Additional Procedures

The Issuer is encouraged, but is not required, to adopt additional written practices and procedures in order to further ensure that: due diligence reviews are completed at regular intervals; any officials or employees responsible for review or compliance have been adequately trained; all documents and records needed to substantiate compliance are retained; noncompliance is identified in a timely manner; and any noncompliance is corrected in a timely manner.

I hereby acknowledge that as City Treasurer/ Financial Executive of the Issuer, I have primary responsibility for implementation of these post-issuance procedures relating to the Bonds.

Acknowledgement:

By: 
Jay Panzica,
City Treasurer/ Financial Executive

August 21, 2014

City of Roseville
Roseville, California

Roseville Finance Authority
Roseville, California

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
San Francisco, California

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

Re: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

I am the City Attorney for the City of Roseville (the "City") and I have been requested by the City to provide this opinion in accordance with Section 7(f)(5) of the Contract of Purchase dated July 24, 2014 (the "Contract of Purchase"), for the above captioned Bonds (the "Bonds"). Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Contract of Purchase.

The City has entered into an agreement entitled "Master Installment Purchase Contract," dated as of November 1, 1997, and an agreement entitled "2014 Supplemental Installment Purchase Contract," dated as of August 1, 2014, with the Roseville Finance Authority (the "Authority"), both of which are collectively referred to herein as the "Installment Purchase Contract".

It is my opinion that:

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the laws of the State of California.

2. The City Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended or rescinded as of the Closing Date.

3. The City has full power, authority and legal right to execute, deliver and perform the City Documents.

4. The execution, delivery and performance by the City of the City Documents have been duly authorized by all appropriate action and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the City or (ii) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

5. All authorizations, consents, approvals, licenses, exemptions of or registrations with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, necessary to the valid execution, delivery or performance by the City of the City Documents have been obtained or effected, and are and will remain in full force and effect.

6. The City Documents constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

7. The City has duly authorized, executed and delivered the Official Statement dated July 24, 2014, relating to the Bonds (the "Official Statement").

8. Except as disclosed in the Official Statement, there is to my knowledge no litigation pending (with the City having received service of process) or threatened in any court (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) seeking to restrain or enjoin the delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the 2014 Payments; (iii) in any way contesting or affecting the validity of the Bonds, the Trust Agreement or the City Documents; (iv) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the City for the execution and delivery of the Bonds and the performance of its obligations contained therein or the execution and delivery of the Trust Agreement or the City Documents and the performance of its obligations contained therein; (v) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the City or to have a material adverse effect on the ability of the City to meet its obligations under the Trust Agreement or the City Documents or with respect to the Bonds; or (vi) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements in the Preliminary Official Statement as of July 24, 2014 and the Official Statement (except under the captions "TAX MATTERS" and "UNDERWRITING" and except for any CUSIP numbers, financial, accounting, statistical, economic or engineering or demographic data, forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or Appendices C, D and F thereto, or any information about book-entry, DTC, rating agencies or The Depository Trust Company included or referred to therein, which I expressly exclude from the scope of this paragraph and as to which I express

no opinion or view) accurately summarize the matters set forth therein, and nothing has come to my attention which would lead me to believe that such statements contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

I have not verified and am not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, other than as specifically stated above.

The enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the addressees named above. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

This letter is solely for the information of, and assistance to, the addressees named above and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the Bonds.

Respectfully submitted,



BRITA J. BAYLESS
City Attorney

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

OFFICER'S CERTIFICATE

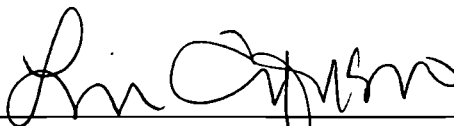
I do hereby certify that:

(i) I am the duly elected Officer of The Bank of New York Mellon Trust Company, N.A.; (the "Company");

(ii) attached hereto is a true, correct copy of Signing Authorities extracts from by-laws of the Company adopted by action of the Board of Directors of the Company and presently in effect;

(iii) attached hereto is a list of the persons who, as of the date hereof, are certain duly elected officers of the Company, which lists sets forth the title of each such officer next to his or her typed name, with which officers I am personally familiar; and

IN WITNESS WHEREOF, I have hereunto executed this Certificate as Vice President of the Company this 21st day of August, 2014.



Officer's Name: Lisa Infusino
Title: Vice President

I hereby certify that as of the date hereof that Lisa Infusino is the duly elected Officer of The Bank of New York Mellon Trust Company, N.A. and that the signature which appears on the foregoing pages is the signature of Lisa Infusino and that it is a signature with which I am personally familiar and do certify as to its authenticity:

Dated: August 21, 2014



By: Deborah Young
Title: Vice President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

I, the undersigned, Barbara J. Parrish, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

<u>Officer</u>	<u>Title</u>	<u>Signing Authority</u>
<u>LOS ANGELES, CA (400 South Hope Street)</u>		
Frank P. Sulzberger	Managing Director	B1, H, J, N, P11
Maria E. Allison	Vice President and Assistant Secretary	A, C1, J, N, P1
John A. (Alex) Briffett	Vice President	A, C5, J, N, P2
Eladia Burgos	Vice President	C2, I1, I2, N, P11
Maria Rose Bystrom	Vice President & Assistant Secretary	A, C1, J, N, P1
Fanny Chen	Vice President	A, C5, J, N, P2
Gregory Chenail	Vice President	A, C2, J, N, P1
Patricia Cronin	Vice President	A, C5, J, P2
Christopher Davy	Vice President	A, C6, J, P2
Teresa Fructuoso	Vice President & Assistant Secretary	A, C2, J, P1
Evelyn T. Furukawa	Vice President & Assistant Secretary	A, C1, J, P1
Cristina D. Garchitorena	Vice President	A, C5, J, P2
Mark A. Golder	Vice President & Assistant Secretary	A, C2, J, P1
Lisa Infusino	Vice President	A, C2, J, N, P1
Christopher Johnson	Vice President	A, C5, J, N, P2
Daniel Marroquin	Vice President	A, C2, J, N, P2
Aaron Masters	Vice President	C2
Jose M. Matamoros	Vice President	A
Marina Meza	Vice President	A, C5, J, P2
Melinda Murrell	Vice President	A, C3, J, P2
Rena Kajita Nakashima	Vice President	A, C2, J, P2
Jacqueline Nowak	Vice President	A, C2, J, P1
Agnes Obando	Vice President	A, C2, J, N, P1
Linda G. Ojeda	Vice President & Assistant Secretary	A, C1, J, P1
Teresa Petta	Vice President	A, C2, J, N, P1
Aurora Quiazon	Vice President	A, C6, J, P2
Johanna Tokunaga	Vice President & Assistant Secretary	A, C2, J, N, P1
Raymond Torres	Vice President	A, C5, J, N, P2
Fe R. Tuzon	Vice President	A, C6, J, P2
Gonzalo Urey	Vice President	A, C5, J, N, P2
Deborah D. Young	Vice President	A, C2, J, P1
Melonee Young	Vice President	A, C2, J, N, P1
Karen Yu	Vice President	A, C5, J, N, P2
Kitty Kwong	Senior Associate	A, C5, J, N, P2
Zenaida (Gabby) Rodriguez	Senior Associate	A, C6, J, N, P2
Icela Arms	Associate	C2, I1, I2, N
Justin Bui	Associate	A, C3, J, N, P3

Alexander Dominguez	Associate	C2, I1, I2, N
Valere D. Jones-Shaw	Associate	A, C3, J, N
Ty Jamaal Jordan	Associate	C2, I1, I2, N
Amy Kung	Associate	A, C3, J, N
Alfredo Miranda	Associate	C2, I1, I2, N
Matthew Moon	Associate	A, C5, J, N, P2
Norma Nkala-Hendon	Associate	A, C5, J, N, P3
Teresita D. Sanchez	Associate	C3, P10

SAN FRANCISCO, CA (100 Pine Street, Suite 3100)

Antonio Nunes, Jr.	Managing Director	P9
Sheila A. Bowman	Vice President	A, C2, J, N, P2
Milly P. Canessa	Vice President	A, C2, J, N, P1
Janelle Farooque	Vice President	A, C5, J, N, P2
Josephine Libunao	Vice President & Assistant Secretary	A, C1, J, N, P1
Rosalinda B. Ronquillo	Vice President & Assistant Secretary	A, C2, J, P2
Julia (Jing) Sun	Vice President	C2, I1, I2, N, P11
Helen Hamilton Vial	Vice President	A, N
Gordon Fung	Associate	A, C3, J, N, P3
Regina Vernitskaya	Associate	C2, I1, I2, N
Wade Winkler	N/A	A, C4, J, N, P4

TEMPE, AZ (1225 W. Washington St., Suite 126)

Scott Blair	Vice President	A, C3, J, N, P2
Mark Krietemeyer	Vice President & Assistant Secretary	A, C2, J, N, P1
Deborah M. Scherer	Vice President	A, C2, J, N, P1
Nancy Wakefield	Vice President	A, C3, J, N, P2
Ashley Cornwell	Associate	C2, I1, I2, N
Laura A. Underwood	Associate	A, C3, J, N, P3

DENVER, CO (1775 Sherman Street)

Elmo Morales	Vice President	I1, I2
Ryan M. Pollihan	Vice President	A, C2, J, N, P2
Troy Pitman	Vice President	A, C3, J, N, P2

SEATTLE, WA (601 Union Street)

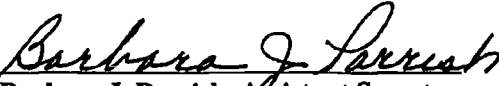
Roy H. Davis	Vice President	A, C2, J, N, P2
Kathleen Gylland	Vice President	A, C2, J, N, P2
Michael A. Jones	Vice President	A
Carol J. Nelson	Vice President & Assistant Secretary	A, C1, J, N, P10
Gene H. Romaine	Vice President	A, C5, J, N, P2
Perry Tobe	Vice President	A, C2, J, N, P2
Diem Lam	Associate	C2, I1, I2, N

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-Laws of the Association

and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-Laws of the Association and the signing authority resolution, which have not been amended or revised since October 15, 2009 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 16th day of October 2012.


Barbara J. Parrish, Assistant Secretary

**Extracts from By-Laws
of
The Bank of New York Mellon Trust Company, N.A.
As Amended through October 15, 2009**

**ARTICLE V
SIGNING AUTHORITIES**

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

**Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009**

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount in excess of \$100,000,000 but not to exceed \$500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000.

***Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.**

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of \$10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE OF TRUSTEE/ESCROW BANK

The undersigned hereby states and certifies that:

(i) the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") under that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Roseville Finance Authority (the "Authority") and the Trustee, and as escrow bank (the "Escrow Bank") under that certain Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014 (the "Escrow Agreement"), among the City of Roseville (the "City"), the Authority and the Escrow Bank, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Trustee;

(ii) the Trustee/Escrow Bank is duly organized and existing as a national banking association, duly organized and validly existing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trust Agreement and the Escrow Agreement and to execute and deliver the above-captioned bonds (the "Bonds") pursuant to the Trust Agreement;

(iii) the Trustee is duly authorized to enter into the Trust Agreement and which, when the Trust Agreement is duly executed and delivered by the Authority, will constitute the legal, valid and binding obligation of the Trustee in accordance with its terms;

(iv) the Escrow Bank is duly authorized to enter into the Escrow Agreement and which, when the Escrow Agreement are duly executed and delivered by the Authority and the City, will constitute the legal, valid and binding obligations of the Escrow Bank in accordance with their respective terms;

(v) the Trustee is duly authorized to authenticate and deliver the Bonds, and the Bonds have been duly authenticated and delivered by the Trustee, in accordance with the terms of the Trust Agreement;

(vi) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the 2014 Bonds, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Bonds by Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters;

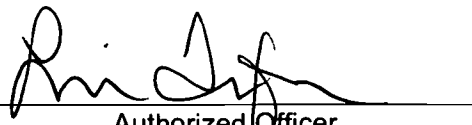
(vii) the execution and delivery by the Trustee/Escrow Bank of the Trust Agreement, the Escrow Agreement and the Bonds, and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture bond, note, resolution or any other agreement or instrument to which the

Trustee/Escrow Bank is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee/Escrow Bank or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee/Escrow Bank with respect to any Federal or state securities or blue sky laws or regulations), or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee/Escrow Bank; and

(viii) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court or governmental agency, public board or body that has been served on Trustee/Escrow Bank or, to the best knowledge of the Trustee/Escrow Bank, threatened against the Trustee/Escrow Bank which would affect the existence of the Trustee/Escrow Bank or seeking to prohibit, restrain or enjoin the execution and delivery of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Trust Agreement or the Escrow Agreement or contesting the powers of the Trustee/Escrow Bank or its authority to enter into and perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated thereby, or which, in any way, would adversely affect the validity of the Bonds, the Trust Agreement or the Escrow Agreement or any agreement or instrument to which the Trustee/Escrow Bank is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby.

Dated: August 21, 2014

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Trustee and Escrow Bank

By: 
Authorized Officer

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

**TRUSTEE'S RECEIPT OF PROCEEDS AND OTHER FUNDS,
AND ACKNOWLEDGMENT OF TRANSFER OF FUNDS**

The undersigned hereby states and certifies that:

(i) the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Trustee") under that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Roseville Finance Authority and the Trustee, and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) on the date hereof, the Trustee received from Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters") of the above-captioned Bonds (the "Bonds"), in immediately available funds, the amount of \$18,510,465.10, which represents the net purchase price of the Bonds, and has deposited or transferred such amounts pursuant to the Trust Agreement as follows:

\$ 191,937.70	Deposited into the Costs of Issuance Fund
<u>18,318,527.40</u>	Transferred to The Bank of New York Mellon Trust Company, N.A. (the "Escrow Bank"), to be used to current refund a portion of the City of Roseville Electric System Revenue Certificates of Participation, Series 2004 (the "2004 Certificates")
<u>\$ 18,510,465.10</u>	TOTAL AMOUNT DEPOSITED THIS DATE

(iii) the purchase price of the Bonds has been calculated by the Underwriters and represented to the Trustee to be as follows:

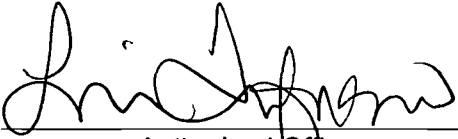
\$ 16,485,000.00	Principal Amount of Bonds
2,129,223.60	Plus Net Original Issue Premium
<u>(103,758.50)</u>	Less Underwriters' Discount
<u>\$18,510,465.10</u>	NET PURCHASE PRICE OF THE BONDS

(iv) on the date hereof, the Trustee, as trustee for the 2004 Certificates, has transferred \$60,066.35 from interest earnings on the Parity Reserve Fund with respect to the Parity Obligations, into the Escrow Fund for the 2004 Certificates.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement.

Dated: August 21, 2014

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Trustee

By: 
Authorized Officer

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

ESCROW BANK'S RECEIPT OF FUNDS

The undersigned hereby states and certifies that:

(i) I am an authorized officer of The Bank of New York Mellon Trust Company, N.A., acting as escrow bank (the "Escrow Bank") under that certain Escrow Deposit and Trust Agreement (2004 Certificates of Participation), dated as of August 1, 2014 (the "Escrow Agreement"), among the City of Roseville (the "City"), the Roseville Finance Authority (the "Authority") and the Escrow Bank, relating to the 2004 Certificates, and as such, I am familiar with the facts herein certified and am authorized and qualified to certify the same on behalf of the Escrow Bank;

(ii) under Section 3 of the Escrow Agreement, the Escrow Bank has established the Escrow Fund;

(iii) under Section 4 of the Escrow Agreement, the Escrow Bank has this date received and deposited into the Escrow Fund the total sum of \$18,378,593.75 in immediately available funds derived as follows:

- (a) \$18,318,527.40 from the proceeds of the Refunding Bonds and
- (b) \$60,066.35 from the Parity Reserve Fund for the Parity Obligations (as such term is defined in the Trust Agreement dated as of August 1, 2014, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee); and

(iv) under Section 4 of the Escrow Agreement, the Escrow Bank is holding the Escrow Fund solely in cash.

