

*diversifying*

*reinvesting*

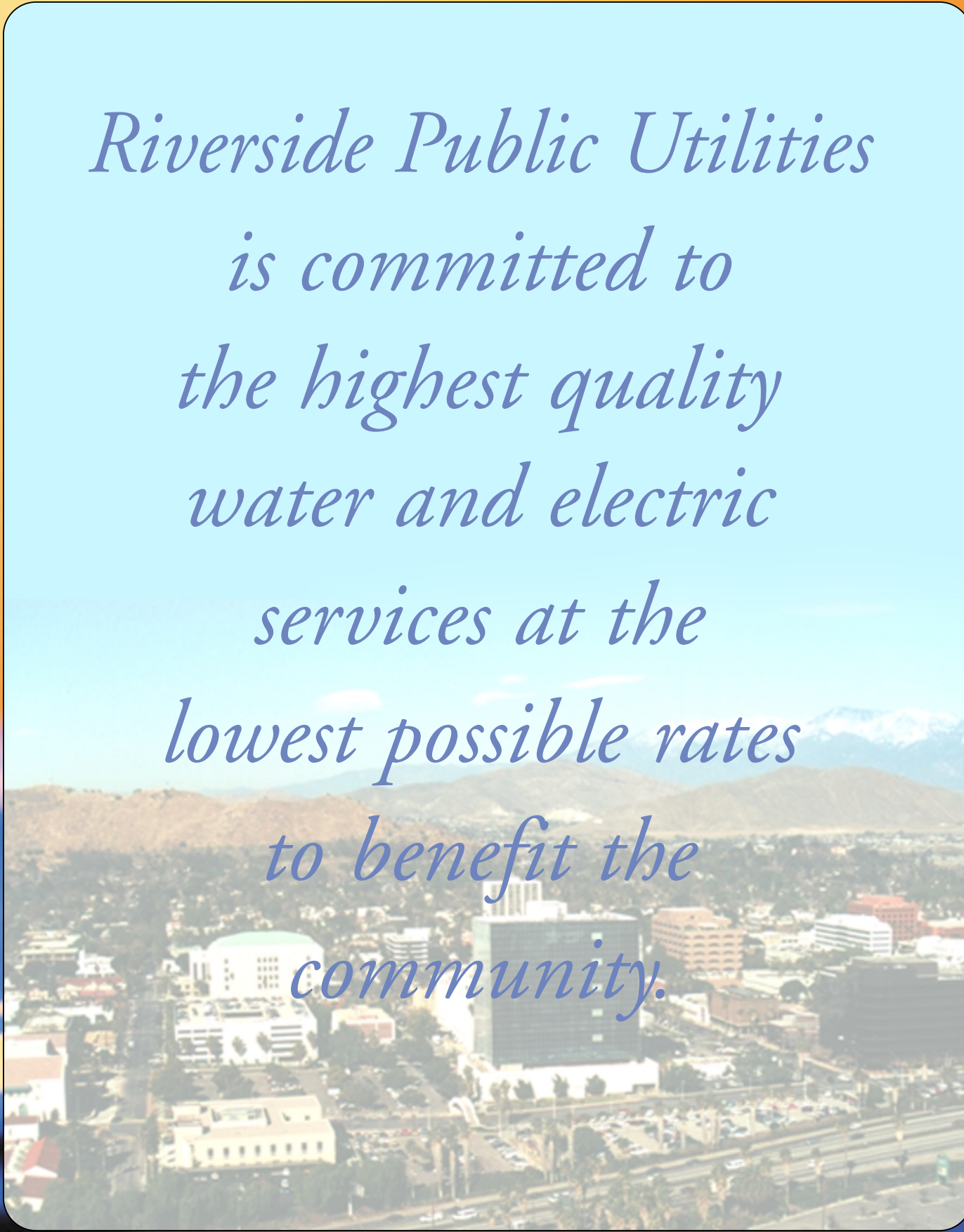
PREPARING FOR THE FUTURE

*conserving*

*innovating*



*Riverside Public Utilities  
is committed to  
the highest quality  
water and electric  
services at the  
lowest possible rates  
to benefit the  
community.*



The background of the page features a collage of images. At the top left, there are vibrant pink and red flowers. Below them, a portion of a clock tower is visible, showing a large circular clock face with a white dial and black hands. The rest of the background is a bright, sunny scene with palm trees and a building facade, including a large star-shaped emblem on a wall.

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**Conrad Newberry Jr.**  
 2000-2001 Board Chairman  
 Occupation: Registered Mechanical Engineer  
 Riverside Resident: 7 years  
 Years of Service: 4

## 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 by the City of Riverside. 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.*



**Dee Gipson-Jiminez**  
 Occupation: Director of Human Resources  
 Riverside Resident: 31 years  
 Years of Service: 1



**Peter G. Hubbard**  
 Occupation: Director Medical Services  
 Riverside Resident: lifetime  
 Years of Service: 3



**Joe Tavaglione**  
 Occupation: President of Construction & Development  
 Riverside Resident: lifetime  
 Years of Service: 1



**Lalit N. Acharya**  
 Occupation: Associate Professor Communications  
 Riverside Resident: 11 years  
 Years of Service: 3



**Dwight Tate**  
 Occupation: Personal Finance Advisor  
 Riverside Resident: lifetime  
 Years of Service: 7



**Jim Anderson**  
 Occupation: Retired Attorney, Environmental and Administrative Law  
 Riverside Resident: 29 years  
 Years of Service: 2

### 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

**Steve Badgett**  
 Assistant Director, Electric

At Riverside Public Utilities, our mission is clear - *to provide the highest quality water and electric services at the lowest possible rates to benefit the community.*

To accomplish this, more than 400 employees work together to maintain our facilities, assure safe, quality services, and prepare for the future of our Utility.

Throughout the years, our financial plans have evolved with the ever-changing electric market in California. We once prepared ourselves for competition by promoting low rates, reliability, customer services, local control, and ownership. Today, these business attributes are just the core elements of our new, larger business outlook.

This new outlook features diversified energy and financial portfolios - with views of reinvestment, both in our community and financially. It also allows us to find new, innovative ways to conserve water and electricity in our community, which helps to preserve our natural resources and ensures our customers of quality services for many years to come.

In 2000-2001, we sustained our commitments to our customer-owners by maintaining strong financial portfolios. Additionally, we continued to make improvements to our water and electric facilities that both upgrade and maintain our existing water and energy delivery systems, and help increase our service obligations. Our water delivery division diligently maintained our pledge to provide only the highest quality drinking water to our customers, while our energy delivery division worked hard to avoid rolling blackouts and maintain electric services to the City of Riverside in a hostile energy market.

As we look toward the future, we see that many things will change in the electric and water markets within the state. However, Riverside Public Utilities' mission to provide high quality, low cost services will remain constant - as it has for over 106 years.



## 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 Electric Utility as of June 30, 2001 and 2000, and the related statements of revenues, expenses, and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Electric 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.

As discussed in Note 1, the accompanying financial statements present only the Electric Utility Enterprise Fund and are not intended to present fairly the financial position of the City of Riverside, California, and the results of its operations and cash flows of its business type activities in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Electric Utility as of June 30, 2001 and 2000, 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.

As discussed in Note 1 to the financial statements, the Electric Utility adopted Governmental Accounting Standards Board (GASB) Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, No.37, *Basic Financial Statements- and Management's Discussion and Analysis for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*, effective July 1, 1999.

Also described in Note 1 to the financial statements, the Electric Utility changed its policy for capitalization of fixed assets. As a result of this change, equity of the Electric Utility as of July 1, 1999 was decreased by \$932,000.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

The Electric Statistics as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Electric Utility. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**KPMG LLP**

December 14, 2001

## Management's Discussion and Analysis

As management of Riverside Public Utilities (a department of the City of Riverside), we offer the readers of the City of Riverside Electric Utility financial statements this narrative overview and analysis of the financial activities of the Electric Utility for the fiscal year ended June 30, 2001. We encourage readers to consider the information presented here in conjunction with additional information furnished in our fiscal message on page 2 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

The assets of the Electric Utility exceeded its liabilities at the close of the most recent fiscal year by \$150,088 (equity). Of this amount, \$94,386 may be used to meet the utility's ongoing obligations to creditors and customers.

The utility's total equity increased by \$10,999 from the prior fiscal year, primarily due to positive income from operations (\$2,724) and contributed capital from developer fees (\$8,275).

At the end of the current fiscal year, unrestricted equity represented over 42 percent of annual operating expenses for 2001.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Riverside Electric Utility financial statements. The Electric Utility is a department of the City of Riverside, and its activities are recorded in a separate fund. Because the utility is a business-type activity of the City of Riverside, an enterprise fund is used to account for its electric utility operations. These financial statements include only the activities for the City of Riverside Electric Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City of Riverside Comprehensive Annual Financial Report.

The City of Riverside Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader additional information about the Electric Utility, including sales statistics and other relevant data.

Included as part of the financial statements are three separate statements.

