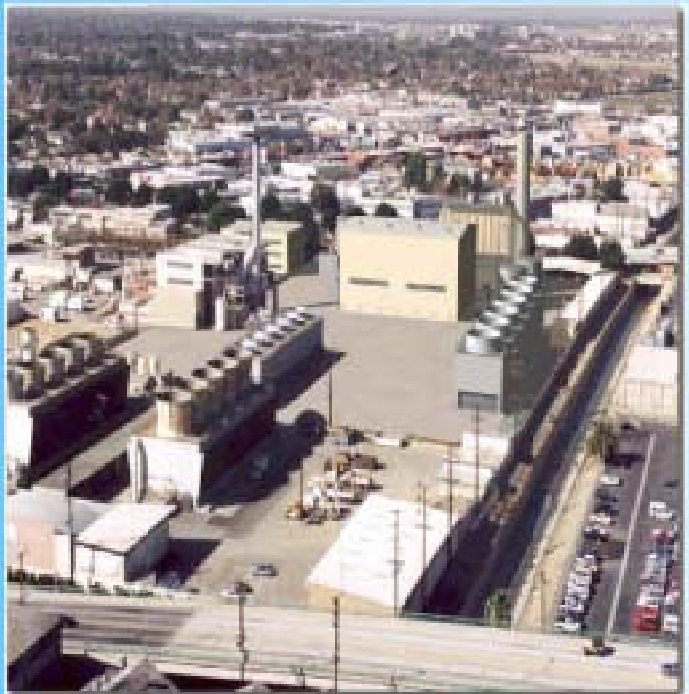

Annual Report Fiscal Year 2001-02

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City of Burbank

David Laurell
Mayor of Burbank

Stacey J. Murphy
Vice Mayor

David P. Golonski
Council Member

Marsha Ramos
Council Member

Jef Vander Borght
Council Member

Robert (Bud) Ovrom
City Manager

BWP Executive Management

Ron Davis
General Manager

Richard Corbi
Chief Financial Officer

JoAnn Davis
Administrative Officer

Joanne L. Fletcher
Customer Service Manager

Fredric C. Fletcher
Assistant General Mgr. - Power

John W. (Fred) Lantz
Assistant General Mgr. - Water

Gregory L. Simay
Assistant General Mgr. - Electric

BURBANK WATER AND POWER
General Manager & Board

Rear: Alan Wilson, Ron Davis, William Barlak
Front: Len Kushner, Tom Jamentz (Chair), Janice Slaby
Missing: Robert Olson (Vice-chair), Paul Lambert

BURBANK WATER AND POWER
Executive Management

Rear: Fred Lantz, Richard Corbi, Fred Fletcher, Greg Simay
Front: Joanne Fletcher, Ron Davis, JoAnn Davis

General Manager's Letter

During the challenges confronting the electric utility industry, BWP responded to the energy crisis as an example of a strong and viable public power utility. As a vertically integrated utility, owning generation, transmission, and distribution assets, BWP was able to use those assets to respond to the ever-changing California energy market.

Although a combination of events adversely impacted BWP's net revenues, we responded quickly to address the impact of these developments over the short term by, among other things, increasing rates by a total of 21% during Fiscal Year 2001-02 and withdrawing approximately $14.3 million from its Rate Stabilization Fund. Furthermore, in response to the energy crisis, one of BWP's retail rate strategies has been to enhance its net revenues through wholesale trading operations in order to minimize electric rate increases and lower our power supply costs. BWP has been successful in selling power from its generation units as well as power purchased for resale.

In 2001, BWP expanded our locally generated electricity when it issued bonds to acquire and install a General Electric Company LM-6000 gas-fired combustion turbine with a capacity of 47 MW. BWP is also a participant in the Magnolia Power Project and will be entitled to approximately 75 MW of capacity from the project. BWP's efforts, including the addition and retrofit of local generation resources, continues to position itself to reduce long-term power supply costs, with an emphasis on providing stable rates for its customers. BWP remains committed to providing competitive rates and reliable service.
In addition to the new Lake 1 Unit, BWP has undertaken the retrofit of local steam generating units with the best available control technology and is the sponsor and operator of the Magnolia Power Project, a 310 MW combined cycle unit. BWP has taken the following actions to serve its customers and to mitigate the impact of recent changes in its power supply resource portfolio:

Conservation. BWP has undertaken a campaign to increase conservation by BWP customers. Conservation efforts and cooler than normal temperatures reduced Fiscal Year 2001-02 energy consumption by 9.8%.

Forward Purchases. BWP actively participates in the forward purchase markets for energy and natural gas in order to secure energy for its customers at competitive prices in order to stabilize and reduce our power supply costs.

In our water operations, BWP's right to obtain water from local wells is limited by its stored groundwater credits (SGWC). Each year, BWP receives SGWC equal to 20% of Burbank's water consumption. This annual amount can be "spent" as pumped out water, or banked for future use. BWP banked its yearly SGWC for many years when pumping was curtailed due to groundwater contamination. In recent years BWP chose to pump more than its yearly SGWC, resulting in a steady reduction of its banked SGWC. The utilization of this SGWC has also resulted in significantly lower customer rates during this period.

By Fiscal Year 2004-05, BWP will have significantly depleted its banked SGWC and will be limited to its annual allocation of SGWC. Water that had been pumped locally will instead have to be purchased from the Metropolitan Water District (MWD) or elsewhere at a significantly higher cost. The City Council approved the first year of a five year ramp-in of a water rate increase which averages 4.8% annually for water replenishment. The ramping in of rate increases will return Burbank water rates by Fiscal Year 2006-07 to Fiscal Year 1994-95 levels.

We can be extremely confident of BWP's future. The actions that were taken ensure that BWP will be financially sound and continue to be a highly reliable service provider, while focusing on our mission to provide reliable, high quality service at competitive rates to our community.

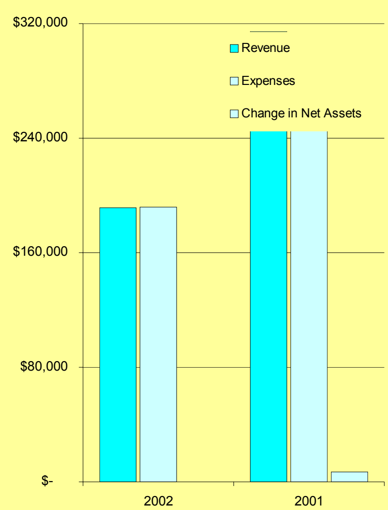
R E Davis

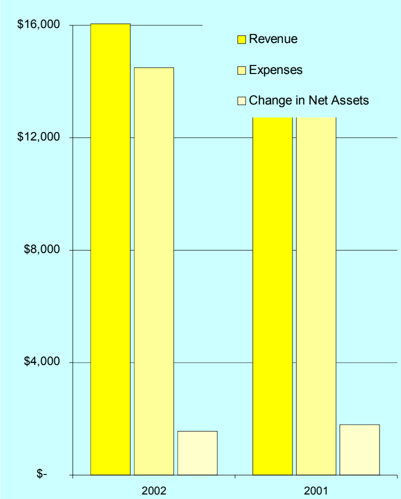
Ronald E. Davis
General Manager
Burbank Water and Power

Management's Comparative Highlights

Year Ended June 30, 2002 and 2001

	Electric 2002	Electric 2001	Water 2002	Water 2001
SERVICE	kWh (Millions)		CCF (Thousands)	
Sales	**1,048**	**1,065**	**9,733**	**9,557**
Customers	51,655	51,334	26,609	26,447
FINANCIAL	Amounts in Thousands		Amounts in Thousands	
Revenue	$ 191,469	$ 314,400	$ 16,056	$ 15,022
Expenses	191,971	307,400	14,493	13,226
Change in Net Assets	(502)	7,000	1,563	1,796
Transfers to City	8,389	7,322	715	756
Cash and Cash Equivalents	37,635	61,218	8,089	5,748
Restricted Cash & Investments	10,038	8,740	1,120	2,096
Capital Assets, Net	151,389	91,151	34,022	33,364
Total Liabilities	137,230	105,450	17,484	17,344





BASIC FINANCIAL STATEMENTS

City of Burbank, California

Water and Electric Utility Enterprise Funds

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year ended June 30, 2002

The City of Burbank, California (the "City") owns and operates an integrated electric system, which includes generation, transmission and distribution facilities (the "Electric System"), and a water system, which includes production, transmission and distribution facilities (the "Water System"). The City utilizes the Water and Electric Utility Enterprise Funds (the "Funds") to account for the construction, operation and maintenance of the City-owned water and electric utilities. The City has prepared the *Management's Discussion and Analysis* (the "MD&A"), to present an overview and analysis of the water and electric utility enterprise fund activities for the fiscal year ended June 30, 2002 (the "fiscal year"). All financial information included in the MD&A is presented in thousands unless otherwise noted. The MD&A is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Readers are encouraged to consider the information presented in the MD&A in conjunction with the accompanying basic financial statements, which begin on page 21 of this report.

For financial reporting purposes the Electric System is referred to as the "Electric Fund", and the Water System is referred to as the "Water Fund".

Fiscal Year Financial Highlights ($ in 000's)

The Electric Fund's net assets decreased by $502 (0.5%).
The Electric Fund's cash balances decreased by $23,280 (38.0%).
The Electric Fund's capital assets increased by $60,238 (66.1%).
The Electric Fund's liabilities increased by $31,780 (30.1%).
The Electric Fund's operating revenues decreased by $139,333 (43.8%).
The Electric Fund's operating expenses decreased by $126,479 (41.1%).
The Electric Fund's operating income decreased by $12,854 (121.2%).

