

NEW ISSUE – BOOK-ENTRY ONLY

Ratings:
Fitch: “AA-”
Standard & Poor’s: “A+”
See “RATINGS.”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2012A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2012A Bonds is exempt from State of California personal income tax. See “TAX MATTERS.”

\$41,240,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

Dated: Date of Delivery

Due: November 1, as shown on inside cover

The captioned bonds (the “Series 2012A Bonds”) are issued by the Riverside Public Financing Authority (the “Authority”) and are payable from base rental payments (the “Base Rental Payments”) to be made by the City of Riverside (the “City”) for the right to the use of certain real property, consisting of certain real property and improvements of the City (the “Property”) pursuant to a Lease Agreement, dated as of August 1, 2012 (the “Lease Agreement”), by and between the City, as lessee, and the Authority, as lessor. See “SECURITY FOR THE SERIES 2012A BONDS.” The Series 2012A Bonds will be issued pursuant to an Indenture, dated as of August 1, 2012 (the “Indenture”) by and among the City, the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

The Series 2012A Bonds are issued to provide funds to (i) refinance the Authority’s outstanding 2003 Certificates of Participation (Capital Improvement Projects) (the “2003 Certificates”) and the City’s related lease payment obligations, and (ii) pay the costs of issuing the Series 2012A Bonds. See “THE REFUNDING PLAN.”

The City has covenanted under the Lease Agreement to make all scheduled Base Rental Payments, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property. See “RISK FACTORS—Abatement.”

The Series 2012A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2012A Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2013. Purchasers will not receive certificates representing their interest in the Series 2012A Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2012A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2012A Bonds. See “THE SERIES 2012A BONDS—Book-Entry Only System.”

The Authority may issue additional bonds (“Additional Bonds”) payable from Base Rental Payments. See “THE SERIES 2012A BONDS – Additional Bonds.” The Series 2012A Bonds and any Additional Bonds are collectively referred to as the “Bonds.”

The Series 2012A Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described in this Official Statement. See “THE SERIES 2012A BONDS—Redemption.”

The Series 2012A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2012A Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2012A Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as counsel the Underwriter. It is anticipated that the Series 2012A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about August 15, 2012.

J.P. Morgan

Dated: August 7, 2012

\$41,240,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

MATURITY SCHEDULE
BASE CUSIP†: 76926C

<u>Principal Payment Date (November 1)</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2013	\$1,295,000	2.000%	0.920%	101.297%	AA2
2014	1,330,000	3.000	1.160	104.004	AB0
2015	1,370,000	3.000	1.410	104.973	AC8
2016	1,420,000	4.000	1.660	109.477	AD6
2017	1,485,000	5.000	1.960	114.986	AE4
2018	1,560,000	5.000	2.270	115.728	AF1
2019	1,640,000	5.000	2.580	115.827	AG9
2020	1,725,000	5.000	2.860	115.558	AH7
2021	1,810,000	5.000	3.100	115.118	AJ3
2028	2,310,000	5.000	3.750	110.517 C	AK0
2029	2,425,000	5.000	3.820	109.894 C	AL8

\$3,905,000 5.000% Term Bond due November 1, 2023, Yield 3.370%, Price: 113.978% C, CUSIP† 76926C AN4

\$3,945,000 3.500% Term Bond due November 1, 2025, Yield 3.750%, Price: 97.410%, CUSIP† 76926C AP9

\$4,285,000 5.000% Term Bond due November 1, 2027, Yield 3.680%, Price: 111.145% C, CUSIP† 76926C AQ7

\$10,735,000 4.000% Term Bond due November 1, 2033, Yield 4.250%, Price: 96.523%, CUSIP† 76926C AM6

C = priced to the optional par call date of November 1, 2022.

† Copyright 2012, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2012A Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Series 2012A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained in this Official Statement are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described in this Official Statement since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2012A Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "CITY OF RIVERSIDE FINANCES" and "RISK FACTORS."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2012A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2012A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2012A Bonds.

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CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Ronald O. Loveridge, *Mayor*
Mike Gardner, *Ward 1*
Andy Melendrez, *Ward 2*
Rusty Bailey, *Ward 3*
Paul Davis, *Ward 4*
Chris Mac Arthur, *Ward 5*
Nancy Hart, *Ward 5*
Steve Adams, *Ward 7*

CITY STAFF

Scott C. Barber, *City Manager*
Belinda J. Graham, *Assistant City Manager*
Deanna Lorson, *Assistant City Manager*
Colleen J. Nicol, *City Clerk*
Brent A. Mason, *Finance Director/Treasurer*
Gregory P. Priamos, Esq., *City Attorney*
L. Scott Catlett, *Assistant Finance Director*

SPECIAL SERVICES

Bond Counsel

Stradling Yocca Carlson & Rauth,
A Professional Corporation,
Newport Beach, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

Trustee

U.S. Bank National Association,
Los Angeles, California

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OFFICIAL STATEMENT

\$41,240,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012A

INTRODUCTION

Series 2012A Bonds. This Official Statement, which includes the cover page and Appendices (the “**Official Statement**”), provides certain information concerning the captioned bonds (the “**Series 2012A Bonds**”) issued by the Riverside Public Financing Authority (the “**Authority**”).

The Series 2012A Bonds will be issued pursuant to an Indenture, dated as of August 1, 2012 (the “**Indenture**”), by and among the Authority, the City of Riverside (the “**City**”) and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Series 2012A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Interest on the Series 2012A Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2013.

Purchasers will not receive certificates representing their interest in the Series 2012A Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest on the Series 2012A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2012A Bonds. See “THE SERIES 2012A BONDS—Book-Entry Only System.”

Redemption Prior to Maturity. The Series 2012A Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE SERIES 2012A BONDS—Redemption.”

Financing Purpose. The net proceeds of the sale of the Series 2012A Bonds will be used to (i) refinance the outstanding City of Riverside 2003 Certificates of Participation (Capital Improvement Projects) (the “**2003 Certificates**”) and the related lease payment obligation of the City of Riverside (the “**City**”) and (ii) pay the costs of issuing the Series 2012A Bonds.

Security for the Series 2012A Bonds; Base Rental Payments. The Series 2012A Bonds are equally and ratably payable from base rental payments (the “**Base Rental Payments**”) to be made by the City for the right to use certain real property and improvements (the “**Property**”) pursuant to a Lease Agreement dated as of August 1, 2012 (the “**Lease Agreement**”), between the City, as lessee, and the Authority, as lessor.

