



WE POWER DREAMS



Roseville Electric Utility

ANNUAL REPORT 2013

DIRECTOR'S MESSAGE



We power Roseville. We power you at home, school, work, and play. We power your community and help make Roseville the vibrant community that residents and businesses are proud to call home.

We've been powering Roseville for more than 100 years. The year we began operations, as Roseville's community-owned electric utility, William Taft was the President of the United States and roughly 80% of all homes did not have electricity. Much has changed since then, but the reason that we exist, to power Roseville with reliable service at competitive prices, has not changed.

Our financial results remain strong. Our cash reserves and rate stabilization fund are growing, consistent with our financial plan and policies. Our credit ratings remain strong, too.

Our customers' needs, however, are changing. Some customers want more information and control over their energy use—in real time. Many want to lower their energy costs, while others are willing to pay more for electricity if they can reduce or eliminate their carbon footprint.

The electric industry is poised for some dramatic changes also. Instead of relying primarily on centralized, large-scale power plants, we must find ways to safely, reliably, and efficiently integrate energy technology such as solar and energy storage systems into our electric system. Electric vehicles and other technological advances may change how our electric system is designed and built. This will require Roseville Electric to evaluate and adapt our business model, ensuring customers receive the services they require and are fairly charged for the services they use.

We must meet requirements to acquire more renewable energy and reduce greenhouse gas emissions while keeping our service reliable and competitively priced. Federal and regional reliability and cyber-security requirements continue to be a top priority and challenge us to be proactive and adaptive to technological changes.

Through all of these changes, Roseville Electric will continue to power our community with reliable service at competitive prices and maintain strong financial results—just as we have for the past century.

Sincerely,

Michelle Bertolino
Roseville Electric Utility Director



WE POWER POSSIBILITY



We understand that providing high-quality, reliable power and dependable service is essential to the success of the residents and companies we serve. Equally important is ensuring that we are able to provide our customers with some of the lowest rates in the entire region, year after year.

We can accomplish all of this by being fiscally conservative, keeping up with the latest trends in the industry, striving to constantly improve efficiency, and by continually seeking out, developing, and implementing new technology and best practices to better serve our valued customers.

Because we are a community-owned utility, we don't make a profit, which means we don't answer to shareholders. Instead, we answer to the members of the community we serve—our customers.

It's our belief that when we put our customers first, whether it be a small startup with a handful of employees, a multinational corporation with thousands of employees, or anywhere in between, the possibilities are limitless.

CUSTOMERS, SALES, AND PEAK DEMAND

FISCAL YEARS ENDING JUNE 30¹

	2009	2010	%Chg	2011	% Chg	2012	% Chg	2013	% Chg
CUSTOMERS²									
RESIDENTIAL	45,478	46,400	2.03%	47,021	1.34%	47,611	1.25%	48,387	1.63%
COMMERCIAL	6,349	6,411	0.98%	6,436	0.40%	6,505	1.06%	6,561	0.86%
TOTAL	51,827	52,811	1.90%	53,457	1.22%	54,115	1.23%	54,948	1.54%
ENERGY SALES (MWh)									
RESIDENTIAL	435,036	433,494	-0.35%	422,949	-2.43%	440,311	4.10%	443,489	0.72%
COMMERCIAL	798,537	774,619	-3.00%	742,613	-4.13%	752,001	1.26%	750,694	-0.17%
TOTAL	1,233,574	1,208,112	-2.06%	1,165,562	-3.52%	1,192,312	2.30%	1,194,183	0.16%
SALES REVENUES (\$000s)									
RESIDENTIAL	52,359	56,115	7.17%	60,941	8.60%	65,760	7.91%	66,206	0.68%
COMMERCIAL	76,413	80,097	4.82%	85,570	6.83%	88,610	3.55%	89,228	0.70%
TOTAL	128,772	136,212	5.78%	146,511	7.56%	154,369	5.36%	155,434	0.69%
PEAK DEMAND (MW)									
RESIDENTIAL	335.7	323.7	-3.59%	331.4	2.37%	312.0	-5.85%	330.0	5.77%

¹ Numbers may not total due to rounding. Revenues listed are as billed.
² Customer counts reported as Fiscal Year Average Annual values.

FISCAL YEAR STATISTICS

RESIDENTIAL CUSTOMERS	48,387
BUSINESS CUSTOMERS	6,561
TOTAL CUSTOMERS	54,948
ENERGY SALES TO CUSTOMERS (MWH)	1,194,183
REVENUE FROM THE SALE OF ENERGY	\$155,434,000
PEAK DEMAND (MW)	330
NUMBER OF EMPLOYEES	140

AVERAGE MONTHLY BILL COMPARISON 2013¹

CLASS OF SERVICE	Units	Roseville ²	SMUD ³	PG&E ⁴
AVERAGE SYSTEM REVENUE per kWh ²	\$/kWh	\$0.132	\$0.119	\$0.160
INDUSTRIAL 2,266,746 kWh/month	\$/month \$/kWh	\$225,219 \$0.099	\$232,415 \$0.103	\$284,512 \$0.126
LARGE COMMERCIAL 258,741 kWh/month	\$/month \$/kWh	\$29,167 \$0.113	\$28,703 \$0.111	\$39,414 \$0.152
MEDIUM COMMERCIAL 23,691 kWh/month	\$/month \$/kWh	\$3,125 \$0.132	\$2,864 \$0.121	\$3,892 \$0.164
SMALL BUSINESS 1,200 kWh/month	\$/month \$/kWh	\$162 \$0.135	\$164 \$0.137	\$235 \$0.196
RESIDENTIAL 850 kWh/month	\$/month \$/kWh	\$123 \$0.145	\$111 \$0.131	\$183 \$0.215

¹ Average monthly bill and system revenues do not include CEC surcharge and Utility Users Tax (UUT).
² Forecasted 2012-13 average system rates published in California Municipal Rates Group survey dated April 2013.
³ Average monthly bill and rates based on Roseville Electric's standard residential and commercial rates effective June 2013.
⁴ Average monthly bill and rates based on SMUD's electric rate charges of schedules GUSL, GUSM, GUSST, GFN, and RSGH effective January 1, 2013, and do not include UUT of 7.5% that SMUD collects on behalf of the City of Sacramento.
⁵ PG&E's electric bill and rates based on schedules E20, E19, A10, A1, and E1 effective May 1, 2013.