The Water Fund's net assets increased by $1,563 (6.2%).
The Water Fund's cash balances increased by $ 2,434 (42.3%).
The Water Fund's liabilities increased by $140 (0.8%).
The Water Fund's operating revenues decreased by $907 (5.7%).
The Water Fund's operating expenses decreased by $345 (2.5%).
The Water Fund's operating income decreased by $562 (23.5%).

Overview of the Basic Financial Statements

The MD&A is intended to serve as an introduction to the Funds' basic financial statements which are comprised of two components: (1) financial statements, and (2) notes to the basic financial statements.

The basic financial statements are designed to provide readers with a broad overview of the Funds' finances. Because the Water and Electric Systems are business-type activities of the City of Burbank, enterprise funds are used to account for the water and electric utility operations. For comparative purposes the financial statements are presented with the current fiscal year and prior fiscal year (the fiscal year ended June 30, 2001) balances and/or activity by fund. Unless noted otherwise, numbers in this report have been rounded to the nearest thousand dollars. The basic financial statements are comprised of the S*tatement of Net Assets,* the S*tatement of Revenues, Expenses and Changes in Fund Net Assets*, and the *Statement of Cash Flows*.

The S*tatement of Net Assets* presents information on the Funds' assets and liabilities, with the difference between the two reported as net assets.

The S*tatement of Revenues, Expenses and Changes in Fund Net Assets* presents information showing how the Funds' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, the accrual basis of accounting, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period (e.g., 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 to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found starting on page 26 of this report.

The supplementary schedules are designed to provide additional information about the Funds. These schedules include historical and statistical data.

The Independent Auditors' Report provides an opinion on the Funds' basic financial statements. The Independent Auditors' Report can be found on page 19 of this report.

Condensed Financial Information

Electric Fund Net Assets

The Electric Fund's Condensed Summary of Net Assets as of June 30 is as follows:

		2002	2001
Current Assets	$	70,362	101,921
Non-current Assets		12,378	9,779
Capital assets, net of depreciation		151,389	91,151
Total Assets		234,129	202,851
Current Liabilities		41,925	44,584
Non-current Liabilities		95,305	60,866
Total Liabilities		137,230	105,450
Net Assets invested in capital assets, net of related debt		44,194	37,111
Restricted Net Assets		8,474	7,676
Unrestricted Net Assets		44,231	52,614
Total Net Assets	$	96,899	97,401

Changes in net assets may serve over time as a useful indicator of the Utilities' financial position. In the case of the Electric Fund, assets exceeded liabilities by $96,899 at the close of the most recent fiscal year. Electric Fund net assets decreased by $502 from the prior fiscal year's ending balance of $97,401. This decrease was planned for the fiscal year based on projected power supply expenses, forecasted revenues and operating expenses (see also Economic Factors starting on page 17).

Current asset balances dropped by $31,559 (or 31.0%). This decrease was planned for the fiscal year based on increased power supply expenses, forecasted revenues and operating expenses, and planned capital expenditures (see also Economic Factors starting on page 17).

A significant portion of the Electric Fund's net assets, 45.6%, is invested in capital assets (e.g., generation, transmission and distribution plant; and buildings, machinery, and equipment), net of related debt. BWP primarily uses these capital assets to provide electric service to its customers. The Electric Fund's capital assets increased by $60,238 (or 66.1% %). During the current fiscal year, the Electric Fund acquired and installed a new a 47 MW gas-fired simple cycle combustion turbine generator (Lake One) (see also Capital Assets Activity starting on page 15).

Current liabilities decreased by $2,659 (or 6.3%), which is primarily attributable to a decrease in purchased power reserves (see footnote 12 on page 48 of this report) and an increase in the current portion of bonds payable primarily related to the financing of Lake One.

Noncurrent liabilities increased by $34,439 (or 56.6%), which is primarily due to the addition of long-term debt related to the new Lake One generator.

Restricted net assets represent assets which have legal constraints placed on their usage. These restraints are primarily attributable to restrictions imposed by financing requirements or restrictions imposed by law. The Electric Fund's restricted net assets of $8,474 represent the current debt service balance on outstanding bonds.

The unrestricted net assets of the Electric Fund are available for future use to invest in capital or minimize rate volatility. Changes in unrestricted net assets are primarily influenced by revenues, expenses and capital expenditures. The Electric Fund's unrestricted net assets decreased by $8,383 (or 15.9%). During the year the Electric Fund used $13.5 million from its Rate Stabilization Fund to mitigate short-term power supply expenses. This decrease was planned for the fiscal year based on projected power supply costs and planned capital expenditures (see Economic Factors starting on page 17).

Water Fund Net Assets

The Water Fund's Condensed Summary of Net Assets as of June 30 is as follows:

		2002	2001
Current Assets	$	9,244	7,218
Non-current Assets		1,175	2,156
Capital assets, net of depreciation		34,022	33,364
Total Assets		44,441	42,738
Current Liabilities		6,625	4,812
Non-current Liabilities		10,859	12,532
Total Liabilities		17,484	17,344
Net Assets invested in capital assets, net of related debt		22,636	19,984
Restricted Net Assets		778	1,769
Unrestricted Net Assets		3,543	3,641
Total Net Assets	$	26,957	25,394

Net assets may serve as a useful indicator over time of the utilities' financial position. The Water Fund's net assets exceeded liabilities by $26,957 as of June 30, 2002. Water Fund net assets increased by $1,563 (6.2%) over the prior fiscal year's ending balance of $25,394.

Water Fund's current assets increased by $2,026 (28.1%). This increase is primarily due to the Water Fund's increased cash balances, which is due to operating results and increasing reserves (see also Water Fund Changes in Fund Net Assets starting on page 14).

A portion of the Water Fund's net assets (84.0%) reflects its investment in capital assets (e.g. production, transmission, and distribution plants; machinery and equipment) net of related debt. The Water Fund primarily uses these capital assets to provide water service to customers. The Water Fund's Capital Assets increased to $34,022, $658 (2.0%) greater than the prior fiscal year's ending balance of $33,364 (see also Capital Assets Activity starting on page 15).

Restricted net assets represent assets which have legal constraints placed on their usage. These restraints are primarily attributable to restrictions imposed by financing requirements or restrictions imposed by law. The Water Fund's restricted net assets of $778 represent the current debt service balance on outstanding bonds.

The unrestricted net assets of the Water Fund are available for future use to invest in capital or minimize rate volatility. Changes in unrestricted net assets are primarily influenced by revenues, expenses and capital expenditures. The Water Fund's unrestricted net assets decreased by $98 (2.7%) to $3,543.

Electric Fund Changes in Fund Net Assets

Electric Fund Condensed Summary of Changes in Fund Net Assets:

		2001	2002
Revenues			
Sales of power and fuel-wholesale & transmission	$	46,501	203,526
Sales of power-retail, net		128,108	110,874
Interest income		2,836	4,519
Miscellaneous		4,161	3,658
Total revenues		181,606	322,577
Expenses			
Purchased power and fuel-wholesale		41,653	159,803
Purchased power and transmission-retail		114,385	122,748
Operations, maintenance and administration		19,227	19,247
Depreciation		5,697	5,643
Interest expense		2,620	2,541
Total expenses		183,582	309,982
Excess before contributions and transfers		(1,976)	12,595
Capital contributions		1,102	513
Transfers			
Transfers in from the City		6,000	538
Transfers out to the City		(8,389)	(7,322)
Transfers to (from) other funds		2,761	676
Change in net assets	$	(502)	7,000

The Electric Fund's net assets decreased by $502 during the current fiscal year. This change is primarily a result of high power supply expenses that were planned for and mitigated by using $13,500 from the utility's Rate Stabilization Fund.

Wholesale Operating Revenues declined by $157,025 (77.2%) to $46,501 as a result of decreased demand and the June 19, 2001 Federal Energy Regulatory Commission (FERC) order which effectively created price caps in the spot power markets. Wholesale Power expenses of $41,653 are correspondingly lower by $118,150 (73.9%) as a result of the lower wholesale prices and reduced demand.

Retail Power Revenues increased by $17,234 (15.5%) to $128,108 primarily as a result of an increase in electric rates of a total of 21% (10% effective July 1, 2001 and another 11% effective October 1, 2001) during the fiscal year (see also Economic Factors starting on page 15). Actual MWh sold decreased by 168,860 MWh (1.6%) to 1,048,097,492 MWh from the prior year's 1,048,266,352 MWh. New customer loads added to the Electric System during the fiscal year were more than offset by conservation efforts and reduced demand related to milder weather.

Retail Power Expenses were also lower because of reduced demand, use of local generation when it was economically advantageous, and lower wholesale power prices. Retail power costs decreased to $114,385, down $8,363 (10.3%) from the prior year of $122,748.

Capital Contributions and Other Transfers included a transfer from the City for $6,000 to assist in the funding of the Lake One unit (see also Electric Fund Economic Factors starting on page 17).

Transfers out to the City correspondingly increased with retail electric sales and went up by $1,067 (14.6%).

