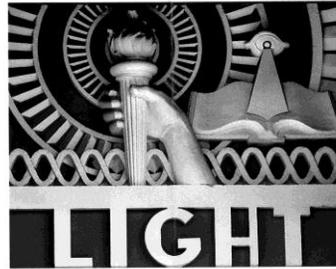




BURBANK WATER AND POWER



Fiscal Year 2012-2013

Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Burbank
Burbank, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric and Water Utility Enterprise Funds of the City of Burbank (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise Funds of the City of Burbank, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1(C), the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1(E) to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1(E) to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Our opinion is not modified with respect to this matter.

Other Matters

Partial Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2012 from which such partial information was derived.

The City's 2012 financial statements were audited by other auditors, and their report dated June 26, 2013, expressed unmodified opinions on those audited financial statements.

Other Matters (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Dick Evans LLP

Irvine, California
February 24, 2014

The management of the City of Burbank's (City) Electric and Water Utility Enterprise Funds (Management) offers the following financial highlights and overview of factors that had a material effect on the financial condition and results of operations for the fiscal year ended June 30, 2013 (the fiscal year). Management encourages readers to utilize the information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements and notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Basic Financial Statements

The MD&A is intended to serve as an introduction to the Electric and Water Utility Funds' (Utility) basic financial statements and to provide an objective and easily understood analysis of the financial activities based on currently known facts, decisions and conditions. For comparative purposes, this analysis includes the financial statements of the Electric and Water Utility Enterprise Funds for the two most recent fiscal years.

Management has elected to provide highlights to the basic financial statements as well as vital statistics and other relevant information concerning the Electric and Water Utility Funds. Included as part of the financial statements are the following statements and notes:

The Statement of Net Position presents information on the Utility's assets and liabilities, with the difference between the two reported as total net position.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Utility's net position changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net position are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in future fiscal periods (examples include billed but uncollected revenues and employee earned but unused vacation leave).

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash from operations, non-capital financing, capital and related financing, and investing activities.

The Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in these financial statements.

ELECTRIC UTILITY FUND

Electric Utility Fund highlights:

- Net position increased by \$12,971, or 5.1%, due to favorable operating results. This increase was primarily used to fund capital projects.

- The Electric Utility maintains an 'AA-' long-term credit rating from Standard & Poor's Ratings Services and an 'A1' rating from Moody's Investors Service for its revenue bonds. These ratings reflect the Electric Utility's consistently strong financial performance, conservative financial reserve and risk policies, effective power cost management, and a relatively strong and diverse economic base with above-average income.
- The Electric Utility Fund invested \$25,697 in the acquisition and construction of capital assets. The sources of funding were from cash reserves, the 2010 bond proceeds, and the Department of Energy (DOE) grant. The results of these proactive capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the system experienced approximately 15 minutes of service outage once every 5.4 years compared to the typical industry system of approximately 96 minutes of service outage once every 1.2 years.
- Burbank Water and Power (BWP) received American Public Power Association's (APPA) Reliable Public Power Provider (RP₃) Platinum Designation Award.

Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Position (\$ in thousands)

	2013	2012	Incr. (Decr.)
Retail sales (in MWh)	1,142,057	1,120,564	21,493
Operating revenues:			
Retail	\$ 167,828	\$ 161,788	\$ 6,040
Wholesale	44,295	35,484	8,811
Other revenues	6,628	4,959	1,669
Total operating revenues	<u>218,751</u>	<u>202,231</u>	<u>16,520</u>
Operating expenses:			
Power supply and fuel – retail	93,008	88,825	4,183
Purchased power and fuel – wholesale	41,875	32,747	9,128
Transmission expense	12,263	15,384	(3,121)
Distribution expense	8,583	9,225	(642)
Other operating expenses	19,670	18,426	1,244
Depreciation	17,358	14,977	2,381
Total operating expenses	<u>192,757</u>	<u>179,584</u>	<u>13,173</u>
Operating income	<u>25,994</u>	<u>22,647</u>	<u>3,347</u>
Nonoperating income (expenses):			
Interest income	927	1,517	(590)
Intergovernmental	1,881	4,485	(2,604)
Payments in lieu of taxes to City	(10,904)	(10,498)	(406)
Gain (loss) on disposal of capital assets	109	(1,745)	1,854
Other income (expenses), net	(880)	(2,880)	2,000
Interest expense	(4,680)	(5,282)	602
Total nonoperating income (expenses)	<u>(13,547)</u>	<u>(14,403)</u>	<u>856</u>
Income before contributions	<u>12,447</u>	<u>8,244</u>	<u>4,203</u>
Contributions:			
Capital contributions	524	551	(27)
Change in net position	<u>12,971</u>	<u>8,795</u>	<u>4,176</u>
Net position, beginning of year	<u>252,075</u>	<u>243,280</u>	<u>8,795</u>
Net position, end of year	<u>\$ 265,046</u>	<u>\$ 252,075</u>	<u>\$ 12,971</u>

Retail (sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 97.0% of the Electric Utility's operating revenues. Retail energy sales increased moderately by 21,493 megawatt hours (MWh), or 1.9%, due to a warmer than average summer when compared to the prior fiscal year. Retail revenues were higher by \$6,040, or 3.7%, due to higher sales volume and a 1.75% rate increase that went into effect in July 2012.

Other revenues were \$1,669, or 33.7%, higher than the prior fiscal year. The Electric Utility received \$1,853 from prepaid gas project restructuring compared to \$854 in the prior fiscal year. Fiber optic revenue was also higher for the fiscal year with revenues of \$2.7 million compared to \$2.4 million the prior fiscal year.

Retail power supply expenses were \$4,183, or 4.7%, higher than the prior fiscal year. Expenses were higher due to higher retail sales and energy prices, replacement energy during the major overhaul of the Magnolia Power Plant (MPP), and the addition of more renewable energy to the energy portfolio. MPP was taken offline for major maintenance, repair and upgrade from the end of November 2012 through April 2013.

Transmission expenses were \$3,121, or 20.3%, lower than the prior fiscal year. Expenses were lower due to one-time bond refinancing savings and disbursement of bond service reserve funds from the Southern California Public Power Authority's (SCPPA) Mead-Phoenix, Mead-Adelanto, and Southern Transmission System projects.

Distribution expenses were \$642, or 7.0%, lower compared to the prior fiscal year. The decrease was primarily the result of capitalizing more labor costs for the construction of capital assets.

Other operating expenses were \$1,244, or 6.8%, higher compared to the prior fiscal year. The higher expenses were attributed to the amortization costs related to the refinancing of the 2002 Revenue Bonds in the prior fiscal year.

Depreciation expense was \$2,381, or 15.9%, higher compared to the prior fiscal year. The increase was primarily the result of placing capital assets, especially for system modernization, into service.

Interest income was \$590, or 38.9%, lower compared to the prior fiscal year. The lower interest income was due to lower cash balances.

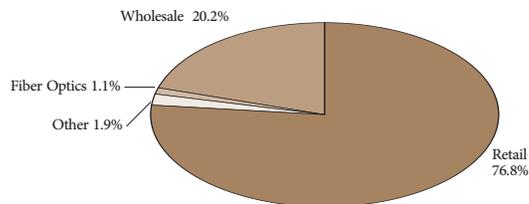
The gain on the disposal of capital assets was \$1,854, or 106.3%, higher compared to the prior fiscal year that had a one-time write-off of analog meters.

Intergovernmental and Other income (expenses), net had a net decrease of \$604, or 37.6%, compared to the prior fiscal year. The Electric Utility recorded \$1,881 of grant revenue from the DOE for system modernization expenditures as part of the \$20 million grant from the American Recovery and Reinvestment Act (DOE grant), compared to \$4,485 from the prior fiscal year. The receipts were reported in Intergovernmental income and the system modernization expenditures were reported in Other income (expenses), net.

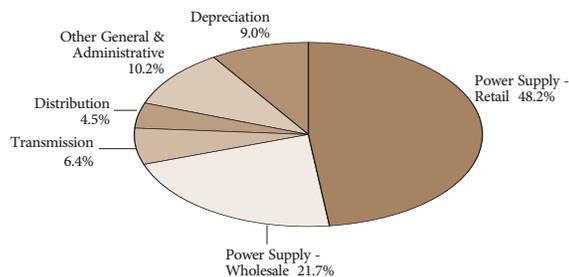
Interest expense was \$602, or 11.4%, lower compared to the prior fiscal year due to refinancing of the 2002 Revenue Bonds.

The Electric Utility transferred \$8,497 and \$2,407 to the City's General Fund in the form of an in-lieu tax of 5.0% and a street lighting transfer of 1.5%, respectively, of certain electric retail revenues (see note 11). Retail customers also contributed \$11,047 to the City's General Fund in the form of a utility users' tax of 7.0% of certain electric retail revenues (see note 11). In addition, the Electric Utility set aside \$4,558, or 2.85%, of certain electric retail revenues for Public Benefits programs.

Operating Revenues



Operating Expenses



The Electric Utility Fund's net position as of June 30, 2013 and June 30, 2012 was as follows:

	2013	2012	Incr. (Decr.)
Assets			
Current assets	\$ 104,225	\$ 102,596	\$ 1,629
Noncurrent assets	10,861	8,177	2,684
Capital assets, net of accumulated depreciation	282,295	273,956	8,339
Total assets	397,381	384,729	12,652
Liabilities			
Current liabilities	34,748	30,778	3,970
Noncurrent liabilities	97,587	101,876	(4,289)
Total liabilities	132,335	132,654	(319)
Net position			
Net investment in capital assets	190,466	178,317	12,149
Restricted net position	4,703	5,290	(587)
Unrestricted net position	69,877	68,468	1,409
Total net position	\$ 265,046	\$ 252,075	\$ 12,971

Changes in total net position may serve as useful indicators of the Electric Utility Fund's financial strength over time.

Total assets were higher by \$12,652, or 3.3%, compared to the prior fiscal year. The majority of the increase was primarily due to the Electric Utility's favorable operating results. Current assets increased by \$1,629, or 1.6%, due to higher operating cash balances, and inventories. Noncurrent assets increased by \$2,684, or 32.8%, primarily due to an advance payment of \$3,389 towards the Electric Utility's share of the City's California Public Employees Retirement System (CalPERS) unfunded pension liability. Capital assets, net of accumulated depreciation increased by \$8,339 or 3.0% (see Capital Assets).

Total net position was higher by \$12,971, or 5.1%, compared to the prior fiscal year due to favorable operating results (see Statement of Revenues, Expenses and Changes in Electric Fund Net Position). A significant portion of the Electric Utility's total net position was in Net investment in capital assets of \$190,466, or 71.9% of total net position (see Capital Assets). The unrestricted net assets of \$69,877, or 26.4%, of total net position

were available for future capital investments and maintenance activities.

Total liabilities were lower by \$319, or 0.2%, compared to the prior fiscal year. The decrease in total liabilities was due to a decrease in noncurrent liabilities of \$4,289, or 4.2%, primarily from revenue bonds' payments. This was offset by an increase in current liabilities of \$3,970, or 12.9%, primarily from unearned revenue from the DOE (see note 14) and customer deposits. The DOE is reimbursing the Electric Utility at an accelerated rate of 50% instead of the contractual rate of 31.9% up to \$20 million.