WE POWER DISCOVERY



We are firm believers in the importance of staying actively involved in the community to make Roseville an even better place to live, work, and play.

Informing our customers about the importance of resource conservation with fun activities, special events, and outreach programs are just a few of the ways we give back each year.

Our commitment to educating and inspiring our customers was taken to a whole new level six years ago with the opening of the Roseville Utility Exploration Center. This state-of-the-art, hands-on, high-tech learning center helps customers and

their children better understand the role utilities play in their everyday lives, while informing them about the many ways they can protect and preserve our natural resources and save money through energy efficiency, sustainability, and conservation.

We've found that through education we can build successful, long-lasting relationships with our customers. Developing strong relationships with children—our future customers—is especially important, because our industry is changing and evolving.

In the near future, there will be exciting new technologies that will greatly affect how the energy

we provide is used, the way our homes are built, the way we travel, and so much more.

Since it opened its doors in 2006, more than 33,000 people have visited the Roseville Utility Exploration Center to exchange light bulbs, attend workshops, and participate in special events.

This past year, the center invited students on school field trips to learn about the science of water and energy. The California Association of Museums and State Superintendent of Public Instruction were so impressed, they recently awarded the Roseville Utility Exploration Center's Planet Protector school tour program their prestigious Superintendent's Award for Excellence in Museum Education.

This award is yet another example of Roseville Electric and Environmental Utilities' commitment to educating our customers, children, and our community.

No wonder this amazing learning center has become one of our greatest outreach tools that connect us with our customers and Roseville residents in ways we never dreamed possible.

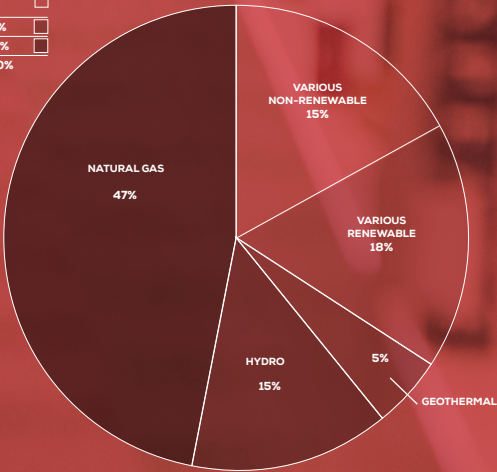
SOURCES OF POWER SUPPLY
FISCAL YEAR ENDING JUNE 30, 2013

Source	Type	Area	Capacity Available (MW) ²	Estimated Power (GWh) ²	% of Total
ROSEVILLE ENERGY PARK ³	Natural Gas	Local	155	582	47%
ROSEVILLE POWER PLANT 2 ⁴	Natural Gas	Local	48	2	0%
WESTERN AREA POWER ADMINISTRATION ⁵	Hydro	Western	62	146	12%
NCPA					
GEOTHERMAL PROJECT	Geothermal	ISO	8	67	5%
HYDROELECTRIC PROJECT	Hydro	ISO	29	36	3%
STEAM INJECTED GAS TURBINE GENERATOR PROJECT	Natural Gas	ISO	20	2	0%
LINCOLN LANDFILL	Biomass	ISO	2	6	0%
OPEN MARKET PURCHASES ⁶			30		
RENEWABLE PURCHASES	Various			225	18%
NON-RENEWABLE PURCHASES	Various			181	15%
TOTAL			354	1247*	100%*
PEAK DEMAND (MW)			330		
CAPACITY RESERVE PERCENT			7%		

* Numbers may not total due to rounding
1. Capacity 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. Roseville purchased RPP2 from NCPA in September 2010.
5. Includes Reserve Capacity.
6. Capacity includes Long-term and seasonal purchases only, but the City also acquires capacity on a short-term basis as needed. Quantity of energy is net of a long-term sale.

SOURCES OF POWER SUPPLY
FISCAL YEAR ENDING JUNE 30, 2013

Type	% of Total
NATURAL GAS	47%
VARIOUS RENEWABLE	18%
VARIOUS NON-RENEWABLE	15%
GEOTHERMAL	5%
HYDRO	15%
	100%





ACHIEVEMENT

WE POWER ACHIEVEMENT



Support of the general fund is vital to maintaining the City of Roseville's success and prosperity. Because we're a community-owned utility, revenue doesn't go to stockholders in other cities, counties, states, or countries. It stays right here to help keep our local economy strong and enhance our quality of life—it's the backbone of this modern, dynamic, metropolitan city we call home.

Our customers' contribution to the general fund of up to \$8 million annually supports services that help make Roseville a vibrant community.

Because of our competitive utility rates, Roseville Electric customers have about \$35 million more to spend in our local economy—amounting to a value of \$600 a year.

You need to look no further than our parks and recreation, libraries and police and fire services, widely considered to be among the best in the state, to begin to appreciate the benefits of being a publicly owned utility.

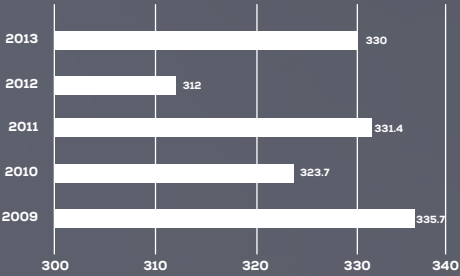
With more than 100 parks offering countless recreational opportunities, including preschool story time, yoga, concerts and events, swimming, before-and-after-school day care, golf, dance, and first aid classes, it's no wonder the City of Roseville has

become the fastest-growing city in Placer County. It's an ideal place to raise a family, an important business center for all kinds of commerce, and a destination more and more employers are choosing to expand their operations.

FISCAL YEAR 2013 TEN LARGEST CUSTOMERS

RANK	Business Type	kWh	Percent Total kWh
1	Manufacturing	100,650,000	8.43%
2	Admin/Office/R&D	41,847,000	3.50%
3	Medical Care	31,950,088	2.68%
4	Government and Utilities	25,882,400	2.17%
5	Medical Care	22,300,917	1.87%
6	Retail and Property Management	18,972,727	1.59%
7	Telecommunications	12,335,452	1.03%
8	Retail	11,559,932	0.97%
9	Grocery	10,298,200	0.86%
10	Grocery	9,621,000	0.81%
TOTAL		285,417,716	23.90%

ROSEVILLE ELECTRIC PEAK DEMAND (MW)





WE POWER INNOVATION



We are uniquely aware of the wants and needs of our community. This is best exemplified by the fact that you're not just merely our customers—you're our community partners.

