

PUBLIC UTILITIES...

**COMMUNITY
RESOURCES**

RIVERSIDE
PUBLIC
UTILITIES
1999 - 2000
FINANCIAL
STATEMENTS

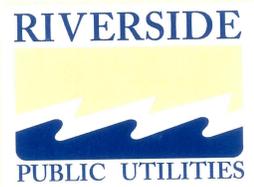


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FISCAL MESSAGE

Electric and water resources are essential parts of every community. At Riverside Public Utilities we know that our role to provide the City of Riverside with quality, reliable electric and water utilities is invaluable.

In a volatile electricity market, Riverside Public Utilities has positioned itself well with short, mid and long-term contracts from power suppliers to maintain the city's energy needs while providing services at some of the lowest rates in Southern California.

Our water rights date back over 105 years and ensure that the city has enough water to serve our needs today and well into the future.

Improvements including new pumping stations, filtration plants and



extensive water main replacements throughout the city help to guarantee safe and reliable delivery of our water from source to tap.

Beyond our electric and water services, Riverside Public Utilities provides added benefits that only a community-owned utility can. Over \$14.4 million in electric and \$2.9 million in water utility revenues have been directed towards the City of Riverside's General Fund in the past year. This

money is essential in providing needed public services such as library books, street repair, park maintenance and increased public safety.

Additionally, the utility gives back to the community each year by sponsoring a number of nonprofit groups and community events. It is the stability of a utility that is more concerned with maximizing *community resources* - not profits and dividends - that helps to make Riverside a safe, beautiful and economically stable place to work and live.



CITY OF RIVERSIDE ELECTRIC UTILITY

BALANCE SHEETS

JUNE 30 **JUNE 30**
2000 **1999**
(in thousands)

ASSETS

UTILITY PLANT:

Production	\$126,850	\$126,467
Transmission	15,021	15,021
Distribution	201,339	195,256
General	26,565	26,258
	369,775	363,002
Less accumulated depreciation and amortization	(165,188)	(153,895)
	204,587	209,107
Construction in progress	12,483	7,300
Nuclear fuel, at amortized cost	1,490	2,486
Total utility plant	218,560	218,893

RESTRICTED ASSETS:

Cash and cash equivalents	45,437	48,868
Investments	28,677	25,589
Public benefit programs receivable	624	524
Total restricted assets	74,738	74,981

CURRENT ASSETS:

Cash and cash equivalents	40,036	57,694
Accounts receivable, less allowance for doubtful accounts		
2000 \$390; 1999 \$419	28,930	21,736
Accrued interest receivable	795	893
Prepaid expenses	3,916	3,886
Nuclear materials inventory	989	974
Total current assets	74,666	85,183

OTHER ASSETS:

Unamortized purchased power	25,056	0
Unamortized bond issuance costs	2,245	2,395
Unamortized bond refunding costs	4,093	4,248
Total other assets	31,394	6,643
Total assets	\$399,358	\$385,700

See accompanying notes to the financial statements.

CITY OF RIVERSIDE ELECTRIC UTILITY

BALANCE SHEETS	JUNE 30 2000	JUNE 30 1999
	<i>(in thousands)</i>	
CAPITALIZATION AND LIABILITIES		
EQUITY:		
Retained earnings:		
Reserved for debt service	\$ 18,378	\$ 18,214
Unreserved	70,202	63,392
Total retained earnings	88,580	81,606
Contributed capital	51,441	46,829
Total equity	140,021	128,435
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION	199,219	206,106
Total capitalization	339,240	334,541
OTHER NON-CURRENT LIABILITIES:		
Decommissioning liability	28,300	25,237
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest payable	2,611	2,685
Deferred revenue, public benefit programs	8,017	4,765
Current portion of long-term obligations	6,930	6,610
Total current liabilities payable from restricted assets	17,558	14,060
CURRENT LIABILITIES:		
Accounts payable	7,378	5,145
Accrued liabilities	4,394	4,340
Current portion of long-term obligations	24	9
Customer deposits	2,464	2,368
Total current liabilities	14,260	11,862
COMMITMENTS AND CONTINGENCIES		
Total capitalization and liabilities	\$399,358	\$385,700

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City Charter enacted in 1883. The Electric Utility is responsible for the generation, transmission and distribution of electric power for sale in the City.

Basis of Accounting The accounting records of the Electric Utility are in accordance with generally accepted accounting principles as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission, except for the method of accounting for contributed capital described below. The Electric Utility is not subject to the regulations of the Federal Energy Regulatory Commission. The Electric Utility is not required to and does not elect to implement the pronouncements of the Financial Accounting Standards Board issued after November 1989.

Revenue Recognition The Electric Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Electric Utility customers are billed monthly. Unbilled electric service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled \$8,794,000 at June 30, 2000, and \$7,739,000 at June 30, 1999.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

Utility Plant and Depreciation Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant assets are valued at estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Production plant.....	30 years
Transmission and distribution plant	20-50 years
General plant and equipment	5-15 years

Nuclear Fuel The Electric Utility amortizes the cost of nuclear fuel to expense using the “as burned” method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one mill per kilowatt-hour of energy generated by the City’s share of San Onofre Nuclear Generating Station’s Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility

pays this fee to its operating agent, Southern California Edison Co. (SCE), on a quarterly basis (see Note 6).