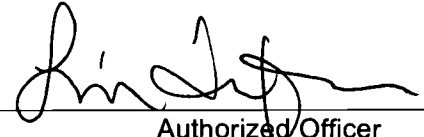
Remainder of page intentionally left blank.

Signature on following page.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Escrow Agreement.

Dated: August 21, 2014

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Bank**

By: 
Authorized Officer

LAW OFFICES OF
SAMUEL D. WALDMAN

64 OAK KNOLL DR.
SAN ANSELMO, CALIFORNIA 94960
TELEPHONE: (415) 459-4535
FACSIMILE: (415) 459-4747

August 21, 2014

City of Roseville
Roseville, California

Roseville Finance Authority
Roseville, California

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
San Francisco, California

Re: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

I have acted as special counsel to The Bank of New York Mellon Trust Company, N.A. ("BNY") acting as (i) trustee under that certain Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), by and between the Roseville Finance Authority (the "Authority") and BNY, (ii) escrow bank under an Escrow Agreement (2004 Certificate of Participation), dated as of August 1, 2014 (the "Escrow Agreement"), by and among the City of Roseville (the "City"), the Authority and BNY and (iii) dissemination agent under the Continuing Disclosure Certificate, dated August 21, 2014 (the "Continuing Disclosure Certificate"), executed by the City and accepted and agreed to by BNY with regard to the above-referenced bonds (the "Bonds"). Except as set forth herein, capitalized terms used in this opinion letter are defined as set forth in the Trust Agreement. The Trust Agreement, the Escrow Agreement and the Continuing Disclosure Certificate are hereinafter referred to as the "Trustee Documents."

In my capacity as counsel to BNY, I have examined originals or copies identified to my satisfaction of: (i) the Articles of Association and By-Laws of BNY, (ii) the Trust Agreement, (iii) the Escrow Agreement, (iv) the Continuing Disclosure Certificate and (v) such other records, certificates and documents as I have considered necessary or appropriate for the purpose of the opinion hereinafter rendered.

In rendering this opinion, I have relied upon the facts and information obtained from the records of BNY, officers of BNY, and other sources believed by me to be reliable, and have not undertaken to independently verify the accuracy of the factual matters represented, warranted, or certified in such

Roseville Finance Authority
Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
August 21, 2014
Page 2

documents. I have assumed the genuineness of all signatures other than the BNY's, the authenticity of documents, certificates and records submitted to me as originals, the conformity to the originals of all documents, certificates and records submitted to me as copies, the legal capacity of all natural persons executing documents other than BNY, and the completeness and accuracy as of the date of this opinion letter of the factual matters in such documents, certificates and records, which assumptions I have not independently verified. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions.

Based upon and subject to the foregoing and subject to the qualifications set forth below, I am of the opinion that:

(A) BNY is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Trustee Documents and to authenticate and deliver the Bonds;

(B) The Trustee Documents have been duly authorized, executed and delivered by BNY and assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of BNY enforceable in accordance with their terms, except as such enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally, and by the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding at law or in equity; and

(C) BNY is duly authorized to authenticate and deliver the Bonds, and the Bonds have been validly authenticated and delivered by BNY.

I express no opinion as to any matter other than as expressly set forth above, and, in conjunction therewith, I specifically express no opinion as to the status of the Bonds or the interest thereon under any federal securities laws, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, or any state securities or "Blue Sky" law, or any federal, state or local tax law.

This opinion is as of the date hereof, and I have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein even though the changes may affect a legal analysis or conclusion in this opinion letter. Further, this opinion neither implies, nor should it be

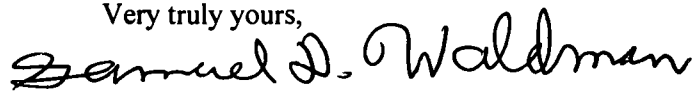
Roseville Finance Authority
Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
August 21, 2014
Page 3

viewed to imply, an approval or recommendation of any investment in any Bond.

I express no opinion as to the effect of any law other than the laws of California and the federal laws of the United States of America on the matters referred to herein, in each case as they exist on the date hereof. I express no opinion with respect to the laws, regulations, or ordinances of any county, municipal or other local governmental agency.

This opinion is furnished by me solely for your benefit. This opinion letter may be relied upon by you only in connection with the transaction described in the initial paragraph of this opinion letter and may not be used or relied upon by you for any other purpose or by any other person for any purpose whatsoever without, in each instance, my prior written consent.

Very truly yours,

A handwritten signature in black ink that reads "Samuel D. Waldman". The signature is written in a cursive, flowing style.

Samuel D. Waldman

July 18, 2014 *Revised*

City of Roseville
2090 Hilltop Circle
Roseville, CA 95747
Attention: Mr. Philip McAvoy, Electric Rates/Financial Administrator

Re: *US\$16,485,000 Roseville Finance Authority, (City of Roseville), California, Electric System Revenue Refunding Bonds, Series 2014, dated: Date of delivery, due: February 01, 2034*

Dear Mr. McAvoy:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

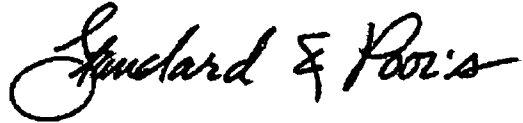
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the

rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script.

Standard & Poor's Ratings Services

sb

enclosures

cc: Ms. Michelle Bertolino
Mr. William D. Frymann



Standard & Poor's Ratings Services

Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. Credit ratings and other views of Ratings Services are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. Ratings Services will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of the issuer or at the issuer's request. Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' credit ratings criteria from time to time and Ratings Services may modify or refine its credit ratings criteria at any time as Ratings Services deems appropriate.

Reliance on Information. Ratings Services relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by Ratings Services' opinion of the information received from issuers, their agents or advisors.

Confidential Information. Ratings Services has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer or its agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Rating Services has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

July 21, 2014

Ms. Michelle Bertolino
Electric Utility Director
Roseville
2090 Hilltop Circle
Roseville, CA 95747

Dear Ms. Bertolino:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings nor this letter communicating our rating action in any offering document.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Jeff Schaub
Managing Director, Operations
U.S. Public Finance /
Global Infrastructure & Project Finance

JS/mb

Enc: Notice of Rating Action
(Doc ID: 191834)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
Roseville Finance Authority (CA) elect sys rev rfdg bonds ser 2014	Long Term	New Rating	A+	RO:Sta	18-Jul-2014	
Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving						

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

CERTIFICATE OF UNDERWRITER

The undersigned, on behalf of Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters") of the above-captioned bonds (the "Bonds"), hereby certifies and represents that:

(i) Based upon reasonable expectations and actual facts that existed on July 24, 2014, being the date upon which the Roseville Finance Authority (the "Issuer") sold the Bonds to the Underwriters (the "Sale Date"), the Underwriters reasonably expected that the first prices at which a substantial amount of each maturity of the Bonds (being at least 10% of each maturity) would be offered and sold to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "General Public") in a bona fide public offering would be at the prices, or in the case of obligations sold on a yield basis at the respective yields, set forth in Exhibit A attached hereto and by this reference incorporated herein and shown on the cover or inside cover of the Official Statement (together the "Initial Offering Prices").

(ii) The aggregate of the Initial Offering Prices is \$18,614,223.60.

(iii) The Initial Offering Prices of the Bonds of each maturity (and stated interest rate) reflected the assessment by the Underwriters of not more than the fair market prices of the Bonds as of the Sale Date and such offering prices were established by a bona fide public offering by the Underwriters to the General Public.

(iv) As of the date hereof, 100% of the Bonds of each maturity were actually offered to the general public in a bona fide public offering for the Initial Offering Prices, and the Underwriters did not hold back any portion of any maturity of the Bonds for itself or any of its affiliates for the purpose of selling the same at a price in excess of the prices set forth for such maturity of the Bonds in Exhibit A.

(v) As of the Sale Date, the Underwriters, taking into account market conditions, had no reason to believe any of the Bonds would be initially sold to the general public at prices greater than the Initial Offering Prices.

(vi) As of the Sale Date, at least 10% of the principal amount of each maturity of the Bonds initially was sold at the respective Initial Offering Price for that maturity shown in Exhibit A.

(vii) As set forth in Exhibit B, we have calculated the computation of the yield of the Bonds, the weighted average maturity of the Bonds and the remaining average maturity for the Prior Bonds for purposes of federal tax Form 8038-G and the CDIAC net interest cost calculation for purposes of reporting to the State of California. In this regard we have computed yield as the discount rate that, when used in computing the present value of all principal and

interest payments to be made under each applicable maturity of the Bonds from the date of issuance, to maturity, produces an amount equal to the Initial Offering Prices; provided that, the Issuer is assumed to exercise or not exercise an option or combination of options (including an optional redemption provision) in a manner that minimizes yield on the debt instrument and a holder is assumed to exercise or not exercise an option or combination of options in a manner that maximizes yield on a debt instrument. For purposes of computing the weighted average maturity of the Bonds, we have used the following methodology: the sum of the products of the price of each maturity of the Bonds and the number of years from the date of issuance of the Bonds, to maturity (or earlier date of mandatory sinking fund redemption) of each respective maturity of the Bonds divided by the aggregate Initial Offering Price. However, notwithstanding the foregoing, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law. Accordingly, while we believe the calculations described above to be correct, we do not warrant them to be so.

Capitalized terms used herein and not otherwise defined have the meanings set forth in that certain Trust Agreement, dated as of August 1, 2014, between the Roseville Finance Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

The Underwriters understand that Bond Counsel will rely upon this certificate, among other things, in reaching its conclusion that the Bonds do not constitute "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under Section 148 of the Code.

Dated: August 21, 2014

MORGAN STANLEY & CO. LLC,
as representative on behalf of itself and
U.S. BANCORP INVESTMENTS, INC.,
as Underwriters

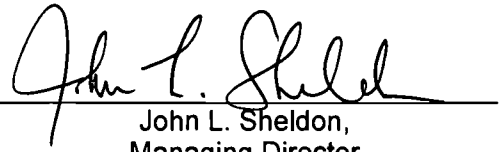
By: 
John L. Sheldon,
Managing Director

EXHIBIT A

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2030	\$2,985,000.00	5.000%	114.219 ^c
2031	3,130,000.00	5.000%	113.583 ^c
2032	3,290,000.00	5.000%	112.862 ^c
2033	3,455,000.00	5.000%	112.325 ^c
2034	3,625,000.00	5.000%	111.880 ^c

^c Price and yield to first call date of August 1, 2024, at par.

EXHIBIT B

**Attach computations of arbitrage yield under Section 148, Form 8038-G computations and
CDIAC computations**

TABLE OF CONTENTS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Report	Page
Sources and Uses of Funds	1
Summary of Refunding Results	2
Savings	3
Bond Summary Statistics	4
Bond Pricing	5
Bond Debt Service	6
Aggregate Debt Service	8
Summary of Bonds Refunded	9
Prior Bond Debt Service	10
Escrow Requirements	11
Escrow Cost	12
Escrow Sufficiency	13
Escrow Statistics	14
Proof of Arbitrage Yield	15
Underwriter's Discount	17
Cost of Issuance	18
Form 8038 Statistics	19

SOURCES AND USES OF FUNDS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - VerifiedDated Date 08/21/2014
Delivery Date 08/21/2014

Sources:

Bond Proceeds:	
Par Amount	16,485,000.00
Premium	2,129,223.60
	<u>18,614,223.60</u>
Other Sources of Funds:	
GIC 'Transfer' for Tax Purposes	1,072,153.88
DSRF Release	60,066.35
	<u>1,132,220.23</u>
	<u>19,746,443.83</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	18,378,593.75
Other Fund Deposits:	
GIC 'Transfer' for Tax Purposes	1,072,153.88
Delivery Date Expenses:	
Cost of Issuance	190,150.00
Underwriter's Discount	103,758.50
	<u>293,908.50</u>
Other Uses of Funds:	
Additional Proceeds	1,787.70
	<u>19,746,443.83</u>

SUMMARY OF REFUNDING RESULTS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Dated Date	08/21/2014
Delivery Date	08/21/2014
Arbitrage yield	3.454503%
Escrow yield	
Value of Negative Arbitrage	
Bond Par Amount	16,485,000.00
True Interest Cost	4.016047%
Effective Interest Cost	3.969424%
Net Interest Cost	4.299575%
All-In TIC	4.102370%
Average Coupon	5.000000%
Average Life	17.542
Duration	12.220
Par amount of refunded bonds	18,315,000.00
Average coupon of refunded bonds	5.000000%
Average life of refunded bonds	17.542
PV of prior debt to 08/21/2014 @ 3.454503%	22,060,816.59
Net PV Savings	1,936,711.92
Percentage savings of refunded bonds	10.574458%
Percentage savings of refunding bonds	11.748328%

SAVINGS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 08/21/2014 @ 3.4545025%
06/30/2015	457,875.00	24,492.76	433,382.24	366,333.33	16,461.15	349,872.18	83,510.06	82,248.47
06/30/2016	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	70,488.12
06/30/2017	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	68,114.77
06/30/2018	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	65,821.33
06/30/2019	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	63,605.12
06/30/2020	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	61,463.52
06/30/2021	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	59,394.03
06/30/2022	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	57,394.23
06/30/2023	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	55,461.75
06/30/2024	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	53,594.34
06/30/2025	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	51,789.81
06/30/2026	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	50,046.04
06/30/2027	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	48,360.98
06/30/2028	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	46,732.66
06/30/2029	915,750.00	55,108.70	860,641.30	824,250.00	37,037.58	787,212.42	73,428.88	45,159.16
06/30/2030	4,230,750.00	55,108.70	4,175,641.30	3,809,250.00	37,037.58	3,772,212.42	403,428.88	238,077.79
06/30/2031	4,230,000.00	55,108.70	4,174,891.30	3,805,000.00	37,037.58	3,767,962.42	406,928.88	231,973.33
06/30/2032	4,231,000.00	55,108.70	4,175,891.30	3,808,500.00	37,037.58	3,771,462.42	404,428.88	222,704.09
06/30/2033	4,233,250.00	55,108.70	4,178,141.30	3,809,000.00	37,037.58	3,771,962.42	406,178.88	216,052.24
06/30/2034	4,226,250.00	1,127,262.58	3,098,987.42	3,806,250.00	1,109,191.46	2,697,058.54	401,928.88	206,508.77
	34,429,625.00	2,143,711.94	32,285,913.06	30,943,833.33	1,792,329.05	29,151,504.28	3,134,408.78	1,994,990.57

Savings Summary

PV of savings from cash flow	1,994,990.57
Less: Prior funds on hand	(60,066.35)
Plus: Refunding funds on hand	1,787.70
Net PV Savings	1,936,711.92

BOND SUMMARY STATISTICS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Dated Date	08/21/2014
Delivery Date	08/21/2014
First Coupon	02/01/2015
Last Maturity	02/01/2034
Arbitrage Yield	3.454503%
True Interest Cost (TIC)	4.016047%
Net Interest Cost (NIC)	4.299575%
All-In TIC	4.102370%
Average Coupon	5.000000%
Average Life (years)	17.542
Duration of Issue (years)	12.220
Par Amount	16,485,000.00
Bond Proceeds	18,614,223.60
Total Interest	14,458,833.33
Net Interest	12,433,368.23
Total Debt Service	30,943,833.33
Maximum Annual Debt Service	3,809,250.00
Average Annual Debt Service	1,591,397.14
Underwriter's Fees (per \$1000)	
Average Takedown	4.250000
Other Fee	2.044116
Total Underwriter's Discount	6.294116
Bid Price	112.286716

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	16,485,000.00	112.916	5.000%	17.542	14,795.55
	16,485,000.00			17.542	14,795.55