Water Fund Changes in Fund Net Assets

Water Fund Condensed Summary of Changes in Fund Net Assets:

		2001	2002
Revenues			
Sales of water	$	14,010	15,022
Interest income		537	572
Miscellaneous		1,123	1,016
Total revenues		15,670	16,610
Expenses			
Purchased water		9,795	11,723
Operations, maintenance and administration		1,735	257
Depreciation		1,770	1,665
Interest expense		478	600
Total expenses		13,778	14,245
Excess before contributions and transfers		1,892	2,365
Capital contributions		221	123
Transfers			
Transfers in from the City		186	0
Transfers out to the City		(715)	(756)
Transfers to (from) other funds		(21)	64
Change in net assets	$	1,563	1,796

Water Fund revenues fell by $907 (5.7%) primarily as a result of mild weather conditions. Purchased water expenses decreased by $1,928 (16.4%) as a result of lower demand and increased use of local groundwater. The Water Fund's net assets increased by $1,563. This change is a result favorable operating results. These results were attributable to increased use of local ground water, a rebate on purchased water and lower than planned expenses for chemicals and professional services.

Water Fund transfers from other funds included a transfer of Public Benefits Funds, $186, from the Electric Fund for the design and installation of two non-polluting hydro generators that generate power by diffusing the high pressure of the water being delivered by MWD to the water system.

Capital Asset Activity

As of June 30, 2002, the Electric Fund's investment in capital assets was $151,389 (net of accumulated depreciation) and increased by 60,238 (39.8%) from the prior year of $91,151. This investment in capital assets includes production plant, transmission plant, distribution plant, land, buildings, building improvements, and equipment computer software. More detailed information on the Electric Fund's capital assets can be found in the notes to the financial statements starting on page 25. As of June 30, 2002, the Water Fund's investment in capital assets was $34,022 (net of accumulated depreciation) and increased by $658 (2.0%) from the prior year of $33,364. This investment in capital assets includes production plant, transmission plant, distribution plant, land, buildings, building improvements, and equipment computer software. More detailed information on the Water Fund's capital assets can be found in the notes to the basic financial statements starting on page 26.

Capital Assets at June 30, 2002 and 2001 were as follows:

Water		Balance as of July 1, 2001	Additions	Deletions	Balance as of June 30, 2002
Land	$	309	-	-	309
Buildings and improvements		50,705	2,541	(727)	52,519
Machinery and equipment		4,282	98	(34)	4,346
		55,296	2,639	(761)	57,174
Less accumulated depreciation		(23,070)	(1,824)	71	(24,823)
Construction in progress		1,138	6,309	(5,776)	1,671
Capital Assets, net	$	33,364	7,124	(6,466)	34,022

Electric		Balance as of July 1, 2001	Additions	Deletions	Balance as of June 30, 2002
Land	$	2,740	-	(2)	2,738
Buildings and improvements		175,647	7,732	-	183,379
Machinery and equipment		21,936	445	-	22,381
		200,323	8,177	(2)	208,498
Less accumulated depreciation		(121,993)	(5,677)	-	(127,670)
Construction in progress		12,821	78,176	(20,436)	70,561
Capital Assets, net	$	91,151	80,676	(20,438)	151,389

Following is a listing of significant assets added to the systems and their funding sources:

Asset		Amount spent in FYE June 30, 2002	Funding Source
Lake One Unit	$	31,968	Revenue Bonds, Series of 2001
Capon Switching Station		7,374	1998 Revenue Bonds Series A
Empire Center & Other New Developments in Burbank		2,164	Aid in Construction
Upgrade 69 kV System		1,433	Unrestricted assets
Expansion of 34.5 kV System		969	Unrestricted assets
Water System Expansion		692	Unrestricted assets

Long-term Debt Activity

During the fiscal year the Electric Fund issued electric revenue bonds of $54.7 million. The proceeds from the bonds were used primarily to fund the acquisition and installation of a 47 MW gas-fired simple cycle combustion turbine (Lake One). The bonds also refunded the redemption of the 1993 Senior Bonds and to pay for related debt service reserve fund and related bond costs. The following table outlines long-term debt activity for the fiscal year. More detailed information on the Electric and Water Funds' long-term debt activity can be found in the notes to the basic financial statements starting on page 26.

The following table outlines the Funds' bond activity for the fiscal year:

Water Fund		July 1, 2001	Additions	Retirements	June 30, 2002
Revenue Bonds Payable:					
1993 Series A Bonds	$	1,142	-	(1,142)	-
1998 Series A Bonds		9,970	-	(690)	9,280
Less unamortized bond premium (discounts)		(102)	-	9	(93)
Total	$	11,010	-	(1,823)	9,187

Electric Fund		July 1, 2001	Additions	Retirements	June 30, 2002
Revenue Bonds Payable:					
1993 Series A Bonds	$	9,243	-	(9,243)	-
1998 Series A Bonds		45,160	-	-	45,160
Electric Revenue Bonds, Series of 2001		-	54,745	-	54,745
Less unamortized bond premium (discounts)		(570)	(264)	76	(758)
Total	$	53,833	54,481	(9,167)	99,147

Subsequent to the fiscal year, the Electric Fund issued the Electric Revenue Bonds, Series of 2002, of $25.0 million. The proceeds from these bonds are to be used primarily to fund the retrofitting of Olive 1 and Olive 2 steam generators to meet new air quality emission limits and other improvements to the Electric System.

Debt Ratings:

Debt Issue	Moody's	S & P
▪ 1998 Electric Revenue	Aaa,A1	AAA,A+
▪ 1998 Water Revenue	Aaa,A1	AAA,A+
▪ 2001 Electric Revenue	Aaa,A1	AAA,A+
▪ 2002 Electric Revenue	Aaa,A1	AAA,A+

Economic Factors

Electric Fund

As a result of severe drought conditions in the Pacific Northwest in 2001, the Bonneville Power Administration (BPA) exercised its contractual rights to reduce delivery of firm power to the Electric Fund effective June 30, 2001. The reduction constituted approximately a loss of 15% of the utility's annual power requirements and forced the Electric Fund to replace the power with more expensive power. The Utah participants in the Intermountain Power Project (IPP) withdrew a portion of its power, representing approximately 2% of the Utility's power requirements for the summer of 2001 and the winter of 2001-2002, they were selling to the Electric Fund under an excess power sales agreement. The Electric Fund budgeted approximately $33 million in additional power supply costs for the fiscal year to replace the lost power.

One strategy employed by the utility to reduce power supply costs and contain electric rates was to enhance margins from its wholesale trading operations. As a result reduced electric demand due to mild weather and conservation efforts, coupled with the June 19, 2001 Federal Energy Regulatory Commission (FERC) order which effectively created price caps, spot power prices fell, and so did the Electric Fund's net margins from its wholesale trading operations.

The Electric Fund took a number of actions during the fiscal year to address the effects of these developments in its power supply and wholesale trading operations. The most significant action was an increase in electric rates for a total of 21% (10% effective July 1, 2001 and another 11% effective October 1, 2001). The Electric Fund also increased its use of local generation when it was economically advantageous, enhanced its conservation efforts, and its use of forward purchase contracts to reduce spot market purchases. The utility also acquired and installed a 47 MW gas-fired simple cycle combustion turbine (Lake One).

Other important activities designed to provide economic benefits included:

- ♦ the design and installation of a reverse osmosis water treatment plant that reduces power supply costs by purifying reclaimed water for use in local generation instead of potable water
- ♦ the design and installation of two non-polluting hydro generators that generate power by diffusing the high pressure of the water being delivered by Metropolitan Water District to the water system
- ♦ the expansion and upgrading of Receiving Station E for reliability and import capacity; the addition of the new Alan E. Capon Switching Station that uses technologies that utilize less space, safer, more reliable and less expensive to maintain than conventional switching stations
- ♦ the use of conservation programs, including summer conservation rebates and a compact fluorescent light give-away
- ♦ the installation of the McCambridge Park pool solar water heating system that heats the pool using the sun's radiant energy with no adverse environmental impact.

Water Fund

The Water Fund's right to obtain water from local wells is limited by its stored groundwater credits (SGWC). Each year, the Water Fund receives SGWC equal to 20% of Burbank's water consumption. This annual groundwater credit can be "spent" as pumped out water, or banked for future use. The Water Fund banked its yearly SGWC for many years when pumping was curtailed. The operation of the Burbank Operable Unit (BOU), a facility which removes certain groundwater contamination, began in 1995. The Water Fund chose to pump more than its yearly SGWC, resulting in a steady reduction of its banked SGWC and a reduction in water supply expenses. Projections are that by Fiscal Year 2004-05, the Water Fund will have depleted its banked SGWC and will be limited to its yearly allotment of SGWC. The water that had been pumped locally will have to be purchased from the Metropolitan Water District (MWD) or otherwise acquired at a significantly higher cost. In response to the planned additional cost of purchasing water, the Burbank City Council raised water rates by 4.8% annually for five years, effective July 1, 2002.

Contacting the Utility's Financial Management

Requests for additional financial information, or questions, should be directed to Richard A. Corbi, Chief Financial Officer, Burbank Water and Power, PO Box 631, 164 W. Magnolia Blvd., Burbank, CA 91503, or call (818) 238-3724.

355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable City Council
City of Burbank, California:

We have audited the accompanying basic financial statements of the Water and Electric Utility Funds, each an enterprise fund of the City of Burbank, California, as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the City of Burbank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in note 1, the financial statements present only the Water and Electric Utility Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank, California, as of June 30, 2002 and 2001, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Electric Utility Funds of the City of Burbank, California, as of June 30, 2002 and 2001, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to the basic financial statements, the Water and Electric Utility Funds adopted Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2000.