Capital Assets

As of June 30, 2013, the largest portion of the Electric Utility Fund's total net position, \$282,295, or 71.0%, was invested in capital assets (see note 7 for additional information regarding Capital Assets). The Electric Utility Fund invested \$25,697 in the acquisition and construction of capital assets. The primary funding of these investments, \$23,816, was from cash reserves and the 2010 bond proceeds. The DOE grant funded the

remaining investments. The majority of these investments were for system modernization, replacement and upgrade of the transmission and distribution system, general plant, and other facilities. These investments have resulted in improved efficiencies and reliability of the Electric Utility.

During the fiscal year, the Electric Utility continued with system modernization of the electric system. The Electric Utility invested in the Customer Information System project to replace the existing outdated and inadequate system. The Customer Information System is a complex database, software, and information system that will facilitate customer accounts' management and billing services. The implementation of the Integrated Automated Dispatch System enhances the energy management system with real-time control capability for automatically dispatching energy resources, and optimizing system reliability and cost management. As more renewable energy resources with inherently variable outputs are added to the energy portfolio, the system will assist in the management of these resources to the distribution system. Some of the other system modernization programs being implemented for more operating efficiencies include the installation of advanced meters, automated devices to monitor the distribution system, and other equipment and software programs.

The Electric Utility continued the construction of the Electrical Service Building to replace the former electrical testing and repair shop building. The new building is a certified Leadership in Energy and Environmental Design (LEED) Platinum Building. The building is designed with an efficient use of land and a focus on increasing operational efficiency by adding work space for engineers, electricians, and test technicians.

The Electric Utility also continued investing in the upgrade of 4 kilovolts (kV) to 12kV electrical distribution lines. The benefits of the conversion are to increase capacity, improve reliability, reduce distribution losses, and allow for the eventual retirement of several older 4kV substations and potential replacement with one new 12kV substation.

Investments were made into the fiber infrastructure to provide connectivity to the Burbank Unified School District, City facilities and relocation of existing connections. Optical Network Enterprise Burbank (ONE Burbank) also invested in a

fiber management system to keep up with industry standards, provide tools to manage the fiber network, and share data and reports. ONE Burbank is a fiber optic-based infrastructure that includes dark fiber, carrier-class, and high-speed managed services for local Burbank businesses. ONE Burbank generated \$2.7 million in revenue for this fiscal year compared to \$2.4 million in the prior fiscal year. The increase in revenue was due to adding 17 new customers and service upgrades by 8 existing customers.

Some of the major capital investments for the fiscal year include:

(\$ in thousands)	
Systems Modernization Programs (Customer Information System, Integrated Automated Dispatch System, AMI Meters)	\$ 7,639
Electrical Service Building	4,608
4kV to 12kV Conversions	4,566
Overhead and Underground Electric Substructure	2,486
Fiber Infrastructure Link and Relocation	898
Miscellaneous Equipment Replacements at Major Stations	585
Facilities Upgrades	528
Lake Generating Unit Continuous Emissions Monitoring System and Switchgear	312
ONE (Optical Network Enterprise) Burbank	310
Aid-in-Construction for the I-5 Improvement Project	209
Total	\$ 22,141

For the fiscal year, the Electric Utility's system experienced approximately 15 minutes of service outage once every 5.4 years compared to the typical industry system of 96 minutes of service outage once every 1.2 years. The system-wide reliability statistics reflect the Electric Utility's commitment to maintain and operate a highly reliable electric distribution system.

On March 24, 2013, BWP received APPA's RP₃ Platinum Designation Award. This award recognizes the highest work force standard and the excellent services that utilities provide to the consumers and community. The RP₃ Award is given out to

utilities with industry recognized best practices in the four disciplines of reliability, safety, workforce development and system improvement. These disciplines demonstrate sound business practices, and utility-wide commitment to safe and reliable delivery of electricity.

Debt Administration

As of June 30, 2013, the Electric Utility had \$92,550 in outstanding revenue bonds, of which \$3,450 will be due within a year (see note 9 for additional information regarding long term debt, including loans and revenue bonds payable). The Electric Utility repaid \$3,460 toward outstanding bonds during the fiscal year. The bonds were issued for system modernization, replacement and upgrades of the electric system, general plant and other facilities.

The Electric Utility maintains an 'AA-' credit rating from Standard & Poor's and an 'A1' rating from Moody's Investors Service for its revenue bonds. These ratings reflect the Electric Utility's consistently strong and reliable financial performance, conservative financial reserve and risk policies, effective power cost management, and a relatively stable, strong and diverse economic base with above-average income.

Environmental and Economic Factors

The Electric Utility is working on acquiring more eligible renewable resources to meet the City's Renewable Portfolio Standard (RPS) goal of 33% by 2020. For the fiscal year, renewable energy resources made up 18.2% of the Electric Utility's total energy supply, compared to 17.4% for the prior fiscal year. During the fiscal year, renewable energy came from Iberdrola Wind in Wyoming, Pebble Springs Wind in Oregon, Tieton Hydropower in Washington, Milford Wind in Utah, Ameresco Chiquita Landfill in California, and Burbank Water and Power's Landfill Microturbines and Valley Pumping Station. Biomethane gas was also used in the local generation to displace some of the fossil fuel.

As of November 2013, the Electric Utility received energy generation from a geothermal project from Mineral County, Nevada, Wild Rose Geothermal Project (Wild Rose). The City has a 15.38% share of Wild Rose with a nameplate capacity of 25 MW and a projected net output of 16.2 MW for the project. A geothermal generation facility typically consumes a

substantial portion of its own power, therefore lowering the overall output of the plant. The renewable energy portfolio is projected to be at approximately 26.5% of the total energy supply by the end of next fiscal year. With the current renewable projects and others forthcoming, the City expects to meet the RPS goal by 2020.

The Electric Utility's renewable projects for the fiscal year were as follows:

Projects	Source of Energy	County, State	In-service Date	Capacity MW	Burbank's Capacity MW	Energy Received in MWh FY 12-13	% Total Energy Supply
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	11,646	0.9071%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	31,730	2.4713%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	24,044	1.8727%
Milford Wind	Wind	Beaver and Milford Counties, Utah	Nov 2009	200.000	10.000	16,646	1.2965%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	8.000	1.333	8,175	0.6367%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	352	0.0274%
Landfill Microturbines	Landfill Gas	Los Angeles County, California	2001/2005	0.550	0.550	1,433	0.1116%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	618	0.0481%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	1,759	0.1370%
Biomethane Gas*			Jun 2011			85,871	6.6881%
Morgan Stanley Exchange			Apr 2012			51,192	3.9871%
Total						233,466	18.1836%

* Magnolia Power Plant was offline for major maintenance repair and upgrade from the end of November 2012 through April 2013.

The Cap-and-Trade Program, adopted by the California Air Resources Board (CARB), went into effect on January 1, 2012, and emission obligations commenced on January 1, 2013 for compliance to Assembly Bill 32 (AB 32), the Global Warming Solutions Act of 2006. Under AB 32, CARB is mandated to implement regulations that reduce greenhouse gas (GHG) emissions by capping them at 1990 levels. The regulation sets an upper limit on statewide GHG emissions beginning in 2013, and reduces GHG emissions by approximately two percent in 2014 and by approximately three percent annually thereafter until 2020. Electric utilities are given emission allowances to cover all or most of their obligations at the beginning of the regulation. Electric utilities can buy or sell the allowances to comply with the emission regulation. For 2013, the Electric Utility received sufficient emission allowances from CARB to meet the 2013 GHG compliance obligations.

WATER UTILITY FUND

Water Utility Fund highlights:

- Water sales were higher by 686 acre feet (AF), or 3.9%, compared to the prior fiscal year primarily due to the lifting of the City's three day per week watering restriction, lower than average rainfall in the winter months, and a warmer than average summer.
- The Burbank Operable Unit (BOU) produced the highest water volume since fiscal year 1999-2000. It ran at 78.5% of operating capacity and produced 11,395 AF of water for the fiscal year.
- Net position increased by \$974, or 1.7%, due to favorable operating results. This increase was primarily used to fund capital projects.
- The Water Utility received \$6,949 of loans from the State Water Resources Control Board (SWRCB) for the extension of recycled water transmission mains. These loans have a 20-year repayment term with an annual interest rate of 2.6%.
- The Water Utility Fund invested \$11,985 in the acquisition and construction of capital assets. The Water Utility is committed to serving its customers with safe drinking water at competitive rates, promoting sustainability, and drought proofing a portion of the water supply by investing in the Recycled Water System. The water production facilities and systems were very reliable with only 2.9% of unaccounted for water, including losses, compared to the national average of approximately 7.2%.
- In December 2013, Standard & Poor's reaffirmed the Water Utility revenue bonds with an 'AAA', the highest quality rating. This rating reflects the rating agency's view of the Water Utility's stable financial performance, strong financial position, limited external capital needs, adequate water supply, and a stable customer base and local economy.

Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Position (\$ in thousands)

	2013	2012	Incr. (Decr.)
Potable water (in AF)	18,464	17,778	686
Recycled water (in AF)	1,588	1,855	(267)
Operating revenues:			
Potable water sales	\$ 25,064	\$ 23,868	\$ 1,196
Recycled water sales	1,663	1,866	(203)
Other revenues	1,007	995	12
Total operating revenues	<u>27,734</u>	<u>26,729</u>	<u>1,005</u>
Operating expenses:			
Water supply expenses	11,951	10,780	1,171
Operations, maintenance and administration	7,312	7,114	198
Other operating expenses	1,788	1,616	172
Depreciation	3,564	3,041	523
Total operating expenses	<u>24,615</u>	<u>22,551</u>	<u>2,064</u>
Operating income	<u>3,119</u>	<u>4,178</u>	<u>(1,059)</u>
Nonoperating income (expenses):			
Interest income	(150)	248	(398)
Payments in lieu of taxes to City	(1,252)	(1,153)	(99)
Gain (loss) on disposal of capital assets	(159)	(168)	9
Other income (expenses), net	549	595	(46)
Interest expense	(1,341)	(1,575)	234
Total nonoperating income (expenses)	<u>(2,353)</u>	<u>(2,053)</u>	<u>(300)</u>
Income before contributions	<u>766</u>	<u>2,125</u>	<u>(1,359)</u>
Contributions:			
Capital contributions	208	1,154	(946)
Change in net position	<u>974</u>	<u>3,279</u>	<u>(2,305)</u>
Net position, beginning of year	<u>58,031</u>	<u>54,752</u>	<u>3,279</u>
Net position, end of year	<u>\$ 59,005</u>	<u>\$ 58,031</u>	<u>\$ 974</u>

Potable water sales were the primary source of revenue for the Water Utility Fund. Potable water revenue made up 90.4% of the total Water Utility operating revenues. Sales volume of potable water increased by 686 AF, or 3.9%, due to the lifting of the City’s three day per week watering restriction, lower than average rainfall in the winter months, and a warmer than average summer. Potable water revenue was higher by \$1,196, or 5.0%, compared to the prior fiscal year as a result of higher sales volume and a 4.9% rate increase that went into effect on July 1, 2012.