	TIC	All-In TIC	Arbitrage Yield
Par Value	16,485,000.00	16,485,000.00	16,485,000.00
+ Accrued Interest			
+ Premium (Discount)	2,129,223.60	2,129,223.60	2,129,223.60
- Underwriter's Discount	(103,758.50)	(103,758.50)	
- Cost of Issuance Expense		(190,150.00)	
- Other Amounts			
Target Value	18,510,465.10	18,320,315.10	18,614,223.60
Target Date	08/21/2014	08/21/2014	08/21/2014
Yield	4.016047%	4.102370%	3.454503%

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
****Final - Verified****

Dated Date	08/21/2014	
Delivery Date	08/21/2014	
First Coupon	02/01/2015	
Par Amount	16,485,000.00	
Premium	2,129,223 60	
Production	18,614,223 60	112.916127%
Underwriter's Discount	(103,758.50)	(0.629412%)
Purchase Price	18,510,465.10	112.286716%
Accrued Interest		
Net Proceeds	18,510,465 10	

BOND DEBT SERVICE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015			366,333.33	366,333.33	
06/30/2015					366,333.33
08/01/2015			412,125.00	412,125.00	
02/01/2016			412,125.00	412,125.00	
06/30/2016					824,250.00
08/01/2016			412,125.00	412,125.00	
02/01/2017			412,125.00	412,125.00	
06/30/2017					824,250.00
08/01/2017			412,125.00	412,125.00	
02/01/2018			412,125.00	412,125.00	
06/30/2018					824,250.00
08/01/2018			412,125.00	412,125.00	
02/01/2019			412,125.00	412,125.00	
06/30/2019					824,250.00
08/01/2019			412,125.00	412,125.00	
02/01/2020			412,125.00	412,125.00	
06/30/2020					824,250.00
08/01/2020			412,125.00	412,125.00	
02/01/2021			412,125.00	412,125.00	
06/30/2021					824,250.00
08/01/2021			412,125.00	412,125.00	
02/01/2022			412,125.00	412,125.00	
06/30/2022					824,250.00
08/01/2022			412,125.00	412,125.00	
02/01/2023			412,125.00	412,125.00	
06/30/2023					824,250.00
08/01/2023			412,125.00	412,125.00	
02/01/2024			412,125.00	412,125.00	
06/30/2024					824,250.00
08/01/2024			412,125.00	412,125.00	
02/01/2025			412,125.00	412,125.00	
06/30/2025					824,250.00
08/01/2025			412,125.00	412,125.00	
02/01/2026			412,125.00	412,125.00	
06/30/2026					824,250.00
08/01/2026			412,125.00	412,125.00	
02/01/2027			412,125.00	412,125.00	
06/30/2027					824,250.00
08/01/2027			412,125.00	412,125.00	
02/01/2028			412,125.00	412,125.00	
06/30/2028					824,250.00
08/01/2028			412,125.00	412,125.00	
02/01/2029			412,125.00	412,125.00	
06/30/2029					824,250.00
08/01/2029			412,125.00	412,125.00	
02/01/2030	2,985,000.00	5.000%	412,125.00	3,397,125.00	
06/30/2030					3,809,250.00
08/01/2030			337,500.00	337,500.00	
02/01/2031	3,130,000.00	5.000%	337,500.00	3,467,500.00	
06/30/2031					3,805,000.00
08/01/2031			259,250.00	259,250.00	
02/01/2032	3,290,000.00	5.000%	259,250.00	3,549,250.00	
06/30/2032					3,808,500.00
08/01/2032			177,000.00	177,000.00	
02/01/2033	3,455,000.00	5.000%	177,000.00	3,632,000.00	
06/30/2033					3,809,000.00
08/01/2033			90,625.00	90,625.00	
02/01/2034	3,625,000.00	5.000%	90,625.00	3,715,625.00	
06/30/2034					3,806,250.00
	16,485,000.00		14,458,833.33	30,943,833.33	30,943,833.33

BOND DEBT SERVICE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Period Ending	Principal	Coupon	Interest	Debt Service
06/30/2015			366,333.33	366,333.33
06/30/2016			824,250.00	824,250.00
06/30/2017			824,250.00	824,250.00
06/30/2018			824,250.00	824,250.00
06/30/2019			824,250.00	824,250.00
06/30/2020			824,250.00	824,250.00
06/30/2021			824,250.00	824,250.00
06/30/2022			824,250.00	824,250.00
06/30/2023			824,250.00	824,250.00
06/30/2024			824,250.00	824,250.00
06/30/2025			824,250.00	824,250.00
06/30/2026			824,250.00	824,250.00
06/30/2027			824,250.00	824,250.00
06/30/2028			824,250.00	824,250.00
06/30/2029			824,250.00	824,250.00
06/30/2030	2,985,000.00	5.000%	824,250.00	3,809,250.00
06/30/2031	3,130,000.00	5.000%	675,000.00	3,805,000.00
06/30/2032	3,290,000.00	5.000%	518,500.00	3,808,500.00
06/30/2033	3,455,000.00	5.000%	354,000.00	3,809,000.00
06/30/2034	3,625,000.00	5.000%	181,250.00	3,806,250.00
	16,485,000.00		14,458,833.33	30,943,833.33

AGGREGATE DEBT SERVICE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Period Ending	Electric System Revenue Refunding Bonds, Series 2014	Unrefunded Bonds	Aggregate Debt Service
06/30/2015	366,333.33	125.00	366,458.33
06/30/2016	824,250.00	250.00	824,500.00
06/30/2017	824,250.00	250.00	824,500.00
06/30/2018	824,250.00	250.00	824,500.00
06/30/2019	824,250.00	250.00	824,500.00
06/30/2020	824,250.00	250.00	824,500.00
06/30/2021	824,250.00	250.00	824,500.00
06/30/2022	824,250.00	250.00	824,500.00
06/30/2023	824,250.00	250.00	824,500.00
06/30/2024	824,250.00	250.00	824,500.00
06/30/2025	824,250.00	250.00	824,500.00
06/30/2026	824,250.00	250.00	824,500.00
06/30/2027	824,250.00	250.00	824,500.00
06/30/2028	824,250.00	250.00	824,500.00
06/30/2029	824,250.00	250.00	824,500.00
06/30/2030	3,809,250.00	250.00	3,809,500.00
06/30/2031	3,805,000.00	250.00	3,805,250.00
06/30/2032	3,808,500.00	250.00	3,808,750.00
06/30/2033	3,809,000.00	250.00	3,809,250.00
06/30/2034	3,806,250.00	5,250.00	3,811,500.00
	30,943,833.33	9,875.00	30,953,708.33

SUMMARY OF BONDS REFUNDED

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Electric System Revenue COPs, Series 2004, 2004:					
2034 Term Bond, TERM_34	02/01/2030	5.000%	3,315,000.00	08/26/2014	100.000
	02/01/2031	5.000%	3,480,000.00	08/26/2014	100.000
	02/01/2032	5.000%	3,655,000.00	08/26/2014	100.000
	02/01/2033	5.000%	3,840,000.00	08/26/2014	100.000
	02/01/2034	5.000%	4,025,000.00	08/26/2014	100.000
			18,315,000.00		

PRIOR BOND DEBT SERVICE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015			457,875.00	457,875.00	
06/30/2015					457,875.00
08/01/2015			457,875.00	457,875.00	
02/01/2016			457,875.00	457,875.00	
06/30/2016					915,750.00
08/01/2016			457,875.00	457,875.00	
02/01/2017			457,875.00	457,875.00	
06/30/2017					915,750.00
08/01/2017			457,875.00	457,875.00	
02/01/2018			457,875.00	457,875.00	
06/30/2018					915,750.00
08/01/2018			457,875.00	457,875.00	
02/01/2019			457,875.00	457,875.00	
06/30/2019					915,750.00
08/01/2019			457,875.00	457,875.00	
02/01/2020			457,875.00	457,875.00	
06/30/2020					915,750.00
08/01/2020			457,875.00	457,875.00	
02/01/2021			457,875.00	457,875.00	
06/30/2021					915,750.00
08/01/2021			457,875.00	457,875.00	
02/01/2022			457,875.00	457,875.00	
06/30/2022					915,750.00
08/01/2022			457,875.00	457,875.00	
02/01/2023			457,875.00	457,875.00	
06/30/2023					915,750.00
08/01/2023			457,875.00	457,875.00	
02/01/2024			457,875.00	457,875.00	
06/30/2024					915,750.00
08/01/2024			457,875.00	457,875.00	
02/01/2025			457,875.00	457,875.00	
06/30/2025					915,750.00
08/01/2025			457,875.00	457,875.00	
02/01/2026			457,875.00	457,875.00	
06/30/2026					915,750.00
08/01/2026			457,875.00	457,875.00	
02/01/2027			457,875.00	457,875.00	
06/30/2027					915,750.00
08/01/2027			457,875.00	457,875.00	
02/01/2028			457,875.00	457,875.00	
06/30/2028					915,750.00
08/01/2028			457,875.00	457,875.00	
02/01/2029			457,875.00	457,875.00	
06/30/2029					915,750.00
08/01/2029			457,875.00	457,875.00	
02/01/2030	3,315,000.00	5.000%	457,875.00	3,772,875.00	
06/30/2030					4,230,750.00
08/01/2030			375,000.00	375,000.00	
02/01/2031	3,480,000.00	5.000%	375,000.00	3,855,000.00	
06/30/2031					4,230,000.00
08/01/2031			288,000.00	288,000.00	
02/01/2032	3,655,000.00	5.000%	288,000.00	3,943,000.00	
06/30/2032					4,231,000.00
08/01/2032			196,625.00	196,625.00	
02/01/2033	3,840,000.00	5.000%	196,625.00	4,036,625.00	
06/30/2033					4,233,250.00
08/01/2033			100,625.00	100,625.00	
02/01/2034	4,025,000.00	5.000%	100,625.00	4,125,625.00	
06/30/2034					4,226,250.00
	18,315,000.00		16,114,625.00	34,429,625.00	34,429,625.00

ESCROW REQUIREMENTS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Period Ending	Interest	Principal Redeemed	Total
08/26/2014	63,593.75	18,315,000.00	18,378,593.75
	63,593.75	18,315,000.00	18,378,593.75

ESCROW COST

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
08/21/2014		18,378,593.75	18,378,593.75
	0.00	18,378,593.75	18,378,593.75

ESCROW SUFFICIENCY

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
08/21/2014		18,378,593.75	18,378,593.75	18,378,593.75
08/26/2014	18,378,593.75		(18,378,593.75)	
	18,378,593.75	18,378,593.75	0.00	

ESCROW STATISTICS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Escrow	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
2004NBP	60,066.35					60,037.78		28.57
2004PROC	18,318,527.40					18,309,815.43		8,711.97
	18,378,593.75		0.00			18,369,853.21	0.00	8,740.54

Delivery date 08/21/2014
Arbitrage yield 3.454503%

PROOF OF ARBITRAGE YIELD

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Date	Debt Service	Present Value to 08/21/2014 @ 3.4545025131%
02/01/2015	366,333.33	360,799.14
08/01/2015	412,125.00	399,007.18
02/01/2016	412,125.00	392,232.34
08/01/2016	412,125.00	385,572.53
02/01/2017	412,125.00	379,025.81
08/01/2017	412,125.00	372,590.24
02/01/2018	412,125.00	366,263.94
08/01/2018	412,125.00	360,045.05
02/01/2019	412,125.00	353,931.76
08/01/2019	412,125.00	347,922.27
02/01/2020	412,125.00	342,014.82
08/01/2020	412,125.00	336,207.67
02/01/2021	412,125.00	330,499.12
08/01/2021	412,125.00	324,887.49
02/01/2022	412,125.00	319,371.15
08/01/2022	412,125.00	313,948.47
02/01/2023	412,125.00	308,617.87
08/01/2023	412,125.00	303,377.77
02/01/2024	412,125.00	298,226.65
08/01/2024	16,897,125.00	12,019,682.35
24,681,708.33		18,614,223.60

Proceeds Summary

Delivery date	08/21/2014
Par Value	16,485,000.00
Premium (Discount)	2,129,223.60
Target for yield calculation	18,614,223.60

PROOF OF ARBITRAGE YIELD

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 08/21/2014 @ 3.4545025131%
SERIAL	02/01/2030	5.000%	3.310%	08/01/2024	100.000000	(38,890.75)
SERIAL	02/01/2031	5.000%	3.380%	08/01/2024	100.000000	(20,873.11)
SERIAL	02/01/2032	5.000%	3.460%	08/01/2024	100.000000	1,780.79
SERIAL	02/01/2033	5.000%	3.520%	08/01/2024	100.000000	20,423.45
SERIAL	02/01/2034	5.000%	3.570%	08/01/2024	100.000000	37,559.62

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 08/21/2014 @ 3.4545025131%	Increase to NPV
SERIAL	02/01/2030	5.000%	3.310%			124,214.63	163,105.38
SERIAL	02/01/2031	5.000%	3.380%			177,935.95	198,809.06
RIAL	02/01/2032	5.000%	3.460%			238,970.17	237,189.38
RIAL	02/01/2033	5.000%	3.520%			298,143.32	277,719.87
SERIAL	02/01/2034	5.000%	3.570%			357,976.78	320,417.16

UNDERWRITER'S DISCOUNT

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Underwriter's Discount	\$/1000	Amount
Average Takedown	4.25000	70,061.25
Underwriters' Counsel	1.66818	27,500.00
Day Loan	0.03137	517.06
Dalnet - Book Running System	0.06728	1,109.19
Ipreo Order Monitor	0.01978	326.00
Dalnet Wire Charges	0.00394	65.00
DTC Charges	0.04853	800.00
CUSIP Fees	0.02305	380.00
CDIAC	0.18198	3,000.00
	6.29412	103,758.50

COST OF ISSUANCE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Cost of Issuance	\$/1000	Amount
Jones Hall (Bond Counsel)	3.94298	65,000.00
Jones Hall (Disclosure Counsel)	2.12314	35,000.00
The PFM Group	2.12314	35,000.00
Standard & Poor's	0.98574	16,250.00
Fitch Ratings	0.97058	16,000.00
Bank of New York	0.32757	5,400.00
Grant Thornton	0.15165	2,500.00
Imagemaster	0.30331	5,000.00
Miscellaneous	0.60661	10,000.00
	11.53473	190,150.00

FORM 8038 STATISTICS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Final - Verified

Dated Date 08/21/2014
Delivery Date 08/21/2014

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Serial Bonds:						
	02/01/2030	2,985,000.00	5.000%	114.219	3,409,437.15	2,985,000.00
	02/01/2031	3,130,000.00	5.000%	113.583	3,555,147.90	3,130,000.00
	02/01/2032	3,290,000.00	5.000%	112.862	3,713,159.80	3,290,000.00
	02/01/2033	3,455,000.00	5.000%	112.325	3,880,828.75	3,455,000.00
	02/01/2034	3,625,000.00	5.000%	111.880	4,055,650.00	3,625,000.00
		16,485,000.00			18,614,223.60	16,485,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	02/01/2034	5.000%	4,055,650.00	3,625,000.00		
Entire Issue			18,614,223.60	16,485,000.00	17.5314	3.4545%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	293,908.50
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	1,072,153.88
Proceeds used to currently refund prior issues	18,318,527.40
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	17.5416
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

FORM 8038 STATISTICS

Roseville Electric
 Electric System Revenue Refunding Bonds, Series 2014
 Final - Verified

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Electric System Revenue COPs, Series 2004:					
TERM_34	02/01/2030	3,315,000.00	5.000%	97.288	3,225,097.20
TERM_34	02/01/2031	3,480,000.00	5.000%	97.288	3,385,622.40
TERM_34	02/01/2032	3,655,000.00	5.000%	97.288	3,555,876.40
TERM_34	02/01/2033	3,840,000.00	5.000%	97.288	3,735,859.20
TERM_34	02/01/2034	4,025,000.00	5.000%	97.288	3,915,842.00
18,315,000.00					17,818,297.20

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Electric System Revenue COPs, Series 2004	08/26/2014	07/13/2004	17.5416
All Refunded Issues	08/26/2014		17.5416

\$16,485,000
ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BONDS
SERIES 2014

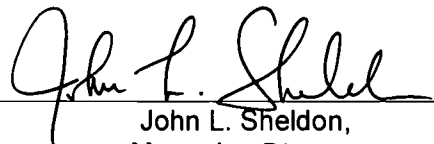
RECEIPT FOR BONDS

On behalf of Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), receipt is hereby acknowledged from the Roseville Finance Authority (the "Authority"), of the following described bonds issued by the Authority:

"Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014," in the aggregate principal amount of \$16,485,000, dated August 21, 2014, issued as fully registered bonds in book-entry form, without coupons, in minimum denominations of \$5,000 or integral multiples thereof, duly authenticated by The Bank of New York Mellon Trust Company, N.A., as trustee.