Management's discussion and analysis on pages 7 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Los Angeles, California
November 22, 2002

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
STATEMENTS OF NET ASSETS
June 30, 2002 and 2001
(In Thousands)

ASSETS		Water 2002	Water 2001	Electric 2002	Electric 2001
CURRENT ASSETS:					
Cash and cash equivalents (Note 2)	$	8,089	5,750	37,635	61,251
Receivables, net (Note 3)		788	1,122	27,289	34,865
Inventories		255	281	2,455	2,386
Due from other governments		-	-	770	770
Deposits and prepaid expenses		-	-	1,791	1,828
Interest receivable		109	64	276	714
Due from City of Burbank		3	3	146	140
TOTAL CURRENT ASSETS		9,244	7,220	70,362	101,954
NONCURRENT ASSETS:					
Restricted non-pooled cash and cash equivalents (Note 2)		95	393	336	1,381
Restricted non-pooled investments (Note 2)		1,025	1,701	9,702	7,326
Rights to purchase power		-	-	877	914
Deferred bond issuance and acquisition costs		55	60	1,463	125
TOTAL NONCURRENT ASSETS		1,175	2,154	12,378	9,746
CAPITAL ASSETS (Note 4):					
Utility Plant and Equipment		57,174	55,296	208,498	200,323
Construction in progress		1,671	1,138	70,561	12,821
Total Utility Plant and Equipment		58,845	56,434	279,059	213,144
Less accumulated depreciation		(24,823)	(23,070)	(127,670)	(121,993)
TOTAL CAPITAL ASSETS		34,022	33,364	151,389	91,151
TOTAL ASSETS		44,441	42,738	234,129	202,851

(Continued)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
STATEMENTS OF NET ASSETS
(Continued)
June 30, 2002 and 2001
(In Thousands)

		Water		Electric	
LIABILITIES		2002	2001	2002	2001
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$	2,435	2,085	20,483	22,386
Current portion of intergovt loan (Note 7)		153	149	-	-
Current portion of compensated absences (Note 7)		8	7	151	135
Accrued payroll		151	1	704	971
Bond interest payable		34	54	178	207
Due to the City of Burbank		139	145	941	1,302
Customer deposits		3,000	1,415	4,450	2,099
Purchased power loss reserve (Notes 7 and 12)		-	-	6,132	11,655
Current portion of revenue bonds (Notes 7 and 14)		705	956	6,460	2,149
Current portion deferred revenue (Note 8)		-	-	2,426	3,680
TOTAL CURRENT LIABILITIES		6,625	4,812	41,925	44,584
NONCURRENT LIABILITIES:					
Revenue bonds (Notes 7 and 14)		8,482	10,054	92,687	51,684
Intergovernmental loan (Note 7)		2,014	2,167	-	-
Compensated absences (Note 7)		354	302	2,618	2,475
Purchased power loss reserve (Note 12)		-	-	-	6,132
Deferred revenue (Notes 7 and 8)		9	9	-	575
TOTAL NONCURRENT LIABILITIES		10,859	12,532	95,305	60,866
TOTAL LIABILITIES		17,484	17,344	137,230	105,450
NET ASSETS					
NET ASSETS:					
Invested in capital assets, net of related debt		22,636	19,984	44,194	37,111
Restricted for debt service		778	1,769	8,474	7,676
Unrestricted		3,543	3,641	44,231	52,614
TOTAL NET ASSETS	$	26,957	25,394	96,899	97,401

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the years ended June 30, 2002 and 2001
(In thousands)

	Water		Electric	
	2002	2001	2002	2001
OPERATING REVENUES:				
Sale of power and fuel-wholesale & transmission (Note 11)	$ -	-	46,501	203,526
Sale of power-retail	-	-	128,108	110,874
Sale of water	14,010	15,022	-	-
Charges for services	1,120	1,015	4,106	3,648
TOTAL OPERATING REVENUES	15,130	16,037	178,715	318,048
OPERATING EXPENSES:				
Purchased power and fuel-Wholesale (Notes 11 and 12)	-	-	41,653	159,803
Purchased power-Retail (Note 10)	-	-	104,041	113,864
Purchased water	9,795	11,723	-	-
Transmission expense	-	-	10,344	8,884
Total Power Supply/Purchase Water Expense	9,795	11,723	156,038	282,551
Other operating expense	1,735	257	19,227	19,247
Depreciation	1,770	1,665	5,697	5,643
TOTAL OPERATING EXPENSES	13,300	13,645	180,962	307,441
OPERATING INCOME (LOSS)	1,830	2,392	(2,247)	10,607
NONOPERATING INCOME (EXPENSES):				
Interest income	537	572	2,836	4,519
Intergovernmental	(21)	64	2,761	676
Gain on disposal of capital assets	3	1	55	10
Interest expense	(478)	(600)	(2,620)	(2,541)
TOTAL NONOPERATING INCOME (EXPENSES)	41	37	3,032	2,664
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,871	2,429	785	13,271
CAPITAL CONTRIBUTIONS	221	123	1,102	513
TRANSFERS IN FROM THE CITY (Note 16)	186	-	6,000	538
TRANSFERS OUT TO THE CITY (Note 9)	(715)	(756)	(8,389)	(7,322)
CHANGE IN NET ASSETS	1,563	1,796	(502)	7,000
NET ASSETS, JULY 1	25,394	23,598	97,401	90,401
NET ASSETS, JUNE 30	$ 26,957	25,394	96,899	97,401

See accompanying notes to basic financial statements

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2002 and 2001
(In Thousands)

	Water		Electric	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 15,571	14,548	186,290	297,637
Cash paid to suppliers	(6,290)	(8,397)	(173,632)	(260,066)
Cash paid to employees	(3,184)	(3,287)	(16,666)	(15,705)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	6,097	2,864	(4,008)	21,866
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:				
Other income	-	1,202	-	4,139
Intergovernmental revenue	(21)	-	2,761	591
Transfers in	186	-	6,000	538
Transfers out	(715)	(43)	(8,389)	(346)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(550)	1,159	372	4,922
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:				
Proceeds from sale of capital assets	3	1	55	10
Proceeds from issuance of debt	-	-	53,597	-
Principal payments-bond	(1,823)	(613)	(9,242)	(2,347)
Interest expense	(498)	(590)	(2,649)	(2,541)
Capital Contributions	221	-	1,102	-
Acquisition and Construction of capital assets	(2,674)	(1,747)	(67,162)	(11,153)
Payment on intergovernmental loan	(149)	(145)	-	-
NET CASH USED IN CAPITAL AND RELATED ACTIVITIES	(4,920)	(3,094)	(24,299)	(16,031)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	491	559	3,274	4,519
Sales of restricted investment	923	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,414	559	3,274	4,519
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,041	1,488	(24,661)	15,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,143	4,655	62,632	47,356
CASH AND CASH EQUIVALENTS, END OF YEAR	8,184	6,143	37,971	62,632
CURRENT CASH AND CASH EQUIVALENTS	8,089	5,750	37,635	61,251
RESTRICTED CASH AND CASH EQUIVALENTS	95	393	336	1,381
	$ 8,184	6,143	37,971	62,632

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
STATEMENTS OF CASH FLOWS
(Continued)
For the years ended June 30, 2002 and 2001
(In Thousands)

	Water		Electric	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income (loss) from operations	$ 1,830	2,392	(2,247)	10,607
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:				
Depreciation	1,770	1,665	5,697	5,643
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	441	(1,489)	7,575	(20,412)
(Increase) decrease in due from City of Burbank	(6)	-	(6)	843
(Increase) decrease in material and supplies	26	14	(68)	(638)
(Increase) decrease in deposits and prepaid expenses	-	-	37	1
(Increase) decrease in deferred bond issuance and acquisition costs	-	225	38	380
Increase (decrease) in right to purchase power	5	-	(1,526)	35
Increase (decrease) in accounts payable and accrued expenses	243	441	(4,787)	21,862
Increase (decrease) in accrued payroll	150	1	(268)	234
Increase (decrease) in accrued forward purchase agreement	-	-	(6,132)	6,132
Increase (decrease) in compensated absences	53	(26)	159	218
Increase (decrease) in due to City of Burbank	-	16	(361)	-
Increase (decrease) in deferred revenue	-	-	(1,829)	(421)
Increase (decrease) in customer deposits	1,585	(375)	(290)	(2,618)
Total adjustments	4,267	472	(1,761)	11,259
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 6,097	2,864	(4,008)	21,866

See accompanying notes to basic financial statements

(1) Summary of Significant Accounting Policies

(a) Significant Accounting Policies

The following is a summary of significant accounting polices of the City of Burbank, California (the City) as they pertain to Burbank Water and Power (BWP), which operates the City's Water and Electric Utility Enterprise Funds (the Funds).

(b) Accounting Changes

Effective July 2, 2000, the Funds adopted three new accounting statements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34, Basis Financial Statements – and Management's Discussion and Analysis - for State and Local Governments;

Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus;

Statement No. 38, Certain Financial Statement Disclosures.

Statement No. 34 (as amended by Statement No. 37) has no monetary impact on the financial statements but requires changes in the financial reporting model used by the Funds. These changes are the presentation of a direct statement of cash flows, the classification of the Funds' net assets, and additional footnote disclosures. Statement No. 34 also requires as required supplementary information Management's Discussion and Analysis, which includes an analytical overview of the Funds' financial activities.

The reporting model includes financial statements prepared using full accrual accounting for the Funds' activities. This approach includes not just currents 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 Assets – The statement of net assets is designed to display the financial position of the reporting entity. The net assets of the Funds are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Net assets invested in capital assets, net of related debt, consists 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. The significant unspent related debt proceeds at year-end is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of debt is included in the same net assets component as the unspent portion.

Restricted net assets represents net asset whose use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of Statement No. 34. This statement establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

(c) Basis of Presentation

Enterprise 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 financed or 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.