The *Balance Sheets* present information on assets and liabilities, with the difference between the two reported as equity. Over time, increases or decreases in equity may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Equity* present information showing how the utility's equity changed during the most recent two fiscal years. Results of operations are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. This is called accrual basis of accounting and is more fully described in the accompanying *Notes to the Financial Statements*.

The *Statements of Cash Flows* present the cash flow changes occurring during the last two fiscal years in highly liquid cash and investments, including certain restricted assets.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 to 19 of this report.

### Utility Financial Analysis

As noted earlier, equity (also called net assets) may serve over time as a useful indicator of the fund's financial position. In the case of Riverside's Electric Utility, assets exceeded liabilities by \$150,088 at the close of the most recent fiscal year.

A portion of the Utility's net assets (25 percent) reflects its investment in capital assets, such as transmission, distribution and generation facilities, less any related debt used to acquire those assets that remains outstanding. The Electric Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations, since the capital assets themselves cannot be used to liquidate these long-term liabilities.

The unrestricted portion of the Utility's net assets (63 percent) may be used to meet the utility's ongoing obligations to creditors and customers.

## Management's Discussion and Analysis

### City of Riverside Electric Utility's Equity (Net Assets)

	2001	2000
Current and other assets	\$184,366	\$180,798
Capital assets	223,563	217,628
Total assets	407,929	398,426
Long-term debt outstanding	191,884	199,219
Other liabilities	65,957	60,118
Total liabilities	257,841	259,337
Equity (net assets):		
Invested in capital assets, net of related debt	37,276	28,839
Restricted	18,426	18,378
Unrestricted	94,386	91,872
Total equity (net assets)	\$150,088	\$139,089

An additional portion of the Electric Utility's equity (12 percent) represents resources that are subject to external restrictions on how they may be used. These are reserved for items such as debt repayment and other legally restricted assets.

The Electric Utility's equity increased by \$10,999 during the current fiscal year. About 75 percent of this increase relates to receiving one-time developer fees and other contributed capital due to increased building activity in Riverside. The remaining 25 percent is attributable to increased revenues outstripping increases in ongoing operating expenses, especially Production expenses (power purchases).

Key elements in the increase in equity are as follows:

### City of Riverside Electric Utility's Changes in Equity (Net Assets)

	2001	2000
Revenues:		
Retail sales, net of reserve	\$167,602	\$168,049
Wholesale sales	73,090	13,393
Ancillary services, net of reserve	5,157	4,816
Investment income	8,589	5,061
Other	3,114	3,959
Total revenues	257,552	195,278
Contributions in aid of construction	8,275	4,612
Total revenues and contributions in aid of construction	265,827	199,890
Expenses:		
Production	178,265	111,383
Transmission	17,160	19,357
Distribution	21,027	20,141
Depreciation	12,306	12,818
Interest expense	10,827	11,132
Total expenses	239,585	174,831
Contributions to the City's general fund	15,243	14,405
Total expenses and contributions to the City's general fund	254,828	189,236
Increase in equity (net assets)	10,999	10,654
Equity, beginning of year	139,089	128,435
Equity, end of year	\$150,088	\$139,089



## Management's Discussion and Analysis

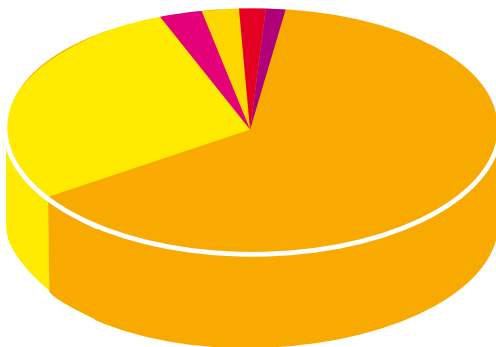
Retail sales (residential, commercial, industrial and other sales) continue to be the primary revenue source for the electric utility making up 63 percent of total revenue. Retail sales showed a slight decrease from prior year (0.3 percent) due to conservation measures by customers and cooler than normal weather.

Wholesale sales became a major revenue source this year as prices for power increased substantially and demand in certain months was less than expected, creating excess power available for resell to other electric utilities. These changes caused an increase in Wholesale sales of \$59,697 from the prior fiscal year.

Interest income increased by \$3,528 because of an overall increase in the size of the investment portfolio, as well as a stronger market.

Capital contributions reflect increased building activity in the area, showing a 79 percent increase over prior year results.

### Revenues by Sources - Electric Utility



- Retail Sales (63%)
- Wholesale Sales (28%)
- Investment Income (3%)
- Contributions in Aid of Construction (3%)
- Ancillary Services (2%)
- Other (1%)

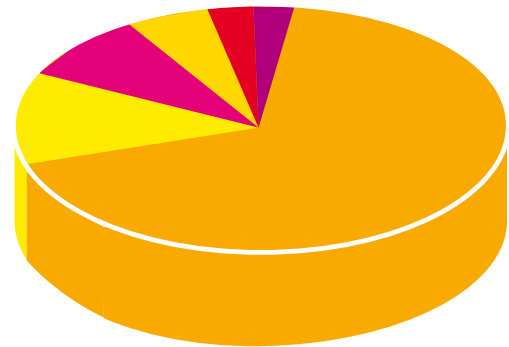
Total expenses show a large increase over the prior fiscal year, with the primary increase coming from increased Production costs. Production costs include the cost of power, which experienced large price increases based on the volatile electric market in California. In addition, unplanned outages at several power plants required purchase of additional replacement power at very high prices.

Transmission expenses declined by 11 percent due to debt refinancing at several transmission projects and declining interest rates on project related variable rate debt.

Distribution expenses increased by \$886 due to salary increases negotiated with various bargaining units and general cost of living type increases for other operating expenses.

Contributions to the City's general fund are based on a formula using operating revenues from the prior fiscal year. This amount also increased by \$838 or 5.8 percent.

### Expenses - Electric Utility



- Production (70%)
- Distribution (8%)
- Transmission (7%)
- Contributions to City's General Fund (6%)
- Depreciation (5%)
- Interest Expense (4%)

## Management's Discussion and Analysis

### CAPITAL ASSET AND DEBT ADMINISTRATION

The Electric Utility's investment in capital assets as of June 30, 2001 amounts to \$223,563 (net of accumulated depreciation). This includes investments in production (generation), transmission, and distribution related facilities, as well as general items such as office equipment, furniture, etc. This fiscal year showed a 2.7 percent increase in capital assets over the prior year. Major capital asset events during the current fiscal year included:

- Various capital additions at the City's San Onofre Nuclear Generating Station (SONGS) equal to \$ 633
- Capital additions to connect new customers to the system totaled \$6,500
- Capital additions to increase system reliability totaled \$3,400
- Capital additions to maintain obligation to serve and improve community relations totaled \$1,600

#### City of Riverside Electric Utility's Capital Assets (Net of Depreciation)

	2001	2000
Production	\$ 50,139	\$ 54,406
Transmission	7,321	7,700
Distribution	131,080	125,281
General	15,369	16,268
Construction in progress	17,589	12,483
Nuclear fuel, at amortized costs	2,065	1,490
Total	<u>\$223,563</u>	<u>\$217,628</u>

Additional information regarding capital assets can be found in Note 1 on pages 12 to 14 of this report.

**Long-term Debt** At the end of the current fiscal year, the City of Riverside's Electric Utility had long-term debt outstanding of \$191,884. This debt is backed by the revenue of the utility (revenue bonds), with the exception of \$22, which is a capital lease for office equipment. No major changes occurred in the utilities long-term debt during this fiscal year. The small decrease is due to regularly scheduled principal payments on the outstanding debt.

#### City of Riverside Electric Utility's Outstanding Debt (Revenue Bonds and Capital Lease Obligation)

	2001	2000
Revenue bonds	\$198,645	\$205,575
Capital lease obligation	22	32
Less: Current portion	(7,401)	(6,954)
Unamortized premium	618	566
Total	<u>\$191,884</u>	<u>\$199,219</u>

The electric utility maintains an "A+" rating from Standard & Poor's and Fitch for its revenue bonds.

In August 2001, the electric utility issued \$47,215 additional revenue bonds to finance a peaking generation project to be located in the City of Riverside. The project consists of four 10 MW peaking units which will be used to supply power during heavy energy usage or in case of emergency outages of major portions of the electric system.

Additional information on the electric utility's long-term debt can be found in Note 4 on page 16 of this report.

### Economic Factors and Rates

While general inflationary trends in the region compare favorably to national indices, the cost of purchased power included in the Production expense category increased significantly due to a shortage of energy in the western United States, and more specifically California. This crisis has had the impact of forcing the state's largest investor owned utility (IOU) into bankruptcy, with the other major IOU threatening bankruptcy as well. While Riverside had adequate power supply for the majority of its needs, during certain times it was necessary to purchase power from the electricity market due to unexpected load demands or the outage of a power plant. During these times, Riverside was subjected to extremely high prices for power.

Power purchased in fiscal year 2001 to cover expected loads during fiscal year 2002 and 2003 (summer) were obtained at a fairly high price in comparison to prices in recent history. While price caps put in place by the Federal Energy Regulatory Commission have reduced the high prices and related volatility experienced in fiscal 2001, it remains to be seen what impact this crisis will have in the long-term pricing of energy. Fiscal year 2002 budget for power supply was increased by \$42.0 million to provide additional funding for these additional costs.