Recycled water revenue made up 6.0% of the total Water Utility operating revenues. Recycled water sales volume decreased by 267 AF, or 14.4%, from the prior fiscal year. The decrease was due to a scheduled major maintenance repair and upgrade at the Magnolia Power Plant this fiscal year. Recycled water revenue decreased by \$203, or 10.9%, as a result of lower sales volume but was partially offset by the 4.9% rate increase that went into effect on July 1, 2012.

Water supply expenses were higher by \$1,171, or 10.9%, compared to the prior fiscal year primarily due to higher water sales volume and purchased water costs. The Metropolitan Water District (MWD) increased rates on January 1, 2012 and January 1, 2013 by 6.7% each year for the treated water and by 6.3% and 5.9%, respectively, for untreated water.

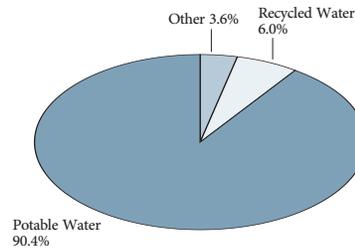
The BOU supplied approximately 59.9% of the City’s potable water supply. It ran at 78.5% of operating capacity for the fiscal year compared to 67.0% for the prior fiscal year. BOU’s operating capacity was lower in the prior year due to plant maintenance for the recoating of interior surfaces. The average cost of groundwater produced at the BOU was \$338 per acre foot (AF), compared to the average cost of MWD’s treated water of \$818/AF, and untreated water of \$562/AF. The Water Utility purchased 6,703 AF of untreated water from MWD for groundwater storage.

Depreciation expense was \$523, or 17.2%, higher compared to the prior fiscal year. The increase was primarily due to placing capital assets into service. As of June 30, 2013, the Water Utility completed 90% of the Recycled Water Master Plan.

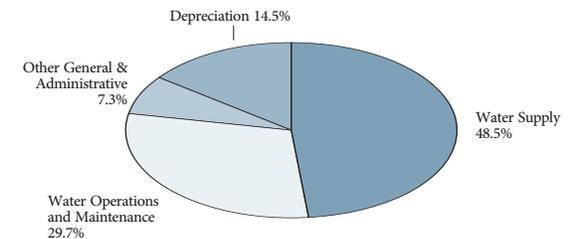
Capital contributions were \$946, or 82.0%, lower than the prior fiscal year. Prior year contributions included a one-time capital contribution from the Los Angeles Department of Water and Power for the recycled water transmission main.

The Water Utility transferred \$1,252 to the City’s General Fund in the form of an in-lieu tax of 5.0% of certain water revenues.

Operating Revenues



Operating Expenses



The Water Utility Fund’s net position as of June 30, 2013 and June 30, 2012 was as follows:

Schedule of Net Position (\$ in thousands)			
	2013	2012	Incr. (Decr.)
Assets			
Current assets	\$ 20,500	\$ 21,829	\$ (1,329)
Noncurrent assets	1,394	972	422
Capital assets, net of accumulated depreciation	87,358	78,937	8,421
Total assets	109,252	101,738	7,514
Liabilities			
Current liabilities	7,190	6,198	992
Noncurrent liabilities	43,057	37,509	5,548
Total liabilities	50,247	43,707	6,540
Net position			
Net investment in capital assets	44,276	50,127	(5,851)
Restricted net position	150	153	(3)
Unrestricted net position	14,579	7,751	6,828
Total net position	\$ 59,005	\$ 58,031	\$ 974

Changes in total net position may serve as useful indicators of the Water Utility Fund's financial strength over time.

Total assets were higher by \$7,514, or 7.4%, compared to the prior fiscal year. The majority of the increase was funded by liabilities while a small portion of the increase was from the Water Utility's favorable operating results. The increase in Capital assets, net of accumulated depreciation, made up most of the increases in total assets by \$8,421, or 10.7% (see Capital Assets). Noncurrent assets increased by \$422, or 43.4%, primarily due to an advance payment of \$541 towards the Water Utility's share of the City's CalPERS unfunded pension liability.

Total liabilities were higher by \$6,540, or 15.0%, compared to the prior fiscal year. The Water Utility received \$6,949 of the State Water Resources Control Loans, offset by \$1,140 principal payments for bonds and loans (see Debt Administration). Current liabilities also increased by \$992, or 16.0%, due to higher accounts payable and customer deposits.

Total net position was higher by \$974, or 1.7%, reflecting the Water Utility's favorable operating results (see Statement of Revenues, Expenses and Changes in Water Fund Net Position). A significant portion of the Water Utility's total net position was in Net investment in capital assets of \$44,276, or 75.0% of total net position (see Capital Assets). The unrestricted net assets of \$14,579, or 24.7%, of total net position, were funds available for future investments in capital assets and maintenance activities.

Capital Assets

As of June 30, 2013, the Water Utility Fund invested \$87,358, or 80.0% of its total assets in capital improvements (see note 7 for additional information regarding Capital Assets). Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and services at competitive rates.

For the fiscal year, \$11,985 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for the Reservoir 1 Reconstruction, expansion of the Recycled Water System, seismic retrofit of the potable and recycled water tanks, and replacement and upgrade of the distribution systems.

The Reservoir 1 Reconstruction project is the construction of two reservoirs with a total storage capacity of 9.5 million gallons of water. These new reservoirs are built within the original footprint of the original reservoir, which did not conform to current design standards and California Department of Public Health criteria. The new reservoirs are five feet deeper with vertical walls, and have 2.6 million gallons, or 40%, more in storage capacity than the original reservoir. There will also be no annual inspection fee or monthly monitoring costs since the new reservoirs are not subject to the jurisdiction of the Department of Water Resources, Division of Safety of Dams. The reservoirs were placed into service in late November 2013.

As of June 30, 2013, the Water Utility completed 90% of the Recycled Water Master Plan. Upon completion of the Recycled Water Master Plan, the Recycled Water System will have six major transmission main extensions totaling over 106,000 feet in length and an upgraded pump station. Some customers, such as golf courses, parks, businesses and schools, have shifted a portion of their outdoor irrigation to recycled water. This shift reduced the amount of potable water purchased from MWD, and will contribute to the sustainability of water resources and drought proof a portion of the City's water supply.

The Recycled Water Master Plan will also enable the City to supply some recycled water to the City of Los Angeles. An exchange agreement was executed in January 2011 with the City of Los Angeles for the exchange of the City's recycled water for groundwater credits on a one-to-one ratio. This exchange will reduce the number of groundwater credits that the Water Utility must purchase to augment its supply of groundwater, since the right to pump water from the local wells is limited by its stored groundwater credits. Each year, the Water Utility receives groundwater credits equal to 20% of total water delivered (potable and recycled) to its customers. Any excess credits can be used for future groundwater pumping.

Investments were also made in the seismic retrofit of the potable and recycled water tanks to safeguard the tanks and water in the event of an earthquake. Some of the improvements made were anchoring the tanks to the ground, installing flexible expansion joints onto the pipe attached to the tank to allow for differential movements, and upgrading some tanks to comply with current code.

Some of the major capital investments for the fiscal year include:

(\$ in thousands)	
Reservoir 1 Reconstruction	\$ 6,437
Recycled Water Master Plan	1,412
Steel Tanks Seismic Retrofit	561
Aid-in-Construction	556
Meter Replacements	465
Transmission Water Mains	386
Valve Replacement	215
Water Tanks and Reservoirs	129
Total	\$ 10,161

Debt Administration

As of June 30, 2013, the Water Utility Fund had \$35,360 in outstanding revenue bonds, of which \$470 will be due within a year (see note 9 for additional information regarding long term debt, including loans and revenue bonds payable). The Water Utility repaid \$490 toward outstanding revenue bonds during the fiscal year. In addition to the revenue bonds, the Water Utility has \$241 in an outstanding SWRCB loan issued in 1994, of which \$205 will be due within a year. This loan was issued for improvements to the Reclaimed Water Distribution System (now known as the Recycled Water System).

In the fiscal year, the Water Utility received \$6,949 in loans from the SWRCB for two recycled water transmission main extensions to the Valhalla Cemetery and Studio District for the Recycled Water Master Plan. In the prior fiscal year, the Water Utility received \$521 in loans from the SWRCB for the recycled water pumping station. These loans have 20-year repayment terms with an annual interest rate of 2.6%. A total loan of \$7,470 was received from the SWRCB for the Recycled Water Master Plan, of which \$302 will be due within a year. The Water Utility repaid \$451 towards this outstanding loan this fiscal year.

The Water Utility was also approved for up to \$2 million in loans from the SWRCB for the Northern Burbank Transmission Main Extension Project. The loan has a 20-year repayment term with an annual interest rate of 2.6%.

In December 2013, Standard & Poor's reaffirmed the Water Utility revenue bonds with an 'AAA', the highest quality rating. This rating reflects the rating agency's view of the Water Utility's stable financial performance, strong financial position, limited external capital needs, adequate water supply, and a stable customer base and local economy.

Environmental, Supply and Economic Factors

The SWRCB's final water allocation on the State Water Project (SWP) for the 2013 Water Year is 35%, as announced on March 22, 2013. The 2013 Water Year began with above-average precipitation but then turned dry. The above-average precipitation helped replenish storage in many reservoirs from the 2012 Water Year, which was ranked as the 25th driest year in terms of statewide runoff, based on 112 years of measured record. The final SWP allocation for the 2012 Water Year was 65% due to good reservoir and groundwater basin storage from a wet 2011. Water allocation from SWP varies according to factors including reservoir storage, weather projections, and projected runoff into streams, reservoirs and aquifers. These factors are impacted by precipitation normally from December through April. California receives more than 90% of its snow and rain during this period.

Pumping restrictions on the Sacramento-San Joaquin River Delta (Delta) continue to impact California's water supply since it's the location of the pumping facilities for SWP. The decline of the ecosystem triggered litigation and pumping restrictions that have dramatically altered water management and resources. On March 14, 2013, the California Natural Resources Agency released four chapters of the preliminary draft of the Bay Delta Conservation Plan (BDPC) for public review and formal comment. The remaining chapters to the BDPC were released on May 29, 2013. The BDPC's goals are to improve the water supply reliability and restore the ecosystem in the Delta since the Delta is a vital estuary for many species that are struggling due to a number of stressors. Formal review will begin December 13, 2013 and public hearings will be in the first quarter of 2014.

Water supplies are available for all typical or normal demands. Although the short term water conditions are moderate, conservation and efficient water use continue to be necessary to maintain an adequate water reserve level in preparation of any future water crises. The City lifted its restrictions to limit landscape irrigation to no more than three days per week for no more than 15 minutes per day per irrigation as a part of Stage II of the Sustainable Water Use Ordinance on June 28, 2011. If the 2014 Water Year is dry, it will be the third consecutive dry year. The impact will be more widely felt due to reduced storage in many reservoirs statewide.