(d) Water and Electric Enterprise Funds

The water and electric utility operations were established by the City in 1913. The Burbank Water and Power Department supervises the generation, purchase, transmission, distribution, and sale of electric energy and water. The activities of Burbank Water and Power are overseen by the City Council and the assistance of a seven-member board.

The Water and Electric Utility Enterprise Funds are used to account for the construction, operation and maintenance of the City-owned water and electric utility. The City considers the Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America; accordingly, the accrual basis of accounting is followed by the Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Estimated earned but unbilled revenues which result from cycle utility billing practices are assumed. As an integral part of the City's overall operations, the Funds' operations are included in the City's Comprehensive Annual Financial Report.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20; for proprietary fund accounting, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

(e) Self-Insurance Program

The Funds are part of the City's self-insurance programs, which provide for general liability and workers' compensation claims. These activities are accounted for in the City's Self-Insurance Internal Service Fund, a Proprietary Fund type. Fund revenues are primarily premium charges to other funds and are planned to match estimated payments, including both reported and incurred but not reported claims, operating expenses and reinsurance premiums. The fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where the liability is likely.

For workers' compensation, the City is self-insured for individual claims up to $500. Losses in excess of this amount are covered through a commercial insurance policy, up to statutory limits, for individual claims. See note 6, Self-Insurance Program, for additional information on the City's self-insurance programs.

(f) Statements of Cash Flows

For the purposes of the statements of cash flows, the Funds include all pooled cash and investments and restricted investments with an original maturity of three months or less as cash equivalents. The 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.

(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. When items are sold or retired, related gains or losses are included in results of operations. Maintenance and repairs are charged to expense as incurred. Improvements to plant and equipment are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

	Estimated useful life
Buildings and improvements	20 years
Machinery and equipment (except vehicles)	20 years
Generation equipment	20 to 40 years
Transmission and distribution equipment	20 to 40 years
Vehicles	5 to 10 years
Office Equipment	3 to 5 years

(h) Materials and Supplies

Materials and supplies represent items held for future consumption and are priced at average cost.

(i) Compensated Absences

The costs of employees' vested vacation and sick pay benefits are accrued as they are earned by the employees.

(j) 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Reclassification of Prior Years Balances

Certain reclassifications have been made to the fiscal year 2001 financial statement amounts to conform to the fiscal year 2002 presentation.

(l) Revenue Recognition

Revenues are recorded in the period in which they are earned. The Funds accrue estimated unbilled revenue for energy sold but not billed at the end of the fiscal period. Most residential and some smaller commercial accounts are billed bimonthly and all others are billed monthly. Operating revenues consist of retail and wholesale sales of power and water, charges for electric and water related work performed for customers, such as service connection fees, and relocation fees.

Unbilled electric service charges are included in accounts receivable at year-end. Unbilled accounts receivable totaled $8,909 and $9,171 at June 30, 2002 and 2001, respectively.

(m) Operating Expenses

Purchased power includes all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy productions costs, and the costs of entitlements for energy and transmission as discussed in Note 10.

Other Operating Expenses include all costs associated with the distribution of water and power, administration, operating and maintaining the local facilities, customer service and Public Benefits Programs.

(n) Debt Issuance Costs

Debt issuance costs are deferred and amortized over the lives of the related bond issues on a basis which approximates the effective interest method.

(o) Bond Refunding Costs

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

(In thousands)

(2) Cash and Investments

(a) Classification of Custodial Risk

Investments are categorized to provide a description of the level of risk assumed by the Funds.

Category 1 investments are insured or registered, or securities are held by the Funds or its agent in the Funds' names.

Category 2 investments are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Funds' names.

Category 3 investments are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agency, but not in the Funds' names.

The Funds' investments pooled with the City Treasurer held in guaranteed investment contracts or mutual funds are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form.

Cash of the Funds is maintained on deposit with the City Treasurer. The amounts are invested in pooled funds and specific investment securities for the purpose of increasing income through investment activities. Investment income is allocated to the Funds based upon a proportionate share of total pooled investment earnings.

The following is a summary of the Funds' cash, cash equivalents and investments as of June 30, 2002 and June 30, 2001:

		Water		Electric	
		2002	2001	2002	2001
Pooled cash and cash equivalents	$	8,089	5,750	37,635	61,251
Restricted non-pooled cash and cash equivalents		95	393	336	1,381
Restricted investments		1,025	1,701	9,702	7,326
Total	$	9,209	7,844	47,673	69,958

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002 and 2001
(In thousands)

Cash and investments are categorized as follows:

WATER FUND **June 30, 2002**	**Category** **1**	**2**	**3**	**Not required to be categorized**	**Fair Value**
Pooled Investments					
U.S. Government Agencies	$ 4,150	-	-	-	4,150
Commercial Paper	2,224	-	-	-	2,224
State Pool (LAIF)	-	-	-	1,715	1,715
Total investments controlled by City	6,374	-	-	1,715	8,089
With Fiscal Agents					
Corporate Trust Investment Fund	-	-	-	95	95
Guaranteed Investment Contracts	-	-	-	1,025	1,025
Total invested by fiscal agents	-	-	-	1,120	1,120
Total investments	$ 6,374	-	-	2,835	9,209

ELECTRIC FUND **June 30, 2002**	**Category** **1**	**2**	**3**	**Not required to be categorized**	**Fair Value**
Pooled Investments					
U.S. Government Agencies	$ 6,441	-	-	-	6,441
Commercial Paper	3,453	-	-	-	3,453
State Pool (LAIF)	-	-	-	27,741	27,741
Total investments controlled by City	9,894	-	-	27,741	37,635
With Fiscal Agents					
Corporate Trust Investment Fund	-	-	-	336	336
Guaranteed Investment Contracts	-	-	-	9,702	9,702
Total invested by fiscal agents	-	-	-	10,038	10,038
Total investments	$ 9,894	-	-	37,779	47,673

(In thousands)

WATER FUND **June 30, 2001**		**Category** **1**	**2**	**3**	**Not required to be categorized**	**Fair Value**
Pooled Investments						
U.S. Government Agencies	$	2,299	-	-	-	2,299
Commercial Paper		1,495	-	-	-	1,495
State Pool (LAIF)		-	-	-	1,956	1,956
Total investments controlled by City		3,794	-	-	1,956	5,750
With Fiscal Agents						
Corporate Trust Investment Fund		-	-	-	393	393
Guaranteed Investment Contracts		-	-	-	1,701	1,701
Total invested by fiscal agents		-	-	-	2,094	2,094
Total investments	$	3,794	-	-	4,050	7,844

ELECTRIC FUND **June 30, 2001**		**Category** **1**	**2**	**3**	**Not required to be categorized**	**Fair Value**
Pooled Investments						
U.S. Government Agencies	$	24,487	-	-	-	24,487
Commercial Paper		15,917	-	-	-	15,917
State Pool (LAIF)		-	-	-	20,847	20,847
Total investments controlled by City		40,404	-	-	20,847	61,251
With Fiscal Agents						
Corporate Trust Investment Fund		-	-	-	1,381	1,381
Guaranteed Investment Contracts		-	-	-	7,326	7,326
Total invested by fiscal agents		-	-	-	8,707	8,707
Total investments	$	40,404	-	-	29,554	69,958

Included within the Electric Fund's cash and cash equivalents at June 30, 2002 and 2001 are $5,908 and $18,459, respectively, to be used for electric rate stabilization purposes. Available cash balances consist primarily of deposits in State Treasurers Local Agency Investment Fund, federal agency investments and commercial paper. All the City's investments are authorized by state statute. In accordance with GASB Statement No. 31, the investments are stated at fair value, except for interest earnings investment contracts, which are stated at cost. Fair value information is based on quoted market prices. The gain/loss resulting from valuation will be reported within the revenue account "interest income" in the accompanying statements of revenues, expenses and changes in fund net assets.

(In thousands)

Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets. Restricted cash and investments are held with fiscal agents except for the aid to construction cash, which is held in the City's investment pool.

Further information concerning the City's investment pool can be found in the City's Comprehensive Annual Financial Report.

(3) Accounts Receivable

		Water		Electric	
		2002	2001	2002	2001
Accounts receivable	$	852	1,176	28,823	36,405
Allowance		(64)	(54)	(1,534)	(1,540)
Total	$	788	1,122	27,289	34,865

Allowances for uncollectible accounts (excluding California Independent System Operator (Cal ISO) receivables) decreased by $6 to $34 from 2001 to 2002 in the Electric Utility Enterprise Fund; and increased by $10 to $64 from 2001 to 2002 in the Water Utility Enterprise Fund.

California Independent System Operator (Cal ISO) Receivables

Until recently, the Electric Fund has experienced increased power supply expenses due to increased prices in the short-term market and other factors. These increases, until recently, have been offset by the increase in wholesale sales. During the period from October 2000 to February 2001, the Electric Fund sold energy to the CAL ISO as a result of a Federal Order from the United States Department of Energy, requiring utilities sell to the CAL ISO. The amount owed to the Electric Fund by the CAL ISO and CAL PX is approximately $6 million without interest, which BWP expects ultimately to collect. However, because of the ultimate uncertainty of payment, the Electric Fund has established an allowance of $1,500. (See also Note 18 Contingencies).