### Requests for Information

This financial report is designed to provide a general overview of the City of Riverside Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Riverside Public Utilities, 3900 Main Street, 4th floor, Riverside, CA 92522.

## Balance Sheets

	JUNE 30 2001	JUNE 30 2000
	<i>(in thousands)</i>	
<b>ASSETS</b>		
<b>UTILITY PLANT:</b>		
Production	\$ 127,482	\$ 126,850
Transmission	15,032	15,021
Distribution	212,340	201,339
General	24,549	24,471
	379,403	367,681
Less accumulated depreciation	(175,494)	(164,026)
	203,909	203,655
Construction in progress	17,589	12,483
Nuclear fuel, at amortized cost	2,065	1,490
Total utility plant (Note 3)	223,563	217,628
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents (Note 2)	40,626	44,819
Investments (Note 2)	31,881	28,677
Public benefit programs receivable	626	624
Total restricted assets	73,133	74,120
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	46,801	40,654
Accounts receivable, less allowance for doubtful accounts 2001 \$294; 2000 \$364	19,718	20,317
Accounts receivable other utilities, less allowance for doubtful accounts 2001 \$11,037; 2000 \$26 (Note 10)	7,480	8,613
Accrued interest receivable	928	795
Prepaid expenses	4,188	3,916
Nuclear materials inventory	1,024	989
Total current assets	80,139	75,284
<b>OTHER NON-CURRENT ASSETS:</b>		
Unamortized purchased power (Note 8)	25,056	25,056
Unamortized bond issuance costs	2,099	2,245
Unamortized bond refunding costs	3,939	4,093
Total non-current other assets	31,094	31,394
Total assets	\$407,929	\$398,426

See accompanying notes to the financial statements.

Continued

## Balance Sheets

	JUNE 30 2001	JUNE 30 2000
	<i>(in thousands)</i>	
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY:</b>		
Invested in capital assets, net of related debt	\$ 37,276	\$ 28,839
Restricted for debt service (Note 5)	18,426	18,378
Unrestricted	94,386	91,872
Total equity	150,088	139,089
<b>LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (NOTE 4):</b>	191,884	199,219
Total equity and long-term obligations	341,972	338,308
<b>OTHER NON-CURRENT LIABILITIES:</b>		
Decommissioning liability	31,527	28,300
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest payable	2,531	2,611
Deferred revenue, public benefit programs	8,733	8,017
Current portion of long-term obligations (Note 4)	7,385	6,930
Total current liabilities payable from restricted assets	18,649	17,558
<b>CURRENT LIABILITIES:</b>		
Accounts payable	9,042	7,378
Accrued liabilities	4,620	4,394
Current portion of long-term obligations (Note 4)	16	24
Customer deposits	2,103	2,464
Total current liabilities	15,781	14,260
<b>COMMITMENTS AND CONTINGENCIES</b>		
Total equity and liabilities	\$407,929	\$398,426

See accompanying notes to the financial statements.

## Statements of Revenues, Expenses and Changes in Equity

**FOR THE FISCAL YEARS  
ENDED JUNE 30**  
**2001**                      **2000**  
*(in thousands)*

<b>OPERATING REVENUES:</b>		
Residential sales	\$ 65,426	\$ 64,315
Commercial sales	45,478	46,389
Industrial sales	51,558	52,210
Other sales	5,733	5,739
Wholesale sales	73,090	13,393
Ancillary services	16,164	4,816
Other operating revenue	1,971	1,777
Total operating revenues before reserve	259,420	188,639
Reserve for uncollectible	(11,600)	(604)
Total operating revenues, net of reserve	247,820	188,035
<b>OPERATING EXPENSES:</b>		
Production	178,265	111,383
Transmission	17,160	19,357
Distribution	21,027	20,141
Depreciation	12,306	11,886
Total operating expenses	228,758	162,767
Operating income	19,062	25,268
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment income	8,589	5,061
Interest expense	(10,827)	(11,132)
Gain (loss) on retirement of utility plant	(220)	55
Other	1,363	2,127
Total non-operating revenues (expenses)	(1,095)	(3,889)
Income before contributions and transfers	17,967	21,379
Contributions in aid of construction	8,275	4,612
Transfers out - contributions to the City's general fund	(15,243)	(14,405)
Total contributions and transfers out	(6,968)	(9,793)
Increase in equity	10,999	11,586
<b>EQUITY, BEGINNING OF YEAR, AS RESTATED</b>	139,089	127,503
<b>EQUITY, END OF YEAR</b>	<b>\$150,088</b>	<b>\$139,089</b>

See accompanying notes to the financial statements.

## Statements of Cash Flows

FOR THE FISCAL YEARS  
ENDED JUNE 30  
2001 2000  
*(in thousands)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$249,189	\$180,837
Cash paid to suppliers and employees	(209,956)	(166,070)
Other non-operating revenue	1,363	2,127
Net cash provided by operating activities	40,596	16,894
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(15,243)	(14,405)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(14,101)	(10,024)
Purchase of nuclear fuel	(1,545)	(314)
Proceeds from the sale of utility plant	221	126
Principal paid on long-term obligations	(6,941)	(6,603)
Interest paid on long-term obligations	(10,554)	(10,850)
Contributed capital	4,269	2,016
Net cash used by capital and related financing activities	(28,651)	(25,649)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment securities	(3,204)	(3,088)
Income from investments	8,456	5,159
Net cash provided by investing activities	5,252	2,071
Net increase (decrease) in cash and cash equivalents	1,954	(21,089)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR<sup>1</sup></b>	85,473	106,562
<b>CASH AND CASH EQUIVALENTS, END OF YEAR<sup>1</sup></b>	\$ 87,427	\$ 85,473
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 19,062	\$ 25,268
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	1,363	2,127
Depreciation expense	12,306	11,886
Amortization (burn) of nuclear fuel	970	1,310
Provision for uncollectible accounts receivable	10,941	(29)
Increase in accounts receivable	(9,211)	(7,265)
Increase in prepaid expenses	(272)	(30)
Increase in nuclear materials inventory	(35)	(15)
Increase in unamortized purchased power	0	(25,056)
Increase in accounts payable	1,664	2,233
Increase in accrued liabilities	226	54
Increase in public benefit program deferred revenue	716	3,252
Increase (decrease) in customer deposits	(361)	96
Increase in decommissioning liability	3,227	3,063
Net cash provided by operating activities	\$ 40,596	\$ 16,894
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Contributions in aid of construction	\$ 4,006	\$ 2,596

<sup>1</sup> Cash and cash equivalents also include cash and cash equivalents in restricted assets.

See accompanying notes to the financial statements.

## 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 accounting principles generally accepted in the United States of America as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. 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.

■ **Accounting Changes and Restatements** On July 1, 1999, the Electric Utility adopted four new accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions;
- Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments;
- Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus;
- Statement No. 38, Certain Financial Statement Disclosures.

Statement No. 33 prescribes standards for recording nonexchange transactions on the modified accrual and accrual bases of accounting. This standard required capital contributions from external parties to be recorded separately on the Statement of Revenues, Expenses and Changes in Equity rather than as a direct addition to equity. There was no effect on equity as a result of implementation of this standard as of July 1, 1999.

Statement No. 34 (as amended by Statement No. 37) resulted in minor changes in the financial reporting model used by the Electric Utility. Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the Electric Utility's financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the Utility, certain note disclosures have been added and or amended.

On July 1, 1999, the Electric Utility also decided to change its capitalization threshold from \$1,000 to \$5,000. The Utility wrote-off all capital assets under \$5,000 and as a result beginning equity was decreased by \$932,000.

■ **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 \$8,535,000 at June 30, 2001, and \$8,794,000 at June 30, 2000.

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. Significant increases in allowance for fiscal year 2001 are a result of nonpayment from Southern California Edison for ancillary services (see Note 10).

■ **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 .....	3-15 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 7).

■ **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.

## Notes to the Financial Statements

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

■ **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 \$31,527,000 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. The plant site easement at San Onofre terminates May 2050. The plant must be decommissioned and the site restored by the time the easement terminates.

■ **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 anticipated 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, 2001 and 2000 was \$20.7 and \$19.5 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, 2001 and 2000, was \$2,103,000 and \$2,464,000, respectively.

■ **Compensated Absences** The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 2001 and 2000. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$4,233,000 at June 30, 2001, and \$4,046,000 at June 30, 2000, and is included in current liabilities in the accompanying balance sheets.



## Notes to the Financial Statements

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees receive 10 to 25 vacation days per 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, 2001, is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Any losses above the City's reserves would be covered through increased rates charged to the Electric Utility in future years.

■ **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, 2001, 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, 2001.