Pursuant to a Ground Lease, dated as of August 1, 2012 (the “**Ground Lease**”), the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of August 1, 2012, (the “**Assignment Agreement**”), pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City covenants under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Property or any portion thereof. See “RISK FACTORS—Abatement.” Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

Limited Obligation. THE SERIES 2012A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”), OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2012A BONDS. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

No Debt Service Reserve Fund. The Authority is not funding a debt service reserve fund for the Series 2012A Bonds. See “RISK FACTORS – No Reserve Fund.”

Additional Bonds. The Authority may issue additional bonds (the “**Additional Bonds**”) payable from the Base Rental Payments on a parity basis with the Series 2012A Bonds; the Series 2012A Bonds and any Additional Bonds being collectively referred to in this Official Statement as the “**Bonds**.”

Financial Statements. The City’s financial statements for the fiscal year ended June 30, 2011 are included as Appendix C and have been audited by Moss–Adams LLP, certified

public accountants, Los Angeles, California (the “**Auditor**”). See “APPENDIX C – Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011.”

Continuing Disclosure. The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Securities and Exchange Commission Rule 15c2-12 (the “**Rule**”) certain annual financial information and operating data and, in a timely manner, notice of certain listed events. See “CONTINUING DISCLOSURE.”

Certain Risk Factors. Certain events could affect the ability of the City to make the Base Rental Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Series 2012A Bonds.

Forward-Looking Statements. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for budget discussion for fiscal year 2012-13, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Official Statement is a Summary. The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to in this Official Statement, and the description of the Series 2012A Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined in this Official Statement) are defined in the Indenture or the Lease Agreement and have the meanings set forth therein. See “APPENDIX B – Summary of the Principal Legal Documents.”

THE SERIES 2012A BONDS

General

The Series 2012A Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2012A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page. Interest on the Series 2012A Bonds will be paid semiannually on May 1 and November 1 (each, an “**Interest Payment Date**”) of each year, commencing May 1, 2013.

Interest on the Series 2012A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2012A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Series 2012A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2012A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in

whose names the ownership of the Series 2012A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2012A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2012A Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2012A Bonds will be subject to optional, mandatory sinking fund and extraordinary redemption as set forth in this Official Statement.

Registration, Transfers and Exchanges

The Series 2012A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2012A Bonds (the “**Beneficial Owners**”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2012A Bonds. See “THE SERIES 2012A BONDS—Book-Entry Only System.”

Redemption

Optional Redemption. The Series 2012A Bonds maturing on or after November 1, 2023, shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after November 1, 2022, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2012A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2012A Bonds with stated maturities on November 1, 2023, are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 2022, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Redemption Date (November 1)	Principal Amount To Be Redeemed
2022	\$1,905,000
2023*	2,000,000

* Final Maturity.

The Series 2012A Bonds with stated maturities on November 1, 2025, are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 2024, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Redemption Date (November 1)	Principal Amount To Be Redeemed
2024	\$1,940,000
2025*	2,005,000

* Final Maturity.

The Series 2012A Bonds with stated maturities on November 1, 2027, are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 2026, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Redemption Date (November 1)	Principal Amount To Be Redeemed
2026	\$2,090,000
2027*	2,195,000

* Final Maturity.

The Series 2012A Bonds with stated maturities on November 1, 2033, are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 2030, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Redemption Date (November 1)	Principal Amount To Be Redeemed
2030	\$2,530,000
2031	2,630,000
2032	2,735,000
2033*	2,840,000

* Final Maturity.

Extraordinary Redemption from Condemnation Award or Insurance Proceeds.

The Series 2012A Bonds are subject to redemption, in whole or in part, on any date, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2012A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds, among maturities of Bonds as directed in a Written Request of the Authority, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among

maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations, and such separate denominations will be treated as separate Bonds that may be separately redeemed.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption.

A redemption notice may state that the redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption. If a redemption notice has been mailed, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, have been set aside in the Redemption Fund, the Bonds will become due and payable on the redemption date, and, upon presentation and surrender of a Bond at the principal corporate trust office of the Trustee, the Authority will pay the Redemption Price of the Bond, together with interest accrued and unpaid to said date.

If, on the redemption date, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if a notice of redemption has been mailed and not canceled, then, from and after said date, interest on the Bonds to be redeemed will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2012A Bond will be issued for each maturity of the Series 2012A Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book-Entry Only System."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2012A Bonds apply only during any period in which the Series 2012A Bonds are not subject to DTC's book-entry system. While the Series 2012A Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be obligated to make any transfer or exchange of Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

Pledge of Revenues

The Series 2012A Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See "CITY OF RIVERSIDE," "CITY OF RIVERSIDE FINANCES" and "RISK FACTORS." The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2012A Bond Owners all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement;

provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2012A Bonds. See “APPENDIX B – Summary of the Principal Legal Documents.”

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

THE SERIES 2012A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2012A BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Authority may issue additional bonds (“**Additional Bonds**”) payable from Base Rental Payments on a parity basis with the Series 2012A Bonds. See “APPENDIX B – Summary of the Principal Legal Documents” for a summary of the conditions and procedures for issuance of Additional Bonds.

Base Rental Payments

General. Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 15th day of the month next preceding each Interest Payment Date (the “Base Rental Deposit Date”) on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2012A Bonds.

Base Rental Payment Schedule. Scheduled Base Rental Payments relating to the Series 2012A Bonds are set forth below under the heading “FINANCING PLAN – Base Rental Payment Schedule.”

Covenant to Budget and Appropriate. The City covenants in the Lease Agreement to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City covenants to deliver to the Authority and the Trustee a Certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within 10 days after the filing or adoption of the final annual budget. The Lease Agreement declares that these covenants are and shall be construed to be duties imposed by law and that it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the City's covenants and agreements under the Lease Agreement. See, however, "-Abatement" below.

Limited Obligation. THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental Payments, such amounts as will be required for the payment of the following:

- (i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
- (ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.
- (iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.
- (iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.
- (v) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts will be payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments will be subject to abatement proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Lease Agreement. The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See "APPENDIX B – Summary of the Principal Legal Documents."