(In thousands)

(4) Capital Assets

Capital assets of the Funds include the following at June 30, 2002 and 2001 were as follows:

Water		Balance as of July 1, 2000	Additions	Deletions	Balance as of July 1, 2001	Additions	Deletions	Balance as of July 1, 2002
Capital assets not being depreciated:								
Land	$	309	-	-	309	-	-	309
Construction in progress		1,681	1,628	(2,171)	1,138	6,309	(5,776)	1,671
Total capital assets not being depreciated		1,990	1,628	(2,171)	1,447	6,309	(5,776)	1,980
Capital assets being depreciated:								
Buildings and improvements		48,542	2,171	(8)	50,705	2,541	(727)	52,519
Machinery and equipment		4,168	126	(12)	4,282	98	(34)	4,346
Accumulated depreciation		(21,417)	(1,653)	-	(23,070)	(1,824)	71	(24,823)
Total capital assets being depreciated, net		31,293	644	(20)	31,917	815	(690)	32,042
Total net capital assets	$	33,283	2,272	(2,191)	33,364	7,124	(6,466)	34,022

Electric		Balance as of July 1, 2000	Additions	Deletions	Balance as of July 1, 2001	Additions	Deletions	Balance as of July 1, 2002
Capital assets not being depreciated:								
Land	$	2,740	-	-	2,740	-	(2)	2,738
Construction in progress		6,179	10,309	(3,667)	12,821	78,176	(20,436)	70,561
Total capital assets not being depreciated		8,919	10,309	(3,667)	15,561	78,176	(20,438)	73,299
Capital assets being depreciated:								
Buildings and improvements		171,944	3,703	-	175,647	7,732	-	183,379
Machinery and equipment		21,128	918	(110)	21,936	445	-	22,381
Accumulated depreciation		(116,458)	(5,535)	-	(121,993)	(5,677)	-	(127,670)
Total capital assets being depreciated, net		76,614	(914)	(110)	75,590	2,500	-	78,090
Total net capital assets	$	85,533	9,395	(3,777)	91,151	80,676	(20,438)	151,389

(5) Defined Benefit Pension Plan and Post-Retirement Health Care Benefits

Full-time Fund 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.

Participants are required to contribute 7% of their annual covered salary. The Funds make the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; for BWP employees the rate is zero.

(In thousands)

The contribution requirements of plan members and the City are established and may be amended by PERS.

Expense allocated to the Funds by the City for 2002 and 2001 were as follows:

		2002	2001
Electric Fund	$	1,106	1,094
Water Fund		227	135
	$	1,333	1,229

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

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. All full-time employees who retire from the City on or after attaining the age of 50 with at least five years of service are eligible. Expenditures for these benefits are paid by the City and are not significant to the Funds. Additional information regarding the City's participation in PERS and the post-retirement health care benefits can be found in the City's Comprehensive Annual Financial Report.

(6) Self-Insurance Program

The funds in the City's self-insurance program are there as part of the City's policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The self-insured retention on individual general liability cases is $1,000. The City then purchases a separate policy for coverage up to $10,000 through the California Association of Municipalities Excess Liability (CAMEL) program. An additional excess policy is purchased for a total of $20,000 coverage. A separate policy is purchased to cover all individual workers' compensation costs over $500 per claim. This is also done to maximize cost savings to our insurance program. The City charges the Water and Power funds a premium for workers' compensation and unemployment insurance based upon a percentage of payroll cost. Such percentages are based upon employee classification and claims experience. Additional information regarding the City's self-insurance program can be found in the City's Comprehensive Annual Financial Report.

(In thousands)

(7) Intergovernmental Loan and Revenue Bonds Payable

(a) Intergovernmental Loan Payable

		Water 2002	Water 2001
This State Water Resources Control Loan was issued for the purpose of construction improvement to the Reclaimed 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.	$	2,167	2,316
Less current portion		(153)	(149)
Long-term intergovernmental loan payment	$	2,014	2,167

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2002 is as follows:

		Principal	Water Interest	Total
2003	$	153	58	211
2004		157	54	211
2005		161	50	211
2006		165	46	211
2007		170	41	211
2008 – 2012		921	110	1,055
2013 – 2017		440	8	249
	$	2,167	367	2,359

(b) Revenue Bonds Payable:

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

(In thousands)

		Water		Electric	
1993 Series A Bonds:		**2002**	**2001**	**2002**	**2001**
$15,820 Public Service Department Refunding Revenue Bonds, 1993 Series A, issued to partially advance refund the 1987 Series A Public Service Department Refunding Revenue Bonds payable in installments ranging from $140 to $2,785. Interest rates range from 2.75% to 5.10%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2005.	$	—	1,142	—	9,243
Less:					
Current portion		—	(266)	—	(2,149)
Original issue discount		—	(5)	—	(57)
Long-term 1993 Series A Bonds		—	871	—	7,037

		Water		Electric	
1998 Series A Bonds:		**2002**	**2001**	**2002**	**2001**
$45,160 Public Service Department Electric Revenue Bonds, 1998 Series A, and $10,585 Public Service Department Water Revenue Bonds, 1998 Series A were issued to partially advance refund the 1992 Series A Public Service Department Water and Electric Revenue Bonds and to provide funds for additions and improvements, payable in installments ranging from $750 to $3,700. Interest rates range from 2.90% to 4.75%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023.	$	9,280	9,970	45,160	45,160
Less:					
Current portion		(705)	(690)	—	—
Original issue discount		(93)	(97)	(494)	(513)
Long-term 1998 Series A Bonds		8,482	9,183	44,666	44,647

(In thousands)

		Water		Electric	
2001 Series Bonds:		**2002**	**2001**	**2002**	**2001**
$54,745 Burbank Water and Power Electric Revenue Bonds, Series of 2001, were issued to fund the acquisition and installation of a 47 MW gas-fired turbine, other electric improvements and refund outstanding senior lien revenue bonds. Payments are in installments ranging from $5,360 to $6,770. Interest rates range from 2.25% to 4.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2011.	$	—	—	54,745	—
Less:					
Current portion		—	—	(6,460)	—
Original issue discount		—	—	(264)	—
Long-term Bonds Series of 2001		—	—	48,021	—
Total long-term revenue bonds payable	$	8,482	10,054	92,687	51,684

The bond indentures of these bond issues contain covenants with which the Fund management believes it has complied.

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2002 is as follows:

		Water		Electric		
		Principal	**Interest**	**Principal**	**Interest**	**Total**
2003	$	705	412	6,460	3,852	11,429
2004		725	387	6,605	3,707	11,424
2005		750	353	6,770	3,542	11,415
2006		770	323	6,960	3,355	11,408
2007		805	293	7,180	3,133	11,411
2008 – 2012		4,585	923	33,405	11,585	50,498
2013 – 2017		365	190	12,700	6,674	19,929
2018 – 2022		470	93	16,125	3,247	19,935
2023 – 2027		105	5	3,700	176	3,986
Total	$	9,280	2,979	99,905	39,272	151,435

(In thousands)

The following is a summary of changes in the Water Fund's long-term liabilities as of June 30, 2002:

June 30, 2002		July 1, 2001	Additions	Retirements	June 30, 2002	Due within 1 Year
Intergovernmental Loan Payable	$	2,316	-	(149)	2,167	153
Revenue Bond Payable:						
1993 Series A Bonds		1,142	-	(1,142)	-	-
1998 Series A Bonds		9,970	-	(690)	9,280	705
Compensated Absences		302	60	-	362	8
Deferred Revenue		9	-	-	9	-
	$	13,739	60	(1,981)	11,818	866
Less current portion		(1,105)			(866)	
Less unamortized bond premium (discounts)		(102)			(93)	
Total	$	12,532			10,859	

June 30, 2001		July 1, 2000	Additions	Retirements	June 30, 2001	Due within 1 Year
Intergovernmental Loan Payable	$	2,461	-	(145)	2,316	149
Revenue Bond Payable:						
1992 Series A Bonds		239	-	(239)	-	-
1993 Series A Bonds		1,396	-	(254)	1,142	266
1998 Series A Bonds		10,090	-	(120)	9,970	690
Compensated Absences		321	-	(12)	309	7
Deferred Revenue		9	-	-	9	-
	$	14,516		(770)	13,746	1,112
Less current portion		(758)			(1,112)	
Less unamortized bond premium (discounts)		(107)			(102)	
Total	$	13,651			12,532	

(In thousands)

The following is a summary of changes in the Electric Fund's long-term liabilities as of June 30, 2002:

June 30, 2002		July 1, 2001	Additions	Retirements	June 30, 2002	Due within 1 Year
Revenue Bond Payable:	$					
1993 Series A Bonds		9,243	-	(9,243)	-	-
1998 Series A Bonds		45,160	-	-	45,160	-
2001 Series A Bonds		-	54,745	-	54,745	6,460
Compensated Absences		2,610	294	135	2,769	151
Deferred Revenue		575	-	(575)	-	-
Purchase Power Loss Reserve		17,787	-	(11,655)	6,132	6,132
	$	75,375	55,039	(21,608)	108,806	12,743
Less current portion		(13,939)			(12,743)	
Less unamortized bond premium (discounts)		(570)			(758)	
Total	$	60,866			95,305	

June 30, 2001		July 1, 2000	Additions	Retirements	June 30, 2001	Due within 1 Year
Revenue Bond Payable:	$					
1992 Series A Bonds		291	-	(291)	-	-
1993 Series A Bonds		11,300	-	(2,057)	9,243	2,149
1998 Series A Bonds		45,160	-	-	45,160	-
Compensated Absences		2,264	346	-	2,610	135
Deferred Revenue		659	-	(84)	575	-
Purchase Power Loss Reserve		-	17,787	-	17,787	11,655
	$	59,674	18,133	(2,432)	75,375	13,939
Less current portion		(2,348)			(13,939)	
Less unamortized bond premium (discounts)		(603)			(570)	
Total	$	56,723			60,866	