After all, it's our home, too. We support your values, your ideas and your dreams. We know this because we are in fact owned by you, the members of the community we serve. You demand that we run a high-quality, efficient operation that offers reliable energy and dependable service at affordable rates.

Our dedicated customer service and business representatives are here to help you get the most out of the services we provide.

Our engineers design reliable, state-of-the-art distribution systems to connect new businesses and homes. Instead of using contractors to test the stability of our poles, our team completes the inspections themselves and replaces equipment that doesn't meet our exacting standards with equipment that does.

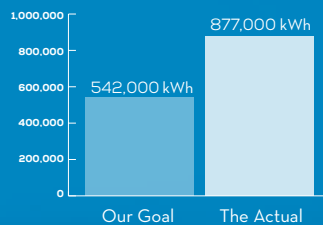
In short, we go above and beyond every day to solve your problems, answer your questions, provide you with innovative solutions, and exceed your expectations. These things are key to making Roseville Electric a valued utility partner and an admired member of this community.

WE'RE LEADERS IN BRINGING INNOVATION THROUGH EFFICIENCY.

IN 2013, ROSEVILLE ELECTRIC'S RIGHT-SIZE HVAC PROGRAM WAS THE ONLY ONE OF ITS KIND.

Our goal:
save 542,000 kWh

The actual:
877,000 kWh saved



THAT'S 161% SAVED kWh ABOVE OF OUR GOAL

This program has helped Roseville Electric and its customers save money and energy.

Plus, it helped avoid the purchase of more expensive and less clean energy
by reducing demand by 558 kWh, compared with the goal of 383.

OUR INNOVATIVE GRID KEEPS OUR CUSTOMERS CONNECTED.

16 substations

2 generation sites

794 circuit miles
of 60 and 12kV lines

4,600 power poles

14,000 12kV distribution assets

We're ahead of the curve when it comes to inspecting and maintaining our extensive electrical system. We use state-of-the-art testing and tracking equipment to make sure the grid is in top form.

IT'S NO WONDER ROSEVILLE ELECTRIC CUSTOMERS
EXPERIENCE GREAT SERVICE IN ALL WEATHER CONDITIONS.





WE POWER RELATIONSHIPS



We prize the relationships we have with the people and businesses in this community. They are as essential to our success today as they were more than 100 years ago when the City of Roseville began serving its first 150 customers.

We believe in embracing open communication and encouraging active civic engagement to earn the trust and respect of our customers. Our success depends on knowing, understanding, and acknowledging our customers' needs. Meeting those needs is our top priority. Roseville Electric

uses a wide range of communication tools to gather feedback and gain invaluable insights into our customers' needs.

From newsletters, websites, and social media, to customer surveys, bill inserts, and outreach events, we are determined to connect with our customers in meaningful ways that lead to improvements and help make us better at what we do. Perhaps that's why more than 90 percent of our customers are satisfied with Roseville Electric and the service we provide.

ROSEVILLE ELECTRIC IS POWERING
RELATIONSHIPS THROUGH SOCIAL MEDIA.

 Our Facebook page has gained over

500
followers
since September 2013.



This post engaged more of the community than any other—celebrating Roseville Electric's Electorberfest!

EACH POST IS SEEN BY OVER 300 PEOPLE IN OUR COMMUNITY;
LIKE US @ [HTTPS://WWW.FACEBOOK.COM/CITYOFROSEVILLE](https://www.facebook.com/cityofroseville)

OUR ON-SITE ENERGY AUDIT PROGRAM IS POWERING
RELATIONSHIPS THROUGHOUT THE COMMUNITY.

We've performed
1,990 audits,

installed 6,000
compact fluorescent bulbs,

and replaced 150 open signs!

It's quick and easy. Best of all, there's no cost to the customer. All year, customers have been visited by a certified energy analyst who provided a written report specifying energy-saving ideas for area businesses. Plus, we've been replacing lighting and signs with more energy-efficient versions.



INDEPENDENT AUDITORS' REPORT

Public Utilities Commission
Electric Department
City of Roseville, California



Report on Financial Statements

We have audited the accompanying financial statements of the City of Roseville Electric Enterprise Fund as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund'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 of Roseville Electric Enterprise Fund'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 of Roseville Electric Enterprise Fund'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 financial position of the City of Roseville Electric Enterprise Fund as of June 30, 2013, and the changes in financial position and cash flows 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 and required certain nomenclature changes to the financial statements:

Accountancy Corporation
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Pleasant Hill, CA 94523

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Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Notes 1G and 4I 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 required certain nomenclature changes to the financial statements and required the restatement of net position:

Statement 65 - *Items Previously Report as Assets and Liabilities*. See Notes 1G and 4I to the financial statements for relevant disclosures.

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

Other Matters

As discussed in Note 1, the financial statements present only the City of Roseville Electric Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Roseville as of June 30, 2013, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseville Electric Enterprise Fund's basic financial statements as a whole. The Introductory and Statistical Section on pages 1 to 24 and Supplemental Information on pages 73 to 76 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.

Maze & Associates

Pleasant Hill, California
December 20, 2013



To learn more, call (916) 797-6937,
or visit roseville.ca.us/electric

Roseville Electric
WE POWER DREAMS.