The City's drinking water does not exceed 5 parts per billion (ppb) for chromium VI under the direction of the Burbank City Council. On August 23, 2013, the California Department of Public Health (CDPH) released its proposed maximum contaminant level (MCL) at 10 ppb for public comments until October 11, 2013. The current regulatory MCL for total chromium, both trivalent chromium (chromium III) and chromium VI, are 100 ppb and 50 ppb for Federal and State, respectively. Chromium III is a required nutrient but chromium VI may pose a risk of cancer when ingested. The development of this MCL took into consideration the protection of public health, occurrence of chromium VI in drinking water sources statewide, feasibility factors such as reliable detection limits, removal levels possible with existing validated technology, and a reasonable cost and/or economic impact on communities. The final MCL is anticipated to be established in 2014. CDPH will review this standard at least every five years after its adoption. As technology improves and reasonable economic impact can be ascertained, the standard may change.

Requests for Information

This financial report is designed to provide a general overview of the Electric and Water Utility Enterprise Funds. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to Bob Liu, Chief Financial Officer, Burbank Water and Power, 164 W. Magnolia Blvd., Burbank, CA 91502.

With comparative financial information for the year ended June 30, 2012 • (\$ in thousands)

Assets	Electric		Water	
	2013	2012	2013	2012
Current assets:				
Cash and cash equivalents (note 2):				
General operating	\$ 38,654	\$ 33,906	\$ 10,559	\$ 3,402
Restricted bond proceeds for capital improvements	-	5,228	427	8,738
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
WCAC	-	-	1,110	1,110
Distribution mains	-	-	1,100	1,100
Total cash and investments	51,664	52,144	15,416	16,570
Accounts receivable, net (note 3)	15,062	15,072	3,193	3,344
Inventories (note 4)	8,810	5,398	1,710	1,734
Deposits and prepaid expenses (note 5)	23,848	24,552	12	1
Interest receivable	138	137	19	27
Due from City of Burbank	-	3	-	-
Restricted nonpooled investments (note 2)	4,703	5,290	150	153
Total current assets	104,225	102,596	20,500	21,829
Noncurrent assets:				
Advances receivable	17	462	3	73
Pension/OPEB asset (note 15)	9,596	6,462	940	430
Regulatory assets - deferred charges (note 6)	1,248	1,253	451	469
Total noncurrent assets	10,861	8,177	1,394	972
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	405,125	388,499	118,715	112,627
Machinery and equipment	50,789	42,942	5,194	5,038
Construction in progress	19,931	19,450	13,296	7,607
Total utility plant and equipment	479,914	454,960	137,514	125,581
Less accumulated depreciation	(197,619)	(181,004)	(50,156)	(46,644)
Total capital assets, net	282,295	273,956	87,358	78,937
Total assets	\$ 397,381	\$ 384,729	\$ 109,252	\$ 101,738

Liabilities	Electric		Water	
	2013	2012	2013	2012
Current liabilities:				
Accounts payable (note 8)	\$ 1,788	\$ 1,619	\$ 2,628	\$ 1,824
Accrued expenses	10,871	9,977	1,843	2,065
Bond interest payable	441	345	156	176
Interfund payable	480	435	55	55
Due to the City of Burbank	-	1	-	-
Customer deposits (note 10)	10,122	9,076	1,501	1,337
Current portion of revenue bonds payable, net (note 9)	3,450	3,460	470	514
Current portion of loan payable (note 9)	-	-	507	199
Current portion of compensated absences (note 9)	407	367	30	28
Unearned revenue (note 14)	7,189	5,498	-	-
Total current liabilities	34,748	30,778	7,190	6,198
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	93,081	97,407	35,501	36,097
Loan payable (note 9)	-	-	6,753	738
Compensated absences (note 9)	4,506	4,469	803	674
Total noncurrent liabilities	97,587	101,876	43,057	37,509
Total liabilities	132,335	132,654	50,247	43,707
Net Position				
Net position:				
Net investment in capital assets	190,466	178,317	44,276	50,127
Restricted for debt service	4,703	5,290	150	153
Unrestricted	69,877	68,468	14,579	7,751
Total net position	\$ 265,046	\$ 252,075	\$ 59,005	\$ 58,031

See accompanying notes to basic financial statements

With comparative financial information for the year ended June 30, 2012 • (\$ in thousands)

	Electric		Water	
	2013	2012	2013	2012
Operating revenues:				
Sale of power-retail	\$ 167,828	\$ 161,788	-	-
Sale of power and fuel-wholesale (note 13)	44,295	35,484	-	-
Sale of water	-	-	26,727	25,734
Other revenues	6,628	4,959	1,007	995
Total operating revenues	218,751	202,231	27,734	26,729
Operating expenses:				
Power supply expenses-retail (note 12)	93,008	88,825	-	-
Purchased power and fuel expenses-wholesale (note 13)	41,875	32,747	-	-
Water supply expenses (note 1)	-	-	11,951	10,780
Water maintenance and operation expenses	-	-	7,312	7,114
Transmission expenses	12,263	15,384	-	-
Distribution expenses	8,583	9,225	-	-
Other operating expenses (note 1)	19,670	18,426	1,788	1,616
Depreciation	17,358	14,977	3,564	3,041
Total operating expenses	192,757	179,584	24,615	22,551
Operating income	25,994	22,647	3,119	4,178
Nonoperating income (expenses):				
Interest income	927	1,517	(150)	248
Payments in lieu of taxes to City (note 11)	(10,904)	(10,498)	(1,252)	(1,153)
Intergovernmental	1,881	4,485	-	-
Interest expense	(4,680)	(5,282)	(1,341)	(1,575)
Gain (loss) on disposal of capital assets	109	(1,745)	(159)	(168)
Other income (expenses), net	(880)	(2,880)	549	595
Total nonoperating income (expenses)	(13,547)	(14,403)	(2,353)	(2,053)
Income before contributions	12,447	8,244	766	2,125
Capital contributions	524	551	208	1,154
Change in net position	12,971	8,795	974	3,279
Net position, July 1	252,075	243,280	58,031	54,752
Net position, June 30	\$ 265,046	\$ 252,075	\$ 59,005	\$ 58,031

See accompanying notes to basic financial statements

With comparative financial information for the year ended June 30, 2012 • (\$ in thousands)

	Electric		Water	
	2013	2012	2013	2012
Cash flows from operating activities:				
Cash received from customers	\$ 212,133	\$ 195,071	\$ 26,878	\$ 25,016
Cash paid to suppliers	(155,089)	(138,771)	(14,795)	(16,247)
Cash paid to employees	(18,758)	(18,739)	(5,024)	(4,959)
Net cash provided by (used in) operating activities	38,286	37,561	7,059	3,810
Cash flow from noncapital financing activities:				
Proceeds from other governmental agencies	1,881	4,485	-	-
Other income (expenses)	1,587	-	401	-
Payment in lieu of taxes to City	(10,904)	(10,498)	(1,252)	(1,153)
Net cash provided by (used in) noncapital financing activities	(7,436)	(6,013)	(851)	(1,153)
Cash flows from capital and related activities:				
Proceeds from debt issuance	-	9,810	6,949	521
Principal payments - bond	(3,460)	(19,675)	(490)	(480)
Interest paid	(4,584)	(5,733)	(1,514)	(1,488)
Contributed capital	524	551	208	1,154
Acquisition and construction of assets	(25,697)	(32,140)	(11,985)	(10,597)
Principal payments - loan payable	-	-	(650)	(194)
Net cash used in capital and related activities	(33,217)	(47,187)	(7,482)	(11,084)
Cash flows from investing activities:				
Interest received	1,301	1,522	117	282
Sales of restricted investment	587	4,151	3	-
Net cash provided by investing activities	1,888	5,673	120	282
Net increase (decrease) in cash and cash equivalents	(479)	(9,966)	(1,154)	(8,145)
Cash and cash equivalents, July 1	52,144	62,110	16,570	24,715
Cash and cash equivalents, June 30	\$ 51,664	\$ 52,144	\$ 15,416	\$ 16,570

	Electric		Water	
	2013	2012	2013	2012
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 25,994	\$ 22,647	\$ 3,119	\$ 4,178
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	17,358	14,977	3,564	3,041
GASB 31 market value adjustment	(375)	-	(106)	-
Gain/(loss) on sale of fixed assets	109	-	(159)	-
Other income (expense), net	(2,464)	(1,745)	(12)	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	10	(2,201)	151	(718)
Increase (decrease) in due to/from the City of Burbank	3	(3)	-	-
(Increase) decrease in inventories	(3,412)	814	24	(148)
(Increase) decrease in prepaid items	(2,430)	(6,164)	(521)	29
(Increase) decrease in prepaid other post employment benefits	-	261	-	-
(Increase) decrease in advances receivable	445	556	70	80
Increase (decrease) in interfund payable	(1)	(444)	-	(51)
(Increase) decrease in deferred bond discount	-	563	-	(366)
(Increase) decrease in regulatory assets - deferred charges	(871)	-	(108)	-
Increase (decrease) in accounts payable and accrued expenses	2,763	(498)	455	(2,958)
Increase (decrease) in compensated absences	77	187	131	(7)
Increase (decrease) in unearned revenue	1,691	5,498	-	-
Increase (decrease) in interfund payable	44	-	-	-
Increase (decrease) in customer deposits	(655)	1,547	292	303
Other proceeds	-	1,566	159	427
Total adjustments	12,292	14,914	3,940	(368)
Net cash provided by (used by) operating activities	\$ 38,286	\$ 37,561	\$ 7,059	\$ 3,810
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	\$ (375)	\$ (69)	\$ (106)	\$ (99)

See accompanying notes to basic financial statements

With certain comparative summary information for the year ended June 30, 2012

NOTE 1: Summary of Significant Accounting Policies

(A) ACCOUNTING METHODS

The reporting model includes financial statements prepared using full accrual accounting for the Electric and Water Utility Funds' activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets, as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

The basic financial statements include the following:

Statement of Net Position – The statement of net position is designed to display the financial status of the reporting entity. The net assets of the Electric and Water Utility Funds are separated into three categories – 1) net investment in capital assets, 2) restricted for debt service, and 3) unrestricted.

- Net investment in capital consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted for debt service net position are those in which use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of entities with jurisdiction, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of net position that do not meet the definition of restricted for debt service or net investment in capital assets.

Statement of Revenues, Expenses and Changes in Fund Net Position – The statement of revenues, expenses and changes in fund net position reports revenues by major source and distinguishes between operating and nonoperating revenues and expenses.

Statement of Cash Flows – For the purposes of the statement of cash flows, the Electric and Water Utility Funds include their portion of the City's pooled cash and investments and restricted investments with an original maturity of three months or less as cash equivalents. The Electric and Water Utility Funds consider the pooled cash and investments to be a demand deposit account whereby monies may be withdrawn or deposited at any time without prior notice or penalty.

(B) BASIS OF PRESENTATION

The Electric and Water Utility Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be recovered primarily through user charges or (b) where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital expenditures, public policy, management control, accountability and other purposes.

(C) REPORTING ENTITY

The Electric and Water Utility Funds' operations were established by the City in 1913. Burbank Water and Power (BWP) manages the generation, purchase, transmission, distribution, and sale of water and electric energy. The activities of BWP are overseen by the City Council.