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Substitution and Removal of Property

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City as a result of such substitution or release. Any such substitution or release will be subject to the following specific conditions precedent:

(a) An independent certified real estate appraiser selected by the City will have found (and will have delivered a certificate to the City and the Trustee setting forth its findings) that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds.

(b) The City will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in an amount at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Lease Agreement.

(c) The City will have provided the Trustee with an opinion of counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

(d) The City, the Authority and the Trustee will have executed, and the City will have caused to be recorded with the Riverside County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease.

(e) The City will have provided notice of such substitution to each rating agency then rating the Bonds.

See “APPENDIX B – Summary of the Principal Legal Documents.”

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Lease Agreement. See “RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Bond Owners under the Indenture and the Lease, such as certain consents and amendments and the direction of remedies following default, Series 2012A Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see “APPENDIX B – Summary of the Principal Legal Documents.”

No Reserve Fund

The Authority has not funded a reserve fund in connection with the issuance of the Series 2012A Bonds.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which will include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. Each such policy of insurance will contain a standard replacement cost endorsement providing for no deduction for depreciation and a stipulated amount endorsement. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed \$500,000. The City's obligation to maintain the insurance described above (except for rental interruption insurance) may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Lease Agreement. See "APPENDIX B – Summary of the Principal Legal Documents."

The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City is not permitted to self-insure its obligation to maintain rental interruption insurance.

The City is also required to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees, and worker's compensation insurance as described in "APPENDIX B – Summary of the Principal Legal Documents."

The City is required under the Lease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2012A Bonds, insuring the fee interest of the City in the Property, the Authority's leasehold estate in the Property under the Ground Lease, and the City's subleasehold estate in the Property under the Lease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Owners.

FINANCING PLAN

Refinancing of the 2003 Certificates. The Authority is issuing the Series 2012A Bonds to provide a portion of the moneys, together with certain funds on deposit with U.S. Bank National Association, as trustee for the 2003 Certificates, to prepay the 2003 Certificates. The 2003 Certificates are currently outstanding in the aggregate principal amount of \$44,025,000, and will be prepaid at a prepayment price equal to the principal amount thereof plus accrued interest to the date of prepayment, without premium.

Pursuant to the Indenture, the Authority will direct the Trustee to transfer a portion of the proceeds of the Series 2012A Bonds to U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under the Escrow Deposit and Trust Agreement, dated as of August 1, 2012, by and among the City and the Escrow Agent (the “**Escrow Agreement**”).

Proceeds of the Series 2012A Bonds and other moneys held in the Escrow Fund to redeem a portion of the 2003 Certificates will be held in cash or invested in federal securities. The cash and federal securities deposited in the Escrow Fund, along with any interest earnings on the federal securities, will be sufficient to pay (i) scheduled principal and interest with respect to the outstanding 2003 Certificates on September 1, 2012, (ii) scheduled interest with respect to the 2003 Certificates on March 1, 2013, (iii) scheduled principal and interest with respect to the outstanding 2003 Certificates on September 1, 2013, and (iv) on September 1, 2013, the prepayment price of the 2003 Certificates maturing on and after September 1, 2014. Amounts in the Escrow Fund will be irrevocably pledged to the payment of the 2003 Certificates and are not available to pay debt service on the Series 2012A Bonds.

See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” below.

Certificates to be Refunded. The 2003 Certificates consist of the following:

**2003 Certificates of Participation (Capital Improvement Projects)
Base CUSIP[†] Number: 768861**

Maturity Date (September 1)	Principal Amount	CUSIP Number [†]	Maturity or Prepayment Date, as Applicable (September 1)
2012	\$1,365,000	FJ0	2012
2013	1,415,000	FK7	2013
2014	1,470,000	FL5	2013
2015	1,545,000	FM3	2013
2016	1,620,000	FN1	2013
2017	1,685,000	FP6	2013
2018	1,760,000	FQ4	2013
2019	1,850,000	FR2	2013
2020	1,940,000	FS0	2013
2021	2,035,000	FT8	2013
2022	2,140,000	FU5	2013
2023	2,250,000	FV3	2013
2028	10,080,000	FW1	2013
2031	12,870,000	FX9	2013

Estimated Sources and Uses of Funds. The estimated sources and uses of funds with respect to the Series 2012A Bonds are shown below.

Sources

Principal Amount of Series 2012A Bonds	\$41,240,000.00
Plus: Available 2003 Certificates Amounts	3,520,968.75
Plus: Net Original Issue Premium	<u>2,573,070.75</u>
Total Sources	\$47,334,039.50

Uses

Escrow Fund	\$47,111,847.17
Cost of Issuance Fund ⁽¹⁾	<u>222,192.33</u>
Total Uses	\$47,334,039.50

⁽¹⁾ Includes legal, rating agency, underwriter's discount, printing fees and other miscellaneous costs of issuance.

[†] Copyright 2012, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

Base Rental Payment Schedule. Set forth below is the annual schedule of Base Rental Payments, which corresponds with the schedule of debt service payments for the Series 2012A Bonds (except that (i) the Interest Payment Dates for the Series 2012A Bonds are May 1 and November 1 and (ii) payments of principal on the Series 2012A Bonds are made according to the maturity schedule contained on the inside cover page of this Official Statement):