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND PROPRIETARY FUND

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDING JUNE 30, 2013

OPERATING REVENUES

Residential sales	\$66,189,321
Commercial and industrial sales	89,171,656
Other sales	627,069
Other operating revenues	1,871,938
Total Operating Revenues	157,859,983

OPERATING EXPENSES¹

Production and purchased power	93,321,557
Transmission	3,149,512
Distribution--operations	4,729,252
Distribution--maintenance	3,575,750
Customer accounts, service and informational	2,212,296
Public benefits and administrative and general	13,644,723
Payment in lieu of taxes (franchise transfer)	6,341,846
Depreciation	17,863,684
Total Operating Expenses	144,838,618
Operating Income (Loss)	13,021,366

NON-OPERATING REVENUES (EXPENSES)

Increase in value of certain NCPA projects and reserves	45,844
Investment income	368,482
Interest expense and fiscal charges	(11,283,869)
Cost of issuance	(184,904)
Amortization expenses	(36,909)
Other (GHG Proceeds)	1,338,533
Total non-operating revenues (expenses)	(9,752,823)
Income before capital contributions and transfers	3,268,542

Contributions and transfers:

Capital contributions--connection/impact fees	1,563,615
Contributions in aid of construction	1,163,514
Capital contributions from developers	1,988,012
Transfers out to City²	(2,999,114)
Total contributions and transfers	1,716,027
CHANGES IN NET POSITION	4,984,569
NET POSITION, BEGINNING, AS RESTATED (Note 4J)	249,878,224
NET POSITION, ENDING	\$254,862,793

See accompanying notes to financial statements

¹ Includes operating expenses reflected by the City as transfers related to rent payments, meter reading, billing, customer service, pension and benefits, other indirect costs transfer, and payment in lieu of taxes or franchise fee.
² Certain transfers to the City are reported as operating expenses as noted above.



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND PROPRIETARY FUND

STATEMENT OF NET POSITION JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and investments in City Treasury (Note 3)	\$52,269,386
Restricted cash and investments with fiscal agent (Note 3)	16,621,617
Receivables	
Accrued interest	209,076
Accounts, net of allowance for doubtful accounts	23,004,310
Due from other government agencies	9,410
Inventories (Note 1F)	8,032,824
Developer permit fees receivable	26,908
Prepays (Note 1E)	2,472,353
Total Current Assets	102,645,884

NON-CURRENT ASSETS

Land and construction in progress	15,089,612
Other capital assets	547,747,586
Less: accumulated depreciation	(151,160,275)
Total Capital Assets (Note 2)	411,676,923
Investment in NCPA reserves (Note 6A)	3,385,917
Derivative at fair value-asset (Note 11A)	92,171
Notes receivable from NCPA (Note 8B)	55,404
Total Non-Current Assets	415,210,415
Total Assets	517,856,299

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding (Note 4J)	4,325,095
Accumulated decrease in fair value of hedging derivatives (Note 1G)	36,304,054
Total Deferred Outflows of Resources	40,629,149

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt (Note 4A)	5,930,000
Accounts payable and accrued payroll	9,024,183
Interest payable	3,156,737
Customer deposits (Note 1H)	1,808,733
Accrued liabilities	1,004,174
Current portion of compensated absences (Note 1I)	1,064,538
Unearned revenue (Note 1J)	869,137
Total current liabilities	22,657,502

LONG-TERM LIABILITIES

Certificates of participation and revenue bonds, due in more than one year (Note 4A)	237,710,000
Compensated absences (Note 1I)	2,003,196
Unamortized bond premiums	4,855,732
Derivative at fair value-liability (Note 4I and 11A)	36,304,054
Total Long-term Liabilities	280,872,982
Total Liabilities	303,530,484

DEFERRED INFLOWS OF RESOURCES

Accumulated increase in fair value of hedging derivatives (Note 1G)	92,171
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NET POSITION (Note 8)

Net investment in capital assets	163,181,191
Invested in NCPA projects and reserve	15,201,656
Restricted for debt service	16,655,896
Unrestricted	59,824,050
Total Net Position	\$254,862,793

See accompanying notes to financial statements



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND PROPRIETARY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDING JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$155,107,091
Payments to suppliers	(109,072,986)
Payments to employees	(16,062,600)
Other receipts	1,805,694
Net Cash Provided by Operating Activities	31,777,199

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers (out)	(2,999,114)
Cash Flows from Noncapital Financing Activities	(2,999,114)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	1,163,514
Acquisition and construction of capital assets, net	(5,854,993)
Proceeds from sale of capital assets	15,081
Change in restricted assets	22,698
Issuance of debt	90,000,000
Issuance costs	(184,904)
Principal payments on capital debt	(95,690,000)
Interest paid on capital debt	(11,283,869)
Connection fees	1,563,615
Cash Flows from Capital and Related Financing Activities	(20,248,858)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from sale of (payment to acquire) equity instrument, net	305,353
Interest and dividends	316,197
Cash Flows from Investing Activities	621,550
Net increase (decrease) in cash and cash equivalents	9,150,777
Cash and investments at beginning of period	43,118,609
Cash and investments at end of period	\$52,269,386

NONCASH TRANSACTIONS

Contribution of capital assets from developers	\$1,988,012
Retirement of capital assets	(\$688,162)
Amortization of bond premium	\$242,627
Amortization of deferred amount on refunding	(\$279,537)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$13,021,366
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,863,683
Loss on retirement of capital assets	688,162
Change in assets and liabilities:	
Receivables, net	(2,022,958)
Inventories	355,764
Prepays	(2,472,353)
Accounts and other payables	3,380,852
GHG Proceeds	1,338,533
Unearned revenue	(375,849)
Net cash provided by operating activities	\$31,777,199

See accompanying notes to financial statements



NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The City of Roseville Electric Enterprise Fund (Electric Fund) is a fund of the City of Roseville (the City) that owns and operates the electric systems and provides these services to the businesses and residents of the City. The Electric Fund, is under the policy control of the City Council. The accompanying financial statements only reflect the activity of the Electric Fund as it does not have any component units. The Electric Fund is an integral part of the City, and its financial statements are included in the basic financial statements of the City.

B. Basis of Presentation

The Financial Statements of the Electric Fund are prepared in conformity with accounting principles generally accepted in the United States of America (U.S.A.). The Governmental Accounting Standards Board is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The accounting records of the Electric Fund are also substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

C. Basis of Accounting

The Electric Fund is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector, in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The 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.

The Electric Fund 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 expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

D. Joint Powers Authorities

The Electric Fund records its equity in the general operating reserve of the Northern California Power Agency (NCPA), and its net equity in those projects in which it participates, as discussed in Note 6. The Electric Fund's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because the Electric Fund does not actively manage these projects and does not expect to become directly liable for any of the obligations of these projects. Amounts paid to the Transmission Agency of Northern California (TANC) are expensed currently because the Electric Fund's estimated equity, if any, in TANC is not material. Amounts paid to the California Joint Powers Risk Management Authority and the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 7.

E. Prepaids

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

F. Inventories

Valued at cost, using the weighted average method, and consist primarily of merchandise held for internal consumption.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The Electric Fund only has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the statement 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 the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective under the provisions of GASB Statement No. 53.