Restricted Assets Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning reserve are also classified as restricted assets because their use is legally restricted to a specific purpose.

In January 1998, the Electric Utility began collecting a surcharge for public benefit programs on customer utility bills. This surcharge is mandated by state legislation included in Assembly Bill 1890 and is restricted to various socially beneficial programs and services. The programs and services include cost effective demand-side management services to promote energy efficiency and conservation and related education and information; ongoing support and new investments in renewable resource technologies; energy research and development; and programs and services for low-income electric customers. The activity associated with the surcharge for public benefit programs is reflected in the accompanying financial statements as a restricted asset and deferred revenue.

Cash and Investments The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Interest income earned on pooled cash is allocated monthly to the various funds of the City based on the month-end cash balances. Cash and investments held by fiscal agents are credited directly to the related accounts.

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31: Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31), which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Electric Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

Inventories The City maintains a separate Central Stores inventory. The Electric Utility expenses items as they are drawn out of Central Stores. As such, the Electric Utility does not include inventories in its financial statements.

Bond Discounts and Issuance Costs Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as other assets.

Contributed Capital Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is reflected as an operating expense.

During the two years, contributed capital increased by the following amounts (in thousands):

	2000	1999
Balance, July 1	\$46,829	\$43,470
Impact fees	2,016	1,529
Contributed plant	2,596	1,830
Balance, June 30	<u>\$51,441</u>	<u>\$46,829</u>

Nuclear Decommissioning Reserve Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant. Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$28,300,000 in cash and investments with the trustee as Riverside’s estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by SCE and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1.6 million per year to fund this obligation. Decommissioning is expected to commence around the year 2015.

Competitive Transition Account A Competitive Transition Account (CTA) was established in June 1998 after approval by the Board of Public Utilities and the City Council. This new account was funded by a transfer of \$23.5 million from a rate stabilization account and \$10 million from an operating cash reserve account. The CTA is an internally restricted asset and the Board and City Council will approve usage of funds on an annual or as-needed basis for purposes of handling competitive financial issues. This account was established for a short-term period (five years) during the phase-in of retail competition in the electric utility industry. Possible fund uses include early pay down of generation-related debt or long-term contracts, rate stabilization or other competitive purposes. The balance in the CTA at June 30, 2000 and 1999 was \$19.5 and \$36.7 million, respectively, and is reflected as a current asset in the accompanying financial statements as part of cash and cash equivalents.

Customer Deposits The City holds customer deposits as security for the payment of utility bills. The Electric Utility’s portion of these deposits as of June 30, 2000 and 1999, was \$2,464,000 and \$2,368,000, respectively.

Compensated Absences The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 2000 and 1999. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$4,046,000 at June 30, 2000, and \$4,089,000 at June 30, 1999, and is included in current liabilities in the accompanying balance sheets.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation may be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

Self-Insurance Program The Electric Utility participates in a self-insurance program for workers’ compensation and general liability coverage that is administered by the City. The Electric Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 2000, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

Employee Retirement Plan The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee’s age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent. The Electric Utility is required to contribute the remaining amounts necessary to fund the benefits for its employees using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Electric Utility pays both the employee and employer contributions.

Citywide information concerning elements of the unfunded actuarial accrued liabilities, contributions to PERS for the year ended June 30, 2000, and recent trend information may be found in the notes of the City’s “Comprehensive Annual Financial Report” for the fiscal year ended June 30, 2000.

Contribution to the City’s General Fund
Pursuant to the City Charter, the Electric Utility may transfer up to 11.5 percent of its prior year’s gross operating revenues to the City’s general fund. In fiscal years 1999-00 and 1998-99, the Electric Utility transferred 9.0 percent of gross operating revenues, or \$14,405,000 and \$14,411,000, respectively.

Budgets and Budgetary Accounting The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility’s budget at its last meeting in June via an adopting resolution.

Reclassifications Certain reclassifications have been made to the prior year’s financial statements to conform with the current year’s presentation.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2000 and 1999, consist of the following (in thousands):

Pooled investments with City Treasurer
Cash and investments at fiscal agent

June 30, 2000	June 30, 1999
Fair Value	
\$ 65,429	\$ 79,788
48,721	52,363
<u>\$114,150</u>	<u>\$132,151</u>

The amounts above are reflected in the accompanying financial statements as:

Cash and cash equivalents
Restricted assets:
 Cash and cash equivalents
 Investments

June 30, 2000	June 30, 1999
\$ 40,036	\$ 57,694
45,437	48,868
28,677	25,589
<u>74,114</u>	<u>74,457</u>
<u>\$114,150</u>	<u>\$132,151</u>

Authorized Investments Under provisions of the City’s investment policy and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

- Securities of the U.S. government, or its agencies
- Local agency investment fund (state pool) deposits
- Small Business Administration loans
- Passbook savings account demand deposits
- Negotiable certificates of deposits
- Repurchase agreements
- Banker’s acceptances
- Mutual funds
- Commercial paper of “prime” quality
- Medium-term corporate notes

Credit Risk, Carrying Amount and Market Value of Deposits and Investments Cash and non-negotiable certificates of deposit are classified in three categories of custodial credit risk as follows: Category 1—insured or collateralized with securities held by the City or its agent in the City’s name; Category 2— collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name; Category 3—uncollateralized.