The Electric and Water Utility Enterprise Funds are used to account for the operation, maintenance, and construction of the City-owned electric and water utility. The City considers the Electric and Water Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America. As an integral part of the City's overall operations, the Electric and Water Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

The Electric Utility Fund follows the regulatory accounting criteria set forth per the GASB Codification, where the effects of the ratemaking process are recorded in the financial statements. As a result, certain grant revenues and expenses have been recorded in the Electric Utility Enterprise Fund as it will not impact future electric rates to customers.

(D) PRONOUNCEMENT ISSUED BUT NOT YET ACCEPTED

GASB issued pronouncements prior to June 30, 2013 that have an effective date that may impact future financial presentation. Management has not currently determined whether any impact on the implementation of the following statements may have on the financial statements of the Utility:

Governmental Accounting Standards Board Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for fiscal year 2014-15 (see note 15).

(E) PRONOUNCEMENT ISSUED AND IMPLEMENTED FOR FISCAL YEAR 2012-13

Government Accounting Standards Board Statement No. 62 - Management has chosen to apply Accounting Standards Codification 980 / Financial Accounting Standards Board 71 (ASC 980 / FASB 71) rules under GASB No. 62. This Codification allows for certain utility transactions in which strictly following GASB No. 62 does not match the Utility business model (Enterprise Fund). This accounting allows a utility to alter the accounting for certain transactions to match the regulated rate recovery of costs if two criteria are met – a) future recovery is probable and b) it is clear that future recovery is based on prior costs and not similar future costs. Management has chosen, following ASC 980 / FASB 71, to continue to amortize its bond issuance costs over the remaining life of the associated bonds (see note 6).

With certain comparative summary information for the year ended June 30, 2012

Governmental Accounting Standards Board Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Utility fiscal year 2012-13 - The statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense/expenditure) until then. Furthermore, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Utility has no deferred outflows or inflows of resources to report for fiscal year 2012-13 under GASB 63.

Governmental Accounting Standards Board Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Utility fiscal year 2013-14. The implementation of GASB Statement No. 65 recognizes cost of issuance and is applied retroactively by restating financial statements, if practical for all periods presented. BWP has chosen to apply Accounting Standards Codification 980 rules under GASB 62 for certain types of utility transactions where strictly following GASB does not match the utility business model for activities that will benefit future periods or be charged against future periods. Under GASB 65, the City has expensed all its deferred charges related to bond issuance costs. The Utility has chosen, following ASC 980, to continue to amortize its bond issuance costs over the remaining life of the associated bonds matching in future periods the cost of issuance with the benefit derived from the bond financing. See note 6 for additional information.

(F) SELF-INSURANCE

The Electric and Water Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. See note 16, Self-Insurance, for additional information on the City's self-insurance programs.

(G) CAPITAL ASSETS

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or losses are included in nonoperating income (expenses). Maintenance and repairs that don't add to the value of the asset or materially extend the useful life of the asset are charged to expense as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows (see note 7):

Boiler Plant	20 years
Building and Improvements	25 to 40 years
Distribution Stations	20 years
Electric Meters	10 to 20 years
Machinery and Equipment (except vehicles)	5 to 40 years
Office Equipment	5 years
Poles, Towers, & Fixtures	20 to 40 years
Production Plant	20 to 40 years
Reservoirs and Tanks	40 years
Transformers	25 years
Transmission Equipment	40 years
Transmission Structures	40 years
Vehicles	5 to 12 years
Water Meters	10 to 20 years
Water Services	30 years
Water Wells and Springs	40 years

(H) ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Accounts receivable includes billed and unbilled utility customer accounts, wholesale power sales, and miscellaneous charges unpaid as of June 30, 2013, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see note 3).

(I) INVENTORIES

Inventories consist of groundwater, natural gas, materials, and supplies held for future consumption and are priced at average cost (see note 4).

(J) DEPOSITS AND PREPAID EXPENSES

The Electric and Water Funds, in the normal course of operations, place deposits and reserves with other governmental agencies, power providers and vendors, and records them as such. The Electric and Water Funds also prepay certain expenses, recording them as prepaid, which are then recognized as expense as benefits are received (see note 5).

(K) RESTRICTED NONPOOLED INVESTMENTS

The Electric and Water Funds have restricted nonpooled investments, in the form of debt service and parity reserves, to comply with the covenants contained in the various debt indentures requiring the establishment of certain specific accounts (note 9).

(L) COMPENSATED ABSENCES

The cost of employees' vested vacation and sick pay benefits are accrued as they are earned by the employees (note 9).

(M) USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

With certain comparative summary information for the year ended June 30, 2012

(N) REVENUE RECOGNITION

Revenues are recorded in the period in which they are earned. The Electric and Water Utility Funds accrue estimated unbilled revenue for energy and water sold but not billed at the end of the fiscal period (see note 3). All residential and commercial accounts are billed monthly. Operating revenues consist of retail and wholesale sales of electricity, sales of potable and recycled water, and charges for electric and water related work performed for customers, such as service connection and relocation fees.

The Electric Utility Fund's revenues include grant reimbursements from the Department of Energy (DOE) for systems modernization projects. The DOE Grant allows for reimbursement of approved expenditures at 31.9% up to \$20 million; however, accelerated payments at 50% were received during the fiscal year. The excess, accelerated portions of the DOE payments have been recorded as unearned revenue (see note 14).

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as deferred revenue (see note 8).

(O) OPERATING EXPENSES

Purchased power and fuel expenses include all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in note 12.

Water supply expenses include purchased water, electricity used to pump water, and chemicals used in water treatment (see note 8).

Other operating expenses include all costs associated with the Electric and Water Utility Funds' administration, customer service, telecom services, public benefits programs, and transfers to the City for cost allocations.

(P) RECLASSIFICATIONS

Certain items in the 2012 financial statements have been reclassified to reflect the classifications used in the financial statements as of and for the year ended June 30, 2013. These reclassifications had no impact on the net position or changes in net position.

(Q) BOND PREMIUMS AND DISCOUNTS AND DEBT ISSUANCE COSTS

Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bond issuance costs, including underwriters' discount, are reported as regulatory assets – deferred charges. Amortization of bond premiums and discounts are included in interest expense (see note 9).

(R) BOND REFUNDING COSTS

Bond refunding costs are deferred and amortized over the lives of the related bond issues on the effective interest method. Bond refunding costs are recorded as a reduction of the long-term debt obligation on the accompanying basic financial statements (see note 9).

(S) PRIOR YEAR DATA

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Electric and Water Utility Funds' prior year financial statements, from which this selected data was derived.

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Pooled cash and investments	\$ 51,644	\$ 15,416	\$ 67,060
Restricted investments	4,703	150	4,853
Total	\$ 56,347	\$ 15,566	\$ 71,913
Cash on hand	11	-	11
Investments	56,336	15,566	71,902
Total	\$ 56,347	\$ 15,566	\$ 71,913

The City combines the cash and investments of all funds into two pools (the City pool, and the Housing Authority pool), except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's portion of the pooled cash and investments are displayed on the statement of net position. Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets.

BWP has no separate bank accounts or investments other than investments held by bond trustee, and BWP's equity in the cash and investment pool is managed by the City. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City. GASB Statement No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the Comprehensive Annual Financial Report of the City.

The City is responsible for all investments on behalf of the Electric and Water Utility Funds.

With certain comparative summary information for the year ended June 30, 2012

NOTE 3: Accounts Receivable

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2013 and June 30, 2012 are:

	Electric		Water	
	2013	2012	2013	2012
Billed accounts receivable	\$ 8,077	\$ 8,705	\$ 1,923	\$ 2,120
Unbilled accounts receivable	7,381	6,685	1,323	1,272
Allowance	(396)	(318)	(53)	(48)
Total	\$ 15,062	\$ 15,072	\$ 3,193	\$ 3,344

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2013 and June 30, 2012 are:

	Electric		Water	
	2013	2012	2013	2012
Materials and supplies inventory	\$ 6,438	\$ 5,398	\$ 572	\$ 518
Natural gas inventory	2,372	-	-	-
Ground water purchases inventory	-	-	1,138	1,216
Total	\$ 8,810	\$ 5,398	\$ 1,710	\$ 1,734

Since November 2012, the Electric Fund has maintained a natural gas inventory, which is stored offsite, valued at \$2,372 as of June 30, 2013. This natural gas is accessible for operational use at any time.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$23,848 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$13,507 deposit with SCPPA for future use in projects, a \$5,526 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a \$2,708 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a \$875 prepayment for renewable energy, a \$214 Morgan Stanley power exchange prepayment, a \$188 prepayment for electric power purchases, a \$180 prepayment for the Advanced Metering Infrastructure Project, and various other prepaid expenses of \$12. In addition, in June 2000, the City prepaid a lease payment of \$1,500 for the use of land to locate a new switching station. The twenty-year lease began in January 2002. For the fiscal year ended June 30, 2013, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$638.

NOTE 6: Regulatory Assets – Deferred Charges

As of June 30, 2013 and June 30, 2012, the Electric Utility Fund had 2012A Series unamortized bond issuance costs of \$1,248 and \$1,253, respectively, and the amortized expense was \$5 and \$18 respectively. The 2012A Series Bonds' term is 10 years.

As of June 30, 2013 and June 30, 2012, the Water Utility Fund had 2010A & B Series unamortized bond issuance costs of \$451 and \$468, respectively, and the amortized expense was \$17 for both fiscal years. The 2010A Series Bonds' term is 12 years, and the 2010B Series Bonds' term is 30 years.

With certain comparative summary information for the year ended June 30, 2012

NOTE 7: Capital Assets

Capital assets include the following as of June 30, 2013:

ELECTRIC	Balance as of June 30, 2012	Additions	Deletions	Balance as of June 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,734	-	-	\$ 2,734
Construction in progress	19,481	27,752	(27,302)	19,931
Total capital assets not being depreciated	<u>22,215</u>	<u>27,752</u>	<u>(27,302)</u>	<u>22,665</u>
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	1,335
Accumulated depreciation	(541)	(43)	-	(584)
Buildings and improvements	388,470	18,158	(1,503)	405,125
Accumulated depreciation	(156,136)	(12,699)	561	(168,274)
Machinery and equipment	42,940	9,590	(1,741)	50,789
Accumulated depreciation	(24,327)	(4,659)	225	(28,761)
Total capital assets being depreciated, net	<u>251,741</u>	<u>10,347</u>	<u>(2,458)</u>	<u>259,630</u>
Total net capital assets	<u>\$ 273,956</u>	<u>\$ 38,099</u>	<u>\$ (29,760)</u>	<u>\$ 282,295</u>

WATER	Balance as of June 30, 2012	Additions	Deletions	Balance as of June 30, 2013
Capital assets not being depreciated:				
Land	\$ 309	-	-	\$ 309
Construction in progress	7,606	11,847	(6,157)	13,296
Total capital assets not being depreciated	<u>7,915</u>	<u>11,847</u>	<u>(6,157)</u>	<u>13,605</u>
Capital assets being depreciated:				
Buildings and improvements	112,627	6,183	(95)	118,715
Accumulated depreciation	(43,292)	(3,280)	39	(46,533)
Machinery and equipment	5,038	350	(194)	5,194
Accumulated depreciation	(3,351)	(284)	12	(3,623)
Total capital assets being depreciated, net	<u>71,022</u>	<u>2,969</u>	<u>(238)</u>	<u>73,753</u>
Total net capital assets	<u>\$ 78,937</u>	<u>\$ 14,816</u>	<u>\$ (6,395)</u>	<u>\$ 87,358</u>

CAPITALIZED INTEREST

During the fiscal year the Electric and Water Utility Funds had capitalized interest of \$715 and \$410, respectively, compared to the prior fiscal year of \$832 and \$435, respectively.