Lease Payment Date	Series 2012A Principal	Series 2012A Interest	Total Payments
04/15/2013		\$1,271,768.89	\$1,271,768.89
10/15/2013	\$1,295,000	894,212.50	2,189,212.50
04/15/2014		881,262.50	881,262.50
10/15/2014	1,330,000	881,262.50	2,211,262.50
04/15/2015		861,312.50	861,312.50
10/15/2015	1,370,000	861,312.50	2,231,312.50
04/15/2016		840,762.50	840,762.50
10/15/2016	1,420,000	840,762.50	2,260,762.50
04/15/2017		812,362.50	812,362.50
10/15/2017	1,485,000	812,362.50	2,297,362.50
04/15/2018		775,237.50	775,237.50
10/15/2018	1,560,000	775,237.50	2,335,237.50
04/15/2019		736,237.50	736,237.50
10/15/2019	1,640,000	736,237.50	2,376,237.50
04/15/2020		695,237.50	695,237.50
10/15/2020	1,725,000	695,237.50	2,420,237.50
04/15/2021		652,112.50	652,112.50
10/15/2021	1,810,000	652,112.50	2,462,112.50
04/15/2022		606,862.50	606,862.50
10/15/2022	1,905,000	606,862.50	2,511,862.50
04/15/2023		559,237.50	559,237.50
10/15/2023	2,000,000	559,237.50	2,559,237.50
04/15/2024		509,237.50	509,237.50
10/15/2024	1,940,000	509,237.50	2,449,237.50
04/15/2025		475,287.50	475,287.50
10/15/2025	2,005,000	475,287.50	2,480,287.50
04/15/2026		440,200.00	440,200.00
10/15/2026	2,090,000	440,200.00	2,530,200.00
04/15/2027		387,950.00	387,950.00
10/15/2027	2,195,000	387,950.00	2,582,950.00
04/15/2028		333,075.00	333,075.00
10/15/2028	2,310,000	333,075.00	2,643,075.00
04/15/2029		275,325.00	275,325.00
10/15/2029	2,425,000	275,325.00	2,700,325.00
04/15/2030		214,700.00	214,700.00
10/15/2030	2,530,000	214,700.00	2,744,700.00
04/15/2031		164,100.00	164,100.00
10/15/2031	2,630,000	164,100.00	2,794,100.00
04/15/2032		111,500.00	111,500.00
10/15/2032	2,735,000	111,500.00	2,846,500.00
04/15/2033		56,800.00	56,800.00
10/15/2033	2,840,000	56,800.00	2,896,800.00
Total	\$41,240,000	\$22,943,581.39	\$64,183,581.39

THE PROPERTY

The Property consists of the City Hall complex and the Police Patrol Facility.

City Hall Complex. The City Hall complex consists of a seven-story office building complex, City council chambers, a four-level parking garage, a balcony and rooftop area, including storage space and a heliport, a utility building and a basement in downtown Riverside, California. The complex is located on a total land area of 3.766 acres and includes 262,789 square feet of usable space. The City commissioned an appraisal of the City Hall complex by Boznanski and Company in December 2011, and the appraiser concluded the City Hall complex had a market value as of December 15, 2011, of \$40 million.

The City Hall complex has a concrete foundation with solid brick walls. Its lateral force-resisting system consists of a steel moment frame.

Police Patrol Facility. The Police Patrol Facility, which was originally constructed in 1988 and renovated in 2009, includes approximately 26,250 square feet on a 16.08 acre parcel. The City maintains insurance for the Police Patrol Facility based on a value of \$7.2 million (exclusive of any land value). The City estimates the value of the real property on which the Police Patrol Facility sites to be \$2.75 million. The City has not commissioned a recent appraisal of the Police Patrol Facility.

The Police Patrol Facility was constructed in accordance with the California Building Code in effect at the time of its construction. It has a concrete foundation with solid brick walls, and its lateral force-resisting system consists of reinforced shear walls.

The City has the right to substitute or release all or portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Substitution and Removal of Property.”

THE CITY

See “APPENDIX A – General Demographic and Financial Information about the City” for certain financial and demographic information about the City, including its General Fund.

THE AUTHORITY

The Riverside Public Financing Authority was organized pursuant to the provisions of Article I of Chapter 5 of Division 7 of Title 1 of the State Government Code and a Joint Exercise of Powers Agreement, dated as of December 15, 1987 (the “**JPA Agreement**”), by and between the City and the Redevelopment Agency of the City of Riverside (the “**Agency**”). The Authority has no financial liability to the Owners of the Series 2012A Bonds with respect to the payment of Base Rental Payments by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform.

The State adopted ABx1 26 on June 28, 2011, pursuant to which the Agency was dissolved and the City acts as its successor agency. Pursuant to Section 34178(b)(3) of the Community Redevelopment Law, as amended by ABx1 26, the JPA Agreement is not invalid as a result of the dissolution of the Agency.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2012A Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Series 2012A Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations — Security for the Series 2012A Bonds

The Series 2012A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2012A Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City's appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Abatement

In the event of substantial interference with the City's right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Abatement."

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2012A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2012A Bonds.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2012A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2012A Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2012A Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2012A Bond Owners for nonpayment under such circumstances.

No Reserve Fund

The Authority has not funded a reserve fund for the Series 2012A Bonds.

Covenant to Budget and Appropriate

Under the Lease Agreement, the City has covenanted to take such actions as are necessary to include the Base Rental payments and the estimated Additional Rental in its annual budgets and to make the necessary annual appropriations for all Base Rental payments. Such covenant is deemed to be a duty imposed by law, and it is the duty of the public officials of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable such entity to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenant. Upon execution and delivery of the Series 2012A Bonds, Bond Counsel will render its opinion (substantially in the form of Appendix D) to the effect that, subject to certain limitations and qualifications, the Lease Agreement constitutes a valid and binding obligation of the City.

See, however, "- Abatement" below.

Additional Obligations of the City

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City,

the funds available to make Base Rental payments may be decreased. If the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental payments and other payments due under the Lease Agreement.

Eminent Domain

If the Leased Premises is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Premises is taken permanently, or if the Leased Premises or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Base Rental payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Base Rental payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Lease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Lease Agreement or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Lease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there will be no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor will the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2012A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2012A Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS" and "APPENDIX B – Summary of the Principal Legal Documents."

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and summarized below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See “SECURITY FOR AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Substitution, Addition and Removal of Property.” Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2012A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See “APPENDIX B – Summary of the Principal Legal Documents.”

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period will be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

Articles XIIC and XIID of the State Constitution

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution,” for information about certain risks to the City’s general fund revenues under Articles XIIC and Article XIID of the California Constitution.

Geologic, Topographic and Climatic Conditions

General. The value of the Leased Premises, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements, including improvements of the Leased Premises. Some

of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the Leased Premises, as well as public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Seismic. The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active faults. The San Jacinto Fault, the Glen Helen Fault, the San Andreas Fault and the Lytle Creek Fault are all located within the vicinity of the City. Although the City believes that no active or inactive fault lines pass through the City, if there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City's ability to pay the Base Rental payments.