Investments are also classified in three categories of custodial credit risk as follows: Category 1—insured or registered, or securities held by the City or its agent in the City’s name; Category 2 — uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the City’s name; Category 3 — uninsured and unregistered, with securities held by the counterparty’s trust department or agent but not in the City’s name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Electric Utility’s share of the City’s investments at June 30, 2000, represents approximately 29 percent or \$114,150,000 of the City’s total cash and investments of \$392,113,000. Information concerning credit risk and fair value of the City’s deposits and investments may be found in the notes of the City’s “Comprehensive Annual Financial Report” for the fiscal year ended June 30, 2000. Cash and investments at fiscal agent are insured or registered, or held in the name of the Electric Utility or its agent, or are not subject to risk categorization.

NOTE 3. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

Capital Lease

Electric Utility’s Share of Equipment Purchased Through Capital Lease:

\$79,468 capital lease due in monthly installments of \$2,230 through December 31, 2002, interest at 8.5 percent

Total capital lease

June 30, 2000 June 30, 1999

\$	32	\$	26
	32		26

Revenue Bonds Payable

\$68,175,000 1991 Electric Revenue Bonds: \$27,395,000 serial bonds due in annual installments from \$1,490,000 to \$1,955,000 through October 1, 2002, interest from 6.1 percent to 6.4 percent (partially advance refunded in 1998); and \$40,780,000 term bonds due October 1, 2015, at 6.0 percent (fully refunded in 1998)

5,180	6,540
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\$118,550,000 1993 Electric Refunding Revenue Bonds: \$92,245,000 serial bonds due in annual installments from \$5,305,000 to \$8,005,000 through October 1, 2010, interest from 4.3 percent to 8.25 percent; \$26,305,000 term bonds due October 1, 2013, interest at 5.0 percent

97,930	103,050
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\$4,100,000 1994 FARECal Electric Revenue Bonds: \$2,105,000 serial bonds due in annual installments from \$135,000 to \$220,000 through July 1, 2010, interest from 5.1 percent to 5.9 percent; \$1,995,000 term bonds due July 1, 2017, interest at 6.0 percent

3,735	3,865
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\$98,730,000 1998 Electric Refunding/Revenue Bonds: \$63,165,000 serial bonds due in annual installments from \$4,650,000 to \$7,085,000 through October 1, 2013, interest from 4.25 percent to 5.38 percent; \$21,595,000 term bonds due October 1, 2018, interest at 5.0 percent; \$13,970,000 term bonds due October 1, 2022, interest at 5.0 percent.

98,730	98,730
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Total electric revenue bonds payable

205,575	212,185
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Total obligations

205,607	212,211
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Less: Current portion

(6,954)	(6,619)
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Unamortized bond premium

566	514
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Total long-term obligations

\$199,219	\$ 206,106
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Annual debt service requirements to maturity as of June 30, 2000, are as follows (in thousands):

	2001	2002	2003	2004	2005	Thereafter	Total
Capital lease	\$ 24	\$ 8	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32
Bond interest requirements	10,431	9,982	9,499	9,057	8,555	54,302	101,826
Bond principal requirements	6,930	7,385	7,840	10,780	11,285	161,355	205,575
Unamortized bond (discount) premium	(52)	(57)	(60)	42	43	650	566
Total	\$17,333	\$17,318	\$17,279	\$19,879	\$19,883	\$216,307	\$307,999

Debt Service Coverage Ratio The Electric Utility’s bond indentures require the Electric Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Electric Utility’s debt service coverage ratio was 2.76 at June 30, 2000, and 2.01 at June 30, 1999.

NOTE 4. RESERVED RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's electric revenue and refunding bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts. Additional reserves for the 1998 and 1991 revenue bonds are not required due to the purchase of surety bonds to cover the required reserve requirements.

NOTE 5. JOINTLY-GOVERNED ORGANIZATIONS

Southern California Public Power Authority On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the state of California. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 1999-00 and 1998-99 fiscal years, the Electric Utility paid approximately \$21,280,000 and \$22,407,000, respectively, to SCPPA under various take-or-pay contracts that are described in greater detail in Note 7. These payments are reflected as a component of purchased power in the financial statements.