Dated: August 21, 2014

MORGAN STANLEY & CO. LLC,
as representative on behalf of itself and
U.S. BANCORP INVESTMENTS, INC.,
as Underwriters

By: 
John L. Sheldon,
Managing Director

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
5.000%	February 1, 2030	August 21, 2014	77781R BJ1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***TWO MILLION NINE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS***

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
5.000%	February 1, 2031	August 21, 2014	77781R BK8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***THREE MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS***

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
5.000%	February 1, 2032	August 21, 2014	77781R BL6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***THREE MILLION TWO HUNDRED NINETY THOUSAND DOLLARS***

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
5.000%	February 1, 2033	August 21, 2014	77781R BM4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***THREE MILLION FOUR HUNDRED FIFTY-FIVE THOUSAND DOLLARS***

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a

**ROSEVILLE FINANCE AUTHORITY
ELECTRIC SYSTEM REVENUE REFUNDING BOND
SERIES 2014**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
5.000%	February 1, 2034	August 21, 2014	77781R BN2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***THREE MILLION SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS***

The Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), for value received, hereby promises to pay solely from the Revenues or amounts in certain funds and accounts held under the Trust Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in San Francisco, California (the "Trustee"). Interest on this Bond will be paid by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Trustee by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

THIS BOND is one of a duly authorized issue of bonds of the Authority designated "Electric System Revenue Refunding Bonds, Series 2014" (the "Bond"), in an aggregate principal amount of \$16,485,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, or redemption or other provisions) and all pursuant to the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) (the "Act") and a Trust Agreement dated as of August 1, 2014 (the "Trust Agreement") between the Authority and the Trustee. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a

description of the agreements, conditions, covenants and terms of the Bonds, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the registered owners of the Bonds with respect thereto and for the other agreements, conditions, covenants and terms upon which the Bonds are executed and delivered.

The Bonds are special obligations of the Authority and this Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Trust Agreement) are payable from, and are secured by a lien on Revenues (as that term is defined in the Trust Agreement) consisting primarily of installment payments ("2014 Payments") to be made under and pursuant to that certain 2014 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 2014, which is supplemental to that certain Master Contract executed and entered into as of November 1, 1997 and previously supplemented, each by and between the City of Roseville, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") (which Master Contract as so supplemented is referred to herein as the "Contract"), all of which rights to receive such 2014 Payments have been assigned by the Authority to the Trustee, or any other association or corporation which may at any time be substituted in place of the original trustee as provided the Trust Agreement. Capitalized terms used in this Bond not otherwise defined herein will have the meanings given such terms in the Trust Agreement hereinafter mentioned or in the Contract.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto, but no such amendment will (1) extend the maturity date of this Bond, or change the payment dates of, or reduce the rate of interest or principal or redemption premium, if any, evidenced and represented hereby, without the express written consent of the registered owner hereof, or (2) reduce the percentage of Bonds required for the written consent to any amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Bonds are subject to optional redemption prior to their respective stated maturity dates, upon notice as provided in the Trust Agreement, from prepayment of 2014 Payments made by the City pursuant to the Contract, as a whole or in part (from such maturity dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such maturity dates, in inverse order of maturity date and by lot within a maturity date) on any date on or after August 1, 2024, at a redemption price equal to the principal amount of the 2014 Bonds called for redemption, plus accrued and unpaid interest to the redemption date, without premium.

If less than all Outstanding Bonds of any particular maturity date are to be redeemed at any one time, the Trustee will select the portions of the Bonds of such maturity date to be redeemed by lot in a manner that the Trustee deems to be fair. For purposes of selecting Bonds to be redeemed, Bonds of each maturity date will be deemed to be composed of five thousand dollars (\$5,000) multiples and any such multiple may be separately redeemed. If the Authority elects to optionally redeem Bonds pursuant to the foregoing paragraph, it will notify the Trustee of the redemption date and the principal amount of the Bonds of each maturity date to be redeemed on such redemption date at least forty-five (45) days prior to such redemption date; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

Notice of redemption of any Bond selected for redemption will be mailed by the Trustee not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price is held by the Trustee, then this Bond will, on the redemption date designated in such notice, become due and payable, and from and after the date so designated interest on this Bond will cease to accrue, and the registered owner of this Bond will have no rights with respect hereto except to receive payment of the redemption price hereof.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption.

This Bond is transferable on the books required to be kept for that purpose at the Corporate Trust Office of the Trustee in whose name it is registered, in person or by his duly authorized attorney, upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, and thereupon a new Bond or Bonds of the same maturity date evidencing and representing a like aggregate principal amount in authorized denominations will be delivered to the transferee. This Bond may be exchanged at the Corporate Trust Office of the Trustee, upon payment of the charges provided in the Trust Agreement, for Bonds evidencing and representing a like aggregate principal amount of Bonds of the same maturity date of other authorized denominations. The Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest and principal and redemption premium, if any, evidenced and represented hereby and for all other purposes, whether this Bond will be overdue or not, and the Trustee will not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and redemption premium, if any, on this Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The Bonds each evidence and represent a proportionate interest in the 2014 Payments to be held in trust by the Trustee pursuant to the Trust Agreement in an amount equal to the aggregate principal amount of Bonds originally executed and delivered by the Trustee pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the Authority to pay the Bonds is a special obligation of the Authority payable solely from the Revenues (as defined in the Trust Agreement) and the obligation of the City to make the 2014 Payments is a special obligation of the City payable solely from the Net Revenues on a parity with the Parity Obligations (as defined in the Contract) of the City's Electric System 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 2014 Payments under the Contract. The City may incur other obligations payable on parity with the 2014 Payments in accordance with the Contract.

The Trustee has no obligation or liability to the Bond owners for the payment of the interest or principal or the redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligations are those stated in the Trust Agreement.

No member, officer or employee of the Authority will be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds by reason of their delivery, but nothing herein contained will relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

The Trust Agreement prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Agreement.

The Authority has certified that all acts, conditions and things required by the Constitution and statutes of the State of California and the Trust Agreement, to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Bond, have been performed, have happened and do exist in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Bond, and that the amount of this Bond, together with all other Bonds executed and delivered under the Trust Agreement, is not in excess of the amount of Bonds authorized to be executed and delivered thereunder.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Roseville Finance Authority has caused this Bond to be dated as of the Bond Date stated above and to be signed by the City Treasurer/Financial Executive of the Authority and countersigned by the Secretary of the Authority.

ROSEVILLE FINANCE AUTHORITY

By: _____
City Treasurer/Financial Executive

By: _____
Secretary

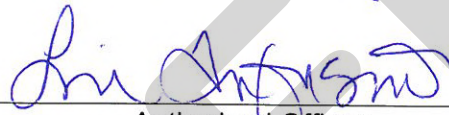
CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Trust Agreement.

Dated: August 21, 2014

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____


Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

(Name, address and Tax identification Number of Assignee)

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)
_____, attorney, _____

to transfer the same on the registration books of the Fiscal Agent with full power of substitution
in the premises.

Dated: _____

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by a
member firm of the New York Stock Exchange or a
commercial bank or trust company.

NOTE: The signature(s) on this Assignment must
correspond with the name(s) as written on the face of
the within Bond in every particular without alteration
or enlargement or any change whatsoever.



JONES HALL

August 21, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

Board of Directors of the
Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

OPINION: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

Members of the Board:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Revenues, as such term is defined in the Indenture, including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014 (the "2014 Supplemental Contract" and collectively with the Master Contract and the prior supplements, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.



3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation



ORRICK, HERRINGTON & SUTCLIFFE LLP
51 WEST 52ND STREET
NEW YORK, NY 10019-6142
tel 212-506-5000
fax 212-506-5151
WWW.ORRICK.COM

ROSEVILLE FINANCE AUTHORITY

Electric System Revenue Refunding Bonds, Series 2014

Blue Sky Memorandum

July 17, 2014

Morgan Stanley & Co. LLC
U.S. Bancorp Investments, Inc.

c/o Morgan Stanley & Co. LLC
As Representative of the Underwriters
555 California Street
San Francisco, California 94104

Ladies and Gentlemen:

Based on the latest information available to us, we submit herewith a Blue Sky Memorandum (the “Memorandum”) with respect to the offer and sale of the above-mentioned Electric System Revenue Refunding Bonds, Series 2014 (the “Bonds”) of the Roseville Finance Authority (the “Authority”).

The Memorandum relates to the offer and sale of the Bonds in the jurisdictions therein referred to by persons registered or licensed as brokers or dealers under the securities laws of such jurisdictions and to selected classes of persons in a number of such jurisdictions to whom the Bonds may be offered and sold by persons not registered therein as brokers or dealers. The Memorandum does not cover the requirements or restrictions, if any, under the laws of any of the jurisdictions covered, with respect to use, distribution or content of advertising materials.

The Memorandum is based upon our examination of the securities laws of the several jurisdictions and the rules and regulations, where published, of the authorities administering such laws, all as reported in standard unofficial compilations (our most recently reviewed supplement to which is dated July 8, 2014). Special rulings have not been obtained from the authorities administering such laws.

The Memorandum is based upon the fact that the Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California authorized to issue bonds, and the Bonds are exempt from registration under the Securities Act of 1933, as amended (the “Act”), pursuant to Section 3(a)(2) of the Act and are, therefore, “covered securities” as defined under the Act.

We have prepared this survey as attorneys admitted to practice in New York and California and have not obtained opinions of local counsel in other jurisdictions. The statements made in the Memorandum are



subject to the qualification that broad discretionary powers exist in the securities commissions (or other administrative agencies or officials) of many jurisdictions, authorizing them, among other things, to withdraw the exempt status accorded by statute to particular transactions and classes of securities, to impose special requirements with respect to any offering of securities, and to prohibit or restrict the distribution of advertising matter.

Any statement herein with respect to sales to banks, savings institutions, trust companies, insurance companies or other institutions refers only to requirements of the securities laws relating to such sales and does not purport to cover the question of whether the Bonds will be legal for investment by such institutions. This information is given as of the date hereof and we disclaim any obligation to update this Memorandum for events occurring or coming to our attention after the date hereof or any changes in law which may hereafter occur. This Memorandum is furnished for general informational purposes only and is not to be relied upon as an opinion of counsel.

ORRICK, HERRINGTON & SUTCLIFFE LLP



ROSEVILLE FINANCE AUTHORITY

Electric System Revenue Refunding Bonds, Series 2014

Blue Sky Memorandum

July 17, 2014

SECTION I

SALES TO THE PUBLIC BY PERSONS REGISTERED OR LICENSED AS DEALERS OR BROKERS

A.

It is believed that *offers* and *sales* of the Bonds to the public may, except as otherwise indicated, be made in the following jurisdictions, without registration of the Bonds or any filings being made with respect thereto, but only by brokers or dealers registered or licensed in these jurisdictions:

Alabama	Hawaii	Mississippi	Puerto Rico
Alaska	Idaho	Missouri	Rhode Island
Arizona	Illinois	Montana	South Carolina
Arkansas	Indiana	Nebraska	South Dakota
California	Iowa	New Jersey	Tennessee
Colorado	Kansas	New Mexico	Texas
Connecticut	Kentucky	New York	US Virgin Islands
Delaware	Louisiana	North Carolina	Utah
District of Columbia	Maine	North Dakota	Vermont
Florida	Maryland	Ohio ⁽¹⁾	Virginia
Georgia	Massachusetts	Oklahoma	Washington
Guam	Michigan	Oregon	West Virginia
	Minnesota	Pennsylvania	Wisconsin
			Wyoming

(1) Provided that at the time of the first sale of the Bonds in this jurisdiction, there is no default in the payment of any of the interest or principal on the Bonds, nor are there any adjudications or pending suits adversely affecting their validity.



B.

Before the Bonds may be offered or sold to the public by registered or licensed brokers or dealers in the jurisdictions listed below, it is believed that action must be taken to confirm preemption of applicable state securities laws with respect to offers and sales of the Bonds therein. We have not been asked to take such action. Therefore, *offers* and *sales* of the Bonds in the following jurisdictions may only be made to the institutions and other persons described in Section II of the Memorandum for such jurisdiction:

Nevada
New Hampshire



SECTION II

OFFERS AND SALES BY PERSONS NOT REGISTERED OR LICENSED AS BROKERS OR DEALERS

A. Offers and Sales to Brokers or Dealers

It is believed that *offers* and *sales* of the Bonds to brokers or dealers may be made in the following jurisdictions, without registration of the Bonds or any filings being made in such jurisdictions with respect thereto, and that persons making such *offers* or *sales* need not be registered or licensed as brokers or dealers in the respective jurisdictions, except as indicated by footnote:

Alabama	Idaho(5)	Montana	Rhode Island(8)
Alaska(1)	Illinois	Nebraska	South Carolina(5)
Arizona	Indiana(5)	Nevada(6)	South Dakota(5)
Arkansas(1)	Iowa(5)	New Hampshire(1)	Tennessee(9)
California(2)	Kansas(5)	New Jersey(7)	Texas(10)
Colorado(3)	Kentucky	New Mexico(5)	US Virgin Islands(5)
Connecticut(1)	Louisiana	New York	Utah(1)
Delaware(1)	Maine(5)	North Carolina(1)	Vermont(5)
District of Columbia(4)	Maryland(1)	North Dakota	Virginia
Florida	Massachusetts(1)	Ohio	Washington
Georgia(5)	Michigan(5)	Oklahoma(5)	West Virginia(1)
Guam(1)	Minnesota(5)	Oregon	Wisconsin(11)
Hawaii(5)	Mississippi(5)	Pennsylvania(1)	Wyoming(1)
	Missouri(5)	Puerto Rico(1)	

-
- (1) Provided the offeror or seller is a registered or licensed broker or dealer in this jurisdiction, or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed brokers or dealers or the institutions specified in the next section of the Memorandum.
 - (2) Provided the offeror or seller is a licensed broker-dealer in California, or has no place of business in California and either effects transactions exclusively with a licensed broker-dealer or is registered as a broker-dealer under the Securities Exchange Act of 1934, has not had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, and directs offers to sell or buy into California exclusively with licensed broker-dealers or the institutions specified in the next section of the Memorandum.
 - (3) Provided the offeror or seller is a registered or licensed broker-dealer in Colorado, or has no place of business in Colorado and is registered as a broker-dealer under the Securities Exchange Act of 1934 and transacts business exclusively with (a) other broker-dealers licensed or exempt therefrom in Colorado (except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers), (b) individuals who are existing customers of the broker-dealer and whose principal place of residence is not Colorado, (c) the financial or institutional investors specified in the next section of the Memorandum, and (d) no more than five other persons in any 12 consecutive months.
 - (4) Provided the offeror or seller is registered or licensed as a broker-dealer in the District of Columbia.