Although the City currently maintains earthquake insurance for the City Hall complex, the City is not obligated under the Lease Agreement to maintain earthquake insurance with respect to the Property. The structural design of each of the components of the Property leased under the Lease Agreement complies with the 2001 California Building Code. See "THE PROPERTY" above for a description of the structural design of the buildings that are components of the Property.

Flood. Southern California's unpredictable seasonal ranges of rainfall, coupled with geographic and geologic conditions, make the City particularly vulnerable to flooding, especially during winter months. Increasing conversion of natural areas to pavement and less pervious ground covers makes the effects of storms more intense and potentially damaging. Flash floods, mudslides and creek flooding have all occurred in the City, claiming lives and damaging property. The impacts of flooding can also damage the drinking water supply, create power outages and damage homes and their contents.

The City is not obligated under the Lease Agreement to maintain flood insurance with respect to the Property. Portions of the City are located adjacent to the Santa Ana River in a 100-year flood plain. The City Hall complex is not located in a flood zone. However, the Police Patrol Facility is located in Flood Zone X, which is defined as: areas with 0.2% annual chance of flood; areas with 1% annual chance of flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance of flood. The Police Patrol Facility is in the Woodcrest Wash that is protected by a dam.

Wildfire Hazard Area. The Property is not located in a "fire severity zone" based on current mapping. See "THE PROPERTY" above for information about the fire-related design of the buildings that are components of the Property.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Series 2012A Bonds.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "**CERCLA**" or the "**Superfund Act**" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should the Leased Premises or any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction in the value of the Leased Premises could adversely impact the fair rental value of the Leased Premises and potentially result in abatement of the Base Rental payments. In addition, reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make Base Rental payments.

Impact of State Budget

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

Information on Current State Budget Difficulties. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office the ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

June 15, 2012 Legislative Action. On June 15, 2012, the Legislature passed a \$92 billion General Fund State Budget that closed the State's remaining \$15.7 billion deficit and rebuilt a \$1 billion General Fund reserve, contingent upon passage of the Governor's proposed revenue-generating initiatives at the November 2012 election. The 2012-13 Budget relied on \$6 billion of additional revenue, which if not realized, will automatically cause \$6 billion in Trigger Cuts to occur, which amount of Trigger Cuts is \$2 billion greater than the possible Trigger Cuts contained in the 2011-12 Budget. \$5.9 billion of the planned Trigger Cuts will affect public education funding in the State (with \$5.4 billion of Trigger Cuts affecting future Proposition 98 funding, and the University of California and Cal State systems each experiencing \$250 million in Trigger Cuts). The 2012-13 Budget also contains reductions in expenditures from prior years spending totaling \$8.1 billion, including reductions caused by elimination of the Healthy Families program and by reforms relating to the CalWORKs, Medi-Cal, Judiciary and Cal Grant programs. The 2012-13 Budget expects \$1.5 billion in savings will be generated as the result of the transfer of cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services and to schools to offset State General Fund costs. An additional \$1.9 billion in savings will arise due to prepayment of the State's Proposition 98 funding as required by a court settlement. Governor Brown signed the 2012-13 Budget on June 27, 2012.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

The execution of 2012-13 Budget may be affected by numerous factors, including but not limited to: (i) national, State and international economic conditions, (ii) failure of the Governor's proposed revenue-generating initiatives at the November 2012 election, (iii) litigation risk associated with proposed spending reductions, (iv) failure to generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and (v) other factors, all or any of which could cause the revenue and spending projections made in 2012-13 Budget to be unattainable. The City cannot predict the impact that the 2012-13 Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the State's 2012-13 Budget.

See "APPENDIX A –City of Riverside General Demographic and Financial Information" for information about the impact on the City of the recent dissolution of redevelopment agencies.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the City's ability to pay Base Rental payments.

Impact of Sales and Use Tax Redirection

As described in “APPENDIX A – City of Riverside General Demographic and Financial Information,” the State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its “economic recovery” bonds; the State will increase local governments’ share of local property tax by a corresponding amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Base Rental payments. First, there may be a timing issue associated with the “backfill” of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City’s cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Base Rental payments, the City may not know the exact amount of revenue available to pay Base Rental payments

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Series 2012A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on revenues available to pay Base Rental payments.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See " CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City's Charter, in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII C and Article XIII D of the State Constitution."

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Series 2012A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2012A Bonds, as a result of acts or omissions of the Authority or the City in violation of its covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2012A Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2012A Bonds or, if a secondary market exists, that any Series 2012A Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Series 2012A Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Series 2012A Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Series 2012A Bonds or obligations that present similar tax issues as the Series 2012A Bonds .

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage,

destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2012A Bonds when due. In addition, certain risks, such as earthquakes and floods, are not covered by the insurance required under the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Insurance.”

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2012A Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section I(a) of Article XIII A limits the maximum ad valorem tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section I(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides

that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For Fiscal Year 2010-11 the City's appropriations limit was \$235,712,034, and its actual appropriations in Fiscal Year 2010-11 were approximately \$119,412,040. The City's appropriations limit for Fiscal Year 2011-12 is \$243,798,121. The City is subject to and is operating in conformity with Article XIII B.

Article XIIC and XIID of the State Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIC broadly define "tax," but specifically exclude, among other things:

- "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the

service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In Richmond v. Shasta Community Services District (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In Richmond, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In Howard Jarvis Taxpayers Association v. City of Fresno (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in Bighorn-Desert View Water Agency v. Verjil (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in Richmond that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIIC’s mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency’s water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in Bighorn specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Risks Relating to Certain Special Assessments. With the exception of assessments levied in Street Lighting District No. 1 of the City (see "APPENDIX A – City of Riverside General Demographic and Financial Information") and the water-related revenue transfer described below, none of the property-related fees or assessments currently collected by the City are deposited in the General Fund. If the City is unable to continue to collect these assessments, the services and programs funded with these assessments would have to be curtailed and/or the City General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the assessments in light of Articles XIIC and XIID or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Water Utility Revenue Transfer Under the City Charter. Section 1304 of the Riverside City Charter requires the City's water enterprise (the "**Water Utility**") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility ("**Water Revenue Transfer**"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. Prior to 1968, the Water Utility was obligated to transfer, after all required expenditures had been made at the end of each fiscal year, all excess funds. In 1968, the electorate approved a change requiring a transfer of 11.5% of gross operating revenues. In 1977, the electorate approved a change to an amount "not to exceed" 11.5% of gross operating revenues.