Power Agency of California On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the state of California. The city of Anaheim joined PAC on July 1, 1996. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the five cities acting in concert. PAC has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. PAC is governed by a Board of Directors, which consists of one representative for each of the members. The term of the Joint Powers Agreement is 50 years. During the fiscal years ended 1999-00 and 1998-99, the Electric Utility paid approximately \$5,500 and \$39,000, respectively, to PAC for administrative expenses and advanced \$238,000 and \$284,000, respectively, for operating capital.

Financing Authority for Resource Efficiency of California

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency; the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each charter member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District, Colton and Pasadena.

NOTE 6. JOINTLY-OWNED UTILITY PROJECT

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the city of Anaheim, 3.16 percent. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled \$126,850,000 and \$126,467,000 for fiscal years ended June 30, 2000 and 1999, respectively. The accumulated depreciation amounted to \$72,444,000 and \$67,579,000 for the fiscal years ended June 30, 2000 and 1999, respectively. The Electric Utility made provisions during fiscal years 1999-00 and 1998-99 for nuclear fuel burn of \$1,310,000 and \$1,174,000, respectively, and for future decommissioning costs of \$1,581,000 for 1999-00 and 1998-99 fiscal years (see Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

As a participant in SONGS, the Electric Utility could be subject to assessment of retrospective insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

NOTE 7. COMMITMENTS

Take-or-Pay Contracts The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility’s share of IPA power is equal to 7.6 percent of the generation output of IPA’s 1,600 megawatt coal-fueled generating station located in central Utah.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of purchased power.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (see Note 5). SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility will be obligated for its proportionate share of the project cost.

The projects and the Electric Utility’s proportionate share of SCPPA’s obligations are as follows:

PROJECT	PERCENT SHARE
Palo Verde Nuclear Generating Station	5.4 percent
Southern Transmission System	10.2 percent
Hoover Dam Upgrading	31.9 percent
Mead-Phoenix Transmission	4.0 percent
Mead-Adelanto Transmission	13.5 percent

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due.

Take-or-pay commitments expire upon final maturity of outstanding bonds for each project. Final maturities are as follows:

PROJECT	EXPIRATION DATE
Intermountain Power Project	2023
Palo Verde Nuclear Generating Station.....	2017
Southern Transmission System	2023
Hoover Dam Upgrading.....	2017
Mead-Phoenix Transmission.....	2020
Mead-Adelanto Transmission	2020

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 3.8 percent to 7.9 percent. The schedule below details the amount of principal that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

PRINCIPAL PAYMENTS <i>(in thousands)</i>	SCPPA						TOTAL
	IPA	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Upgrading	Mead-Phoenix Transmission	Mead-Adelanto Transmission	
Year Ending June 30	Intermountain Power Project						All Projects
2001	\$ 12,562	\$ 2,358	\$ 2,505	\$ 196	\$ 594	\$ 5,622	\$ 23,837
2002	11,634	2,436	1,959	207	68	526	16,830
2003	14,984	2,559	3,031	354	0	0	20,928
2004	9,768	2,656	3,086	389	0	0	15,899
2005	9,755	2,797	2,869	415	0	0	15,836
Thereafter	244,526	35,665	98,492	7,804	2,877	30,939	420,303
Subtotal	303,229	48,471	111,942	9,365	3,539	37,087	513,633
Less: Unamortized bond discount	(10,703)	(3,941)	(6,076)	(995)	(143)	(1,456)	(23,314)
Refunding charge	(57,721)	(4,964)	(17,096)	(586)	(263)	(2,444)	(83,074)
Total	\$234,805	\$39,566	\$ 88,770	\$7,784	\$ 3,133	\$ 33,187	\$407,245

**1999/00
Electric Dollar and Resources**

Source of Revenue



- ⦿ Residential Sales (33¢)
- ⦿ Industrial Sales (26¢)
- ⦿ Commercial Sales (23¢)
- ⦿ Sales to Other Utilities (9¢)
- ⦿ Other Sales (3¢)
- ⦿ Interest Income (3¢)
- ⦿ Other Revenue (3¢)

Distribution of Revenue



- ⦿ Purchased Power Supply (61¢)
- ⦿ Operation & Maintenance (16¢)
- ⦿ Debt Service (9¢)
- ⦿ Transfer to City's General Fund (7¢)*
- ⦿ Additional Reserves (6¢)
- ⦿ Additions and Replacements to the System (1¢)

**Based on transfer of 9.0 percent of fiscal year 1998-99 operating revenues (excludes interest and other non-operating income).*

Energy Resources



- ⦿ Coal (41.5%)
- ⦿ Third-Party-Purchases (38.6%)
- ⦿ Nuclear (18.1%)
- ⦿ Hydropower (1.8%)

General Fund Transfer

(in millions)



Average Number of Customers



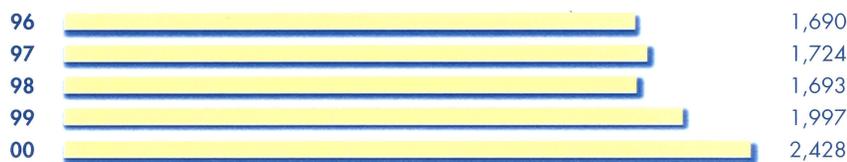
Total Operating Revenue

(in millions)