(In thousands)

(8) Deferred Revenue

	Water 2002	Water 2001	Electric 2002	Electric 2001
On August 30, 1994, the City entered into a Debt Service Forward Delivery Agreement with National Westminster (Nat West) Bank which will provide $1,155 in cash for the Public Service Department (PSD), now Burbank Water and Power. The debt service payments for each of these bonds are required by the bond indenture to be deposited monthly with the Bond Trustee, even through the actual debt service payments are due on a semiannual basis. The Debt Service Forward Delivery Agreement seeks to convert the future value of the City's total monthly interest earnings into a present value cash payment of $1,155. In return for this $1,155, the City forgoes any right to interest earnings on these debt service payments. The Debt Service Forward Agreement was renegotiated due to the issuance of the 2001 Series Bond. The remaining unamortized amount was refunded to National Westminister Bank.	$ —	—	—	414
Pursuant to the 1998 Electric and Water Bond Indenture, amounts were established to fund any potential arbitrage rebate that may occur.	9	9	—	161
AB 1890 requires the electric utility to expend 2.85% of revenues for Public Benefit (PB) purposes. The entire unspent portion of the Public Benefits obligation for the City and the Utility has been recorded as an Electric Fund liability.	—	—	2,426	3,680
	$ 9	9	2,426	4,255

(In thousands)

(9) Related Party Transactions

The City allocates certain administrative and overhead costs and in-lieu of property taxes to the Funds. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2002 and 2001 as follows:

	Total		Water		Electric	
	2002	2001	2002	2001	2002	2001
Administrative and overhead costs	$ 3,118	2,766	848	514	2,270	2,252
In-lieu of property taxes	8,618	7,689	715	713	7,903	6,976
Total	$ 11,736	10,455	1,563	1,227	10,173	9,228

(10) Take or Pay Contracts

The City of Burbank, through its Water and Electric Utility Enterprise Funds, has entered into "Take or Pay" contracts to provide for electric generating and transmission requirements for Burbank electric utility customers. The City is obligated to pay its share of the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity or the City's need for the electricity. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14 because the Southern California Public Power Authority (SCPPA) and the Intermountain Power Agency (IPA) do not depend on revenue from the City to continue in existence. Obligation for this indebtedness is through participation in two joint power agencies, SCPPA and IPA.

(a) Southern California Public Power Authority

SCPPA membership consists of twelve Southern California cities and one public district of the state of California, which serves the electric power needs of their 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.

Hoover Uprating Project

On March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation (USBR) on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover uprating project. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 16% (15MW) ownership interest in this project.

Southern Transmission System Project

Pursuant to an agreement dated as of May 1, 1983 with the IPA, the Authority made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the Southern Transmission System project (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 the Authority, serves as project manager and operating agent of the Intermountain Power Project (IPP). The STS delivers over 13.2 million MWh to the SCPPA members annually and is currently rated at 1,920 megawatts. The City's ownership share of this project is 4.5%.

Mead-Phoenix

The Authority entered into an agreement dated as of December 17, 1991 to acquire an interest in the Mead-Phoenix Project, a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project, a 17.76% interest in the Mead substation project component and a 22.41% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 megawatts. The City's ownership share of Mead-Phoenix is 15.4%.

Mead-Adelanto

The Authority also entered into an agreement dated as of December 17, 1991 to acquire a 67.92% interest in the Mead-Adelanto Project, 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 of funds from the multiple projects fund and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 megawatts. The City's ownership share of Mead-Adelanto is 11.5%.

Palo Verde

Pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River project, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station, a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the Palo Verde Project). Units 1, 2 and 3 of the

Palo Verde Project began commercial operations in January 1986, September 1986 and January 1988 respectively. The City's ownership share of this project is 4.4% (9.7 MW).

Multiple Project Fund

During the fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately $600,000 to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more then unspecified projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interest in Mead-Phoenix and Mead-Adelanto. Currently, SCPPA's investment earnings are sufficient for debt service without any payment obligations from the City.

(b) Intermountain Power Agency

In 1980, the City of Burbank, along with the cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each California purchaser to purchase, on a "take-or-pay" basis, a percentage share of capacity and energy generated by the IPP. The City, along with Los Angeles, Glendale and Pasadena, also entered into an Excess Power Sales Agreement, also on a "take or pay" contract, with Utah municipal and cooperative IPP purchasers, which is surplus to such Utah purchasers' needs, and will be made available to the City, Los Angeles, Glendale, and Pasadena. The project was completed on May 1, 1987 and is currently generating power. The City's participation interest in the power generated by IPP is 3.371% (69MW).

(In thousands)

A summary of the City of Burbank "take or pay" contracts and related projects and its contingent liability at June 30, 2002 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
Southern California Public Power Authority:				
Hoover uprating	$ 24,685	16.000%	$ 3,950	5,688
Southern Transmission system	1,015,335	4.500	45,690	75,598
Mead-Adelanto	261,515	11.500	30,074	48,826
Mead-Phoenix	83,675	15.400	12,886	20,824
Palo Verde	482,544	4.400	21,232	29,469
Intermountain Power Project	4,020,787	3.371	135,541	217,848
Total	$ 5,888,541	4.657	$ 249,373	398,253

* Burbank share % and amounts estimated based on weighted-average.

The City's participation interest of 3.371% in the power generated by the IPP is accounted for in the Water and Electric Funds. The project was completed in 1987 and is currently generating power.

(In thousands)

The City has the following required debt service payments of principal and interest for the next five fiscal years per the agreements discussed above:

		2002/03		2003/04		2004/05	
		Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:							
Hoover Uprating	$	145	146	190	170	197	163
IPP STS		907	1,985	1,057	2,072	1,282	2,037
Mead-Adelanto		835	1,665	898	1,607	961	1,546
Mead-Phoenix		407	725	437	697	468	667
Palo Verde		4,303	1,820	4,382	1,741	6,015	1,626
Intermountain Power		3,604	-	4,678	7,346	4,370	7,089
Total	$	10,201	6,341	11,642	13,633	13,293	13,128

		2005/06		2006/07		2007/12	
		Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:							
Hoover Uprating	$	204	156	210	149	1,186	612
IPP STS		1,224	2,022	1,242	1,975	7,518	8,961
Mead-Adelanto		1,025	1,478	1,166	1,407	6,792	6,128
Mead-Phoenix		499	634	468	599	2,981	2,623
Palo Verde		-	327	-	327	2,590	1,310
Intermountain Power		4,882	6,805	5,167	6,533	29,506	27,983
Total	$	7,834	11,422	8,253	10,990	50,573	47,617

		2012/17		2017/22		2022/27	
		Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:							
Hoover Uprating	$	1,475	325	342	18	-	-
IPP STS		11,580	6,628	15,205	3,783	5,855	445
Mead-Adelanto		9,195	3,770	9,202	1,151	-	-
Mead-Phoenix		3,942	1,534	3,684	461	-	-
Palo Verde		1,929	985	2,012	101	-	-
Intermountain Power		38,016	18,232	37,869	7,901	7,451	415
Total	$	66,137	31,474	68,134	13,415	13,306	860

(11) Wholesale Energy Trading Operations

The Electric Fund has been involved in the Wholesale market for many years. Since 2000, the Fund's strategy has been to develop wholesale net margins through its wholesale trading operations in order to reduce its power supply expenses. Fiscal year 2001-02 and 2000-01, wholesale revenues were $46,501 and $203,526, while wholesale expenses were $41,653 and $159,803, respectively. As a result of reduced electric demand due to mild weather and conservation efforts coupled with a Federal Energy Regulatory Commission (FERC) order effectively created spot power price caps, wholesale revenues in fiscal year 2001-02 were reduced.

(12) Bonneville Power Administration (BPA) and Intermountain Power Project (IPP) Power Supply Losses

On March 23, 2001, due to severe drought conditions resulting in inadequate snow runoff and rain to keep hydroelectric plants running, leaving little capacity to meet California's summer energy demands, the Electric Fund received notice from BPA that effective June 30, 2001, BPA would convert its long-term contract from Sale to Exchange mode. Under the exchange mode, the Electric Fund loses 22 MW of summer capacity and 11 MW of winter capacity. In addition to the loss of BPA energy, Utah utilities that are participants in IPP withdrew a portion of power they sell under the IPP Excess Power Sales Agreement. To replace this loss of power, the Electric Fund entered into forward purchase agreements for 274,225 MWhrs through December 31, 2002. Subsequent to these agreements, in June 2001 the Federal Energy Regulatory Commission (FERC) order effectively created price caps. As a result, the forward purchase agreements are no longer an effective mitigation tool for the loss of power. The agreements were designed to mitigate the Electric Fund's future price risk due to regional price differences. Due to the FERC order, the regional price difference was reduced nearly to zero. The difference between the forward purchase agreement price and the estimated current market price was $17,787 and this estimated loss was recorded in the financial statements during the year ended June 30, 2001. In Fiscal Year 2001-02, the Electric Fund's Rate Stabilization Fund (RSF) was drawn down $13.5 million to mitigate short-term power supply expenses.

(13) North-South 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 North-South DC Intertie. As of June 30, 2002, the Electric Fund has recorded its share of the Intertie of approximately $16,634 within its plant and equipment assets, less accumulated depreciation approximating $6,764 for a net asset value of $7,870. 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.