- (5) Provided the offeror or seller is a licensed dealer or broker in this state, or has no place of business in this state and effects transactions in this state exclusively with broker-dealers registered or not required to be registered in this state or the institutions listed below (other than an investment adviser which is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record.)
- (6) Provided the offeror or seller is a licensed broker-dealer in Nevada, or has no place of business in Nevada, is registered as a broker-dealer under the Securities Exchange Act of 1934, or is exempt from such registration, and (a) effects transactions in Nevada exclusively with other broker-dealers licensed or exempt from licensing in Nevada, or the institutions specified in the next section of the Memorandum, or (b) is licensed under the securities laws of the jurisdiction in which it maintains a place of business and (i) offers and sells in Nevada to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in Nevada, or (ii) during any 12 consecutive months does not effect transactions with more than five persons in Nevada in addition to the issuers of securities involved in the transactions, financial or institutional investors or broker-dealers, whether or not the offeror or an offeree is then present in Nevada.
- (7) Provided the offeror or seller is a registered broker-dealer in New Jersey, or effects transactions in New Jersey exclusively with or through registered broker-dealers or the institutions specified in the next section of the Memorandum.
- (8) Provided the offeror or seller is a registered broker-dealer in Rhode Island, or has no place of business in Rhode Island, is registered or exempt from registration as a broker-dealer under the Securities Exchange Act of 1934, and (a) effects transactions exclusively with other licensed or exempt broker-dealers or the institutions specified in the next section of the Memorandum, or (b) is a registered broker-dealer in the state where it maintains a place of business and sells to persons in Rhode Island that are existing customers of the broker-dealer and whose principal place of residence is not Rhode Island.
- (9) Provided the offeror or seller is a registered broker-dealer in Tennessee, or has no place of business in Tennessee, is registered as a broker-dealer with the Securities and Exchange Commission or FINRA, Inc., and effects transactions in Tennessee exclusively with or through other broker-dealers or the institutions specified in the next section of the Memorandum.
- (10) Provided the offeree or purchaser is a registered dealer in Texas actually engaged in buying and selling securities.
- (11) Provided the offeror or seller is registered as a broker-dealer in Wisconsin or effects transactions in this state exclusively with broker-dealers registered or not required to be registered in this state or the institutions listed below (other than an accredited investor as defined in Rule 501(a)(4)-(6) promulgated under the Securities Act of 1933, or an investment adviser which is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record).

B. Offers and Sales to Specified Institutions

It is believed that *offers* and *sales* of the Bonds to the institutions specified may be made in the following jurisdictions, without registration of the Bonds or any filings being made in such jurisdictions with respect thereto, and that persons making such *offers* or *sales* need not be registered or licensed as dealers therein, except as otherwise indicated. However, the Memorandum does not cover the status of the Bonds with respect to eligibility for investment by any of such institutions.

Alabama*	Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or



profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or in some fiduciary capacity.

Alaska(1)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940 or pension or profit-sharing trust.
Arizona	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or in some fiduciary capacity.
Arkansas(1)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.
California(2)	(a) Any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, or pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan or an individual retirement account); (b) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended to December 29, 1981, which has total assets (including endowment, annuity and life income funds) of not less than \$5,000,000 according to its most recent audited financial statement; (c) any corporation which has a net worth on a consolidated basis of not less than \$14,000,000 according to its most recent audited financial statement; (d) any wholly-owned subsidiary of any of the foregoing institutional investors; or (e) the federal government, any agency or instrumentality of the federal government, any corporation wholly-owned by the federal government, any state, any city, city and county, or county, or any agency or instrumentality of a state, city, city and county, or county, or any state university or state college and any retirement system for the benefit of employees of any of the foregoing; provided that any purchaser listed in (a) through (e) above represents that it is purchasing for its own account (or for such trust account) for investment and not with a view to or for sale in connection with any distribution of the Bonds.
Colorado(3)	Any financial or institutional investor, whether the purchaser is acting for itself or in some fiduciary capacity, which includes: (a) a depository institution which is defined as: (i) a person that is organized or chartered, or is doing business or holds an authorization certificate, under the laws of a state or of the United States which authorizes the person to receive deposits, including deposits in savings, share, certificate, or other deposit accounts, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States, or (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States; (b) an insurance company; (c) a separate account



of an insurance company; (d) an investment company registered under the Investment Company Act of 1940; (e) a business development company as defined in the Investment Company Act of 1940; (f) any private business development company as defined in the Investment Advisers Act of 1940; (g) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; (h) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of \$5,000,000 as of the end of its latest fiscal year; (i) a small business investment company licensed by the federal small business administration under the Small Business Investment Act of 1958; and (j) any other institutional buyer.

Connecticut(1)

Any bank and trust company, national banking association, savings bank, savings and loan association, federal savings bank, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.

Delaware(4)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.

District of Columbia(5)

Any depository institution, which includes: (i) a person that is organized, chartered or holds an authorization certificate under the laws of a state or of the United States to receive deposits, including a savings, share, certificate or deposit account, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States, and (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type that a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States (except an insurance company or other organization primarily engaged in the insurance business, or a Morris Plan bank, industrial loan company or a similar bank or company unless its deposits are insured by a federal agency); an insurance company; an investment company registered under the Investment Company Act of 1940; a pension or profit-sharing trust, or other financial institution or institutional investor; whether acting for itself or as trustee.

Florida

Any bank or trust company, savings institution, insurance company, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust or qualified institutional buyer as defined in Securities and



Exchange Commission Rule 144A as it existed on November 1, 1992, whether any of such entities is acting in its individual or fiduciary capacity; provided that such offer or sale of securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities Laws.

Georgia(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Georgia Uniform Securities Act of 2008; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Georgia Uniform Securities Act of 2008, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Georgia Uniform Securities Act of 2008, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under



Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a “qualified institutional buyer” as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a “major U.S. institutional investor” as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Georgia Uniform Securities Act of 2008.

Guam(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.

Hawaii(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Hawaii Uniform Securities Act (2002); a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Hawaii Uniform Securities Act (2002), a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange



Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Hawaii Uniform Securities Act (2002), a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Hawaii Uniform Securities Act (2002).

Idaho(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Idaho Uniform Securities Act of 2004; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of



1940, an investment adviser registered under the Idaho Uniform Securities Act of 2004, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Idaho Uniform Securities Act of 2004, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Idaho Uniform Securities Act of 2004.

Illinois

Any corporation, bank, savings bank, savings institution, trust company, insurance company, building and loan association, pension fund or pension trust, employees' profit-sharing trust, other financial institution (including any manager of investment accounts on behalf of other than natural persons, who, with affiliates, exercises sole investment discretion with respect to such accounts and provided such accounts exceed ten in number and have a fair market value of not less than \$10,000,000 at the end of the calendar month preceding the month during which the Bonds are sold) or institutional investor (including investment companies, universities and other organizations whose primary purpose is to invest its own assets or those held in trust by it for others, trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity, and foundations and endowment funds exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund), or any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; any partnership or other association



engaged as a substantial part of its business or operations in purchasing or holding securities; any trust in respect of which a bank or trust company is trustee or co-trustee; any entity in which at least 90% of the equity is owned by: (a) persons described in this paragraph herein, (b) any partnership or other association or trader buying or selling fractional undivided interests in oil, gas or other mineral rights, in frequent operations, for its or his own account rather than for the account of customers, to such extent it or he may be said to be engaged in such activities as a trade or business, (c) any natural person who has, or is reasonably believed by the person offering the Bonds to have (i) a net worth or joint net worth with the person's spouse, at the time of the offer, sale or issuance of the Bonds, in excess of \$1,000,000 (exclusive of principal residence), or (ii) an income or joint income with that person's spouse of \$200,000 in each of the two most recent fiscal years and reasonably expects such an income in the current year, (d) any person, not a natural person, 90% of the equity interest thereof is owned by persons described in (i) or (ii) immediately above, or (e) any person who is, or is reasonably believed by the person offering the Bonds to be, a director, executive officer, or general partner of the issuer of the Bonds or any director, executive officer or general partner of a general partner of that issuer (executive officer shall mean the president, any vice president in charge of a principal business unit, division or function such as sales, administration or finance, or any other officer or other person who performs a policy making function for the issuer); any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") if (a) the investment decision is made by a plan fiduciary as defined in Section 3(21) of ERISA and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or an investment adviser registered under the Investment Advisers Act of 1940, or (b) the plan has total assets in excess of \$5,000,000, or (c) in the case of a self-directed plan, investment decisions are made solely by persons that are described in this paragraph herein; any plan established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of \$5,000,000; or any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust, or partnership has total assets in excess of \$5,000,000.

Indiana(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Indiana Uniform Securities Act; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by



statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Indiana Uniform Securities Act, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Indiana Uniform Securities Act, a depository institution, or an insurance company; a trust with total assets in excess of \$5,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$5,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$5,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$5,000,000 not organized for the specific purpose of evading the Indiana Uniform Securities Act.

Iowa(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised



and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Iowa Uniform Securities Act; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution, or an insurance company; a trust with total assets in excess of \$5,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$5,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$5,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$5,000,000 not organized for the specific purpose of evading the Iowa Uniform Securities Act.



Kansas(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Kansas Uniform Securities Act of 2004; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Kansas Uniform Securities Act of 2004, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Kansas Uniform Securities Act of 2004, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940



acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Kansas Uniform Securities Act of 2004.

Kentucky	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer (which includes but is not limited to Qualified Institutional Buyers as defined in Rule 144A of the Securities and Exchange Commission); whether the purchaser is acting for itself or in some fiduciary capacity.
Louisiana	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution; whether acting for itself or in some fiduciary capacity.
Maine(6)	Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Maine Uniform Securities Act; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Maine Uniform Securities Act, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly



designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Maine Uniform Securities Act, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$5,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Maine Uniform Securities Act.

Maryland(7)

Any bank, savings and loan association, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or other financial institution or institutional buyer, whether acting for itself or as trustee.

Massachusetts(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust which includes: (a) any entity with total assets in excess of \$5 million and which is: (i) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended or (ii) a self-directed employee benefit plan within the meaning of ERISA, with investment decisions made by a person that is an accredited investor as defined in s. 501(a) of SEC Regulation D (17 CFR 230.501(a)), or (b) any employee benefit plan within the meaning of ERISA with investment decisions made by a plan fiduciary, as defined in Section 2(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, or (c) an employee benefit plan established and maintained by a state or its political subdivisions, or any agency or instrumentality of a state or its political subdivisions; any other financial institution or institutional buyer, which includes but is not limited to: (a) a Small Business Investment Company licensed by the United States Small Business Administration under the Small Business Investment Act of 1958, as amended; (b) a private business development company as defined in



Section 202(a)(22) of the Investment Advisers Act of 1940, as amended; (c) a Business Development Company as defined in Section 2(a)(48) of the Investment Company Act of 1940, as amended; (d) an entity with total assets in excess of \$5,000,000 and which is either: (i) a company (whether a corporation, a Massachusetts or similar business trust or a partnership) not formed for the specific purpose of acquiring the securities offered, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investments or (ii) an organization described in Section 501(c)(3) of the Internal Revenue Code; and (e) a Qualified Institutional Buyer as defined in 17 CFR 230.144A(a); whether the purchaser is acting for itself or as a trustee.

Michigan(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Michigan Uniform Securities Act (2002); a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$2,500,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Michigan Uniform Securities Act (2002), a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$2,500,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Michigan Uniform Securities Act (2002), a depository institution, or an insurance



company; a trust with total assets in excess of \$2,500,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$2,500,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$2,500,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$2,500,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$2,500,000 not organized for the specific purpose of evading the Michigan Uniform Securities Act (2002).

Minnesota(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Minnesota Uniform Securities Act (2002); a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Minnesota Uniform Securities Act (2002), a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or



instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Minnesota Uniform Securities Act (2002), a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; a person who is an "accredited investor" within the meaning of Rule 501(a) of Regulation D adopted by the Securities and Exchange Commission; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Minnesota Uniform Securities Act (2002).

Mississippi(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Mississippi Securities Act of 2010; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from



registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Mississippi Securities Act of 2010, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Mississippi Securities Act of 2010, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Mississippi Securities Act of 2010.

Missouri(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Missouri Securities Act of 2003, a receiver, conservator, or other liquidating agent of any of the foregoing, a savings institution, trust company, credit union, or similar institution organized or chartered



under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company), trust company organized or chartered under the laws of Missouri, international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933, insurance company or separate account of an insurance company, investment company, employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Missouri Securities Act of 2003, a depository institution, or an insurance company, plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under this act, a depository institution, or an insurance company, a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000, small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000, a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000, a person registered under the Investment Advisers Act of 1940, "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934, or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Missouri Securities Act of 2003.

Montana

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, which includes, but is not limited to, a



Qualified Institutional Buyer as defined in Rule 144A of the Securities and Exchange Commission; whether the purchaser is acting for itself or in some fiduciary capacity.

Nebraska

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer or an individual accredited investor, whether the purchaser is acting for itself or in some fiduciary capacity. The term "individual accredited investor" means (a) any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer, (b) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds one million dollars, or (c) any natural person who had an individual income in excess of two hundred thousand dollars in each of the two most recent years or joint income with that person's spouse in excess of three hundred thousand dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year. In addition to the foregoing, a "financial institution or institutional investor" includes, but is not limited to, any (i) bank as defined in Section 3(a)(2) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; (ii) insurance company as defined in Section 2(13) of the Securities Act of 1933; (iii) business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940; (iv) or small business investment company licensed by the Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958. As used above, "pension or profit-sharing trust" is defined as an employee benefit plan, as defined in Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), if the investment decisions are made by a "plan fiduciary" (as defined in ERISA) which is either a bank, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000.

Nevada(8)

Any financial or institutional investor, including but not limited to: (a) a depository institution, which means: (i) a person that is organized, chartered or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, including a savings, share, certificate or deposit account, and that is supervised and examined for the protection of depositors by an official or agency of a state of the United States, or (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States (except a Morris Plan bank, industrial loan company, or a similar bank or company unless its deposits are insured by a federal agency); (b) an insurance company or separate account of an insurance company; (c) an investment company as defined in the Investment Company Act of 1940; (d) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from



registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; or (e) any other institutional buyer; whether the purchaser is acting for itself or in some fiduciary capacity other than as an agent.

New Hampshire(9)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or in some fiduciary capacity.

New Jersey(10)

Any bank, savings and loan association or building and loan association operating pursuant to the Savings and Loan Act of New Jersey, federal savings and loan association or an association or credit union organized under the laws of the United States or any state, territory, or possession of the United States, the District of Columbia or Puerto Rico whose accounts are insured by a federal corporation or agency, any trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, which includes, but is not limited to, a "qualified institutional buyer" as defined in SEC Rule 144A; whether the purchaser is acting for itself or as a trustee.

New Mexico(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the New Mexico Uniform Securities Act; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the New Mexico Uniform Securities Act, a depository institution, or an insurance company; a plan established and



maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the New Mexico Uniform Securities Act, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the New Mexico Uniform Securities Act.

New York(11)	Any state or national bank, trust company or savings institution incorporated under the laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof, or any syndicate, corporation or group formed for the specific purpose of acquiring the Bonds for resale to the public directly or through other syndicates or groups.
North Carolina(12)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.
North Dakota	Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which



is not operated for the purpose of evading the North Dakota Securities Act of 1951; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris plan bank or industrial loan company); an international banking institution; an insurance company or a separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered in this State, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered in this State, a depository institution, or an insurance company; a trust (except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans) with total assets in excess of \$10,000,000 if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a federal covered investment adviser acting for its own account; a qualified institutional buyer as defined in Rule 144A(a)(1), other than rule 144(a)(1)(i)(H), adopted under the Securities Act; a “major United States institutional investor” as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the North Dakota Securities Act of 1951.

Ohio(13)

Any corporation, bank, trust company, building and loan association, savings association incorporated or organized under the laws of the United States or of any state thereof, or of Canada or any province thereof, and subject to regulation or



supervision by such country, state or province, any insurance company, pension fund or trust, employees' profit-sharing fund or trust, any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, any trust in respect of which a bank is trustee or co-trustee, or any Qualified Institutional Buyer as defined in Rule 144A of the Securities and Exchange Commission.