Production

(in million kilowatt-hours)



Peak Day Demand

(in megawatts)



ELECTRIC FACTS AND SYSTEM STATISTICS

Established: 1895

Service Area Population: 259,700

Service Area Size (square miles): 78.1

System Statistics:

Transmission lines (circuit miles): 89.8

Distribution lines (circuit miles): 1,067.4

Number of substations: 14

1999-00 Peak Day (megawatts): 473

Highest single hourly use:
7/12/99, 5pm, 104 degrees

Historical peak (megawatts): 479

Highest single hourly use:
8/31/98, 3pm, 107 degrees

BOND RATINGS

FITCH IBCA A+

STANDARD & POOR'S CORP. A+

CITY OF RIVERSIDE WATER UTILITY

BALANCE SHEETS

JUNE 30
2000 JUNE 30
1999
(in thousands)

ASSETS

UTILITY PLANT:

Source of supply	\$ 25,729	\$ 25,616
Pumping	8,614	8,613
Treatment	1,796	1,796
Transmission and distribution	184,083	176,477
General	7,114	6,785
Intangible	5,709	5,597
	<u>233,045</u>	<u>224,884</u>
Less accumulated depreciation and amortization	(73,651)	(68,818)
	<u>159,394</u>	<u>156,066</u>
Construction in progress	10,562	6,747
Total utility plant	<u>169,956</u>	<u>162,813</u>

RESTRICTED ASSETS:

Cash and cash equivalents	5,129	9,467
Investments	3,091	2,531
Total restricted assets	<u>8,220</u>	<u>11,998</u>

CURRENT ASSETS:

Cash and cash equivalents	24,126	18,700
Accounts receivable, less allowance for doubtful accounts		
2000 \$85; 1999 \$102	4,062	3,992
Accrued interest receivable	371	249
Advances to the City's general fund	46	46
Total current assets	<u>28,605</u>	<u>22,987</u>

OTHER ASSETS:

Unamortized bond issuance costs	717	764
Unamortized bond refunding costs	628	653
Total other assets	<u>1,345</u>	<u>1,417</u>
Total assets	<u>\$208,126</u>	<u>\$199,215</u>

See accompanying notes to the financial statements.

CITY OF RIVERSIDE WATER UTILITY

BALANCE SHEETS

JUNE 30
2000

JUNE 30
1999

(in thousands)

CAPITALIZATION AND LIABILITIES

EQUITY:

Retained earnings:

Reserved for debt service

Unreserved

Total retained earnings

Contributed capital

Total equity

\$ 6,351

20,004

26,355

118,289

144,644

\$ 6,243

17,771

24,014

109,887

133,901

LONG-TERM OBLIGATIONS, LESS CURRENT PORTION

Total capitalization

57,137

201,781

59,028

192,929

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Accrued interest payable

Current portion of long-term obligations

Total current liabilities payable from restricted assets

595

2,955

3,550

634

2,755

3,389

CURRENT LIABILITIES:

Accounts payable

Accrued liabilities

Current portion of long-term obligations

Customer deposits

Total current liabilities

523

1,726

173

373

2,795

804

1,609

159

325

2,897

COMMITMENTS AND CONTINGENCIES

Total capitalization and liabilities

\$208,126

\$199,215

See accompanying notes to the financial statements.

CITY OF RIVERSIDE WATER UTILITY

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

FOR THE FISCAL YEARS
ENDED JUNE 30
2000 1999
(in thousands)

OPERATING REVENUES:		
Residential sales	\$17,428	\$15,598
Commercial sales	8,056	7,365
Other sales	928	715
Wholesale sales	993	1,011
Other operating revenue	406	1,382
Total operating revenues	27,811	26,071
OPERATING EXPENSES:		
Operations	9,901	9,892
Maintenance	2,524	2,281
Purchased energy	3,237	2,787
Purchased water	735	699
Depreciation and amortization	4,974	4,813
Total operating expenses	21,371	20,472
Operating income	6,440	5,599
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,626	1,415
Interest expense	(3,828)	(3,823)
Gain on retirement of utility plant	7	17
Other	1,039	1,323
Total non-operating expenses	(1,156)	(1,068)
Income before operating transfer	5,284	4,531
OPERATING TRANSFER OUT:		
Contribution to the City's general fund	(2,943)	(2,600)
Net income	2,341	1,931
RETAINED EARNINGS, BEGINNING OF YEAR	24,014	22,083
RETAINED EARNINGS, END OF YEAR	\$26,355	\$24,014

See accompanying notes to the financial statements.