#### ■ Contributions 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 2000-01 and 1999-00, the Electric Utility transferred 9.0 percent of gross operating revenues, or \$15,243,000 and \$14,405,000, 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, 2001 and 2000, consist of the following (in thousands):*

Pooled investments with City Treasurer  
Cash and investments at fiscal agent

June 30, 2001	June 30, 2000
Fair Value	
\$ 72,957	\$ 66,046
46,351	48,104
<u>\$119,308</u>	<u>\$114,150</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, 2001	June 30, 2000
\$ 46,801	\$ 40,654
40,626	44,819
31,881	28,677
<u>72,507</u>	<u>73,496</u>
<u>\$119,308</u>	<u>\$114,150</u>

## Notes to the Financial Statements

### NOTE 2. CASH AND INVESTMENTS (CONTINUED)

■ **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, 2001, represents approximately 28 percent or \$119,308,000 of the City's total cash and investments of \$428,998,000. 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, 2001. Cash and investments at fiscal agent are insured or registered, or held in the name of the Electric Utility or its agent (category 1), or are not subject to risk categorization.

### NOTE 3. UTILITY PLANT

The following is a summary of changes in utility plant during the fiscal year ended June 30, 2001 and 2000 (in thousands):

	(Restated) Balance, As of 7/1/1999	Additions	Deletions	Balance, As of 6/30/2000	(Restated) Balance, As of 7/1/2000	Additions	Deletions	Balance, As of 6/30/2001
Production	\$126,467	\$ 0	\$ 0	\$126,850	\$126,850	\$ 632	\$ 0	\$127,482
Transmission	15,021	0	0	15,021	15,021	11	0	15,032
Distribution	195,256	6,141	(58)	201,339	201,339	11,774	(773)	212,340
General	24,164	922	(615)	24,471	24,471	587	(509)	24,549
Construction in progress	7,300	12,626	(7,443)	12,483	12,483	18,244	(13,138)	17,589
Nuclear fuel	2,486	314	(1,310)	1,490	1,490	1,545	(970)	2,065
Subtotal	370,694	20,003	(9,426)	381,654	381,654	32,793	(15,390)	399,057
Less accumulated depreciation	(152,733)	(11,886)	591	(164,026)	(164,026)	(12,306)	838	(175,494)
Total utility plant	\$217,961	\$ 8,117	(\$ 8,835)	\$217,628	\$217,628	\$ 20,487	(\$ 14,552)	\$223,563

## Notes to the Financial Statements

### NOTE 4. 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

#### ■ Revenue Bonds Payable

**\$68,175,000 1991 Electric Revenue Bonds:** \$27,395,000 serial bonds due in annual installments from \$1,735,000 to \$1,955,000 through October 1, 2002, interest from 6.3 percent to 6.4 percent (partially advance refunded in 1998).

**\$118,550,000 1993 Electric Refunding Revenue Bonds:** \$92,245,000 serial bonds due in annual installments from \$5,510,000 to \$8,005,000 through October 1, 2010, interest from 4.6 percent to 8.25 percent; \$26,305,000 term bonds due October 1, 2013, interest at 5.0 percent

**\$4,100,000 1994 FARECal Electric Revenue Bonds:** \$2,105,000 serial bonds due in annual installments from \$140,000 to \$220,000 through July 1, 2010, interest from 5.2 percent to 5.9 percent; \$1,995,000 term bonds due July 1, 2017, interest at 6.0 percent

**\$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.

Total electric revenue bonds payable

Total obligations

Unamortized bond premium

Total long-term obligations net of bond premium

Less: Current portion

Total long-term obligations

June 30, 2001    June 30, 2000

\$	22	\$	32
	22		32
	3,690		5,180
	92,625		97,930
	3,600		3,735
	98,730		98,730
	198,645		205,575
	198,667		205,607
	618		566
	199,285		206,173
	(7,401)		(6,954)
	\$191,884		\$199,219

Annual debt service requirements to maturity as of June 30, 2001, are as follows (in thousands):

	2002	2003	2004	2005	2006	2007-2011	2012-2016	2017-2021	2022-2026	Total
Principle	\$ 7,401	\$ 7,846	\$ 10,780	\$ 11,285	\$ 11,835	\$ 74,190	\$ 37,770	\$ 23,590	\$ 13,970	\$198,667
Interest	9,982	9,499	9,057	8,555	8,003	30,041	12,027	3,860	371	91,395
Unamortized bond (discount) premium	(56)	(60)	42	43	44	241	211	109	44	618
Total	\$17,327	\$17,285	\$19,879	\$19,883	\$19,882	\$104,472	\$50,008	\$27,559	\$14,385	\$290,680

■ **Debt Service Coverage Ratio** The Electric Utility's bond indentures require the Electric Utility to maintain a minimum debt service coverage ratio, as defined by the bond covenants, of 1.25. The Electric Utility's debt service coverage ratio was 2.69 at June 30, 2001, and 2.76 at June 30, 2000.

## Notes to the Financial Statements

### NOTE 5. RESTRICTED EQUITY

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of equity. 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 6. 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 2000-01 and 1999-00 fiscal years, the Electric Utility paid approximately \$18,600,000 and \$21,280,000, respectively, to SCPPA under various take-or-pay contracts that are described in greater detail in Note 8. These payments are reflected as a component of production 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. On June 30, 2001 the Agency is in an inactive status, and can be reactivated with authorization from the Agency Board.

■ **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. The Electric Utility's portion of the FARECal debt and utility plant assets is recorded in the accompanying financial statements.

### NOTE 7. 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, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. 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 \$127,500,000 and \$126,850,000 for fiscal years ended June 30, 2001 and 2000, respectively. The accumulated depreciation amounted to \$77,343,000 and \$72,444,000 for the fiscal years ended June 30, 2001 and 2000, respectively. The Electric Utility made provisions during fiscal years 2000-01 and 1999-00 for nuclear fuel burn of \$970,000 and \$1,310,000, respectively, and for future decommissioning costs of \$1,581,000 for 2000-01 and 1999-00 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. Potential defaults by SCE of its SONGS 2 and 3 obligations are not expected to significantly increase Riverside's liabilities for SONGS operations, arising out of non-nuclear incidents.

## Notes to the Financial Statements

### NOTE 8. 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, or approximately 126.4 MW, of the generation output of IPA's 1,660 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 production.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (see Note 6). 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	ENTITLEMENT
Palo Verde Nuclear Generating Station	5.4 percent	11.7 MW
Southern Transmission System	10.2 percent	195 MW
Hoover Dam Upgrading	31.9 percent	30 MW
Mead-Phoenix Transmission	4.0 percent	12 MW
Mead-Adelanto Transmission	13.5 percent	110 MW

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 2.6 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 (in thousands)	IPA	SCPPA					TOTAL
	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Upgrading	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
Year Ending June 30							
2002	\$ 43,594	\$ 2,436	\$ 1,959	\$ 207	\$ 68	\$ 526	\$ 48,790
2003	13,172	2,559	3,031	354	0	0	19,116
2004	10,689	2,656	3,086	389	0	0	16,820
2005	10,276	2,797	2,869	415	0	0	16,357
2006	10,719	0	3,163	440	0	0	14,322
Thereafter	232,777	35,666	94,798	7,365	2,877	30,939	404,422
Subtotal	321,227	46,114	108,906	9,170	2,945	31,465	519,827
Less: Unamortized bond discount	(10,123)	(3,739)	(4,416)	(946)	(107)	(1,111)	(20,442)
Refunding charge	(54,737)	(4,273)	(16,919)	(545)	(246)	(2,279)	(78,999)
Total	\$256,367	\$38,102	\$87,571	\$7,679	\$2,592	\$28,075	\$420,386

## Notes to the Financial Statements

### NOTE 8. COMMITMENTS (CONTINUED)

■ **Power Purchase Agreements** The Electric Utility has executed five firm power purchase agreements. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; California Department of Water Resources (CDWR); and Bonneville Power Administration (BPA). The minimum annual obligations under each of these contracts are shown in the table below.

*Minimum Obligations 2001-2002 (in thousands)*

SUPPLIER	CAPACITY	ENERGY	TOTAL
Deseret	\$11,154	\$1,675	\$12,829
CDWR III	515	0	515
CDWR IV	672	0	672
BPA (two agreements)	1,213*	0	1,213
Total	\$13,554	\$1,675	\$15,229

\*Estimated

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2001 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret \$25 million from Electric fund reserves, which is reflected on the Balance Sheet as Unamortized purchased power. On July 1, 2002, the Electric utility will begin to realize the benefits related to the price reductions, and will amortize the \$25 million over the remaining term of the agreement using the straight-line method.

There are two separate agreements with CDWR. CDWR III is for the purchase of 23 megawatts of capacity from May through October of each year beginning June 1, 1996, for 15 years. CDWR IV is for the purchase of 30 megawatts of capacity from May through October beginning June 1, 1996, for 15 years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. The 1996 BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the 1996 agreement.

### NOTE 9. LITIGATION

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the Electric Utility are incidental to the ordinary course of operations of the Electric 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 operations of the Electric Utility.

### NOTE 10. SUBSEQUENT EVENTS

On August 2, 2001, the City issued \$47,215,000 of electric revenue bonds due in annual installments from \$2,855,000 to \$4,750,000 through October 1, 2016, interest from 2.9 percent to 5.25 percent.