Oklahoma(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Oklahoma Uniform Securities Act of 2004; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Oklahoma Uniform Securities Act of 2004, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Oklahoma Uniform Securities Act of 2004, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the



specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Oklahoma Uniform Securities Act of 2004.

Oregon

Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, mortgage broker or mortgage banker, or other financial institution or institutional buyer, including but not limited to, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Veterans Administration and the Government National Mortgage Association, and Qualified Institutional Buyers as defined in Rule 144A of the Securities and Exchange Commission; whether the purchaser is acting for itself or in some fiduciary capacity when the purchaser has discretionary authority to make investment decisions.

Pennsylvania(1)

Any institutional investor which means: (a) any bank, banking and trust company, savings bank, trust company, private bank (as defined in the Banking Code of 1965) or savings and loan association (as defined in the Savings Association Code of 1967), or any banking institution (but not a holding company or a bank in organization), trust company or savings and loan institution (but not a holding company or a savings and loan in organization) organized under the laws of the United States or any state, territory or the District of Columbia, or a receiver, conservator, or other liquidating agent of any of the foregoing, an insurance company, pension or profit-sharing plan or trust (provided that for a Keogh, IRA or SEP, plan or trust assets must be \$5,000,000 or more, or, the plan or trust must have retained, on an on-going basis, the services of a person knowledgeable and experienced in financial and business matters to render professional investment management advice and the plan or trust must have investments of \$500,000 or more in securities), or investment company as defined in the Investment Company Act of 1940, or other financial institution; (b) any person, other than an individual, who controls any of the foregoing; (c) any corporation or business trust or wholly-owned subsidiary of such person which has been in existence for 18 months and which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements of \$10,000,000 or more; (d) any college, university or other public or private institution which has received exempt status under Section 501(c)(3) of the Internal Revenue Code and which has total endowment or trust funds (including annuity and life income funds) of \$5,000,000 or more according to its most recent audited financial statements, provided that the aggregate dollar amount of securities sold to such person shall not exceed five percent of such endowment or trust



funds; (e) any wholly-owned subsidiary of a bank as defined in the Pennsylvania Securities Act of 1972 and applicable regulations thereunder; (f) any person, except an individual or an entity whose securityholders consist entirely of one individual or group of individuals who are related, which is organized primarily for the purpose of purchasing, in non-public offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with certain investor suitability requirements, beneficial ownership restrictions, and capitalization requirements as set forth in the Regulations of the Pennsylvania Securities Commission; (g) any small business investment company as defined in Section 103 of the Small Business Investment Act of 1958 which either has a total capital of \$1,000,000 or more, or is controlled by institutional investors as defined in the Pennsylvania Securities Act of 1972 and applicable regulations thereunder; (h) any seed capital fund (as defined in Section 2 and authorized in Section 6 of the Pennsylvania Small Business Incubators Act); (i) any business development credit corporation (as authorized by the Pennsylvania Business Development Credit Corporation Law); (j) any person whose securityholders consist solely of institutional investors or broker-dealers; (k) a person as to which the issuer reasonably believed qualified as an institutional investor as herein described at the time of the offer or sale of the Bonds on the basis of written representations made to the issuer by the purchaser; (l) a qualified institutional buyer as that term is defined 17 CFR 230.144A; or (m) the federal government, any state, territory, or possession of the United States, the District of Columbia or Puerto Rico, or any agency or political subdivision thereof, except public school districts of the state of Pennsylvania.

Puerto Rico(14) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.

Rhode Island(15) Any financial or institutional investor, which includes: (a) a "depository institution", which means: (i) a person which is organized, chartered, or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, including a savings, share, certificate or deposit account, and which is supervised and examined for the protection of depositors by an official or agency of a state or the United States, or (ii) a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of five million dollars (\$5,000,000), or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of



1940, a depository institution, or an insurance company; and (f) any other institutional buyer; whether the purchaser is acting for itself or in some fiduciary capacity.

South Carolina(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the South Carolina Uniform Securities Act of 2005; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Carolina Uniform Securities Act of 2005, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Carolina Uniform Securities Act of 2005, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets



in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the South Carolina Uniform Securities Act of 2005.

South Dakota(6)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the South Dakota Uniform Securities Act of 2002; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Dakota Uniform Securities Act of 2002, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the South Dakota Uniform Securities Act of 2002, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of



their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the South Dakota Uniform Securities Act of 2002.

Tennessee(16)

Any bank, trust company, insurance company, investment company registered under the Investment Company Act of 1940, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit sharing plan, an institutional buyer (as defined by the Tennessee Commissioner of Insurance by rule), or any other person engaged as a substantial part of its business in investing in securities (unless such other person is a broker-dealer), provided that each such institutional purchaser has a net worth in excess of \$1,000,000.

Texas

Any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, state or federally chartered credit union or savings and loan association, federal savings bank, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, as amended, an "accredited investor" (as that term is defined in Rule 501(a)(1)-(4), (7) and (8) promulgated by the SEC under the Securities Act of 1933, as amended ("1933 Act"), as made effective in SEC Release Number 33-6389, as amended in Release Numbers 33-6437, 33-6663, 33-6758, and 33-6825), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "accredited investors" as defined in Rule 501(a)(5)-(6), any "qualified institutional buyer" (as that term is defined in Rule 144(A)(1) promulgated by the SEC under the 1933 Act, as made effective in SEC Release Number 33-6862 and amended in SEC Release Number 33-6963), any corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than \$5 million or a wholly-owned subsidiary of such entity (as long as the entity was not formed for the purpose of acquiring the Bonds), provided in all the above instances that such institution is acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the Bonds.



U.S. Virgin Islands(6) Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Virgin Islands Uniform Securities Act; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Virgin Islands Uniform Securities Act, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Virgin Islands Uniform Securities Act, a depository institution, or an insurance company; a trust (except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans) with total assets in excess of \$10,000,000 if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a qualified institutional



buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Virgin Islands Uniform Securities Act.

Utah(1) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.

Vermont(6) Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Vermont Uniform Securities Act (2002); a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Vermont Uniform Securities Act (2002), a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Vermont Uniform Securities Act (2002), a depository institution, or an insurance company; a trust (except a trust that includes as participants self-directed individual



retirement accounts or similar self-directed plans) with total assets in excess of \$10,000,000 if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Vermont Uniform Securities Act (2002).

Virginia

Any corporation, investment company, or pension or profit-sharing trust.

Washington

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, which includes: (a) a corporation, business trust, or partnership, or a wholly-owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least \$10,000,000 as determined by the entity's most recent audited financial statements, such statements to be dated within 16 months of the transaction in the securities offered; (b) any entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and which has a total endowment or trust funds of \$5,000,000 or more according to its most recent audited financial statements, such statements to be dated within 16 months of the transaction in the securities offered; (c) any wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company as defined in the Investment Company Act of 1940; or (d) any Qualified Institutional Buyer as defined in, and pursuant to, Rule 144A of the Securities and Exchange Commission; excluding, however, in each of the above cases, a natural person, individual retirement account (IRA), Keogh account, or other self-directed pension plan; whether the purchaser is acting for itself or in some fiduciary capacity.

West Virginia(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution; corporation, business trust, partnership, limited liability company, limited liability partnership or wholly owned subsidiary of any of the aforementioned entities or an entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code, as amended, which has been



operating on a continuing basis for at least twelve months and which has a net worth of at least \$5,000,000, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investment; a small business investment company licensed by the United States Small Business Administration under the Small Business Investment Act of 1958, as amended; a private business development company as defined by the Investment Advisors Act of 1940, as amended; a business development company as defined in the Investment Company Act of 1940, as amended; a wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company; or a qualified institutional buyer as defined in 144A(a) adopted under the Securities Act of 1933; whether the purchaser is acting for itself or as a trustee.

Wisconsin(17)

Any banking institution organized under the laws of the United States, member bank of the Federal Reserve System, or any other banking institution doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722, and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the Wisconsin Uniform Securities Law; a receiver, conservator, or other liquidating agent of any of the foregoing; a savings institution, trust company, credit union, or similar institution organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States whose deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law (other than a Morris Plan bank or an industrial loan company); an international financial institution of which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933; an insurance company or separate account of an insurance company; an investment company; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the Wisconsin Uniform Securities Law, a depository institution, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of



1940, an investment adviser registered under the Wisconsin Uniform Securities Law, a depository institution, or an insurance company; a trust with total assets in excess of \$10,000,000, if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a person registered under the Investment Advisers Act of 1940 acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act or any qualified institutional buyer as defined in Sec. 230.144A as amended inclusive to October 22, 1992, whether acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the qualified institutional buyer; a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934; the State of Wisconsin or any of its agencies or political subdivisions; the federal government or any of its agencies or instrumentalities; any "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933; or an endowment or trust fund of a charitable organization specified in section 170(b)(1)(A) of the Internal Revenue Code; an issuer which has any class of securities registered under section 12 of the Securities Exchange Act of 1934, and any wholly owned subsidiary thereof; a venture capital company which operates a small business investment company registered under the Small Business Investment Act of 1958, or is a corporation, partnership, limited liability company or association whose net assets exceed \$1,000,000 whose principal purpose as stated in its organizational instruments is investing in securities, or whose primary business is investing in developmental stage companies or eligible small business companies as defined in the regulations of the small business administration; any entity, all of the equity owners of which are persons listed herein, acting for its own account or the accounts solely of other persons listed herein; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Wisconsin Uniform Securities Law.

Wyoming(14)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer; whether the purchaser is acting for itself or as a trustee.



- * Although the relevant statute contains an exemption for sales to “other institutional buyers”, the Supreme Court of Alabama has held that institutional buyers not specified in the applicable exemption must be of the same type as those institutions specified herein.
- (1) Provided the offeror or seller is a registered or licensed broker or dealer in this jurisdiction, or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed brokers or dealers or these specified institutions.
 - (2) Provided the offeror or seller is a licensed broker-dealer in California, or has no place of business in California and is registered as a broker-dealer under the Securities Exchange Act of 1934, has not had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, and directs offers to sell or buy into California exclusively with licensed broker-dealers or these specified institutions.
 - (3) Provided the offeror or seller is a registered or licensed broker-dealer in Colorado, or has no place of business in Colorado and is registered as a broker-dealer under the Securities Exchange Act of 1934 and transacts business exclusively with (a) other broker-dealers licensed or exempt therefrom in Colorado (except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers), (b) individuals who are existing customers of the broker-dealer and whose principal place of residence is not Colorado, (c) these specified financial or institutional investors, and (d) no more than five other persons in any 12 consecutive months.
 - (4) Provided the offeror or seller is a registered or licensed broker or dealer in Delaware, or has no place of business in Delaware and effects transactions in Delaware exclusively with or through registered or licensed brokers or dealers or these specified institutions. If the offeror or seller is a registered broker-dealer in Delaware, offers or sales of the Bonds may also be made to:
 - (a) an "accredited investor" as defined in SEC Rule 501(a)(1)-(4), (7) and (8), 17 C.F.R. §230.501(a)(1)-(4), (7), (8), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "accredited investors" as defined in Rule 501(a)(5)-(6);
 - (b) any "qualified institutional buyer" as that term is defined in SEC Rule 144A(a)(1), 17 C.F.R. §230.144A(a)(1); and
 - (c) a corporation, partnership, trust, estate, or other entity (excluding individuals) having a net worth of not less than \$5 million or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities.
 - (5) Provided the offeror or seller is a registered or licensed broker-dealer in the District of Columbia, or has no place of business in the District of Columbia and effects transactions in the District of Columbia exclusively with or through registered or licensed brokers-dealers or these specified institutions. If the offeror or seller is a registered broker-dealer in the District of Columbia, offers or sales of the Bonds may also be made to the following financial or institutional investors:
 - (a) an employee pension, profit-sharing or benefit plan, provided the plan has total assets in excess of \$5,000,000, or the investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company;
 - (b) a business development company as defined by the Investment Company Act of 1940;
 - (c) a “qualified institutional buyer” as defined in SEC Rule 144A, C.F.R. §230.144A;
 - (d) an accredited investor as defined in SEC Rule 501(a), 17 C.F.R. §230.501(a); and



(e) a limited liability company with net assets of at least \$500,000.

- (6) Provided the offeror or seller is registered as a broker-dealer in this state, or has no place of business in this state and effects transactions in this state exclusively with or through other broker-dealers registered or not required to be registered in this state, or the specified institutions, other than an investment adviser that is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record.
- (7) Provided the offeror or seller is a registered or licensed broker-dealer in Maryland, or has no place of business in Maryland and effects transactions in Maryland exclusively with or through registered or licensed broker-dealers or these specified institutions. If the offeror or seller is a Maryland registered broker-dealer, offers and sales may also be made to an employee benefit plan with assets of not less than \$1,000,000, a governmental instrumentality or agency, and to an investment adviser with assets under management of not less than \$1,000,000, whether acting for itself or as a trustee or a fiduciary with investment control, a Qualified Institutional Buyer as defined in Rule 144A of the Securities and Exchange Commission, and persons defined as "accredited investors" pursuant to Rule 501(a)(1)-(3), (7) and (8) of Federal Regulation D.
- (8) Provided the offeror or seller is a licensed broker-dealer in Nevada, or has no place of business in Nevada, is registered as a broker-dealer under the Securities Exchange Act of 1934, or is exempt from such registration, and (a) effects transactions in Nevada exclusively with other broker-dealers licensed or exempt from licensing in Nevada, or these specified institutions, or (b) is licensed under the securities laws of the jurisdiction in which it maintains a place of business and (i) offers and sells in Nevada to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in Nevada, or (ii) during any 12 consecutive months does not effect transactions with more than five persons in Nevada in addition to the issuers of securities involved in the transactions, financial or institutional investors or broker-dealers, whether or not the offeror or an offeree is then present in Nevada. In addition, an institutional buyer is interpreted to include, without limitation, any accredited investor as defined under Rule 501 of Regulation D of the Securities Act of 1933.
- (9) Provided the offeror or seller is a registered or licensed broker or dealer in New Hampshire, or has no place of business in New Hampshire and effects transactions in New Hampshire exclusively with or through registered or licensed brokers or dealers or these specified institutions. If the offeror or seller is a registered broker-dealer in New Hampshire, offers or sales of the Bonds may also be made to a venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, or to an organization or person with a net worth, as determined by generally accepted accounting principles, of more than \$25,000,000, in addition to the specified persons and institutions.
- (10) Provided the offeror or seller is a registered or licensed broker or dealer in New Jersey or effects transactions in New Jersey exclusively with or through registered or licensed brokers or dealers or these specified institutions.
- (11) Provided the offeror or seller is a registered or licensed broker or dealer in New York.
- (12) Provided the offeror or seller is registered as a dealer in North Carolina, or has no place of business in North Carolina and effects transactions in North Carolina exclusively with or through other registered dealers or these specified institutions. If the offeror or seller is a North Carolina registered dealer, offers and sales of the Bonds may also be made to any corporation which has a net worth in excess of \$1,000,000 as determined by generally accepted accounting principles, in addition to the specified persons and institutions.
- (13) Provided the offeror or seller is a registered or licensed broker or dealer in Ohio.