CITY OF RIVERSIDE WATER UTILITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS
ENDED JUNE 30
2000 1999
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 27,789	\$ 25,504
Cash paid to suppliers and employees	(16,561)	(15,441)
Other non-operating revenue	1,039	1,323
Net cash provided by operating activities	12,267	11,386
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contribution to the City's general fund	(2,943)	(2,600)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of utility plant	(6,605)	(6,245)
Proceeds from the sale of utility plant	46	50
Principal paid on long-term obligations	(2,767)	(2,811)
Interest paid on long-term obligations	(2,705)	(2,749)
Contributed capital	2,851	1,930
Net cash used by capital and related financing activities	(9,180)	(9,825)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reduction in advances to the City's general fund	0	10
(Purchase) maturities of investment securities	(560)	50
Income from investments	1,504	1,310
Net cash provided by investing activities	944	1,370
Net increase in cash and cash equivalents	1,088	331
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR¹	28,167	27,836
CASH AND CASH EQUIVALENTS, END OF YEAR¹	\$ 29,255	\$ 28,167
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 6,440	\$ 5,599
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	1,039	1,323
Depreciation and amortization expense	4,974	4,813
Provision for uncollectible accounts receivable	(17)	11
Increase in accounts receivable	(53)	(578)
Increase (decrease) in accounts payable	(281)	393
Increase (decrease) in accrued liabilities	117	(175)
Increase in customer deposits	48	0
Net cash provided by operating activities	\$ 12,267	\$ 11,386
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Contributions in aid of construction	\$ 5,551	\$ 3,612

¹ Cash and cash equivalents also include cash and cash equivalents in restricted assets.

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City Charter enacted in 1883. The Water Utility is responsible for the production, transmission and distribution of water for sale in the City.

■ Basis of Accounting The accounting records of the Water Utility are in accordance with generally accepted accounting principles as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the California Public Utilities Commission, except for the method of accounting for contributed capital described below. The Water Utility is not subject to the regulations of the California Public Utilities Commission. The Water Utility is not required to and does not elect to implement the pronouncements of the Financial Accounting Standards Board issued after November, 1989.

■ Revenue Recognition The Water Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Water Utility customers are billed monthly. Unbilled water service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled \$1,641,000 at June 30, 2000, and \$1,444,000 at June 30, 1999.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

■ Utility Plant and Depreciation Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant assets are valued at estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is recorded over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

- Supply pumping and treatment plant..... 20-50 years
- Transmission and distribution plant..... 30-50 years
- General plant and equipment..... 5-50 years

■ Restricted Assets Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

■ Cash and Investments The City follows the practice of pooling cash and investments of all funds except for funds

required to be held by outside fiscal agents under the provisions of bond indentures. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Interest income earned on pooled cash is allocated monthly to the various funds of the City based on the month-end cash balances. Cash and investments held by fiscal agents are credited directly to the related accounts.

The City values its cash and investment in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 31: Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31), which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Water Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

■ Inventories The City maintains a separate Central Stores inventory. The Water Utility expenses items as they are drawn out of Central Stores. As such, the Water Utility does not include inventories in its financial statements.

■ Bond Discounts, Capital Appreciation and Issuance Costs Bond discounts, capital appreciation and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and capital appreciation are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as other assets. Capital appreciation is the annual increase in the value of bonds originally issued at a discounted amount. These bonds do not pay annual interest and mature at a predetermined par value.

■ Contributed Capital Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is reflected as an operating expense.

During the two years, contributed capital increased by the following amounts (in thousands):

	2000	1999
Balance, July 1	\$109,887	\$104,345
Impact fees	2,851	1,930
Contributed plant	5,551	3,612
Balance, June 30	\$118,289	\$109,887

■ **Customer Deposits** The City holds customer deposits as security for the payment of utility bills. The Water Utility's portion of these deposits as of June 30, 2000 and 1999, was \$373,000 and \$325,000, respectively.

■ **Compensated Absences** The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 2000 and 1999. The Water Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$1,575,000 at June 30, 2000, and \$1,507,000 at June 30, 1999, and is included in current liabilities in the accompanying balance sheets.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation may be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

■ **Self-Insurance Program** The Water Utility participates in a self-insurance program for worker's compensation and general liability coverage that is administered by the City. The Water Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 2000, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

■ **Employee Retirement Plan** The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent. The Water Utility is required to contribute the remaining amounts necessary to fund the benefits for its employees using the actuarial basis

recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Water Utility pays both the employee and employer contributions.

Citywide information concerning elements of the unfunded actuarial accrued liabilities, contributions to PERS for the fiscal year ended June 30, 2000, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 2000.

■ **Contribution to the City's General Fund**

Pursuant to the City Charter, the Water Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's general fund. In fiscal years 1999-00 and 1998-99, the Water Utility transferred 11.5 percent of gross operating revenues, or \$2,943,000 and \$2,600,000, respectively.