PACIFIC DC INTERTIE

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. As of June 30, 2013, the Electric Utility Fund has recorded its share of the Intertie of approximately \$14,634 within its plant and equipment assets, less accumulated depreciation approximating \$11,276, for a net asset value of \$3,358. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

NOTE 8: Unearned Revenue

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred to a water cost adjustment deferred revenue account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. For the fiscal year, no deferred WCAC revenue was recorded. The deferred WCAC liability balance is \$1,110 at June 30, 2013 and 2012, and is reported in accounts payable.

With certain comparative summary information for the year ended June 30, 2012

NOTE 9: Loan Payable and Revenue Bonds Payable

(A) LOAN PAYABLE

	Water	
	2013	2012
Water Loan Payable		
This SWRCB Loan was issued for the purpose of construction improvements to the Recycled Water Distribution System. Funds are disbursed on either a reimbursement basis, or at such time, as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date.	\$ 241	\$ 440
Less current portion	(205)	(199)
Total for Recycled Water Distribution System	36	241
This SWRCB Loan was issued for the purpose of upgrading the Recycled Water Pumping Station PS-1 project to create capacity needed to distribute recycled water to new users. The cost of the project is estimated to be \$1,916, of which \$521 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than November 2030.	497	521
Less current portion	(22)	(24)
Total for Recycled Water Pumping Station	475	497
This loan was issued for the purpose of Constructing the Valhalla Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Valhalla Memorial Park and Cemetery and other recycled water customers in its vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was \$5,062, of which \$3,709 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2031.	3,481	-
Less current portion	(154)	-
Total for Valhalla Recycled Water Main Extension	3,327	-
This loan was issued for the purpose of Constructing the Studio District Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Warner Brothers, Disney, and NBC Studios and other recycled water customers in their vicinity. The project also includes the design of a below-grade inline booster station maintain pressure in the western extents of this extension. The cost of the project was \$5,161, of which \$3,240 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2032.	3,042	-
Less current portion	(126)	-
Total for Studio District Recycled Water Main Extension	2,916	-
Total long-term intergovernmental loan payments	\$ 6,754	\$ 738

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2013 is as follows:

	SWRCB Loan for the Recycled Water Distribution System		
	Water		
	Principal	Interest	Total
2014	\$ 205	\$ 7	\$ 212
2015	36	-	36
	\$ 241	\$ 7	\$ 248

	SWRCB Loan for the Recycled Water Pumping Station		
	Water		
	Principal	Interest	Total
2014	\$ 22	\$ 13	\$ 35
2015	23	12	35
2016	22	12	34
2017	24	11	35
2018	24	11	35
2019-2023	132	43	175
2024-2028	150	25	175
2029-2032	100	5	105
	\$ 497	\$ 132	\$ 629

With certain comparative summary information for the year ended June 30, 2012

**SWRCB Loan for the Valhalla
Recycled Water Main Extension**

	Water		Total
	Principal	Interest	
2014	\$ 154	\$ 91	\$ 245
2015	158	87	245
2016	162	82	244
2017	166	78	244
2018	171	74	245
2019-2023	923	300	1,223
2024-2028	1,049	174	1,223
2029-2031	697	37	734
	<u>\$ 3,481</u>	<u>\$ 923</u>	<u>\$ 4,403</u>

**SWRCB Loan for the Studio District
Recycled Water Main Extension**

	Water		Total
	Principal	Interest	
2014	\$ 126	\$ 79	\$ 205
2015	129	76	205
2016	133	72	205
2017	136	69	205
2018	139	65	204
2019-2023	753	271	1,024
2024-2028	857	168	1,025
2029-2032	769	51	820
	<u>\$ 3,042</u>	<u>\$ 851</u>	<u>\$ 3,893</u>

(B) REVENUE BONDS PAYABLE

All the revenue bonds issued by the Electric or Water Utility Funds are secured by a pledge of a lien upon the net revenues of the Electric or Water Utility Funds, depending on the purpose of the debt, as well as all amounts on deposit in the funds and accounts established under the indenture, including the reserve account. Net reserves include all revenues received by the Electric or Water Utility Funds, less amounts required for payment of operating expenses.

2010A Series Bonds:

These bonds were issued to partially advance refund the 1998 Bonds and the 2001 Bonds and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from \$2,290 to \$3,530. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.

Less:

	Electric	
	2013	2012
Current portion	(2,595)	(2,490)
Original issue discount/premium	1,360	1,332
Long-term Bonds Series A of 2010	<u>\$ 29,810</u>	<u>\$ 32,377</u>

	Electric	
	2013	2012
	\$ 31,045	\$ 33,535

2010B Series Bonds:

These bonds were issued to finance a portion of the costs of certain improvements to the Electric System, including the conversion of certain residential and commercial distribution circuits, to fund a deposit in the Parity Reserve Fund and to pay the costs of issuance. Payable in installments ranging from \$2,210 to \$4,195. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve amount.

Less:

	Electric	
	2013	2012
Current portion	-	-
Original issue discount/premium	1,662	1,628
Long-term Bonds Series B of 2010	<u>\$ 54,327</u>	<u>\$ 54,293</u>

	Electric	
	2013	2012
	\$ 52,665	\$ 52,665

2012 Series A Bonds:

These bonds were issued to refund on a current basis all of the outstanding 2002 Electric Bonds and to pay the costs of issuance of the Series 2012A Bonds. Payable in installments ranging from \$375 to \$1,145. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.

	Electric	
	2013	2012
Current portion	(855)	(970)
Original issue discount/premium	959	1,897
Long-term Bonds Series A of 2012	<u>\$ 8,944</u>	<u>\$ 10,737</u>

Total Electric long-term revenue bonds payable	<u>\$ 93,081</u>	<u>\$ 97,407</u>
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With certain comparative summary information for the year ended June 30, 2012

2010A Series Bonds:

These bonds were issued to refund on a current basis all of the outstanding 1998 Water Bonds, finance the costs of certain improvements to the City's water system and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from \$165 to \$970. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.

Less:

	Water	
	2013	2012
	\$ 7,415	\$ 7,905
Current portion	(470)	(490)
Original issue discount/premium	752	863
Long-term Bonds Series A of 2010	\$ 7,697	\$ 8,278

2010B Series Bonds:

These bonds were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from \$850 to \$2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account. The City expects to receive a direct cash subsidy from the United States Department of Treasury equal to 35% of the interest on the Series 2010B Bonds.

Less:

	Water	
	2013	2012
	\$ 27,945	\$ 27,945
Current portion	-	-
Original issue discount/premium	(141)	(126)
Long-term Bonds Series B of 2010	\$ 27,804	\$ 27,819

Total Water long-term revenue bonds payable

	\$ 35,501	\$ 36,097
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The Electric and Water Funds are in compliance with the covenants contained in the various debt indentures, which require the establishment of certain specific accounts for the revenue and revenue/refunding bonds.

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2013 is as follows:

	Electric		Water		Total
	Principal	Interest	Principal	Interest	
2014	\$ 3,450	\$ 4,014	\$ 470	\$ 1,876	\$ 9,810
2015	3,580	3,885	735	1,858	10,058
2016	3,745	3,723	765	1,828	10,061
2017	3,920	3,545	795	1,798	10,058
2018	4,100	3,368	830	1,766	10,064
2019 – 2023	21,090	13,781	4,670	8,295	47,836
2024 – 2028	11,965	9,794	5,620	7,078	34,457
2029 – 2033	14,600	7,201	7,165	5,391	34,357
2034 – 2038	17,875	3,954	9,840	3,031	34,700
2039 – 2040	8,225	510	4,470	391	13,596
Total	\$ 92,550	\$ 53,775	\$ 35,360	\$ 33,312	\$ 214,997

(C) PLEDGED REVENUE

The Electric and Water Utility Funds have debt issuances outstanding that are collateralized by the pledging of utility net revenues. The amount and term of the remainder of these commitments are indicated in the Revenue Bonds Payable tables in Section (B). Utility net revenues are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the bonds outstanding, and any parity debt. All remaining utility net revenues, after making the aforementioned secured payments, will be available to the Electric and Water Funds for all lawful utility purposes. The pledge of utility net revenues shall be irrevocable until all of the bonds and parity debt are no longer outstanding.

	FY 12-13 Net Revenues Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	\$ 43,352	\$ 92,550	\$ 53,775	\$ 3,460	\$ 4,873
Water Utility	6,683	35,360	33,312	490 ⁽¹⁾	1,888

⁽¹⁾ For 2010A Series Bonds.

With certain comparative summary information for the year ended June 30, 2012

(D) UTILITY FUNDS' LONG-TERM LIABILITIES

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2013:

	July 1, 2012	Additions	Retirements	June 30, 2013	Due within 1 Year
Revenue Bond Payable:					
2010 Series A Bonds	\$ 33,535	-	\$ (2,490)	\$ 31,045	\$ 2,595
2010 Series B Bonds	52,665	-	-	52,665	-
2012 Series A Bonds	9,810	-	(970)	8,840	855
Compensated Absences	4,836	444	(367)	4,913	407
	<u>\$ 100,846</u>	<u>\$ 444</u>	<u>\$ (3,827)</u>	<u>\$ 97,463</u>	<u>\$ 3,857</u>
Less current portion	(3,827)			(3,857)	
Less unamortized bond premium (discounts)	4,857			3,981	
Total	<u><u>\$ 101,876</u></u>			<u><u>\$ 97,587</u></u>	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2013:

	July 1, 2012	Additions	Retirements	June 30, 2013	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	\$ 440	-	\$ (199)	\$ 241	\$ 205
Intergovernmental Loan Payable	521	-	(24)	497	22
Intergovernmental Loan Payable	-	3,708	(228)	3,481	154
Intergovernmental Loan Payable	-	3,240	(198)	3,042	126
2010 Series A Bonds	7,905	-	(490)	7,415	470
2010 Series B Bonds	27,945	-	-	27,945	-
Compensated Absences	702	159	(28)	833	30
	<u>\$ 37,513</u>	<u>\$ 7,107</u>	<u>\$ (1,167)</u>	<u>\$ 43,453</u>	<u>\$ 1,007</u>
Less current portion	(741)			(1,007)	
Less unamortized bond premium (discounts)	737			611	
Total	<u><u>\$ 37,509</u></u>			<u><u>\$ 43,057</u></u>	

NOTE 10: Customer Deposits

California AB 1890 directs municipalities, including the Electric Utility, to collect 2.85% of its electric revenues for Public Benefits' (PB) programs, including investment in renewable resources. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities included in customer deposit liabilities. The amount of the PB obligation is part of customer deposits, but reported as the PB liability. The unspent portion of the PB obligation as of June 30, 2013 and June 30, 2012 is \$7,560 and \$7,670, respectively.