The holdings in Bighorn and Fresno make it clear that the City's water service charges are property-related fees or charges that must comply with Article XIID. This means that the revenues derived from these charges may not exceed the cost to the City of providing the related services. To the City's knowledge, no California appellate court has considered whether payments like the Water Revenue Transfer are a cost of providing the related service. As of the date of this Official Statement, one claim has been filed with the City regarding the legality of including the Water Revenue Transfer as a cost of providing the related services (see "LITIGATION"), and no other litigation has been threatened. The statute of limitations for filing a claim is one year from the date that the City collected a water service charge that was used to make the Water Revenue Transfer payments. The California Supreme Court recently held in Ardon v. Los Angeles 52 Cal.4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

If a court were to conclude that the Water Revenue Transfer is not a cost of providing the service of the Water Utility, then the Water Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the Water Revenue Transfers, and the Water Utility could be required to rebate to its customers the amount of any rates and charges in

excess of the cost of service. In such an event, the Water Utility most likely would require the City to return the challenged Water Revenue Transfer and the Water Utility would be prohibited from making any future Water Revenue Transfers. In that situation, the City would prepare a cost study calculating the Water Utility's cost impact on the City, and the City would assess the Water Utility for such costs. It is unclear if such costs would equal the current Water Revenue Transfer.

In fiscal year 2011-12, the Water Revenue Transfer was in the amount of \$6,290,800 (unaudited), and the City has budgeted for a fiscal year 2012-13 Water Revenue Transfer of \$6,467,200.

See "LITIGATION" for information about a petition for writ of mandate that was served on the City on July 12, 2012, which challenges the validity of the Water Revenue Transfer. The petition also requests the court's ordering the City to cease the Water Revenue Transfer and return all previously collected funds to the Water Utility.

Transfers from the City's Electric Enterprise. Although the City also makes a revenue transfer to the City's general fund from the City's electric utility, that transfer is not subject to Article XIII C of the California Constitution, which expressly excludes electric rates from its scope. It is, however, subject to regulation under other provisions of State law. See " – Revenue Transfer from Electric Utility" below.

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay Base Rental payments under the Project Lease could be adversely affected.

Revenue Transfer from Electric Utility

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the City's electric utility (the "**Electric Utility**"), after payment of Operating and Maintenance Expenses and debt service, are limited by Article XII of the City Charter, as approved by the voters and adopted by the City Council on November 15, 1977. Such transfers are limited to 12 equal monthly installments during each fiscal year constituting a total amount not to exceed 11.5% of the Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor.

The transfers to the General Fund of the City for the fiscal year ending June 30, 2012 (unaudited) were \$33,645,300, equal to approximately 11.5% of the prior fiscal year's Gross Operating Revenues. The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2013 is \$34,423,500, equal to approximately 11.5% of the prior fiscal year's Gross Operating Revenues.

In general, California law (Government Code §50076) provides that any fee that exceeds the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is levied for general revenue purposes is a special tax. To the City's knowledge, no California appellate court has considered whether payments like the transfers to the General Fund are a cost of providing the related service. As of the date of this Official Statement, no

claim has been filed with the City regarding the legality of including the General Fund transfer as a cost of providing the related services and no litigation has been threatened.

The statute of limitations for filing a claim is one year from the date that the City collected a water service charge that was used to make the revenue transfer payments from the Electric Utility. The California Supreme Court recently held in Ardon v. Los Angeles 52 Cal.4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

If a court were to conclude that the General Fund transfer from the Electric Utility is not a cost of providing the service of the Electric Utility, then the Electric Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Electric Utility most likely would require the City to return the challenged General Fund transfer and the Electric Utility would be prohibited from making any future General Fund transfers.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could

affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 amended the state Constitution to eliminate or reduce the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. Notwithstanding the passage of Proposition 22, the State successfully dissolved redevelopment agencies. See the discussion of the impact on the City of the redevelopment agency dissolution in Appendix A.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B, XIII C and XIII D were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on Series 2012A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series 2012A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Series 2012A Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2012A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the Series 2012A Bond before receipt of cash attributable to such excludable income (with respect to the Series 2012A Bonds). The amount of original issue discount deemed received by the owner of a Series 2012A Bond will increase the owner's basis in the Series 2012A Bond. In the opinion of Bond Counsel original issue discount that accrues to the owner of a Series 2012A Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of the portion of each Base Rental Payment constituting interest (and original issue discount) on the Series 2012A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City and the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to issuance of the Series 2012A Bonds to assure that the portion of each Base Rental Payment constituting interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012A Bonds. The City and the Authority have covenanted to comply with all such requirements applicable to each, respectively.

The amount by which a Series 2012A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2012A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series 2012A Bond premium, which must be amortized under Section 171 of the Code; such amortizable Series 2012A Bond premium reduces the Series 2012A Bond Owner's basis in the applicable Series 2012A Bond (and the amount of tax-exempt interest received with respect to the Series 2012A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2012A Bond premium may result in a Series 2012A Bond Owner realizing a taxable gain when a Series 2012A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2012A Bond to the Owner. Purchasers of the Series 2012A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Series 2012A Bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease Agreement, and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) due with respect to any Series 2012A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2012A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2012A Bonds might be affected as a result of such an audit of the Series 2012A Bonds (or by an audit of similar securities). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2012A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2012A Bonds or their market value.

It is possible that, subsequent to the issuance of the Series 2012A Bonds, there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the Series 2012A Bonds or the market value of the Series 2012A Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Series 2012A Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2012A Bonds. No assurance can be given that, subsequent to the issuance of the Series 2012A Bonds, such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Series 2012A Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Series 2012A Bonds.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) on the Series 2012A Bonds is excluded from gross income for federal income tax purposes provided that the City and the Authority continue to comply with certain requirements of the Code, the ownership of the Series 2012A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2012A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2012A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Series 2012A Bonds.

The form of Bond Counsel's proposed opinion with respect to the Series 2012A Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2012A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. *Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2012A Bonds.* From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2012A Bonds.

Certain legal matters will be passed upon for the City and the Authority by the City Attorney.

Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Underwriter's Counsel, *and will receive compensation contingent upon that issuance of the Series 2012A Bonds.*

LITIGATION

To the best knowledge of the City, the Authority and the City Attorney, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2012A Bonds, the Lease Agreement or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims pending against the City. In the opinion of the City and the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City which will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

On July 12, 2012, the City was served with a petition for writ of mandate entitled Javier Moreno, et al. v. City of Riverside, Riverside Superior Court Case No. RIC 1210249, challenging the validity of the Water Revenue Transfer. The petition also requests the court's ordering the City to cease the Water Revenue Transfer and return all previously collected funds to the Water Utility. The City has not yet responded to the lawsuit and no trial date has been set.

On November 12, 2009, the City, the City's Redevelopment Agency, and the Authority filed a complaint in the United States District Court, Central District of California (Eastern Division), Case Number CV09-08284, which named a number of defendants, including J.P. Morgan Securities LLC, the underwriter for the Series 2012A Bonds. See "UNDERWRITING." The complaint alleges that the defendants manipulated the derivatives market by various means, which decreased the returns the City earned on guaranteed investment contracts and municipal derivative instruments. The complaint was transferred and coordinated with a number of related class and individual actions brought by other public entities from across the country in a Multidistrict Litigation proceeding in the Southern District of New York (In Re Municipal Antitrust Derivatives Litigation, MDL 1950, No. 08-02516 (VM)(GWG) S.D.N.Y.) (the "**MDL Proceeding**"). On April 26, 2010, Southern District of New York Judge Victor Marrero denied the defendants' motions to dismiss the City's and other similar complaints. On April 18, 2012, J.P. Morgan Securities LLC and certain of its affiliates entered a settlement agreement with the named class plaintiffs on behalf of themselves and class members in the MDL Proceeding. The

settlement agreement is subject to approval by the Court in the MDL Proceeding and to the right of each class member to opt out of the proposed settlement prior to the Court's approval.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C. (the "**Verification Agent**"), will examine the arithmetical accuracy of certain computations included in the schedules provided by the City relating to discharge of the 2003 Certificates. See "FINANCING PLAN."

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

The Series 2012A Bonds are being purchased by J.P. Morgan Securities LLC (the "**Underwriter**"). The Underwriter will purchase the Series 2012A Bonds from the Authority at an aggregate purchase price of \$43,706,363.09 (representing the principal amount of the Bonds (\$41,240,000.00), plus a net original issue premium of \$2,573,070.75, and less an underwriter's discount of \$106,707.66).

The Series 2012A Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Series 2012A Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

The Underwriter has entered into negotiated dealer agreements (each, a "**Dealer Agreement**") with each of UBS Financial Services Inc. ("**UBSFS**") and Charles Schwab & Co., Inc. ("**CS&Co.**") for the retail distribution of certain securities offerings, including the Series 2012A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase the Series 2012A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012A Bonds that such firm sells.

RATINGS

Fitch Ratings and Standard & Poor's Ratings Services, have assigned the Series 2012A Bonds the ratings set forth on the cover page. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of the ratings may be obtained by contacting them at: Fitch, Inc., One State Street Plaza, New York, New York 10004, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Series 2012A Bonds. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organizations, if in their judgment circumstances so

warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012A Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2012A Bonds to provide annually certain financial information and operating data relating to the Series 2012A Bonds and the City (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City’s undertaking with respect to the Annual Report and certain enumerated events, see “APPENDIX E – Form of Continuing Disclosure Certificate.”

The Annual Report is to be provided by the City not later than nine months after the end of the City’s fiscal year (which currently would be March 31), commencing with the report for fiscal year 2011-12. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The City and its related governmental entities – specifically those entities (such as the Redevelopment Agency of the City of Riverside) for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations (See “APPENDIX C – Audited Financial Statements of the City for the Year Ended June 30, 2011- Note 6”). To assist them in meeting their continuing disclosure obligations, the City and its related governmental entities retained corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings. Specifically, in some instances an annual report or a material event notice was not filed on a timely basis and, in some instances an annual report or a material event notice was not properly filed with the applicable information repository. The City believes that each failure to file an annual report on a timely basis was the result of dissemination agent error; the City had prepared compliant annual reports and submitted them to the dissemination agent on or before the applicable deadline. Prior to February 2009, the City failed to file some bond insurer-related material event notices on a timely basis, but only when it was not aware of the underlying event; the City filed a corrective notice regarding bond insurer-related rating downgrades in February 2009 and has filed bond insurer-related rating downgrade notices on a timely basis ever since.

The City and the City's affiliated governmental entities will make filings to correct all known instances of non-compliance during the last five years prior to issuance of the Series 2012A Bonds.

The City believes that it has established internal processes that will ensure that the City and its related governmental entities will in the future meet all material obligations under their continuing disclosure undertakings, and it is taking steps to ensure that third-party dissemination agents will comply with their responsibilities on a timely basis in the future.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as Appendix C, are the audited financial statements of the City for the year ended June 30, 2011, together with the report dated October 14, 2011 of Moss-Adams LLP, Los Angeles California, certified public accountants (the "**Auditor**"). *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.*

MISCELLANEOUS

References are made in this Official Statement to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk at the City of Riverside, 3900 Main Street, Riverside, California 92522.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2012A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

**RIVERSIDE PUBLIC FINANCING
AUTHORITY**

By: Bret A. Mann
Treasurer

CITY OF RIVERSIDE

By: Bret A. Mann
Finance Director

APPENDIX A

CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

The City is the county seat of Riverside County (the “**County**”) and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the “**PMSA**”). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. As of January 1, 2012, Riverside County had a population estimated at 2,227,577 and San Bernardino County had a population estimated at 2,063,919. With a population of over 4.3 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas (“**MSAs**”) in the United States. Riverside County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties’ population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 2,690 full time equivalent (“**FTE**”) personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs 358 FTE sworn officers and the Fire Department employs 217 FTE sworn fire fighters operating out of 14 fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to the City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City’s cultural institutions and activities are a convention center, the Riverside Art Museum, a Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community; Riverside Community; and Kaiser Permanente.

Population

As of January 1, 2012 the population of the City was estimated to be 308,511, an increase of approximately 0.8% percent over the estimated population of the City in 2011. The following table presents population data for both the City and County.