■ **Budgets and Budgetary Accounting**

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2000 and 1999, consist of the following (in thousands):

	June 30, 2000	June 30, 1999
	Fair Value	
Pooled investments with City Treasurer	\$27,676	\$22,089
Cash and investments at fiscal agent	4,670	8,609
	\$32,346	\$30,698

The amounts above are reflected in the accompanying financial statements as:

	June 30, 2000	June 30, 1999
Cash and cash equivalents	\$24,126	\$18,700
Restricted assets:		
Cash and cash equivalents	5,129	9,467
Investments	3,091	2,531
	8,220	11,998
	\$32,346	\$30,698

Authorized Investments Under provisions of the City’s investment policy and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

- Securities of the U.S. government, or its agencies
- Local agency investment fund (state pool) deposits
- Small Business Administration loans
- Passbook savings account demand deposits
- Negotiable certificates of deposit
- Repurchase agreements
- Banker’s acceptances
- Mutual funds
- Commercial paper of “prime” quality
- Medium-term corporate notes

Credit Risk, Carrying Amount and Market Value of Deposits and Investments Cash and non-negotiable certificates of deposit are classified in three categories of custodial credit risk as follows: Category 1—insured or collateralized with securities held by the City or its agent in the City’s name; Category 2—collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name; Category 3—uncollateralized.

Investments are also classified in three categories of custodial credit risk as follows: Category 1—insured or registered, or securities held by the City or its agent in the City’s name; Category 2—uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the City’s

name; Category 3—uninsured and unregistered, with securities held by the counterparty’s trust department or agent but not in the City’s name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Water Utility’s share of the City’s investments at June 30, 2000, represents approximately 8 percent or \$32,113,000 of the City’s total cash and investments of \$392,986,000. Information concerning credit risk and fair value of the City’s deposits and investments may be found in the notes of the City’s “Comprehensive Annual Financial Report” for the fiscal year ended June 30, 2000. Cash and investments at fiscal agent are insured or registered, or held in the name of the Water Utility or its agent, or are not subject to risk categorization.

NOTE 3. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

■ Contracts Payable/Capital Lease

Water Stock Acquisitions: Payable on demand to various water companies

Water Utility’s Share of Equipment Purchased Through Capital Lease: \$79,468 capital lease due in monthly installments of \$2,230 through December 31, 2002, interest at 8.5 percent

Total contracts payable and capital lease

■ Revenue Bonds Payable

\$69,840,000 1991 Water Revenue Bonds: \$25,050,000 serial bonds due in annual installments from \$2,590,000 to \$3,100,000 through October 1, 2002, interest at 9.0 percent; and \$25,900,000 serial capital appreciation bonds due in annual installments from \$3,235,000 to \$3,240,000 from October 1, 2003, to October 1, 2010, interest from 6.65 percent to 7.0 percent; and \$18,890,000 term bonds due October 1, 2015, at 6.0 percent (partially advance refunded in 1998)

\$4,710,000 1994 FARECal Revenue Bonds: \$2,420,000 serial bonds due in annual installments from \$155,000 to \$255,000 through July 1, 2010, interest from 5.1 percent to 5.9 percent; \$2,290,000 term bonds due July 1, 2017, at 6.0 percent

\$30,965,000 1998 Water Refunding/Revenue Bonds: \$15,055,000 serial bonds due in annual installments from \$210,000 to \$4,055,000 through October 1, 2013, interest from 4.0 percent to 5.38 percent; \$10,155,000 term bonds due October 1, 2018, interest at 5.0 percent; \$5,755,000 term bonds due October 1, 2027, interest at 5.0 percent

Total water revenue bonds payable

Total obligations

Less: Current portion

Unamortized capital appreciation

Unamortized bond discount

Total long-term obligations

June 30, 2000 June 30, 1999

\$ 1,237	\$ 1,255
32	26
1,269	1,281
34,420	36,820
4,285	4,435
30,380	30,585
69,085	71,840
70,354	73,121
(3,128)	(2,914)
(9,599)	(10,662)
(490)	(517)
\$ 57,137	\$ 59,028

Annual debt service requirements to maturity as of June 30, 2000, are as follows (in thousands):

	2001	2002	2003	2004	2005	Thereafter	Total
Contracts payable/Capital lease	\$ 173	\$ 158	\$ 150	\$ 150	\$ 150	\$ 488	\$ 1,269
Bond interest requirements	2,425	2,165	1,880	1,722	1,701	18,464	28,357
Bond principal requirements	2,955	3,215	3,500	3,655	3,680	52,080	69,085
Unamortized bond (discount) premium	(1,164)	(1,243)	(1,328)	(1,311)	(1,181)	(3,862)	(10,089)
Total	\$4,389	\$4,295	\$4,202	\$4,216	\$4,350	\$67,170	\$88,622

■ Debt Service Coverage Ratio The Water Utility’s bond indentures require the Water Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility’s debt service coverage ratio was 3.17 at June 30, 2000, and 2.77 at June 30, 1999.

**NOTE 4. RESERVED
RETAINED EARNINGS**

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's water revenue bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts. Additional reserves for the 1998 revenue bonds are not required due to the purchase of surety bonds to cover the required reserve requirements.

**NOTE 5. JOINTLY-GOVERNED
ORGANIZATIONS**

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency; the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource

Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each charter member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District, Colton and Pasadena.