NOTE 11: Related Party Transactions

The City assesses a 5.0% in-lieu of taxes on Electric and Water Utility Funds' revenues. In addition, an assessment of 1.5% is made on electric revenues to maintain and operate the City's street lighting system. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2013 and 2012 as follows:

	Electric		Water	
	2013	2012	2013	2012
In-lieu of taxes	\$ 8,497	\$ 8,179	\$ 1,252	\$ 1,153
Street lighting	2,407	2,319	-	-
Total payment in-lieu of taxes	<u><u>\$ 10,904</u></u>	<u><u>\$ 10,498</u></u>	<u><u>\$ 1,252</u></u>	<u><u>\$ 1,153</u></u>

The City also allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2013 and 2012 were as follows:

	Electric		Water	
	2013	2012	2013	2012
Administrative & overhead costs	\$ 4,749	\$ 4,670	\$ 913	\$ 830
Total	<u><u>\$ 4,749</u></u>	<u><u>\$ 4,670</u></u>	<u><u>\$ 913</u></u>	<u><u>\$ 830</u></u>

With certain comparative summary information for the year ended June 30, 2012

In addition, the City receives a 7% Utility Users Tax on electric revenues that is not reflected in the Electric Utility Fund’s financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2013 and 2012 was as follows:

	Electric	
	2013	2012
Utility Users Tax	\$ 11,047	\$ 10,697
Total	\$ 11,047	\$ 10,697

NOTE 12: Power Supply and Fuel Expenses – Retail

(A) RETAIL ENERGY SUPPLY

BWP receives electricity through firm contracts, local generation and market purchases. The majority of electricity is delivered through firm contracts, which include “take or pay”, “take and pay” and term purchases. Local generation and market purchases supplement firm contracts to meet the City’s retail load requirements.

(B) JOINT POWERS AGENCY CONTRACTS

The City, through its Electric Utility Fund, has entered into several “take or pay” contracts and one “take and pay” contract through its participation in two joint power agencies, the Intermountain Power Agency (IPA) and SCPPA in order to meet the electric needs of its customers. These contracts are not considered joint ventures since the City has no interest in the assets, liabilities, or equity associated with any of the projects to which these contracts refer. Under the “take or pay” contract, the City is obligated to pay its share of the indebtedness regardless of the ability of the contracting agency to provide electricity or the City’s need for the electricity. The City is only obligated to pay its share of the indebtedness upon delivery of energy under the “take and pay” contracts. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14 because the IPA and SCPPA do not depend on revenue from the City to continue in existence.

These contracts constitute an obligation of the Electric Utility Fund to make debt service payments from its operating revenues. The Electric Utility Fund’s share of debt service is not recorded as an obligation on the accompanying basic financial statements; however, it is included as a component of its power supply expenses.

During the fiscal years ended June 30, 2013 and 2012, the Electric Fund made payments totaling \$63,749 and \$62,326 for “take or pay” contracts, respectively, and \$1,181 and \$2,689 for the “take and pay” contract, respectively.

(a) Intermountain Power Agency (IPA)

In 1980, the City, along with the California Cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each purchaser to purchase, on a “take or pay” basis, a percentage share of capacity and energy generated by the Intermountain Power Project (IPP) in Utah. The City, through contract, is entitled to 60 MW or 3.371% of the 1,800 MW of generation at the plant. In addition, the City entered into an Excess Power Sales Agreement, also on a “take or pay” contract, with Utah municipal and cooperative IPP purchasers, which provides for the City to obtain up to an additional 0.797% (14 MW) when not used by the Utah municipal or cooperative IPP purchasers.

(b) Southern California Public Power Authority (SCPPA)

SCPPA membership consists of 10 Southern California Cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

Southern Transmission System Project (STS)

Pursuant to an agreement dated May 1, 1983 with the IPA, SCPPA made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the STS, which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of SCPPA, serves as project manager and operating agent of IPP. The STS consists of a 488 mile transmission line and the associated converter station on each end. The 500kV DC bi-pole transmission lines are currently rated at 2,400 megawatts (MW) as a result of an upgrade completed in December 2010. The City’s ownership share of this project is 4.498%.

Magnolia Power Project (MPP)

In March 2003, the City, along with the Cities of Anaheim, Cerritos, Colton, Glendale and Pasadena, entered into a power sales agreement with SCPPA for MPP. MPP commenced commercial operations in Burbank, California in September 2005. MPP is a combined-cycle natural gas-fired generation plant with a nominal rate net base capacity of 242 MW, but can boost its output to 310 MW, if needed. The City has entitlement up to 97.6 MW or 30.992% of its output. The City’s share of outstanding debt is 32.35% which excludes debt relating solely to the City of Cerritos. The City is also MPP’s operating agent.

Prepaid Natural Gas Project (PNGP)

The PNGP primarily consists of the acquisition by SCPPA of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas, which subsequently was reduced to approximately 90 billion cubic feet as a result of restructuring to accelerate a portion of the long-term savings, reduce the remaining volumes of gas to be delivered, and shorten the overall duration of five prepaid agreements (with the City, and the Cities of Anaheim, Colton, Glendale and Pasadena).

With certain comparative summary information for the year ended June 30, 2012

The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for MPP. The City has no obligation under the natural gas supply agreement to pay for gas not delivered.

Milford I Wind Project (MIWP)

MIWP is located near Milford, Utah and began commercial operations in November 2009. The facility is a 200 MW nameplate capacity wind farm comprised of 97 wind turbine generators, delivered by a 90 mile transmission line, 345kV, extending from the generation site to the IPP switchyard in Delta, Utah. This plant generates enough capacity to supply electricity to power more than 60,000 homes and offset over 366,000 tons per year of carbon dioxide that would otherwise be emitted from a coal-powered plant. SCPPA (on behalf of project participants LADWP, the City and the City of Pasadena, California) acquired 100% of this facility and issued bonds in 2010 to finance the purchase by prepayment of a specified quantity of energy from this facility over the 20-year delivery term, with a guaranteed annual quantity in each year. The City's share of this project is 5.000% of the total capacity of 10 MW, energy, and environmental attribute rights produced at this facility.

Mead-Adelanto Project (MA)

SCPPA also entered into an agreement dated December 17, 1991 to acquire a 67.917% interest in the MA, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the Multiple Projects Fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of MA. The project is a 202 mile, 500kV AC transmission line with a rating of 1,200 MW. The City's ownership share of MA is 11.534%.

Palo Verde Project (PV)

Pursuant to an assignment agreement dated August 14, 1981 with the Salt River Project, SCPPA purchased a 5.910% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near

Phoenix, Arizona and a 6.550% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the PV). Units 1, 2 and 3 of PV began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.400% (9.7 MW).

Tieton Hydro Project (THP)

This facility was acquired by SCPPA in November 2009 with 100% of entitlement shares. Each of the two project participants, the City and the City of Glendale, California, have an equal 50.000% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised of a powerhouse constructed at the base of the United States Bureau of Reclamation (USBR) Tieton Dam on the Tieton River in the State of Washington, on a 21 mile, 115kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual generation from this plant is approximately 48,000 megawatt hours (MWh). The City is also Tieton's operating agent.

Mead-Phoenix Project (MP)

SCPPA entered into an agreement dated December 17, 1991 to acquire an interest in the MP, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides SCPPA with an 18.308% interest in the West Wing-Mead project, a 17.756% interest in the Mead substation project component and a 22.408% interest in the Mead-Marketplace component. The project is a 256 mile, 500kV AC transmission line with a rating of 1,300 MW. The City's ownership share of MP is 15.400%.

Natural Gas Project (NGP)

The NGP was acquired by SCPPA in 2005 and 2006 and is being developed for the primary purpose of providing the participants with stable long-term supplies of gas for the purpose of fueling their electric generation needs.

SCPPA issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the NGP through the redemption of a portion of SCPPA's draw down bonds previously issued for the NGP.

SCPPA has sold entitlements to 100% of the production capacity of the NGP pursuant to separate gas sales agreements with the five participants - the City, and the Cities of Anaheim, Colton, Glendale and Pasadena. The participants are obligated to pay for such production capacity, including amounts required to pay debt service on bonds issued to finance their respective share of the NGP, on a "take or pay" basis. The City has 14.286% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.273% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

Hoover Upgrading Project (HU)

On March 1, 1986, SCPPA and the City, and eight participants including the Cities of Anaheim, Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to SCPPA in return for SCPPA's agreement to make advance payments to the USBR on behalf of such participants. SCPPA has an 18.680% interest in the contingent capacity of the HU. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 15.957% (15 MW) ownership interest in this project.

With certain comparative summary information for the year ended June 30, 2012

A summary of the City's contracts and related projects and its commitments at June 30, 2013 is as follows:

	Bonds and notes outstanding	City of Burbank portion*	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Intermountain Power Project	\$ 1,848,701	3.371%	\$ 62,319	\$ 73,838
SCPPA: ⁽¹⁾				
Southern Transmission System	708,515	4.498%	31,869	42,670
Magnolia Power Project (Project A)	324,924	32.350%	105,114	156,184
Prepaid Natural Gas Project #1	313,903	33.099%	103,900	183,359
Milford I Wind Project	213,645	5.000%	10,684	16,043
Mead-Adelanto	126,167	11.534%	14,552	17,289
Palo Verde	47,460	4.400%	2,088	2,221
Tieton Hydropower Project	50,485	50.000%	25,245	47,681
Mead-Phoenix	38,390	15.400%	5,912	6,894
Natural Gas Project - Barnett	20,720	100.000%	20,720	30,817
Hoover Uprating Project	8,369	15.957%	1,336	1,525
Natural Gas Project - Pinedale	6,690	100.000%	6,690	9,952
SCPPA Total	\$ 1,859,268	17.647%	\$ 328,110	\$ 514,635
Total	\$ 3,707,969	10.529%	\$ 390,429	\$ 588,473

⁽¹⁾ All SCPPA listed obligations are "take or pay" contracts except the Prepaid Natural Gas Project #1, a "take and pay" contract, and the Milford I Wind Project, a prepaid purchase power agreement.

* Burbank shares in % and amounts are estimated based on weighted average.

With certain comparative summary information for the year ended June 30, 2012

Hedge Policies and Outstanding Hedge Contracts

The Electric Utility Fund utilizes natural gas hedging as outlined in the Energy Risk Management Policy. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers. Currently, the Electric Utility Fund (Buyer) has natural gas swap agreements with a few low risk counterparties (Seller) in place. The Buyer pays the agreed or fixed price and the Seller pays the floating market price. Depending on the price at the delivery month, Buyer will make payments or receive payments based on the price differentials. The financial settlements will either offset or add to the actual price of natural gas purchased at the spot market. These contracts are not included within the scope of GASB Statement No. 53 because they are entered into for the purpose of gas/electricity use in the normal course of operations.