In addition to liabilities, the statement of financial position 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 or fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Electric Fund only has one item that qualifies for reporting in this category. The accumulated increase in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument asset so long as the instrument is deemed effective under the provisions of GASB Statement No. 53.



NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deposits from Customers

Deposits from customers may be required by the Electric Fund from commercial and residential customers when they establish their account as specified in section 14.04.030 of the City of Roseville Municipal Code. Significant customer deposits may be held in the form of certificates of deposit in the Electric Fund's name with the interest paid to the customer.

I. Compensated Absences

Compensated absences including accumulated unpaid vacation, sick pay, and other employee benefits are accounted for as expenses in the year earned.

Changes in compensated absences payable consist of the following:

Beginning Balance	\$2,775,757
Additions	828,266
Payments	(536,289)
Ending Balance	\$3,067,734
Current Portion	\$1,064,538

J. Revenue Recognition

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are 23 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 when earned.

K. Classification of Revenues

Operating revenues consist mainly of electric sales. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance, and recurring capital replacement. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

L. Allocation and Capitalization of Operating Overhead Expenses and General and Administrative Costs

The allocation of operating overhead expenses and general and administrative costs to capital projects, as well as FERC distribution and maintenance operating expenses, was based on a comprehensive analysis and study prepared by the City's staff. This analysis and allocation process is conducted annually in conformance with the generally accepted electric utility accounting practices within the Uniform System of Accounts (USOA) prescribed by FERC and utility accounting guide published by the American Public Power Association (APPA) regarding job costing and utility accounting.

The process of allocating and capitalizing operating overhead expenses and general and administrative costs was implemented to allow the Electric Fund Financial Statements to reflect a chart of accounts consistent with industry standards, provide more accurate operation and maintenance costs, and track the total actual costs of electric capital assets.

M. 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—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.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Electric Fund has assigned the useful lives and capitalization thresholds listed at right to capital assets:

	Useful Lives	Capitalization Thresholds
Buildings	20–40 years	\$10,000
Improvements	40 years	10,000
Equipment	3–12 years	5,000
Plants and Substations	10–120 years	10,000
Distribution System	7–100 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.

Capital assets at June 30, 2013, comprise:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land	\$4,373,682				\$4,373,682
Landscaping (modified)	550,000				550,000
Construction in progress	8,741,551	\$4,865,739	(\$10,160)	(\$3,431,200)	10,165,930
Total capital assets not being depreciated	13,665,233	4,865,739	(10,160)	(3,431,200)	15,089,612
Capital assets, being depreciated:					
Buildings	13,457,985				13,457,985
Improvements	2,472,564				2,472,564
Equipment	3,677,770	220,694	(137,513)		3,760,951
Plant and substations	64,799,174			2,162,927	66,962,101
Distribution	257,053,556	2,722,440	(867,211)	175,312	259,084,097
Generation	200,882,798	34,129		1,092,961	202,009,888
Total capital assets being depreciated	542,343,847	2,977,263	(1,004,724)	3,431,200	547,747,586
Less accumulated depreciation for:					
Buildings	(3,496,642)	(335,632)			(3,832,274)
Improvements	(530,270)	(91,256)			(621,526)
Equipment	(2,604,689)	(189,897)	83,411		(2,711,165)
Plant and substations	(16,904,409)	(1,639,429)			(18,543,838)
Distribution	(63,601,939)	(4,939,468)	243,311		(68,297,096)
Generation	(46,485,368)	(10,669,008)			(57,154,376)
Total accumulated depreciation	(133,623,317)	(17,863,680)	326,722		(151,160,275)
Net capital assets being depreciated	408,720,530	(14,886,417)	(678,002)	3,431,200	396,587,311
Capital assets, net	\$422,385,763	(\$10,020,678)	(\$688,162)		\$411,676,923



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

A. Classification

Cash and investments of the Electric Fund 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 other agreements.

Cash and investments	\$52,269,386
Non-current investments and special funds	16,621,617
Total cash and investments	\$68,891,003

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

Cash and investments as of June 30, 2013, consist of the following:

City of Roseville pooled cash and investments	\$52,268,886
Cash on hand	500
Investments	16,621,617
Total Cash and Investments	\$68,891,003

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations (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

(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.

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
Federal Housing Admin debentures	N/A	None
U.S. Agency Securities	N/A	None
Certificates of Deposit	30 days	A-1
Time Deposits	30 days	A-1
Bankers' Acceptances	30 days	A-1
Insured FDIC Deposits	N/A	None
Money Market Funds	N/A	Aam-G
State Obligations	N/A	A-1+/-AAA
Pre-refunded Municipal Obligations	N/A	AAA
Repurchase Agreements	N/A	A
Investment Agreements	N/A	AA
California Asset Management Program (CAMP)	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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.

	Remaining Maturity		Total
	12 Months or Less	More Than 60 Months	
Guaranteed Investment Contract		\$2,150,737	\$2,150,737
California Asset Management Program	\$13,803,905		13,803,905
Money Market Mutual Funds			
(U.S. Securities)	666,975		666,975
Total Investments	\$14,470,880	\$2,150,737	\$16,621,617

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:

	AA+	AAAm	Total
Investments:			
Guaranteed Investment Contract	\$2,150,737		\$2,150,737
California Asset Management Program		\$13,803,905	13,803,905
Money Market Mutual Funds			
(U.S. Securities)		666,975	666,975
Total Investments	\$2,150,737	\$14,470,880	\$16,621,617

F. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, money market mutual funds, and California Asset Management Program, that represent 5% or more of total investments at June 30, 2013, was the Guaranteed Investment Contract with FSA Capital Management Services LLC in the amount of \$2,150,737.



NOTE 4—LONG-TERM DEBT

A. Composition and Changes

The Electric Fund generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt. The Electric Fund's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2013, is as follows:

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
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						
variable rate, due 2/1/35	90,000,000		\$90,000,000		90,000,000	
Total Certificates of Participation	303,046,412	196,304,633	90,000,000	95,475,974	190,828,659	5,575,000
Revenue Bonds:						
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	
Total Revenue Bonds	58,609,207	58,099,451		432,378	57,667,073	355,000
Total	\$361,655,619	\$254,404,084	\$90,000,000	\$95,908,352	\$248,495,732	\$5,930,000

B. 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 COPs 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.

C. 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.

D. 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 (COPs) Series A and B in the original principal amounts of \$90,000,000 and \$64,500,000, respectively. 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 2008B COPs were issued to refund the remaining outstanding balance of the 2005 Electric System Revenue Certificates of Participation, Series C. The Series B COPs were refinanced in fiscal year 2011 by the 2010 Electric System Revenue Refunding Bonds, as discussed in Note 4F below.