NOTE 6. LITIGATION

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the water utility are incidental to the ordinary course of operations of the water utility and are largely covered by the city's self-insurance program. In the opinion of management and the city attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the water utility.

CITY OF RIVERSIDE WATER UTILITY INDEPENDENT AUDITORS' REPORT

**To the Honorable City Council and Board of Public Utilities
City of Riverside, California**

We have audited the accompanying balance sheets of the City of Riverside Water Utility as of June 30, 2000 and 1999, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Water Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Water Utility as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

November 3, 2000

CITY OF RIVERSIDE WATER UTILITY STATISTICS

WATER SUPPLY (ACRE FEET)	1999/00	1998/99	1997/98	1996/97	1995/96
Pumping	78,639	74,638	71,597	73,266	71,316
Purchases	68	275	252	68	285
Total	78,707	74,913	71,849	73,334	71,601
Percentage pumped	99.9%	99.6%	99.7%	99.9%	99.6%
System peak day (gallons)	101,119,000	101,924,000	96,015,000	93,400,000	93,699,000

WATER USE	1999/00	1998/99	1997/98	1996/97	1995/96
Average number of customers					
Residential	53,879	53,774	53,387	53,432	53,351
Commercial/industrial	4,355	4,104	4,164	4,054	4,138
Other	304	505	664	760	631
Total	58,538	58,383	58,215	58,246	58,120
CCF sales					
Residential	18,708,750	16,778,949	15,518,199	17,833,655	17,848,356
Commercial/industrial	9,873,278	8,570,558	8,289,294	9,386,127	9,176,633
Other	702,983	1,428,037	1,117,661	1,436,177	1,369,939
Total	29,285,011	26,777,544	24,925,154	28,655,959	28,394,928

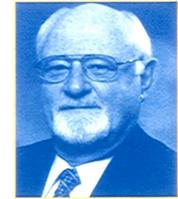
WATER FACTS	1999/00	1998/99	1997/98	1996/97	1995/96
Average annual CCF per residential customer	347	312	291	361	335
Average price (cents/CCF) per residential customer	93.2	93.0	91.7	85.7	79.5
Debt as a percent of net plant	35.5%	38.0%	40.3%	34.4%	35.3%
Employees	121	119	128	136	137

Board of Public Utilities

The Board of Public Utilities is composed of seven citizens appointed to four-year terms by City Council to govern utility policies and represent the community. Citizens serve on a voluntary basis without compensation. Applications for new members are solicited annually through an insert with the city services bill. Applicants must be at least 18 years of age and reside within the City of Riverside in order to be eligible to serve on the board. The Board of Public Utilities meets at 8:15 a.m. on the first and third Fridays of each month in the Art Pick City Council Chambers at City Hall, 3900 Main Street, Riverside. Board meetings are open to the public.



Conrad Newberry Jr.
1999-2000
Board Chairman
Occupation:
Registered Mechanical
Engineer
Riverside Resident: 7 years
Years of Service: 3



Jim Anderson
Occupation:
Retired Attorney, Environmental
and Administrative Law
Riverside Resident: 28 years
Years of Service: 1



Raphael de la Cruz
Occupation:
Governmental and
Community Relations,
University of California,
Riverside
Riverside Resident: lifetime
Years of Service: 7



David C. Macher
Occupation:
Certified Public Accountant
Riverside Resident: lifetime
Years of Service: 8



Peter G. Hubbard
Occupation:
Director Medical Services
Riverside Resident: lifetime
Years of Service: 2



Lalit N. Acharya
Occupation:
Associate Professor
Communications
Riverside Resident: 10 years
Years of Service: 2



Dwight Tate
Occupation:
Personal Finance Advisor
Riverside Resident: lifetime
Years of Service: 6

CITY OF RIVERSIDE

MAYOR

Ronald O. Loveridge

CITY MANAGER

John Holmes

CITY COUNCIL

Chuck Beaty

Ward 1

Ameal Moore

Ward 2

Joy Defenbaugh

Ward 3

Maureen Kane

Ward 4

Ed Adkison

Ward 5

Terri Thompson

Ward 6

Laura Pearson

Ward 7

PUBLIC UTILITIES ADMINISTRATION

Thomas P. Evans

Director

David H. Wright

Deputy Director
Marketing & Customer Service

Dieter P. Wirtzfeld

Assistant Director, Water

Donna I. Stevener

Chief Financial Officer

FINANCIAL STATEMENT PRODUCTION

MJ Abraham

Editor/Communications Manager

Reiko A. Kerr

Cynthia B. Reeley

Financial Statements

Inland Design Services

Design/Production

Riverside Public Utilities Mission Statement



“To provide water, electric and other related services for our customers in a safe, reliable, environmentally sensitive, and fiscally responsible manner that furthers the immediate and long-term goals of the city.”



RIVERSIDE PUBLIC UTILITIES

City Hall, 3900 Main Street / Riverside, California 92522

Tel: 909.826.5485 / Fax: 909.369.0548

www.riversidepublicutilities.com