On November 20, 2001, the City filed a lawsuit in Los Angeles County Superior Court against Southern California Edison (SCE). The suit alleges that SCE has failed to make monthly payments to the City since December 2000 for ancillary services. The complaint seeks damages of approximately \$8.5 million, including interest. At June 30, 2001, amounts owed the City by SCE were fully reserved with an allowance for potentially uncollectible receivables.

## Statistics

<b>POWER SUPPLY (MWH)</b>	<b>2000/01<sup>1</sup></b>	<b>1999/00<sup>1</sup></b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
San Onofre	250,100	342,000	288,800	291,900	227,200
Intermountain Power	1,028,600	1,006,900	1,009,100	882,900	899,300
Palo Verde	94,800	97,900	96,500	92,200	94,300
Hoover	41,100	43,500	46,100	42,500	37,700
Firm contracts (long term and short term)	1,178,400	877,000	504,300	272,800	267,300
Non-firm contracts	13,300	61,000 <sup>2</sup>	53,000 <sup>2</sup>	110,500	196,200
Southern California Edison	0	0	0	500	1,500
<b>Total</b>	<b>2,606,300</b>	<b>2,428,300</b>	<b>1,997,800</b>	<b>1,693,300</b>	<b>1,723,500</b>
System peak (MW)	463.8	473.1	479.2	458.5	434.5

<sup>1</sup>Energy shown before losses.  
<sup>2</sup>Certain reclasses have occurred due to deregulation of the electric industry.

<b>ELECTRIC USE</b>	<b>2000/01</b>	<b>1999/00</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
<b>Average number of customers</b>					
Residential	85,584	83,637	82,937	81,640	80,656
Commercial	9,087	9,050	8,859	8,650	8,577
Industrial	393	324	292	203	200
Other	140	136	125	116	128
<b>Total</b>	<b>95,204</b>	<b>93,147</b>	<b>92,213</b>	<b>90,609</b>	<b>89,561</b>
<b>Millions of kilowatt-hours sales</b>					
Residential	610	594	575	555	563
Commercial	432	436	406	404	408
Industrial	654	651	619	620	618
Wholesale Sales	600	419	151	135	50
Other	54	53	46	45	49
<b>Total</b>	<b>2,350</b>	<b>2,153</b>	<b>1,797</b>	<b>1,759</b>	<b>1,688</b>

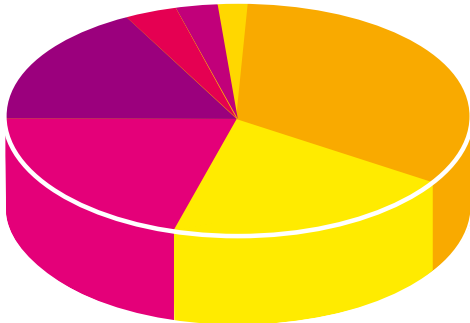
<b>ELECTRIC FACTS</b>	<b>2000/01</b>	<b>1999/00</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
Average annual kWh per residential customer	7,125	7,105	6,938	6,796	6,984
Average price (cents/kWh) per residential customer	10.73	10.83	10.73	10.78	10.69
Debt as a percent of net plant <sup>3</sup>	89.1%	94.7%	97.2%	101%	80.3%
Operating income as a percent of operating revenues	7.7%	12.9%	6.3%	11.4%	14.0%
Employees	281	277	274	278	298

<sup>3</sup>Net plant includes nuclear fuel inventory and work in progress.

## Statistics

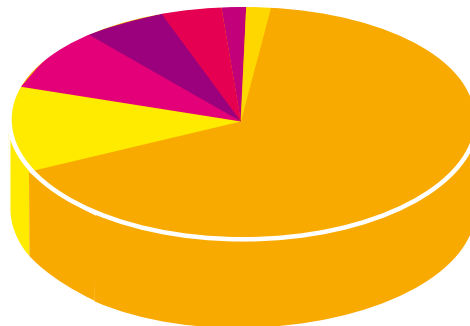
### 2000/01 ELECTRIC REVENUE AND RESOURCES

Source of Revenue



- Wholesale Sales (30¢)
- Residential Sales (25¢)
- Industrial Sales (19¢)
- Commercial Sales (17¢)
- Other Revenue (4¢)
- Interest Income (3¢)
- Other Sales (2¢)

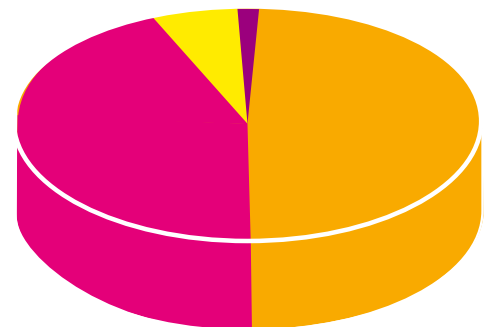
Distribution of Revenue



- Production (67¢)
- Distribution (8¢)
- Debt Service (7¢)
- Transmission (6¢)
- Transfers to City's General Fund (6¢)\*
- Additional Reserves (3¢)
- Additions and Replacements to the System (3¢)

\*Based on transfer of 9.0 percent of fiscal year 1999/00 operating revenues (excludes interest and other non-operating income).

Energy Resources



- Third Party Purchases (45.7%)
- Coal (39.5%)
- Nuclear (13.2%)
- Hydropower (1.6%)



## Statistics

### 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:	262,335
Service Area Size (square miles):	78.1
System Statistics:	
Transmission lines (circuit miles):	89.8
Distribution lines (circuit miles):	1,095
Number of substations:	14
2000-01 Peak Day (megawatts):	464
Highest single hourly use:	8/16/00, 5pm, 101 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+

## 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, 2001 and 2000, and the related statements of revenues, expenses, changes in equity 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.

As discussed in Note 1, the accompanying financial statements present only the Water Utility Enterprise Fund and are not intended to present fairly the financial position of the City of Riverside, California, and the results of its operations and cash flows of its business type activities in conformity with accounting principles generally accepted in the United States of America.

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, 2001 and 2000, 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.

As discussed in Note 1 to the financial statements, the Water Utility adopted Governmental Accounting Standards Board (GASB) Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, No. 37, *Basic Financial Statements- and Management's Discussion and Analysis for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*, effective July 1, 1999.

Also described in Note 1 to the financial statements, the Water Utility changed its policy for capitalization of fixed assets. As a result of this change, equity of the Water Utility as of July 1, 1999 was decreased by \$276,000.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

The Water Statistics as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Utility. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**KPMG LLP**

December 14, 2001

## Management's Discussion and Analysis

As management of Riverside Public Utilities (a department of the City of Riverside), we offer the readers of the City of Riverside Water Utility financial statements this narrative overview and analysis of the financial activities of the Water Utility for the fiscal year ended June 30, 2001. We encourage readers to consider the information presented here in conjunction with additional information furnished in our fiscal message on page 2 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

The assets of the Water Utility exceeded its liabilities at the close of the most recent fiscal year by \$158,088 (equity). Of this amount, \$27,541 may be used to meet the utility's ongoing obligations to creditors and customers.

The utility's total equity increased by \$13,720 from the prior fiscal year, primarily due to a large litigation settlement (\$2,982) and contributed capital from developer fees (\$11,109), offset by a slight loss (\$371) from ongoing operations.

At the end of the current fiscal year, unrestricted equity represented over 116 percent of annual operating expenses for 2001.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Riverside Water Utility basic financial statements. The Water Utility is a department of the City of Riverside, and its activities are recorded in a separate fund. Because the utility is a business-type activity of the City of Riverside, an enterprise fund is used to account for its electric utility operations. These financial statements include only the activities for the City of Riverside Water Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City of Riverside Comprehensive Annual Financial Report.

The City of Riverside Water Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader additional information about the Water Utility, including sales statistics and other relevant data.

Included as part of the financial statements are three separate statements.

The *Balance Sheets* present information on assets and liabilities, with the difference between the two reported as equity. Over time, increases or decreases in equity may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Equity* present information showing how the utility's equity changed during the most recent two fiscal years. Results of operations are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. This is called accrual basis of accounting and is more fully described in the accompanying *Notes to the Financial Statements*.

The *Statements of Cash Flows* present the cash flow changes occurring during the last two fiscal years in highly liquid cash and investments, including certain restricted assets.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 32 to 36 of this report.

### Utility Financial Analysis

As noted earlier, equity (also called net assets) may serve over time as a useful indicator of the fund's financial position. In the case of Riverside's Water Utility, assets exceeded liabilities by \$158,088 at the close of the most recent fiscal year.

The largest portion of the Utility's net assets (78 percent) reflects its investment in capital assets, such as transmission, distribution and production facilities, less any related debt used to acquire those assets that remains outstanding. The Water Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations, since the capital assets themselves cannot be used to liquidate these long-term liabilities.

## Management's Discussion and Analysis

The unrestricted portion of the Utility's net assets (17 percent) may be used to meet the utility's ongoing obligations to creditors and customers.