(14) Defeased Bonds

In 2001, the 1993 Series A Revenue Bonds were defeased by the Electric Revenue Bonds, Series of 2001. Amounts defeased were $9,243 in the Electric Fund and $1,142 in the Water Fund. The proceeds of the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities are not reflected in the Water and Electric Utility Enterprise Funds' financial statements. At June 30, 2002 and 2001, amounts of defeased bonds outstanding totaled $7,970 and $10,385, respectively.

(15) Burbank Operable Unit

Pursuant to a consent decree of March 25, 1992, Lockheed Martin Corporation (Lockheed) constructed a groundwater treatment system, now known as the Burbank Operable Unit (BOU), on property within and owned by the City , to mitigate the damage of certain toxic and hazardous substances contaminating groundwater in the parts of the San Fernando Groundwater Basin.

A second consent decree, dated May 28, 1997, provides that Lockheed is responsible for the cost of operation and maintenance of the BOU, through at least December 11, 2018. On December 12, 2000, the commencement date, the City became responsible for the oversight of the BOU.

The BOU represents an ongoing obligation of Lockheed to mitigate damages to the aforementioned basin groundwater. In the fiscal year 2018-19, the United States Environmental Protection Agency (EPA) will determine the disposition of the BOU. Based on the EPA's decision, the City will make appropriate adjustments, if necessary, to its financial statements.

(16) Transfers from the City

In Fiscal Year 2001-02, the City transferred $6.0 million from the BWP Competitiveness Reserve into the Electric Fund to assist in the funding of a new 47 MW gas-fired combustion turbine, known as the Lake One unit.

(17) Contingencies

Recovery of alleged overcharges for the sale of power.

The City was compelled by federal order to sell power to the Cal ISO when prices were high. The City believes that under the Federal Power Act it is exempt from FERC jurisdiction, however, the Electric Fund's management has participated in the proceedings to investigate the energy crisis in California and the entire western United States. The Electric Fund's management believes that the ultimate outcome of the refund matter will not have a material impact on the financial condition of the utility. However, because of the ultimate uncertainty of payment, the Electric Fund has established an allowance of $1,500. (See also Note 3 Accounts Receivables.)

Litigation

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting its water and electric operations. City management believes, based upon consultation with the City attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact to the City over and above the amounts recorded as claims liability. Additionally, City management believes that the claims liability recorded within the self-insurance internal service fund is sufficient to cover any potential losses, should an unfavorable outcome result.

(18) Subsequent Event

2002 Bond Issuance

On July 1, 2002, the City issued Burbank Water and Power Electric Revenue Bonds, Series of 2002, in the amount of $25,000 with annual maturities from June 1, 2005 through June 1, 2022 with interest ranging from 3.00% to 5.375%. The purpose of these bonds is to finance the costs of certain improvements to the Electric System, consisting of the retrofitting of the City's existing Olive 1 and Olive 2 steam generators to meet new air quality emission limits and certain other improvements to such generators or such other or additional facilities for the generation, transmission or distribution of electricity. The bonds will also fund a deposit to the bond reserve fund with respect to the Bonds and any Parity Debt of the Electrical System secured by the bond reserve fund, to refund the 2001 Bonds maturing June 1, 2003, fund the capitalized interest portion of the 2002 Bonds and to pay the costs of issuance of the 2002 Bonds.

HISTORICAL SUMMARY SCHEDULES

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE
ELECTRIC SYSTEM
Fiscal Years Ending June 30

	2002	2001	2000	1999	1998
OPERATING REVENUE					
Retail	$128,108	$110,874	$106,811	$100,782	$94,000
Wholesale	$46,501	$203,526	$2,511		
Other	$4,106	$3,648	$952	$5,460	$4,446
Total Operating Revenue	$178,715	$318,048	$110,274	$106,242	$98,446
TOTAL OPERATING EXPENSES	$180,962	$307,441	$102,698	$105,570	$99,819
OPERATING INCOME/(LOSS)	($2,247)	$10,607	$7,576	$672	($1,373)
Other Non-Operating Income	$1,745	($3,607)	$4,324	$1,583	$2,450
Add Back Depreciation (a)	$5,697	$5,643	$5,548	$5,081	$5,567
Add Back In Lieu (b)	$6,323	$5,581	$5,544	$5,246	$4,832
Add Back Interest Expense (c)	$2,620	$2,541	$2,806	$3,034	$1,623
Less Capital Contributions (d)	($1,102)	($513)			
ELECTRIC NET REVENUES AVAILABLE FOR DEBT SERVICE	$13,036	$20,252	$25,798	$15,616	$13,099
Debt Service (Electric System Portion)	$2,279	$4,888	$5,060	$5,483	$3,933
Debt Service Coverage	5.72x	4.14x	5.10x	2.85x	3.33x

(a) Non-cash expense
(b) Paid after debt service (excludes Street Lighting)
(c) Interest expense is part of debt service
(d) Capital contributions are not part of revenues available for debt service

ANNUAL ELECTRIC SUPPLY FISCAL YEAR ENDED JUNE 30, 2002		
Resource	**MWh**	**Percentage**
IPP	525,000	45.6%
Firm Contracts (1)	143,000	12.4%
On-Site Generation	97,000	8.4%
Hoover	26,000	2.3%
PVNGS	77,000	6.7%
Non-Firm Contracts	283,000	24.6%
TOTAL	1,151,000	100.0%

(1) Bonneville Power Administration, Portland General Electric, and other term purchases

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND Fiscal Years Ended June 30; $ in Thousands					
	2002	**2001**	**2000**	**1999**	**1998**
Number of Customers:					
Residential	44,726	44,502	44,730	44,704	44,564
Commercial	6,333	6,252	6,251	6,221	6,210
Industrial	246	233	237	240	206
Other	350	347	494	524	535
Total	51,655	51,334	51,712	51,689	51,515
Kilowatt-hour Sales (millions)					
Residential	238	255	247	249	247
Commercial	238	241	241	240	246
Industrial	532	527	531	503	485
Other	40	42	36	35	33
Total	1,048	1,065	1,055	1,027	1,011
Electric Revenues ($000's):					
Retail	$128,108	$110,874	$106,811	$100,782	$94,000
Wholesale	$46,501	$203,526	$2,511		
Other	$4,106	$3,648	$8,082	$10,077	$8,519
Total	$178,715	$318,048	$117,404	$110,859	$102,519
Peak Demand (MW)	246	271	270	284	274

AVERAGE BILLING PRICE – ELECTRIC (Cents per Kilowatt-Hour)					
	Fiscal Years Ended June 30				
	2002	**2001**	**2000**	**1999**	**1998**
Residential	12.5	10.6	10.6	10.2	9.6
Commercial	12.3	10.9	10.8	10.6	10.0
Industrial	11.7	10.2	10.3	9.9	9.4
Average Electric Rate	12.2	10.5	10.5	10.2	9.7

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE

WATER SYSTEM

Fiscal Years Ending June 30

	2002	2001	2000	1999	1998
OPERATING REVENUE					
Retail	$14,010	$15,022	$13,763	$11,480	$11,055
Other	$1,120	$1,015	$195	$3,061	$2,261
Total Operating Revenue	$15,130	$16,037	$13,958	$14,541	$13,316
TOTAL OPERATING EXPENSES	$13,300	$13,645	$12,366	$13,426	$13,400
Total Operating Income	$1,830	$2,392	$1,592	$1,115	($84)
Other Non-Operating Income	($267)	($596)	$112	$286	$1,072
Add Back Depreciation (a)	$1,770	$1,665	$1,520	$1,323	$1,369
Add Back In Lieu (b)	$715	$756	$714	$635	$602
Add Back Interest Expense (c)	$478	$600	$621	$711	$730
Less Capital Contributions (d)	($221)	($123)			
WATER NET REVENUES AVAILABLE FOR DEBT SERVICE	$4,747	$4,694	$4,559	$4,070	$3,689
Debt Service (Water System Portion)	$1,420	$1,348	$1,404	$1,958	$1,540
Debt Service Coverage	3.34x	3.48x	3.25x	2.08x	2.40x

(a) Non-cash expense
(b) Paid after debt service
(e) Interest expense is part of debt service
(f) Capital contributions are not part of revenues available for debt service

CUSTOMERS, WATER SALES, WATER REVENUES Fiscal Years Ended June 30					
	2002	**2001**	**2000**	**1999**	**1998**
Number of Customers:					
Residential	22,419	22,373	22,373	22,379	22,3576
Commercial	3,049	3,028	3,035	3,022	3,015
Industrial	145	144	145	151	147
Other	996	902	883	909	861
Total	26,609	26,447	26,436	26,461	26,380
CCF Sales Per Year (x1,000):					
Residential	7,064	6,835	6,949	6,380	6,062
Commercial	1,770	1,828	1,884	1,786	1,784
Industrial	355	366	363	359	345
Other	544	528	591	545	310
Total	9,733	9,557	9,787	9,070	8,501
Revenues from Sale of Water					
Retail	$14,010	$15,022	$13,763	$11,480	$11,055
Other	$1,120	$1,015	$195	$3,061	$2261
Total	$15,130	$16,037	$13,958	$14,541	$13,316
Maximum Day (Million gallons)	31,318	32,784	34,343	32,087	31,309

AVERAGE BILLING PRICE – WATER (Cents per CCF)					
	Fiscal Years Ended June 30				
	2002	**2001**	**2000**	**1999**	**1998**
Residential	148.11	148.17	152.87	138.62	139.34
Commercial	127.66	134.18	138.55	123.07	122.64
Industrial	131.80	133.76	145.88	122.01	121.73
Average Water Rate	135.86	138.70	149.66	134.66	135.49