Greenhouse Gas Cap-and-Trade Program

The State of California has implemented a greenhouse gas cap-and-trade program, California Assembly Bill 32, to reduce greenhouse gas emissions. At June 30, 2013, the City of Burbank has sufficient freely allocated greenhouse gas allowances for the first enforceable compliance period that ends December 31, 2013.

NOTE 13: Purchase Power and Fuel Expenses – Wholesale

The Electric Utility Fund has been involved in the wholesale market for many years. Since 2000, the Electric Utility Fund’s strategy has been one of primarily optimizing revenues from temporarily underutilized electric assets to develop wholesale net margins that reduce its power supply expenses.

The Electric Utility continues using the wholesale margin as an offset to its overall power supply expenses. Wholesale margins for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Wholesale Revenues	\$ 44,295	\$ 35,484
Wholesale Costs	41,875	32,747
Wholesale Margin	\$ 2,420	\$ 2,737

NOTE 14: Department of Energy (DOE) Grants

On October 27, 2009 the Electric Utility was awarded a \$20 million grant from the DOE under the American Recovery and Reinvestment Act of 2009. During fiscal years 2012-2013, 2011-12, and 2010-11, the DOE reimbursed the Electric Utility \$4,674, \$8,763 and \$6,424 respectively, for covered expenditures related to various systems modernization capital projects. The DOE grant allows for reimbursement of approved expenditures at 31.9% up to \$20 million; however, accelerated payments at 50% were received during both fiscal years. The Electric Utility Fund’s accelerated DOE payments as of June 30, 2013 are as follows:

Electric Utility Unearned Revenue	2013	2012	2011	Total
Systems modernization expenditures	\$9,350	\$17,526	\$12,847	\$39,723
Accelerated DOE payments received	4,674	8,763	6,424	19,861
Less: Grant reimbursements @ 31.9%	(2,983)	(5,591)	(4,098)	(12,672)
Unearned Accelerated DOE payments	\$1,691	\$3,172	\$2,326	\$7,189

NOTE 15: Defined Benefit Pension Plan and Post-Retirement Health Care Benefits

The Electric and Water Utility Funds’ employees participate with other City employees in the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

For fiscal year 2012-13, the Electric and Water Utility Funds’ contributions ranged from 1% to 8%, dependent on the bargaining group. The Electric and Water Utility Funds are required to contribute at an actuarially determined rate. In fiscal year 2012-13, the Electric and Water Utility Funds, as

employer, were required to contribute 16.334%. The contribution requirements of plan members and the City are established, and may be amended, by PERS. In fiscal years 2011-12 and 2012-13 the City, on behalf of the Utility, made payments to CalPERS for unfunded liabilities as follows:

Utility Funds’ unfunded liability payments	Electric		Water	
	2013	2012	2013	2012
Payments	\$ 3,389	\$ 3,004	\$ 541	\$ 461
Amortized to benefits expense	(200)	(200)	(31)	(31)
Unamortized CalPERS asset - beginning of year	\$ 2,804	-	\$ 430	-
Unamortized CalPERS asset - end of year*	\$ 5,993	\$ 2,804	\$ 940	\$ 430

*Reported as Pension/OPEB Asset (noncurrent)

PERS does not provide data to participating organizations in such a manner as to facilitate separate disclosure for the Electric and Water Utility Funds of the actuarially computed pension benefit obligation and the plans’ net assets available for benefits.

Electric and Water Utility Funds’ annual pension costs are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC contributed
	Electric	Water	
June 30, 2011	\$ 3,675	\$ 766	100%
June 30, 2012	4,943	939	100%
June 30, 2013	5,155	919	100%

Additional information regarding the defined benefit pension plan can be found in the City’s Comprehensive Annual Financial Report.

With certain comparative summary information for the year ended June 30, 2012

Other Post Employment Benefits

In addition to providing pension benefits, the Electric and Water Utility Funds, as part of the City, provide certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BERMT) was established in April 2003 by the City to provide post-retirement medical benefits to all non-safety employees, including elected and appointed officials. Plan provisions and contribution requirements are established by and may be amended by the City Council. Eligibility for benefits require that members have reached age 58 with a minimum of 5 years of contributions into the plan. However, no benefits will be paid prior to April 2009. Additional information regarding the health care benefits for retired employees can be found in the City's Comprehensive Annual Financial Report.

The Electric and Water Utility Funds, as part of the City, also make contributions for other post-employment benefits (OPEB). The Electric and Water Utility Funds assume their share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Electric and Water Utility Funds for the BERMT and the CalPERS Healthcare (PEMHCA); and accordingly, no obligation is presented herein.

In addition, the City entered into an agreement to provide certain OPEB to the International Brotherhood of Electrical Workers (IBEW) employees on July 22, 2008. The agreement, known as URMT (Utility Retiree Medical Trust), is for IBEW members and 12 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is \$600/month for the fiscal year, including payments from BERMT, PEMHCA minimum and IBEW Retiree Medical Trust Fund. The Electric Fund's current prepaid unfunded portion of the IBEW OPEB is as follows:

Further information regarding the City's participation in PERS and OPEB may be found in the City's Comprehensive Annual Financial Report.

URMT	2013	2012
Annual required contribution	\$ (185)	\$ (179)
Interest on net OPEB obligation/(asset)	290	287
Adjustment to annual required contribution	(251)	(243)
Annual OPEB cost	(146)	(135)
Contributions made	92	84
Decrease in net OPEB obligation	(54)	(51)
Net OPEB obligation/(asset) - beginning of year	\$ 3,657	\$ 3,708
Net OPEB asset - end of year*	\$ 3,603	\$ 3,657

*Reported as Pension/OPEB Asset (noncurrent)

NOTE 16: Self-Insurance

The Electric and Water Funds are in the City's self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City has chosen to self-insure its liability exposure for the first \$1,000 of any loss. Additional coverage of \$4,000 is purchased through ACCEL, the Authority for California Cities Excess Liability. The City then purchased additional coverage from commercial market for total coverage of \$40,000.

The workers' compensation coverage is purchased through a pooling agreement. The City self-insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits. The City charges the Electric and Water Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history. There were no significant settlements or reductions in insurance coverage from settlements for the past three years.

Additional information regarding all the City's self-insurance programs can be found in the City's Comprehensive Annual Financial Report.

NOTE 17: Contingencies

Potential Litigation

BWP is presently involved in certain matters of litigation that have arisen in the normal course of conducting electric and water operations. Management believes, based on consultation with the City Attorney, that these cases in the aggregate are not expected to result in a material adverse financial impact on either the Electric or Water Funds.

NOTE 18: Subsequent Event

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 24, 2014, the date the financial statements were available to be issued.

ELECTRIC UTILITY FUND

SCHEDULE 1: Annual Electric Supply

Fiscal year ended June 30, 2013		
Resource	MWh	Percentage
Intermountain Power Project	472,500	39.6%
Hoover Uprating	21,100	1.8%
Palo Verde Nuclear	69,500	5.8%
Magnolia Power Project	135,900	11.4%
Firm & Non-Firm Contracts	250,100	20.9%
On-Site Generation	12,500	1.0%
Renewables	233,500	19.5%
Total	1,195,100	100.0%

SCHEDULE 2: Customers, Sales, Electric Revenues and Demand (\$ in thousands)

	Fiscal year ended June 30				
	2013	2012	2011	2010	2009
Number of Retail Service:					
Residential	45,287	45,164	45,049	44,833	44,499
Commercial ¹	6,914	6,857	6,887	6,908	6,787
Large Commercial ¹	75	75	75	77	81
Total	52,276	52,096	52,011	51,818	51,367
Retail Kilowatt-hour Sales (millions):					
Residential	281	265	265	277	286
Commercial	529	518	510	498	510
Large Commercial	331	338	344	361	389
Total	1,141	1,121	1,119	1,136	1,185
Electric Revenues:					
Retail	\$ 167,828	\$ 161,788	\$ 160,059	\$ 154,174	\$ 158,039
Wholesale	44,295	35,484	59,200	75,946	120,716
Miscellaneous ²	6,628	4,959	6,642	4,900	8,834
Total	\$ 218,751	\$ 202,231	\$ 225,901	\$ 235,020	\$ 287,589
Peak Demand (MW)	292	305	316	285	289

1 Restructured commercial and large commercial customer classes in January 1, 2009 and January 1, 2010

2 Other miscellaneous revenues include transmission, telecommunications, etc.

 SCHEDULE 3: System Weighted Average Billing Price – Electric¹ (cents per kilowatt-hour)

	Fiscal year ended June 30				
	2013	2012	2011	2010	2009
Residential	\$.1513	\$.1481	\$.1450	\$.1389	\$.1365
Commercial	.1476	.1472	.1462	.1385	.1364
Large Commercial	.1320	.1298	.1287	.1214	.1186
System Weighted Average Electric Rate	.1440	.1422	.1405	.1332	.1306

1 All weighted average rates exclude Street Lighting.

WATER UTILITY FUND

SCHEDULE 4: Annual Water Supply

Fiscal year ended June 30, 2013		
Resource	AF	Percentage
Metropolitan Water District	7,628	40.1%
Local Production – BOU	11,395	59.9%
Total	19,023	100.0%

SCHEDULE 5: Customers, Water Sales, Water Revenues (\$ in thousands)

	Fiscal year ended June 30				
	2013	2012	2011	2010	2009
Number of Water Service:					
Residential	22,087	22,086	22,073	22,059	22,033
Commercial	3,093	3,091	3,070	3,095	3,100
Large Commercial	116	117	108	110	114
Other ¹	1,157	1,162	1,144	1,138	1,118
Recycled	142	125	109	101	88
Total	26,595	26,581	26,504	26,503	26,453
AF Sales per Year:					
Potable					
Residential	13,639	13,052	12,587	13,196	15,051
Commercial	3,482	3,390	3,553	3,790	3,891
Large Commercial	744	693	646	707	817
Other ¹	599	642	625	663	865
Recycled	1,588	1,855	1,752	2,047	1,823
Total in AF	20,052	19,632	19,163	20,403	22,447
Water Revenues:					
Retail ²	\$ 26,727	\$ 25,734	\$ 22,656	\$ 21,472	\$ 20,853
Miscellaneous ³	1,007	995	625	646	519
Total	\$ 27,734	\$ 26,729	\$ 23,281	\$ 22,118	\$ 21,372
Maximum Day (AF)	71.8	73.0	69.4	73.3	89.0

1 Other includes city department water, school, fire protection, and miscellaneous users

2 Potable and Recycled

3 Miscellaneous revenues include connection fees, recycled water credits, etc.

SCHEDULE 6: Weighted Average Billing Price — Water (\$ per CCF)¹

	Fiscal year ended June 30				
	2013	2012	2011	2010	2009
Residential	\$ 3.14	\$ 3.01	\$ 2.88	\$ 2.50	\$ 2.17
Commercial	2.76	2.58	2.38	2.12	1.93
Large Commercial	2.62	2.50	2.37	2.04	1.85
Weighted Average Water Rate	3.04	2.89	2.74	2.39	2.10

1 CCF is one hundred of cubic feet; One CCF is equal to approximately 2.296E-3 AF.