### City of Riverside Water Utility's Equity (Net Assets)

	2001	2000
Current and other assets	\$ 39,147	\$ 38,170
Capital assets	181,771	169,680
<b>Total assets</b>	<b>220,918</b>	<b>207,850</b>
Long-term debt outstanding	55,048	57,137
Other liabilities	7,782	6,345
<b>Total liabilities</b>	<b>62,830</b>	<b>63,482</b>
Equity (net assets):		
Invested in capital assets, net of related debt	124,069	112,046
Restricted	6,478	6,351
Unrestricted	27,541	25,971
<b>Total equity (net assets)</b>	<b>\$158,088</b>	<b>\$144,368</b>

An additional portion of the Water Utility's equity (4 percent) represents resources that are subject to external restrictions on how they may be used. These are reserved for items such as debt repayment and other legally restricted assets.

The Water Utility's equity increased by \$13,720 during the current fiscal year. About 81percent of this increase relates to receiving one-time developer fees and other contributed capital due to increased building activity in Riverside. In addition, settlement of several different lawsuits has provided monies to pay for water treatment projects amounting to \$2,982 in the 2001 fiscal year.

Key elements of the increase in equity are as follows:

### City of Riverside Water Utility's Changes in Equity (Net Assets)

	2001	2000
Revenues:		
Retail sales, net of reserve	\$ 25,095	\$ 26,325
Wholesale sales	754	993
Legal settlement	2,982	0
Interest income	2,547	1,626
Other	1,615	1,452
<b>Total revenues</b>	<b>32,993</b>	<b>30,396</b>
Contributions in aid of construction	11,109	8,402
<b>Total revenues and contributions in aid of construction</b>	<b>44,102</b>	<b>38,798</b>
Expenses:		
Operations	11,051	9,814
Maintenance	3,047	2,524
Purchased energy	3,398	3,237
Purchased water	1,048	735
Depreciation	5,129	5,250
Interest expense	3,686	3,828
<b>Total expenses</b>	<b>27,359</b>	<b>25,388</b>
Contributions to the City's general fund	3,023	2,943
<b>Total expenses and contributions to the City's General Fund</b>	<b>30,382</b>	<b>28,331</b>
<b>Increase in equity (net assets)</b>	<b>13,720</b>	<b>10,467</b>
Equity, beginning of year	144,368	133,901
<b>Equity, end of year</b>	<b>\$158,088</b>	<b>\$144,368</b>

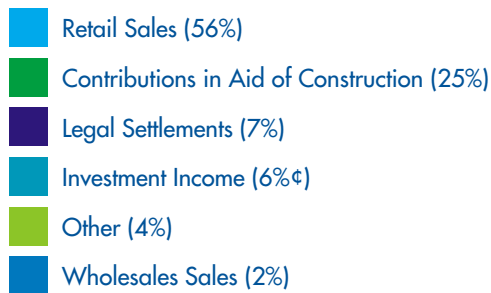
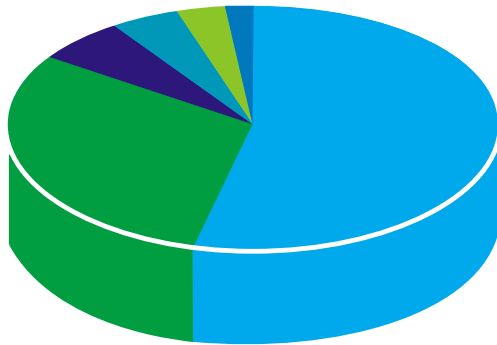
## Management's Discussion and Analysis

Retail sales (residential, commercial and other sales) continue to be the primary revenue source for the water utility making up 56 percent of total revenue. Retail sales showed a slight decrease from prior year (4.7percent) due to cooler than normal weather.

Interest income increased by \$921 because of an overall increase in the size of the investment portfolio, as well as a stronger market.

Capital contributions reflect increased building activity in the area and a large legal settlement from various lawsuits, showing a combined increase of 68 percent over prior year results.

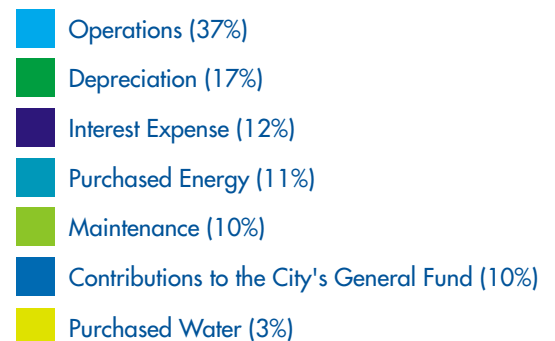
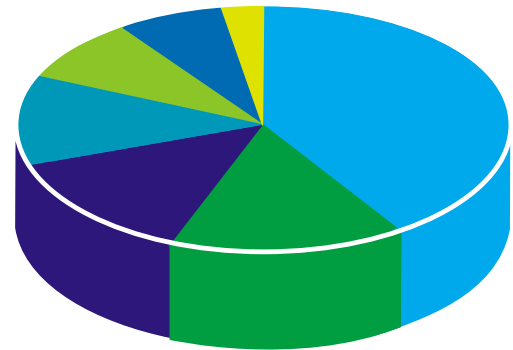
### Revenues by Sources - Water Utility



Total expenses show a 7 percent increase over the prior fiscal year, with the primary increase coming from increased operation and maintenance costs. Included in the operation and maintenance category are increases due to negotiated salary increases with various unions and general cost of living type increases for other operating expenses.

Contributions to the City's general fund are based on a formula using 11.5 percent of operating revenues from the prior fiscal year. This amount also increased by \$80 or 2.7 percent.

### Expenses - Water Utility



## Management's Discussion and Analysis

### CAPITAL ASSET AND DEBT ADMINISTRATION

The Water Utility's investment in capital assets as of June 30, 2001 amounts to \$181,771 (net of accumulated depreciation). This includes investments in production, transmission, and distribution related facilities, as well as general items such as office equipment, furniture, etc. This fiscal year showed a 7.1 percent increase in capital assets over the prior year. Major capital asset events during the current fiscal year included:

- Capital additions to connect new customers to the system totaled \$1,100
- Capital additions to maintain and improve water quality totaled \$6,600
- Capital additions for water main replacement totaled \$4,000
- Capital additions to update service standards totaled \$4,000

### City of Riverside Water Utility's Capital Assets (Net of depreciation)

	2001	2000
Source of supply	\$ 17,774	\$ 18,024
Pumping	3,538	3,727
Treatment	8,120	1,457
General	2,091	2,224
Transmission & distribution	133,110	127,977
Intangible	6,152	5,709
Construction in progress	10,986	10,562
Total	<u>\$181,771</u>	<u>\$169,680</u>

Additional information regarding capital assets can be found in Note 1 on pages 32 and 33 of this report.

**Long-term Debt** At the end of the current fiscal year, the City of Riverside's Water Utility had long-term debt outstanding of \$55,048. This debt is backed by the revenue of the utility (revenue bonds), with the exception of \$22, which is a capital lease for office equipment. No major changes occurred in the utilities long-term debt during this fiscal year. The small decrease is due to regularly scheduled principal payments on the outstanding debt.

### City of Riverside Water Utility's Outstanding Debt (Revenue Bonds and Capital Lease Obligation)

	2001	2000
Revenue bonds	\$66,130	\$69,085
Contracts payable/Capital lease obligation	1,223	1,269
Less: unamortized assets	(8,924)	(10,089)
Less: current portion	(3,381)	(3,128)
Total	<u>\$55,048</u>	<u>\$57,137</u>

The water utility maintains an "AA" rating from Standard & Poor's and Fitch for its revenue bonds.

In August 2001, the water utility issued \$20,000 additional revenue bonds to finance additional capital projects for the water system.

Additional information on the water utility's long-term debt can be found in Note 4 on page 35 of this report.

### Economic Factors and Rates

While general inflationary trends in the region compare favorably to national indices, an inflationary rate increase has been approved for fiscal 2002 and 2003 to provide for increased costs in all functional areas, such as salaries and expenses impacted by general inflation.

### Requests for Information

This financial report is designed to provide a general overview of the City of Riverside Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Riverside Public Utilities, 3900 Main Street, 4th floor, Riverside, CA 92522.

## Balance Sheets

<b>ASSETS</b>	<b>JUNE 30 2001</b>	<b>JUNE 30 2000</b>
	<i>(in thousands)</i>	
<b>UTILITY PLANT:</b>		
Source of supply	\$ 25,784	\$ 25,729
Pumping	8,606	8,614
Treatment	8,560	1,796
Transmission and distribution	193,082	184,083
General	6,411	6,183
Intangible	6,152	5,709
	<u>248,595</u>	<u>232,114</u>
Less accumulated depreciation	(77,810)	(72,996)
	<u>170,785</u>	<u>159,118</u>
Construction in progress	10,986	10,562
Total utility plant (Note 3)	<u>181,771</u>	<u>169,680</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents (Note 2)	4,477	5,083
Investments (Note 2)	3,013	3,091
Total restricted assets	<u>7,490</u>	<u>8,174</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	25,774	24,172
Accounts receivable, less allowance for doubtful accounts		
2001 \$76; 2000 \$85	4,061	4,062
Accrued interest receivable	443	371
Advances to the City's general fund	105	46
Total current assets	<u>30,383</u>	<u>28,651</u>
<b>OTHER NON-CURRENT ASSETS:</b>		
Unamortized bond issuance costs	670	717
Unamortized bond refunding costs	604	628
Total other non-current assets	<u>1,274</u>	<u>1,345</u>
Total assets	<u>\$ 220,918</u>	<u>\$ 207,850</u>

See accompanying notes to the financial statements.