The Series A COPs were issued as variable-rate securities with interest calculated weekly. The rate fluctuated 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 COPs. The combination of the variable-rate Series A COPs and a floating-rate swap created 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 4G below.



NOTE 4—LONG-TERM DEBT (CONTINUED)

E. 2009 Electric System Revenue Refunding
Certificates of Participation

On November 24, 2009, the City issued Certificates of Participation (COPs) 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.

F. 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 4D.

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.

G. 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.

H. Electric System Pledged Revenues

As of June 30, 2013, the total principal and interest remaining to be paid on the 2004 Electric System Revenue COPs, 2005 Electric System Revenue COPs, 2009 Electric System Revenue Refunding COPs, 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.

NOTE 4—LONG-TERM DEBT (CONTINUED)

I. Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2008 Electric Revenue Certificates of Participation, Series A.

These transactions allow the City to create synthetic fixed rates on the COPs, 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 issue.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2012 Electric System 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 Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	\$4,000,000	5/13/2008	Morgan Stanley Capital Services Inc.	A-	3.321%	70.5% of 1m LIBOR	2/1/2035
	\$90,000,000						

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. 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 values of the swaps were not in favor of the City as follows:

Related Bond Issue	Fair Value	
	2013	2012
2012 Electric System 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)
	(\$13,456,304)	(\$23,391,751)

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 positive, the City would no longer be exposed to credit risk. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

Basis risk Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR-based swaps and tax-exempt variable-rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable-rate bonds converge, the City is exposed to this basis risk.



NOTE 4—LONG-TERM DEBT (CONTINUED)

Termination risk The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt Using rates as of June 30, 2013, debt service requirements of the Electric Fund's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Note 4K:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2014		\$688,500	\$2,881,795	\$3,570,295
2015		688,500	2,881,795	3,570,295
2016		688,500	2,881,795	3,570,295
2017		688,500	2,881,795	3,570,295
2018		688,500	2,881,795	3,570,295
2019-2023	\$4,875,000	3,426,961	14,343,934	22,645,895
2024-2028	30,800,000	2,704,403	11,319,584	44,823,987
2029-2033	37,300,000	1,410,151	5,902,342	44,612,493
2034-2035	17,025,000	142,337	595,771	17,763,108
	\$90,000,000	\$11,126,352	\$46,570,606	\$147,696,958

J. Bond Issuance Costs, Original Issue Discounts and Premiums, and Deferred Charge on Refunding

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 amount of \$1,676,644 have been removed and net position of the fund has been reduced and restated in that amount.

K. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Principal	Interest
2014	\$5,930,000	\$10,978,463
2015	6,140,000	10,766,487
2016	6,410,000	10,494,619
2017	6,705,000	10,201,893
2018	7,015,000	9,890,656
2019-2023	40,415,000	44,090,382
2024-2028	50,375,000	33,624,737
2029-2033	61,630,000	21,566,993
2034-2037	59,020,000	6,979,110
	243,640,000	\$158,593,340

Reconciliation of long-term debt	
Less deferred bond discount	(509,778)
Add deferred bond premium	5,365,510
Net long-term debt	\$248,495,732



NOTE 5-PENSION PLAN AND OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

A. CalPERS Miscellaneous Employees Plan

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in both the Safety and Miscellaneous Employee Plans. Benefit provisions under this Plan 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 the Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. Electric Fund employees, which includes the IBEW Electrical Workers, participate in the City's Miscellaneous Plan. The Miscellaneous Plan's provisions and benefits in effect at June 30, 2013, are summarized as follows:

Hire Date	Miscellaneous	
	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 - 55	52 - 67
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%

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. The City paid 100% of the contributions required by CalPERS, for the years ending June 30, 2013, 2012, and 2011. Actuarial required contributions, as well as the Annual Pension Costs for the years ending June 30, 2013, 2012, and 2011, amounted to \$18,065,140, \$18,065,353, and \$14,791,010, respectively. The Electric Enterprise Funds' share of the Annual Pension Costs was \$2,602,215, \$2,746,450, and \$2,361,521, respectively. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in the 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 20 years. Investment gains and losses are accumulated as they are realized, and 10% of the net balance is amortized annually.

The 2.7% at age 55 Plan's actuarial value for the City (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:

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%

Actuarial trend data is not yet available for the 2.0% at age 62 plan.

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

NOTE 5-PENSION PLAN AND OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

B. Postemployment Health Care Benefits

The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit health care 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 is shown below:

Eligibility	• Service or disability retirement from City (or 5 years' City service if hired after January 1, 2004)		
□ Benefit	Hired before January 1, 2004 (a)		
	• City paid premium, subject to the following caps:		
	Group	2013	CalPERS Service Vesting
	Management/Confidential	\$1,116.75	10 to 20 years 50% to 100%
	Stationary Engineers Local 39	1,284.00	
	Roseville Police Association	1,088.50	• 100/90 formula rates:
	Roseville Police Officers Association	1,162.62	2012 2013
	Roseville Firefighters Association	1,200.00	Single \$566.00 \$566.00
	International Brotherhood of	1,200.00	Two-Party 1,074.00 1,074.00
	Electrical Workers		Family 1,382.00 1,382.00
	(a) January 1, 2005, for Police Officers Association and Local 39		• Five years' City service Required
□ Dental, Vision, and Life	• None		
□ Surviving Spouse Continuation	• Retiree medical benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.		

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 health care 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 with 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.