- (14) Provided the offeror or seller is a registered broker-dealer in this jurisdiction, or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered broker-dealers or these institutions. In addition, if the offeror or seller is a registered broker-dealer, offers and sales in this jurisdiction may also be made to Qualified Institutional Buyers as defined in Rule 144A of the Securities and Exchange Commission.
- (15) Provided the offeror or seller is a registered broker-dealer in Rhode Island, or has no place of business in Rhode Island, is registered or exempt from registration as a broker-dealer under the Securities Exchange Act of 1934, and (a) effects transactions exclusively with other licensed or exempt broker-dealers or these specified institutions, or (b) is a registered broker-dealer in the state where it maintains a place of business and sells to persons in Rhode Island that are existing customers of the broker-dealer and whose principal place of residence is not Rhode Island. In addition, if the offeror or seller is a registered broker-dealer, offers and sales may also be made to Qualified Institutional Buyers as defined in Rule 144A of the Securities and Exchange Commission.
- (16) Provided the offeror or seller is a registered broker-dealer in Tennessee, or has no place of business in Tennessee, is registered as a broker-dealer with the Securities and Exchange Commission or FINRA, Inc. and effects transactions in Tennessee exclusively with or through other brokers-dealers or these specified institutions.
- (17) Provided the offeror or seller is a registered broker-dealer in Wisconsin or effects transactions in this state exclusively with broker-dealers registered or not required to be registered in this state or the specified institutions (other than an accredited investor as defined in Rule 501(a)(4)-(6) promulgated under the Securities Act of 1933, or an investment adviser which is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record). In addition, if sales are made to accredited investors as defined in Rule 501(a)(5) or (6), the seller must file a Consent to Service of Process with the Wisconsin Division of Securities unless the seller is licensed as a broker-dealer in Wisconsin or has previously filed such a Consent.

Cash Flow and Yield Verification Report

Roseville Finance Authority, California

August 21, 2014

Contents

Letter

Exhibit A Schedule of Sources and Uses of Funds

Exhibit B Escrow Account Cash Flow

Exhibit B-1 Debt Service Payment on the Refunded Certificates

Exhibit C Debt Service Payments and Yield on the 2014 Bonds

Exhibit C-1 Original Issue Premium on the 2014 Bonds

Appendix I Applicable schedules provided by Morgan Stanley



Grant Thornton

Report of Independent Certified Public Accountants On Applying Agreed-Upon Procedures

Roseville Finance Authority
311 Vernon Street, Room 206
Roseville, California

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California

Public Financial Management, Inc.
50 California Street, Suite 2300
San Francisco, California

Morgan Stanley
555 California Street, Suite 2200
San Francisco, California

The Bank of New York Mellon
Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California

\$16,485,000

Roseville Finance Authority
Electric System Revenue Refunding Bonds, Series 2014
Dated August 21, 2014

We have performed the procedures described in this report, which were agreed to by the Roseville Finance Authority, California (the "Authority") and Morgan Stanley (the "Underwriter"), to verify the mathematical accuracy of certain computations contained in the schedules attached in Appendix I provided by the Underwriter. The Authority is responsible for these schedules. These procedures were performed solely to assist you in the issuance of the above-captioned bond issue (the "2014 Bonds") for the purpose of current refunding the City of Roseville, California's outstanding Electric System Revenue Certificates of Participation, Series 2004 (the "Refunded Certificates") as summarized on the next page. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the addressees of this report who are the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which this report has been requested or for any other purpose.

Grant Thornton LLP
200 S 6th Street, Suite 1400
Minneapolis, MN 55402-1434
T 612.332.0001
F 612.332.8361
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

<u>Series</u>	<u>Principal Issued</u>	<u>Dated</u>	<u>Principal Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2004	\$39,940,000	July 13, 2004	\$18,315,000	2-1-34*	8-26-14	100%

* \$5,000 of the February 1, 2034 sinking fund of the 2034 Term Bond will remain outstanding after the redemption.

VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Underwriter provided us with schedules (Appendix I) summarizing the future escrow account cash deposit and disbursement. These schedules indicate that there will be sufficient cash available in the escrow account to pay the principal and interest on the Refunded Certificates assuming the Refunded Certificates will be redeemed on August 26, 2014 at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was compiled based upon information provided by the Underwriter.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B and B-1 independently calculating the future escrow account cash deposit and disbursement and compared the information used in our calculations to the information listed below contained in applicable pages of the following document:

- Official Statement for the Refunded Certificates provided by the Underwriter insofar as the Refunded Certificates are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption date and price. \$5,000 of the February 1, 2034 sinking fund of the 2034 Term Bond will remain outstanding after the redemption, as provided by the Underwriter.

Our procedures, as summarized in Exhibits B and B-1, prove the mathematical accuracy of the schedules provided by the Underwriter summarizing the future escrow account cash deposit and disbursement. The schedules provided by the Underwriter and those prepared by us reflect that the anticipated cash deposit of \$18,378,593.75 to be deposited into the escrow account on August 21, 2014, will be sufficient to pay, when due, the principal and interest related to the Refunded Certificates assuming the Refunded Certificates will be redeemed on August 26, 2014 at 100 percent of par plus accrued interest.

VERIFICATION OF YIELD

The Underwriter provided us with schedules (Appendix I) which indicate the yield on the 2014 Bonds. These schedules were prepared based on the assumed settlement date of August 21, 2014 using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid on an obligation produces an amount equal to, in the case of the 2014 Bonds, the issue price. In addition, we found that the schedules provided by the Underwriter, which assume the redemption of the February 1, 2030 through February 1, 2034 maturities identified on Exhibits C and C-1 at par on August 1, 2024 plus accrued interest, correctly treat those Bonds as yield-to-call Bonds as retired on the respective dates that for each Bond produces the lowest yield for the issue that includes the Bonds. Those Bonds identified as yield-to-call Bonds on the attached Exhibits C and C-1 are those Bonds that are subject to optional redemption and that are issued at an issue price that exceeds the stated redemption

price at maturity of such Bonds by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bonds and the number of complete years to the first optional redemption date for the Bonds. We found that there are no other yield-to-call Bonds other than those identified on the attached Exhibits C and C-1.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared a schedule attached hereto as Exhibit C independently calculating the yield on the 2014 Bonds using the Official Statement provided by the Underwriter insofar as the 2014 Bonds are described as to the maturity and interest payment dates, dated date, principal amounts, interest rates, optional redemption date and price, and issue price to the public. The result of our calculations, based on the aforementioned assumptions, is summarized below:

	<u>Yield</u>	<u>Exhibit</u>
• Yield on the 2014 Bonds	3.454503%	C

Our procedures, as summarized in Exhibit C, prove the mathematical accuracy of the schedules provided by the Underwriter summarizing the yield. The schedules provided by the Underwriter and the schedule prepared by us reflect that the yield on the 2014 Bonds is as shown in our report.

* * * * *

We were not engaged to, and did not, conduct an examination or a review in accordance with attestation standards established by the American Institute of Certified Public Accountants, the objective of which would be the expression of an examination opinion or limited assurance on the items referred to above. Accordingly we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

Deant Thontr LLP

Minneapolis, Minnesota
August 21, 2014

Roseville Finance Authority, California

SCHEDULE OF SOURCES AND USES OF FUNDS

August 21, 2014

SOURCES:

Principal amount of the 2014 Bonds	\$16,485,000.00
Original issue premium	2,129,223.60
Debt Service Reserve Fund release	60,066.35
	<u>\$18,674,289.95</u>

USES:

Cash deposit to the Refunding Escrow	\$18,378,593.75
Costs of issuance	190,150.00
Underwriter's discount	103,758.50
Contingency	1,787.70
	<u>\$18,674,289.95</u>

Roseville Finance Authority, California

ESCROW ACCOUNT CASH FLOW

<u>Dates</u>	<u>Debt service payment on the Refunded Certificates (Exhibit B-1)</u>	<u>Cash balance</u>
Cash deposit on August 21, 2014		\$18,378,593.75
08-26-14	<u>\$18,378,593.75</u>	0.00
	<u><u>\$18,378,593.75</u></u>	

Roseville Finance Authority, California**DEBT SERVICE PAYMENT ON THE REFUNDED CERTIFICATES**

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payment</u>
08-26-14	<u>\$18,315,000</u>	(1)	<u>\$63,593.75</u>	<u>\$18,378,593.75</u>

(1) Actual maturity date, principal amount and interest rate are as follows:

<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>
02-01-34	<u>\$18,315,000</u> *	5.000%

* \$5,000 of the February 1, 2034 sinking fund of the 2034 term bond will remain outstanding as provided by the Underwriter.

Roseville Finance Authority, California

DEBT SERVICE PAYMENTS AND YIELD ON THE 2014 BONDS

Date	\$16,485,000 issue dated August 21, 2014			Total debt service	(1) Adjusted debt service	Present value on August 21, 2014 using a yield of 3.454503%
	Principal	Interest rate	Interest			
02-01-15			\$366,333.33	\$366,333.33	\$366,333.33	\$360,799.14
08-01-15			412,125.00	412,125.00	412,125.00	399,007.18
02-01-16			412,125.00	412,125.00	412,125.00	392,232.34
08-01-16			412,125.00	412,125.00	412,125.00	385,572.53
02-01-17			412,125.00	412,125.00	412,125.00	379,025.81
08-01-17			412,125.00	412,125.00	412,125.00	372,590.24
02-01-18			412,125.00	412,125.00	412,125.00	366,263.94
08-01-18			412,125.00	412,125.00	412,125.00	360,045.05
02-01-19			412,125.00	412,125.00	412,125.00	353,931.76
08-01-19			412,125.00	412,125.00	412,125.00	347,922.27
02-01-20			412,125.00	412,125.00	412,125.00	342,014.82
08-01-20			412,125.00	412,125.00	412,125.00	336,207.67
02-01-21			412,125.00	412,125.00	412,125.00	330,499.12
08-01-21			412,125.00	412,125.00	412,125.00	324,887.49
02-01-22			412,125.00	412,125.00	412,125.00	319,371.15
08-01-22			412,125.00	412,125.00	412,125.00	313,948.47
02-01-23			412,125.00	412,125.00	412,125.00	308,617.87
08-01-23			412,125.00	412,125.00	412,125.00	303,377.77
02-01-24			412,125.00	412,125.00	412,125.00	298,226.65
08-01-24			412,125.00	412,125.00	16,897,125.00	12,019,682.35
02-01-25			412,125.00	412,125.00		
08-01-25			412,125.00	412,125.00		
02-01-26			412,125.00	412,125.00		
08-01-26			412,125.00	412,125.00		
02-01-27			412,125.00	412,125.00		
08-01-27			412,125.00	412,125.00		
02-01-28			412,125.00	412,125.00		
08-01-28			412,125.00	412,125.00		
02-01-29			412,125.00	412,125.00		
08-01-29			412,125.00	412,125.00		
02-01-30	\$2,985,000	5.000%	412,125.00	3,397,125.00		
08-01-30			337,500.00	337,500.00		
02-01-31	3,130,000	5.000%	337,500.00	3,467,500.00		
08-01-31			259,250.00	259,250.00		
02-01-32	3,290,000	5.000%	259,250.00	3,549,250.00		

Roseville Finance Authority, California

DEBT SERVICE PAYMENTS AND YIELD ON THE 2014 BONDS

Date	\$16,485,000 issue dated August 21, 2014		Interest	Total debt service	(1) Adjusted debt service	Present value on August 21, 2014 using a yield of 3.454503%
	Principal	Interest rate				
08-01-32			177,000.00	177,000.00		
02-01-33	3,455,000	5.000%	177,000.00	3,632,000.00		
08-01-33			90,625.00	90,625.00		
02-01-34	3,625,000	5.000%	90,625.00	3,715,625.00		
	<u>\$16,485,000</u>		<u>\$14,458,833.33</u>	<u>\$30,943,833.33</u>	<u>\$24,681,708.33</u>	<u>\$18,614,223.60</u>

The present value of the future payments is equal to:

Principal amount of the 2014 Bonds	\$16,485,000.00
Original issue premium	<u>2,129,223.60</u>
	<u>\$18,614,223.60</u>

The sum of the present values of the adjusted debt service payments of the 2014 Bonds on August 21, 2014, using a yield of 3.454503%, is equal to the issue price of the 2014 Bonds.

- (1) Assumes that the February 1, 2030 through February 1, 2034 maturities are called on August 1, 2024 at 100 percent of par plus accrued interest.

Roseville Finance Authority, California

ORIGINAL ISSUE PREMIUM ON THE 2014 BONDS

<u>Maturity date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Yield</u>	<u>Initial public offering price</u>	<u>Original issue premium</u>
02-01-30	\$2,985,000	5.000%	3.310%	114.219% (1) (2)	\$424,437.15
02-01-31	3,130,000	5.000%	3.380%	113.583% (1) (2)	425,147.90
02-01-32	3,290,000	5.000%	3.460%	112.862% (1) (2)	423,159.80
02-01-33	3,455,000	5.000%	3.520%	112.325% (1) (2)	425,828.75
02-01-34	3,625,000	5.000%	3.570%	111.880% (1) (2)	430,650.00
	<u>\$16,485,000</u>				<u>\$2,129,223.60</u>

(1) Maturities were priced to call on August 1, 2024 at 100 percent of par.

(2) Represents the yield-to-call Bonds included for purposes of computing yield on the 2014 Bonds.

APPENDIX I

**Applicable schedules provided by
Morgan Stanley**

SOURCES AND USES OF FUNDS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Dated Date	08/21/2014
Delivery Date	08/21/2014

Sources:

Bond Proceeds:	
Par Amount	16,485,000.00
Premium	2,129,223.60
	<u>18,614,223.60</u>
Other Sources of Funds:	
GIC 'Transfer' for Tax Purposes	1,072,153.88
DSRF Release	60,066.35
	<u>1,132,220.23</u>
	<u>19,746,443.83</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	18,378,593.75
Other Fund Deposits:	
GIC 'Transfer' for Tax Purposes	1,072,153.88
Delivery Date Expenses:	
Cost of Issuance	190,150.00
Underwriter's Discount	103,758.50
	<u>293,908.50</u>
Other Uses of Funds:	
Additional Proceeds	1,787.70
	<u>19,746,443.83</u>

ESCROW SUFFICIENCY

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
08/21/2014		18,378,593.75	18,378,593.75	18,378,593.75
08/26/2014	18,378,593.75		(18,378,593.75)	
	18,378,593.75	18,378,593.75	0.00	

ESCROW REQUIREMENTS

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Period Ending	Interest	Principal Redeemed	Total
08/26/2014	63,593.75	18,315,000.00	18,378,593.75
	63,593.75	18,315,000.00	18,378,593.75

SUMMARY OF BONDS REFUNDED

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Electric System Revenue COPs, Series 2004, 2004:					
2034 Term Bond, TERM_34	02/01/2030	5.000%	3,315,000.00	08/26/2014	100.000
	02/01/2031	5.000%	3,480,000.00	08/26/2014	100.000
	02/01/2032	5.000%	3,655,000.00	08/26/2014	100.000
	02/01/2033	5.000%	3,840,000.00	08/26/2014	100.000
	02/01/2034	5.000%	4,025,000.00	08/26/2014	100.000
			18,315,000.00		