Continued

## Balance Sheets

	JUNE 30 2001	JUNE 30 2000
	<i>(in thousands)</i>	
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY:</b>		
Invested in capital assets, net of related debt	\$ 124,069	\$ 112,046
Restricted for debt service (Note 5)	6,478	6,351
Unrestricted	27,541	25,971
Total equity	158,088	144,368
<b>LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (NOTE 4):</b>		
Total equity and long-term obligations	55,048	57,137
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest payable	534	595
Current portion of long-term obligations (Note 4)	3,215	2,955
Total current liabilities payable from restricted assets	3,749	3,550
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,664	523
Accrued liabilities	1,893	1,726
Current portion of long-term obligations (Note 4)	166	173
Customer deposits	310	373
Total current liabilities	4,033	2,795
<b>COMMITMENTS AND CONTINGENCIES</b>		
Total equity and liabilities	\$ 220,918	\$ 207,850

See accompanying notes to the financial statements.



# Statements of Revenues, Expenses and Changes in Equity

FOR THE FISCAL YEARS  
ENDED JUNE 30  
2001 2000  
*(in thousands)*

<b>OPERATING REVENUES:</b>		
Residential sales	\$ 16,515	\$ 17,428
Commercial sales	7,896	8,056
Other sales	785	928
Wholesale sales	754	993
Other operating revenue	647	406
Total operating revenues before reserve	26,597	27,811
Reserve for uncollectible	(101)	(87)
Total operating revenues, net of reserve	26,496	27,724
<b>OPERATING EXPENSES:</b>		
Operations	11,051	9,814
Maintenance	3,047	2,524
Purchased energy	3,398	3,237
Purchased water	1,048	735
Depreciation	5,129	4,974
Total operating expenses	23,673	21,284
Operating income	2,823	6,440
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment income	2,547	1,626
Interest expense and fiscal charges	(3,686)	(3,828)
Gain (loss) on retirement of utility plant	(27)	7
Other	995	1,039
Total non-operating revenues (expenses)	(171)	(1,156)
Income before contributions and transfers	2,652	5,284
Contributions in aid of construction	11,109	8,402
Transfers out - contributions to the City's general fund	(3,023)	(2,943)
Total contributions and transfers out	8,086	5,459
Income before special item	10,738	10,743
<b>SPECIAL ITEM:</b>		
Legal settlements	2,982	0
Increase in equity	13,720	10,743
<b>EQUITY, BEGINNING OF YEAR, AS RESTATED</b>	144,368	133,625
<b>EQUITY, END OF YEAR</b>	<b>\$ 158,088</b>	<b>\$ 144,368</b>

See accompanying notes to the financial statements.

## Statements of Cash Flows

FOR THE FISCAL YEARS  
ENDED JUNE 30  
2001 2000  
*(in thousands)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 26,434	\$ 27,789
Cash paid to suppliers and employees	(17,236)	(16,561)
Other non-operating revenue	995	1,039
Net cash provided by operating activities	10,193	12,267
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(3,023)	(2,943)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(9,354)	(6,605)
Proceeds from the sale of utility plant	77	46
Principal paid on long-term obligations	(3,000)	(2,767)
Interest paid on long-term obligations	(2,512)	(2,705)
Contributed capital and special item	6,121	2,851
Net cash used by capital and related financing activities	(8,668)	(9,180)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Advances to the City's general fund	(59)	0
Maturities of investment securities	78	(560)
Income from investments	2,475	1,504
Net cash provided by investing activities	2,494	944
Net increase in cash and cash equivalents	996	1,088
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR<sup>1</sup></b>	29,255	28,167
<b>CASH AND CASH EQUIVALENTS, END OF YEAR<sup>1</sup></b>	<b>\$ 30,251</b>	<b>\$ 29,255</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,823	\$ 6,440
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	995	1,039
Depreciation	5,129	4,974
Provision for uncollectible accounts receivable	(9)	(17)
(Increase) decrease in accounts receivable	10	(53)
Increase (decrease) in accounts payable	1,141	(281)
Increase in accrued liabilities	167	117
Increase (decrease) in customer deposits	(63)	48
Net cash provided by operating activities	\$ 10,193	\$ 12,267
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Contributions in aid of construction	\$ 7,970	\$ 5,551

<sup>1</sup> Cash and cash equivalents also include cash and cash equivalents in restricted assets.

See accompanying notes to the financial statements.

## 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 accounting principles generally accepted in the United States of America as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the California Public Utilities Commission. 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.

#### ■ Accounting Changes and Restatements

On July 1, 1999, the Water Utility adopted four new accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions;
- Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments;
- Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus;
- Statement No. 38, Certain Financial Statement Disclosures.

Statement No. 33 prescribes standards for recording nonexchange transactions on the modified accrual and accrual bases of accounting. This standard required capital contributions from external parties to be recorded separately on the Statement of Revenues, Expenses and Changes in Equity rather than as a direct addition to equity. There was no effect on equity as a result of implementation of this standard as of July 1, 1999.

Statement No. 34 (as amended by Statement No. 37) resulted in minor changes in the financial reporting model used by the Water Utility. Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the Water Utility's financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the Utility, certain note disclosures have been added and or amended.

On July 1, 1999, the Water Utility also decided to change its capitalization threshold from \$1,000 to \$5,000. The Utility wrote-off all capital assets under \$5,000 and as a result beginning equity was decreased by \$276,000.

■ **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 \$1,640,000 at June 30, 2001, and \$1,641,000 at June 30, 2000.

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.....	3-50 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,

## Notes to the Financial Statements

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

■ **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, 2001 and 2000, was \$310,000 and \$373,000, respectively.

■ **Compensated Absences** The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 2001 and 2000.

The Water Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$1,735,000 at June 30, 2001, and \$1,575,000 at June 30, 2000, and is included in current liabilities in the accompanying balance sheets.

Employees receive 10 to 25 vacation days per 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, 2001, is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Any losses above the City's reserves would be covered through increased rates charged to the Water Utility in future years.

■ **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, 2001, 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, 2001.

■ **Contributions 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 2000-01 and 1999-00, the Water Utility transferred 11.5 percent of gross operating revenues, or \$3,023,000 and \$2,943,000, 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.

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

## Notes to the Financial Statements

**NOTE 2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2001 and 2000, consist of the following (in thousands):

	June 30, 2001	June 30, 2000
	Fair Value	
Pooled investments with City Treasurer	\$29,523	\$27,722
Cash and investments at fiscal agent	3,741	4,624
	<u>\$33,264</u>	<u>\$32,346</u>

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

	June 30, 2001	June 30, 2000
Cash and cash equivalents	\$25,774	\$24,172
Restricted assets:		
Cash and cash equivalents	4,477	5,083
Investments	3,013	3,091
	<u>7,490</u>	<u>8,174</u>
	<u>\$33,264</u>	<u>\$32,346</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 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, 2001, represents approximately 8 percent or \$33,264,000 of the City's total cash and investments of \$428,998,000. 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, 2001. Cash and investments at fiscal agent are insured or registered, or held in the name of the Water Utility or its agent (category 1), or are not subject to risk categorization.

**NOTE 3. UTILITY PLANT**

The following is a summary of changes in utility plant during the fiscal year ended June 30, 2001 and 2000 (in thousands):

	(Restated) Balance, As of 7/1/1999	Additions	Deletions	Balance, As of 6/30/2000	(Restated) Balance, As of 7/1/2000	Additions	Deletions	Balance, As of 6/30/2001
Source of supply	\$25,616	\$ 113	\$ 0	\$25,729	\$25,729	\$ 74	\$ (19)	\$25,784
Pumping	8,613	8	(7)	8,614	8,614	0	(8)	8,606
Treatment	1,796	0	0	1,796	1,796	6,764	0	8,560
Transmission and distribution	176,477	7,681	(75)	184,083	184,083	9,157	(158)	193,082
General	5,854	428	(99)	6,183	6,183	466	(238)	6,411
Intangible	5,597	112	0	5,709	5,709	443	0	6,152
Construction in progress	6,747	12,259	(8,444)	10,562	10,562	11,853	(11,429)	10,986
Subtotal	230,700	20,601	(8,625)	242,676	242,676	28,757	(11,852)	259,581
Less accumulated depreciation	(68,163)	(4,974)	141	(72,996)	(72,996)	(5,129)	315	(77,810)
Total utility plant	<u>\$162,537</u>	<u>\$ 15,627</u>	<u>(\$ 8,484)</u>	<u>\$169,680</u>	<u>\$169,680</u>	<u>\$ 23,628</u>	<u>(\$ 11,537)</u>	<u>\$181,771</u>