Trend Information

The following table provides three years of historical information of the Annual OPEB Cost for the City:

Fiscal Year	Annual OPEB	Actual	Percentage of AOC	Net OPEB
	Cost (AOC)	Contribution	Contributed	Obligation
6/30/11	\$9,273,292	\$38,457,645	415%	\$15,409,215
6/30/12	15,104,848	4,972,333	33%	25,541,730
6/30/13	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)	Overfunded (Underfunded) Actuarial Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
			Accrued Liability (A-B)			
6/30/07	\$0	\$164,567,000	(\$164,567,000)	0.00%	\$80,302,000	-204.94%
6/30/09	34,000,000	180,097,000	(146,097,000)	18.88%	80,664,000	-181.12%
6/30/11	34,626,000	176,733,000	(142,107,000)	19.59%	74,535,000	-190.66%



NOTE 5-PENSION PLAN AND OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Funding Progress and Funded Status

During the fiscal year ending 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	(2,338,072)
Annual OPEB cost	15,317,140
Contributions:	
Pay-as-you-go premiums	(2,480,609)
Contribution to the Trust	(5,131,475)
Change in net OPEB obligation	7,705,056
Net OPEB obligation at June 30, 2012	25,541,730
Net OPEB Obligation at June 30, 2013	\$33,246,786
Percentage of annual OPEB cost contributed	50%

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 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%

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	\$41,641,477



NOTE 6-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 that operates under a joint powers agreement among 15 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, composed 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 Electric Fund financial statements as Investment in NCPA Reserve.

During the year ending 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.

	June 30, 2013
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	161,914
	\$3,385,917

The General Operating Reserve represents the City's portion of funds that 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 creditworthiness. These funds are available on demand, but the City has left the funds 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.

NOTE 6-NORTHERN CALIFORNIA
POWER AGENCY (NCPA) (CONTINUED)

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.

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 with 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 Project 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.

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 7-RISK MANAGEMENT

The Electric Fund, as a Fund of the City, is included in the City's risk management program. 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 self-insured retention or deductible is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool 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 with coverage up to a \$40,000,000 limit. The City's premium was \$423,865 with an additional charge to reflect the fees to access CSRM Risk Control Online Services. The total premium cost to the City was \$425,490. Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit.

Property Coverage

CJPRMA has purchased commercial insurance against property damage. The City has a self-insured retention (SIR) of \$25,000 per claim with coverage 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 damage. The City has a self-insured retention (SIR) of \$5,000 per claim with coverage up to a \$21,250,000 limit. The annual premium paid was \$31,058.

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 (LAWCX) Joint Powers Authority, which covers workers' compensation claims up to \$5,000,000 and provides additional coverage through CSAC-EIA up to the statutory limit. The City has a self-insured retention of up to \$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 may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.



To learn more, call (916) 797-6937, or visit roseville.ca.us/electric

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NOTE 7-RISK MANAGEMENT (CONTINUED)

B. Insurance Internal Service Funds

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

The change in the City-wide 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:

	2013	2012
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	(764,438)	(822,467)
Claims liability, end of year	\$7,703,704	\$6,309,143
Current claims liabilities	\$924,444	\$757,097

The City-wide liability for uninsured general liability claims, including claims incurred but not reported, is reported in the City-wide General Liability Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ending 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	\$1,892,605	\$1,555,904
Current claims liabilities	\$548,855	\$451,212



NOTE 8-NET POSITION

Net Position is the excess of all the Electric Fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into the captions below:

Net Investment in Capital Assets describes the portion of Net Position that is represented by the current net book value of the Electric Fund's capital assets, less the outstanding balance of any debt issued to finance these assets.

Invested in NCPA projects and reserve describes the portion of Net Position that is represented by the current net book value of the Electric Fund's investment in NCPA.

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the Electric Fund cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted to use.

NOTE 9-CONTINGENT LIABILITIES

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 6. 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.

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 that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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, that is likely to have a material adverse effect on the financial position of the City.

Other Commitments

The Electric Fund had the following outstanding significant commitments at June 30, 2013:

Projects	Amounts (in millions)
REP long-term service agreement	\$19.0-43.0
Net power purchase contracts	46.0
Natural Gas Forward Obligations	78.5



NOTE 10-GAS SUPPLY ACQUISITION AND RESALE

The City operates certain electrical generating plants that provide power for sale to the public and needs reliable, economical supplies of natural gas to generate the needed electricity. In pursuit of that objective, the City and its component unit, the former City of Roseville Redevelopment Agency, formed the Roseville Natural Gas Financing 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 20-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 20-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 10D below) that 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.

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 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.

C. Supply Agreement

Pursuant to a Natural Gas Supply Agreement dated February 1, 2007, the Authority has agreed to sell to the City a 20-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 11.



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NOTE 11-DERIVATIVE INSTRUMENTS

A. Summary of Notional Amounts and Fair Values

The City enters into contracts to hedge its price exposures to 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 balance sheet. 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.

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		Notional
	Classification	Amount	Classification	Amount	
Effective Cash Flow Hedges					
Electric Fund					
Pay Fixed SWAP, Natural Gas	Deferred Outflow	\$22,418,129	Derivative	<u>(\$22,847,750)</u>	13,394,500 mmBtu
Receive Fixed SWAP, Electric	Deferred Inflow	92,171	Derivative	<u>\$92,171</u>	36,600 mWh
Roseville Natural Gas Financing Authority					
Pay Fixed SWAP, Natural Gas	Deferred Inflow	(\$2,431,676)	Derivative	<u>\$20,099,009</u>	34,513,500 mmBtu
Receive Fixed SWAP, Natural Gas	Deferred Inflow	(\$24,374,329)	Derivative	<u>54,655,133</u>	76,000-372,000 monthly mmBtu
				<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	8/1/12	3/31/14	Pay \$6.63; Receive NGI PG&E citygate price	BP Corporation	BBB+
Hedge Cash Flows on PG&E citygate Gas	183,000	8/1/12	9/30/13	Pay \$5.67; Receive NGI PG&E citygate price	ConocoPhillips	A
Hedge Cash Flows on PG&E citygate Gas	828,000	10/1/12	12/31/13	Pay \$4.81; Receive NGI PG&E citygate price	J Aron & Company	A-
Hedge Cash Flows on PG&E citygate Gas	1,087,500	8/1/12	3/31/14	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	1/1/13	2/28/14	Pay \$4.98; Receive NGI PG&E citygate price	Macquarie Energy	A
Hedge Cash Flows on PG&E citygate Gas	367,000	8/1/12	12/31/13	Pay \$5.37; Receive NGI PG&E citygate price	Powerex Corporation	AAA
Hedge Cash Flows on PG&E citygate Gas	6,424,000	8/1/12	5/31/14	Pay \$6.52; Receive NGI PG&E citygate price	Shell Energy North America	A-
Hedge Cash Flows on NP15 Power	36,600	5/1/14	5/31/14	Pay \$34.59; Receive NP15 price	Shell Energy North America	A
Commodity Swaps, Gas:						
Prepayment of 20-year supply of Natural Gas	34,513,500	1/1/08	12/31/27	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	1/24/07	1/25/28	Pay NGI PG&E citygate price; Receive \$7.7224 per mmBtu	JPMorgan Chase Bank, NA	A



NOTE 11-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 creditworthiness.