BOND DEBT SERVICE

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2015			366,333.33	366,333.33	
06/30/2015					366,333.33
08/01/2015			412,125.00	412,125.00	
02/01/2016			412,125.00	412,125.00	
06/30/2016					824,250.00
08/01/2016			412,125.00	412,125.00	
02/01/2017			412,125.00	412,125.00	
06/30/2017					824,250.00
08/01/2017			412,125.00	412,125.00	
02/01/2018			412,125.00	412,125.00	
06/30/2018					824,250.00
08/01/2018			412,125.00	412,125.00	
02/01/2019			412,125.00	412,125.00	
06/30/2019					824,250.00
08/01/2019			412,125.00	412,125.00	
02/01/2020			412,125.00	412,125.00	
06/30/2020					824,250.00
08/01/2020			412,125.00	412,125.00	
02/01/2021			412,125.00	412,125.00	
06/30/2021					824,250.00
08/01/2021			412,125.00	412,125.00	
02/01/2022			412,125.00	412,125.00	
06/30/2022					824,250.00
08/01/2022			412,125.00	412,125.00	
02/01/2023			412,125.00	412,125.00	
06/30/2023					824,250.00
08/01/2023			412,125.00	412,125.00	
02/01/2024			412,125.00	412,125.00	
06/30/2024					824,250.00
08/01/2024			412,125.00	412,125.00	
02/01/2025			412,125.00	412,125.00	
06/30/2025					824,250.00
08/01/2025			412,125.00	412,125.00	
02/01/2026			412,125.00	412,125.00	
06/30/2026					824,250.00
08/01/2026			412,125.00	412,125.00	
02/01/2027			412,125.00	412,125.00	
06/30/2027					824,250.00
08/01/2027			412,125.00	412,125.00	
02/01/2028			412,125.00	412,125.00	
06/30/2028					824,250.00
08/01/2028			412,125.00	412,125.00	
02/01/2029			412,125.00	412,125.00	
06/30/2029					824,250.00
08/01/2029			412,125.00	412,125.00	
02/01/2030	2,985,000.00	5.000%	412,125.00	3,397,125.00	
06/30/2030					3,809,250.00
08/01/2030			337,500.00	337,500.00	
02/01/2031	3,130,000.00	5.000%	337,500.00	3,467,500.00	
06/30/2031					3,805,000.00
08/01/2031			259,250.00	259,250.00	
02/01/2032	3,290,000.00	5.000%	259,250.00	3,549,250.00	
06/30/2032					3,808,500.00
08/01/2032			177,000.00	177,000.00	
02/01/2033	3,455,000.00	5.000%	177,000.00	3,632,000.00	
06/30/2033					3,809,000.00
08/01/2033			90,625.00	90,625.00	
02/01/2034	3,625,000.00	5.000%	90,625.00	3,715,625.00	
06/30/2034					3,806,250.00
	16,485,000.00		14,458,833.33	30,943,833.33	30,943,833.33

PROOF OF ARBITRAGE YIELD

Roseville Electric
 Electric System Revenue Refunding Bonds, Series 2014
 Preliminary - Subject to Verification

Date	Debt Service	Present Value to 08/21/2014 @ 3.4545025131%
02/01/2015	366,333.33	360,799.14
08/01/2015	412,125.00	399,007.18
02/01/2016	412,125.00	392,232.34
08/01/2016	412,125.00	385,572.53
02/01/2017	412,125.00	379,025.81
08/01/2017	412,125.00	372,590.24
02/01/2018	412,125.00	366,263.94
08/01/2018	412,125.00	360,045.05
02/01/2019	412,125.00	353,931.76
08/01/2019	412,125.00	347,922.27
02/01/2020	412,125.00	342,014.82
08/01/2020	412,125.00	336,207.67
02/01/2021	412,125.00	330,499.12
08/01/2021	412,125.00	324,887.49
02/01/2022	412,125.00	319,371.15
08/01/2022	412,125.00	313,948.47
02/01/2023	412,125.00	308,617.87
08/01/2023	412,125.00	303,377.77
02/01/2024	412,125.00	298,226.65
08/01/2024	16,897,125.00	12,019,682.35
	24,681,708.33	18,614,223.60

Proceeds Summary

Delivery date	08/21/2014
Par Value	16,485,000.00
Premium (Discount)	2,129,223.60
Target for yield calculation	18,614,223.60

PROOF OF ARBITRAGE YIELD

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 08/21/2014 @ 3.4545025131%
SERIAL	02/01/2030	5.000%	3.310%	08/01/2024	100.000000	(38,890.75)
SERIAL	02/01/2031	5.000%	3.380%	08/01/2024	100.000000	(20,873.11)
SERIAL	02/01/2032	5.000%	3.460%	08/01/2024	100.000000	1,780.79
SERIAL	02/01/2033	5.000%	3.520%	08/01/2024	100.000000	20,423.45
SERIAL	02/01/2034	5.000%	3.570%	08/01/2024	100.000000	37,559.62

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 08/21/2014 @ 3.4545025131%	Increase to NPV
SERIAL	02/01/2030	5.000%	3.310%			124,214.63	163,105.38
SERIAL	02/01/2031	5.000%	3.380%			177,935.95	198,809.06
SERIAL	02/01/2032	5.000%	3.460%			238,970.17	237,189.38
SERIAL	02/01/2033	5.000%	3.520%			298,143.32	277,719.87
SERIAL	02/01/2034	5.000%	3.570%			357,976.78	320,417.16

BOND PRICING

Roseville Electric
Electric System Revenue Refunding Bonds, Series 2014
Preliminary - Subject to Verification

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Takedown
Serial Bonds:										
	02/01/2030	2,985,000.00	5.000%	3.310%	114.219 C	3.776%	08/01/2024	100.000	424,437.15	4.250
	02/01/2031	3,130,000.00	5.000%	3.380%	113.583 C	3.875%	08/01/2024	100.000	425,147.90	4.250
	02/01/2032	3,290,000.00	5.000%	3.460%	112.862 C	3.971%	08/01/2024	100.000	423,159.80	4.250
	02/01/2033	3,455,000.00	5.000%	3.520%	112.325 C	4.045%	08/01/2024	100.000	425,828.75	4.250
	02/01/2034	3,625,000.00	5.000%	3.570%	111.880 C	4.107%	08/01/2024	100.000	430,650.00	4.250
		16,485,000.00							2,129,223.60	

Dated Date	08/21/2014	
Delivery Date	08/21/2014	
First Coupon	02/01/2015	
Par Amount	16,485,000.00	
Premium	2,129,223.60	
Production	18,614,223.60	112.916127%
Underwriter's Discount	(103,758.50)	(0.629412%)
Purchase Price	18,510,465.10	112.286716%
Accrued Interest		
Net Proceeds	18,510,465.10	



ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669
tel +1-415-773-5700
fax +1-415-773-5759
WWW.ORRICK.COM

August 21, 2014

Morgan Stanley & Co. LLC
San Francisco, California

U.S. Bancorp Investments, Inc.
San Francisco, California

Re: Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

We have acted as counsel for you as underwriters (the "Underwriters") in connection with the purchase by the Underwriters from the Roseville Finance Authority (the "Authority") of its Electric System Revenue Refunding Bonds, Series 2014, in the aggregate principal amount of \$16,485,000 (the "Bonds"), pursuant to the Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), among the Authority, the City of Roseville (the "City") and the Underwriters.

The Bonds have been issued pursuant to a trust agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to prepay a portion of the City's obligations under the 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004, resulting in a prepayment of a portion of the remaining outstanding Electric System Revenue Certificates of Participation, Series 2004. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In that connection, we have reviewed certain portions of the Trust Agreement; the Master Installment Purchase Contract executed and entered into as of November 1, 1997, as it has been supplemented from time to time (the "Installment Purchase Contract"); the Preliminary Official Statement, dated July 17, 2014, with respect to the Bonds (the "Preliminary Official Statement"); the Official Statement, dated July 24, 2014 (the "Official Statement") with respect to the Bonds; certificates of the City, the Authority, the Trustee and others; the opinions referred to in paragraph 7 of the Purchase Contract; and such records and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed. We do not assume any responsibility for any electronic version of the Preliminary Official Statement or the Official Statement and assume that any such version is identical in all respects to the printed version.



In arriving at the opinions and conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above, including the accuracy of all factual matters represented and legal conclusions contained therein, including (without limitation) any representations and legal conclusions regarding the due authorization, execution, delivery, validity and enforceability of the Installment Purchase Contract, the Trust Agreement, the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes and any laws, documents and instruments that may be related to the issuance, payment or security of the Bonds). We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

Based on and subject to the foregoing, and in reliance thereon, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as your counsel, to assist you in part of your responsibility with respect to the Preliminary Official Statement and the Official Statement, we participated in conferences with your representatives and representatives of the Authority, the City Attorney as counsel to the Authority, the City, the City Attorney, Jones Hall, A Professional Law Corporation, as bond counsel, Public Financial Management, as financial advisor, and others, during which the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon, on oral and written statements and representations of the Authority, the City and others and on the records, documents, certificates, opinions and matters herein mentioned, we advise you as a matter of fact and not opinion that, during the course of our representation of you on this matter, (a) as of July 24, 2014, no facts had come to the attention of the attorneys in our firm rendering legal services to you in connection with the Preliminary Official Statement which caused us to believe as of that date that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (b) as of the date of the Official Statement and as of the date hereof, no facts had come to the attention of the attorneys in our firm rendering legal service to you in connection with the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue



statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no view or opinion about (i) with respect to the Preliminary Official Statement, any difference in information contained therein compared to what is contained in the Official Statement, whether or not related to pricing or sale of the Bonds, and whether any such difference is material and should have been included in the Preliminary Official Statement, and (ii) with respect to both the Preliminary Official Statement and the Official Statement, any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any management discussion and analysis, any Appendices thereto, or any information about book-entry, DTC, underwriters, underwriting or ratings, included or referred to therein or omitted therefrom or included under the captions "Ratings" or "Tax Matters." No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

We are furnishing this letter to you pursuant to paragraph 7(f)(6) of the Purchase Contract solely for your benefit as Underwriters. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



JONES HALL

August 21, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

Board of Directors of the
Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

OPINION: \$16,485,000 Roseville Finance Authority Electric System Revenue
Refunding Bonds, Series 2014

Members of the Board:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of August 1, 2014 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Revenues, as such term is defined in the Indenture, including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented, including by a 2014 Supplemental Installment Purchase Contract dated as of August 1, 2014 (the "2014 Supplemental Contract" and collectively with the Master Contract and the prior supplements, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

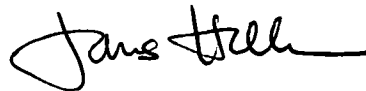
4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,



A Professional Law Corporation



JONES HALL

August 21, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

City of Roseville
311 Vernon Street
Roseville, California 95678

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
555 California Street, Suite 2200
San Francisco, California 94104

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California 90071

RELIANCE LETTER Regarding Final Approving Legal Opinion:
\$16,485,000 Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

We have this day released to the Roseville Finance Authority our final approving legal opinion with respect to the captioned bonds.

The foregoing opinion may be relied upon by City of Roseville, as purchaser, by Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters, and by The Bank of New York Mellon Trust Company, N.A., as trustee, to the same extent as if such opinion were addressed to each of such entities.

Respectfully submitted,

A Professional Law Corporation



JONES HALL

August 21, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
555 California Street, Suite 2200
San Francisco, California 94104

SUPPLEMENTAL OPINION: \$16,485,000 Roseville Finance Authority Electric System
Revenue Refunding Bonds, Series 2014

Ladies and Gentlemen:

This letter is provided pursuant to Section 7(f)(4) of the Contract of Purchase, dated July 24, 2014 (the "Purchase Contract"), among Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters (the "Underwriters"), the Roseville Finance Authority (the "Authority") and the City of Roseville, California (the "City"), providing for the purchase of the Authority's \$16,485,000 Electric System Revenue Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement (the "Trust Agreement"), dated as of August 1, 2014, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract.

We have delivered our final legal opinion (the "Opinion") as Bond Counsel concerning the validity of the Bonds and obligations represented thereby, and certain other matters, dated the date hereof and addressed to the Authority. You may rely on such opinion as though the same were addressed to you.

In connection with our role as Bond Counsel, we have reviewed the Purchase Contract, the printed version of the Preliminary Official Statement, dated July 17, 2014, relating to the Bonds (the "Preliminary Official Statement"), the printed version of the Official Statement, dated July 24, 2014, relating to the Bonds (the "Official Statement"), the documents, certificates, opinions and matters mentioned in the second paragraph of the Opinion, and such other documents, opinions and matters to the extent we deemed necessary to express the opinions set forth in the numbered paragraphs below.

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 omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have not reviewed any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. 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. 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 third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Tax Certificate, and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to 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, nor do we express any opinions with respect to the state or quality of title to or interest in any real or personal property described in or as subject to the lien of the Trust Agreement or any other document or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion relating thereto except as expressly set forth in numbered paragraph 3 below.

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

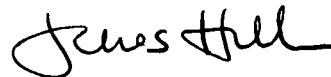
1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
2. The Official Statement has been duly authorized, executed and delivered by the Authority and the City, and the Purchase Contract has been duly authorized, executed and delivered by the Authority and the City, and the Purchase Contract are valid and binding agreements of the City and the Authority, respectively.
3. The statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2014 BONDS," "SECURITY FOR THE 2014 BONDS," and "TAX MATTERS," and in "APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS," and "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference,

insofar as such statements expressly summarize certain provisions of the Trust Agreement and the Installment Purchase Contract and the Opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects; provided, however, that no opinion is expressed with respect to any statements relating to The Depository Trust Company ("DTC") or its operations.

We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in numbered paragraph 3 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as Bond Counsel in connection with issuance of the Bonds, we participated in conferences with the Underwriters, counsel to the Underwrites, representatives of certain consultants to the City, the City and counsel to the City, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates, opinions and matters mentioned in the Opinion and therein, subject to the limitations on our role as Bond Counsel, we advise you that no facts came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Preliminary Official Statement as of July 24, 2014 and the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC and the information contained in Appendices B and F, or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is furnished by us as Bond Counsel. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Respectfully submitted,



A Professional Law Corporation



JONES HALL

August 21, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

Roseville Finance Authority
City of Roseville
311 Vernon Street
Roseville, California 95678

Morgan Stanley & Co. LLC
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
555 California Street, Suite 2200
San Francisco, California 94104

Re: \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding
Bonds, Series 2014

Ladies and Gentlemen:

This letter is rendered to you by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, in connection with the issuance by the Roseville Finance Authority (the "Authority") of its \$16,485,000 Roseville Finance Authority Electric System Revenue Refunding Bonds, Series 2014 (the "2014 Bonds"). In our capacity as Disclosure Counsel, we have examined the Preliminary Official Statement of the Authority and the City of Roseville (the "City"), dated July 17, 2014, relating to the 2014 Bonds (the "Preliminary Official Statement"), the Official Statement, dated July 24, 2014, relating to the 2014 Bonds (the "Official Statement"), and originals, or copies certified or otherwise identified to our satisfaction as being true copies of the originals, of such proceedings of the Authority and the City, certificates of the Authority and the City and others, opinions of counsel to the Authority and the City, and such other documents as we have deemed necessary for the purposes of this letter.

We have not undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement. However, in the course of our participation in the preparation of the Preliminary Official Statement and the Official Statement, as Disclosure Counsel, we have been in contact with representatives of the Authority and the City, representatives of Public Financial Management, Inc., as financial advisor to the Authority and the City, representatives of Morgan Stanley & Co. LLC, as representative on behalf of itself and U.S. Bancorp Investments, Inc., as underwriters, and others concerning the contents of the Preliminary Official Statement and the Official Statement and related matters. Based upon the foregoing and in reliance thereon, we hereby confirm that nothing has come to our attention to



*Roseville Finance Authority
City of Roseville
Morgan Stanley & Co. LLC,
as representative on behalf of itself and
U.S. Bancorp Investments, Inc.
August 21, 2014
Page 2*

lead us to believe that the Preliminary Official Statement as of July 24, 2014 and the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information included in the Appendices thereto, information relating to The Depository Trust Company and its book-entry only system) as of the date of the Official Statement or the date hereof contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The preceding paragraph is not an opinion but in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm in our role as disclosure counsel to the Authority and the City. The scope of those activities performed by us for purposes of delivering this letter were inherently limited and do not purport to encompass all activities necessary for compliance with applicable securities laws. In addition, those activities performed by us relied on third party representations, warranties, certifications and opinions, including and primarily, representations, warranties and certifications made by the Authority and the City, and are otherwise subject to the conditions set forth herein.

This letter is intended for the information solely of the addressees hereof and solely for the purposes of the transactions contemplated by the Installment Purchase Contract and the Official Statement and is not to be relied upon by any other person or entity, or for any other purpose, or quoted in whole or in part, or otherwise referred to, in any document, or to be filed with any governmental or other administrative agency or other person or entity for any purpose without our prior written consent. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur, and our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James Hill', with a stylized, cursive script.

A Professional Law Corporation