## Notes to the Financial Statements

**NOTE 4. LONG-TERM OBLIGATIONS**

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

	June 30, 2001	June 30, 2000
<b>■ Contracts Payable/Capital Lease</b>		
<b>Water Stock Acquisitions:</b> Payable on demand to various water companies	\$ 1,201	\$ 1,237
<b>Water Utility's Share of Equipment Purchased Through Capital Lease:</b> \$79,468 capital lease due in monthly installments of \$2,230 through December 31, 2002, interest at 8.5 percent	22	32
Total contracts payable and capital lease	1,223	1,269
<b>■ Revenue Bonds Payable</b>		
<b>\$69,840,000 1991 Water Revenue Bonds:</b> \$25,050,000 serial bonds due in annual installments from \$2,830,000 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)	31,830	34,420
<b>\$4,710,000 1994 FARECal Revenue Bonds:</b> \$2,420,000 serial bonds due in annual installments from \$165,000 to \$255,000 through July 1, 2010, interest from 5.2 percent to 5.9 percent; \$2,290,000 term bonds due July 1, 2017, at 6.0 percent	4,130	4,285
<b>\$30,965,000 1998 Water Refunding/Revenue Bonds:</b> \$15,055,000 serial bonds due in annual installments from \$220,000 to \$4,055,000 through October 1, 2013, interest from 4.1 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	30,170	30,380
Total water revenue bonds payable	66,130	69,085
Total obligations	67,353	70,354
Unamortized capital appreciation	(8,460)	(9,599)
Unamortized bond discount	(464)	(490)
Total obligations, net of bond discount and capital appreciation	\$ 58,429	\$ 60,265
Less: Current portion	(3,381)	(3,128)
Total long-term obligations	\$ 55,048	\$ 57,137

Annual debt service requirements to maturity as of June 30, 2001, are as follows (in thousands):

	2002	2003	2004	2005	2006	2007-2011	2012-2016	2017-2021	2022-2026	2027-2031	Total
Principle	\$ 3,381	\$ 3,656	\$ 3,805	\$ 3,830	\$ 3,850	\$ 19,346	\$ 21,925	\$ 2,870	\$ 3,180	\$ 1,510	\$ 67,353
Interest	2,165	1,880	1,722	1,701	1,680	8,018	4,883	1,518	791	76	24,434
Unamortized bond (discount) premium	(1,243)	(1,328)	(1,311)	(1,181)	(1,038)	(2,608)	(157)	(24)	(24)	(10)	(8,924)
Total	\$ 4,303	\$ 4,208	\$ 4,216	\$ 4,350	\$ 4,492	\$ 24,756	\$ 26,651	\$ 4,364	\$ 3,947	\$ 1,576	\$ 82,863

**■ Debt Service Coverage Ratio** The Water Utility's bond indentures require the Water Utility to maintain a minimum debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 3.31 at June 30, 2001, and 3.17 at June 30, 2000.

## Notes to the Financial Statements

### NOTE 5. RESTRICTED EQUITY

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of equity. 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 6. 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. The Water Utility's portion of the FARECal debt and utility plant assets is recorded in the accompanying financial statements.

### NOTE 7. 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.

### NOTE 8. SPECIAL ITEM

In May 2001, the City settled a lawsuit it had brought against certain manufacturers and distributors of dibromochloropropane ("DBCP"). DBCP, a pesticide that the Environmental Protection Agency banned in the mid 1970's, was detected in certain City-owned potable wells. The forty-year settlement agreement with the Dow Chemical Company, Shell Oil Company, Shell Chemical Company, Occidental Chemical Company, The Best Fertilizer Company and Occidental Petroleum Corporation (the "DBCP" defendants) provides for the DBCP Defendants to compensate the City for the costs of constructing, installing, maintaining, testing and operating granular activated carbon treatment facilities to remove DBCP from certain City wells. The settlement agreement is expected to cover the majority of such treatment costs and will help the City maintain a potable water supply that does not exceed federal and state limits for DBCP.

### NOTE 9. SUBSEQUENT EVENT

On August 2, 2001, the City issued \$20,000,000 of water revenue bonds due in annual installments from \$345,000 to \$1,230,000 through October 1, 2031, interest from 2.6 percent to 5.0 percent.

## Statistics

<b>WATER SUPPLY (ACRE FEET)</b>					
	<b>2000/01</b>	<b>1999/00</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
Pumping	74,647	78,639	74,638	71,597	73,266
Purchases	498	68	275	252	68
Total	75,145	78,707	74,913	71,849	73,334
Percentage pumped	99.3%	99.9%	99.6%	99.7%	99.9%
System peak day (gallons)	99,861,000	101,119,000	101,924,000	96,015,000	93,400,000

<b>WATER USE</b>					
	<b>2000/01</b>	<b>1999/00</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
Average number of customers					
Residential	54,200	53,879	53,774	53,387	53,432
Commercial/industrial	4,365	4,355	4,104	4,164	4,054
Other	341	304	505	664	760
Total	58,906	58,538	58,383	58,215	58,246
*CCF sales					
Residential	17,517,449	18,708,750	16,778,949	15,518,199	17,833,655
Commercial/industrial	9,577,374	9,873,278	8,570,558	8,289,294	9,386,127
Other	949,425	702,983	1,428,037	1,117,661	1,436,177
Total	28,044,248	29,285,011	26,777,544	24,925,154	28,655,959

*\*(CCF equals 100 cubic feet)*

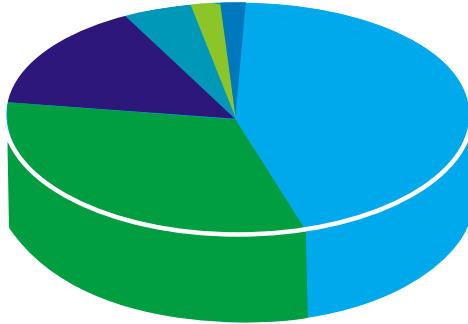
<b>WATER FACTS</b>					
	<b>2000/01</b>	<b>1999/00</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>
Average annual CCF per residential customer	323	347	312	291	361
Average price (cents/CCF) per residential customer	94.3	93.2	93.0	91.7	85.7
Debt as a percent of net plant	32.1%	35.5%	38.0%	40.3%	34.4%
Employees	122	121	119	128	136



# Statistics

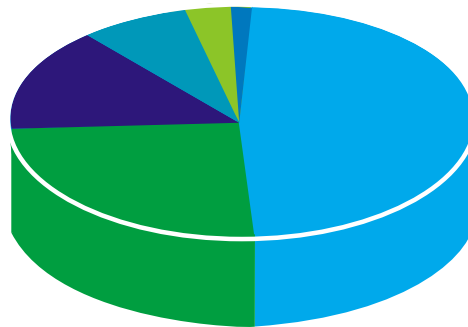
## 2000/01 WATER REVENUE AND RESOURCES

Source of Revenue



- Residential Sales (37¢)
- Other Revenue (35¢)
- Commercial and Industrial Sales (18¢)
- Investment Income (6¢)
- Wholesale Sales (2¢)
- Other Sales (2¢)

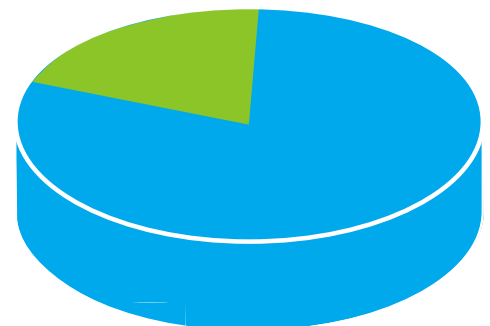
Distribution of Revenue



- Operation & Maintenance (40¢)
- Additional Reserves (22¢)
- Additions and Replacements to the System (17¢)
- Debt Service (12¢)
- Transfers to the City's General Fund (7¢)\*
- Water Supply (2¢)

\*Based on transfer of 11.5 percent of fiscal year 1999/00 operating revenues (excludes interest and other non-operating income).

Water Resources



- San Bernardino Basin Wells (84.8%)
- Riverside Basin Wells (13.5%)

Purchased water was less than 1 percent for 2000/01

## Statistics

### General Fund Transfer (in millions)



### Average Number of Customers



### Total Operating Revenue (in millions)



### Production (in acre feet)



### Peak Day Demand (in million gallons)



### WATER FACTS AND SYSTEM STATISTICS

Established:	1913
Service Area Population:	262,335
Service Area Size (square miles):	76.4
System Statistics:	
Smallest pipeline:	1.0"
Largest pipeline:	72.0"
Miles of pipeline:	928
Number of domestic wells:	47
Number of active reservoirs:	16
Total reservoir capacity	(gallons):100,400,000
Miles of canal:	12
Number of fire hydrants:	6,566
Daily average production	(gallons):66,839,000
2000-01 Peak day	(gallons):99,861,000
7/20/00, 106 degrees	
Historical peak	(gallons):101,924,000
8/4/98, 106 degrees	

### BOND RATINGS

FITCH IBCA	AA
STANDARD & POOR'S CORP.	AA

*If you have questions on this report or would like to request a copy on CD, please call Riverside Public Utilities Administration Department at (909) 826-5789.*