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 12-SUBSEQUENT EVENTS

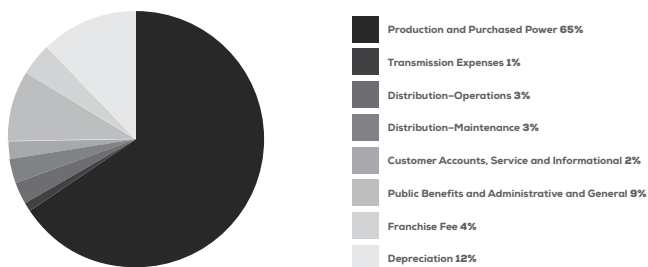
Electric System Revenue Refunding Bonds, Series 2013

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.



CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013



Source: City of Roseville Electric Department

Description	Detail	6/30/13
PRODUCTION AND PURCHASED POWER		
Purchased Power	\$42,230,942	
Electric Generation Operations	51,090,615	
Total Production and Purchased Power		\$93,321,557
Transmission Expenses		3,149,512
DISTRIBUTION-OPERATIONS		
Distribution Operation Supervision & Engineering	1,173,023	
Load Dispatching	666,453	
Station Expenses	470,727	
Overhead Line Expenses	331,668	
Underground Line Expenses	570,064	
Street Lighting	367,981	
Meter Expenses	323,651	
Customer Installation Expenses	247	
Miscellaneous Distribution Expenses	487,307	
Distribution Operations Rent	338,131	
Total Distribution-Operations		4,729,252

DISTRIBUTION-MAINTENANCE	
Supervision & Engineering	38,590
Structures	68,152
Station Equipment	1,056,024
Overhead Lines	1,295,809
Underground Lines	622,993
Line Transformers	24,976
Street Lights	119,780
Meters	297,318
Maintenance Miscellaneous-Distribution Plant	52,108
Total Distribution-Maintenance	3,575,750

CUSTOMER ACCOUNTS, SERVICE AND INFORMATIONAL	
Supervision of Customer Accounts	0
Meter Reading Expenses	644,282
Customer Billing & Service Administration	504,404
Uncollectable Accounts	408,433
Supervision of Customer Service & Informational	87,034
Customer Assistance, Informational & Inst. Advertising	165,876
Customer Service & Information	402,267
Total Customer Account, Service and Informational	2,212,296

PUBLIC BENEFITS AND ADMINISTRATIVE AND GENERAL	
Administrative & General Salaries	1,541,684
Office Supplies	886,868
Outside Service Employed	227,421
Property Insurance	146,554
Employee Pension and Benefits	891,289
Regulatory Commission Expenses	110,783
General Advertising Expenses	272,091
General Rents and Transportation Expenses	19,776
Misc. Administrative, City Indirects & Expenses Transferred	5,242,372
Public Benefits Programs and Rebates	4,305,885
Public Benefits and Administrative and General	13,644,723
Depreciation	17,863,684
Franchise Fee	6,341,846
Grand Total Operating Expenses	\$144,838,618



CITY OF ROSEVILLE ELECTRIC DIVISION
DISTRIBUTION CAPITAL ASSETS
SUPPLEMENTAL INFORMATION

AS OF JUNE 30, 2013			
FISCAL YEAR ENDED 6/30/13			
Asset Description	Cost	Depreciation	Book Value
Miscellaneous Intangible Plant--Distribution	\$1,427,125	\$1,426,221	\$904
REP Structure & Improvements	5,951,507	692,496	5,259,011
REP Fuel Holders & Producers	4,445,460	802,652	3,642,808
REP Prime Movers & Generators	135,905,318	36,771,502	99,133,816
REP Accessory Electric Equipment	11,119,586	3,010,356	8,109,230
REP Miscellaneous Power Plant Equipment	44,738,263	15,951,550	28,786,713
Land & Land Rights	4,923,682	0	4,923,682
Structures & Improvements	14,869,196	3,959,819	10,909,377
Station Equipment & Substations	68,043,471	19,019,627	49,023,844
Poles, Towers, & Fixtures	11,356,750	2,998,638	8,358,112
Overhead Conductors & Devices	1,985,349	1,066,459	918,890
Underground Conduit	17,290,961	1,522,986	15,767,975
Underground Conductors & Devices	173,954,961	43,482,351	130,472,610
Line Transformers	29,510,127	9,684,700	19,825,427
Meters	6,118,585	2,455,335	3,663,250
Installations on Customer Premises	1,919,322	503,822	1,415,500
Street Lighting & Signal Systems	14,069,445	5,714,384	8,355,061
Office Furniture & Equipment	606,676	405,628	201,048
Tools, Shop & Garage Equipment	19,198	18,352	846
Laboratory Equipment	433,829	424,260	9,569
Power-operated Equipment	7,422	1,494	5,928
Communication Equipment	2,159,596	550,024	1,609,572
Miscellaneous Equipment	288,538	156,748	131,790
Other Tangible Property	1,526,901	540,881	986,020
Distribution Capital Assets in Service	552,671,268	151,160,275	401,510,993
Work in Progress	10,165,930	0	10,165,930
Grand Total	\$562,837,198	\$151,160,275	\$411,676,923

AS OF JUNE 30, 2013			
FISCAL YEAR ENDED 6/30/13			
Asset Description	Cost	Depreciation	Book Value
Distribution Capital Assets in Service by Voltage			
Power Plant	\$202,185,910	\$57,173,737	\$144,992,173
60 kV System	41,604,086	10,481,608	31,122,478
12 kV System	180,612,451	49,697,313	130,915,138
All Secondary Systems	106,728,787	26,503,440	80,225,347
Other	21,560,034	7,304,177	14,255,857
Distribution Capital Assets in Service	\$552,671,268	\$151,160,275	\$401,510,993

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