**Table 1
POPULATION**

Year	City of Riverside	Riverside County
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2003	275,867	1,730,219
2004	279,829	1,814,485
2005	284,715	1,895,695
2006	286,720	1,975,913
2007	289,674	2,049,902
2008	293,988	2,102,741
2009	298,721	2,140,626
2010	302,597	2,179,692
2011	306,069	2,205,731
2012	308,511	2,227,577

Sources: 1950-2000 and 2010 U.S. Census; 2003-2012 California Department of Finance (Demographic Research Unit)

Accounting Policies and Financial Reporting

The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City’s general fund and other governmental fund types use the modified accrual basis of accounting. All of the City’s other funds, including

proprietary fund types and fiduciary fund types, use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the “Notes to the Basic Financial Statements” contained in “APPENDIX C – Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011.”

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she will determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General fund revenues are derived from such sources as taxes; licenses and permits, fines, forfeits and penalties; use of money and property; aid from other governmental agencies; charges for current services; and other revenue. General Fund expenditures are classified by the functions of general government, public safety, highways and streets, culture and recreation and community development.

City Financial Data

The following tables provide a five-year history of the City’s Comparative Balance Sheet, General Fund revenues, expenditures, transfers, and ending fund balances.

Table 2
CITY OF RIVERSIDE
GENERAL FUND BALANCE SHEET (As of June 30) (Amounts Expressed in Thousands)

	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
ASSETS:					
Cash and Investments ⁽¹⁾	\$ 82,012	\$ 64,347	\$ 48,202 ⁽⁶⁾	\$ 47,835 ⁽⁶⁾	\$ 42,944 ⁽⁶⁾
Cash and investments at fiscal agent	15,778	13,042	12,355	8,630	5,349
Receivables (net)					
Interest	955	526	255	260	416
Property taxes	9,480 ⁽²⁾	8,316 ⁽²⁾	5,389	5,685	6,203
Sales taxes	10,221	8,032	6,295	8,496	9,641
Utilities billed	706	885	764	767	736
Accounts	4,140	5,323	7,803	3,981	9,187
Intergovernmental	6,585	4,576	3,803	2,610	3,032
Notes	70	246	277	180	35
Prepaid items	691	512	293	373	411
Due from other funds	7,435	5,911	15,981 ⁽⁶⁾	23,846 ⁽⁶⁾	31,980 ⁽⁶⁾
Advances to other funds	31,626	27,946	27,465	26,884	26,200
Land & Improvements held for resale	2,593	2,593	--	--	76,334 ⁽⁸⁾
Total Assets	\$172,292	\$142,255	\$128,882	\$129,623	\$212,468
LIABILITIES:					
Accounts Payable	\$ 8,064	\$ 10,334	\$ 11,400	\$ 5,666	\$ 5,319
Accrued payroll	11,457	13,829	12,060	13,484	15,013
Retainage payable	164	647	44	12	362
Intergovernmental	163	146	140	136	169
Deferred revenue	8,608 ⁽²⁾	6,094 ⁽²⁾	3,580	4,093	6,455
Deposits ⁽¹⁾	30,727	20,367	24,062	26,927	23,872
Due to other funds	50	50	--	--	--
Advances from other funds ⁽¹⁾	18,293 ⁽³⁾	9,571	217	115	435
Total Liabilities	\$ 77,526	\$ 61,038	\$ 51,503	\$ 50,433	\$ 51,625
FUND BALANCE: ⁽⁷⁾					
Nonspendable	-	-	-	-	\$ 26,646
Restricted	-	-	-	-	82,249
Assigned	-	-	-	-	15,589
Unassigned	-	-	-	-	36,359
Reserved ⁽⁴⁾	\$ 50,631	\$ 36,025	\$ 34,400	\$ 33,234	-
Reserved for Debt Service	-	-	7,000	7,500	-
Unreserved, designated for economic contingencies ⁽⁵⁾	34,000	34,000	30,000	30,000	-
Unreserved, designated for future operations	7,288	10,253	2,888	6,433	-
Unreserved, undesignated	2,847	939	3,091	2,023	-
Total fund balances	\$ 94,766	\$ 81,217	\$ 77,379	\$ 79,190	\$160,843
Total Liabilities and Fund Balances	\$172,292	\$142,255	\$128,882	\$129,623	\$212,468

- (1) The reduction in "Cash and Investments" in fiscal years 2006-07 and 2007-08 and reductions in "Deposits" and "Advances from other funds" reflect efforts by the City to use money in its funds and accounts to repay interfund advances and repay City customers related to completed public works projects.
- (2) In fiscal years 2006-07 and 2007-08, Property taxes receivable and Deferred revenue, which partially represents deferred property taxes, have been restated to reflect a presentation consistent with the subsequent presentation.
- (3) The balance of advances from other funds shown in fiscal year 2006-07 has been significantly reduced as a result of the City's proactive effort to reduce the General Fund's interfund obligations.
- (4) Reserved for encumbrances, long-term receivables and advances to other funds.
- (5) The City's policy is to maintain this fund in an amount equal to a minimum of 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion. Beginning in fiscal year 2010-11, under GASB Statement No. 54 as more specifically described in Note #7, the City is no longer permitted to segregate the contingency reserve as a separate component of fund balance. The amount is now shown as a component of unassigned fund balance.
- (6) Amount includes a decrease in cash and increase due from other funds related to short term borrowing by other funds to address negative cash positions in those funds.
- (7) GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund.
- (8) Amount reflects properties transferred from the Redevelopment Agency to the City in March 2011, which remain subject to the restrictions associated with Redevelopment-purchased properties. Any proceeds of the sale of these properties will remain subject to applicable restrictions on use. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties have been transferred back to the Successor Agency to the Redevelopment Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: City Audited Financial Statements (except as noted).

Table 3
CITY OF RIVERSIDE
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES (Fiscal Year Ending June 30)
(Amounts Expressed in Thousands)

	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
Revenues:					
Taxes	\$135,390	\$135,991	\$126,838	\$119,299	\$123,505
Licenses and permits	7,821	7,144	6,381	6,166	6,717
Intergovernmental ⁽¹⁾	12,069	10,628	10,802	8,391	11,104
Charges for services	11,903	11,325	9,003	9,521	10,687
Fines and forfeitures	2,559	4,573	4,649	4,503	5,244
Special assessments	3,963	4,110	4,235	4,039	3,954
Rental and Investment Income	6,827	5,787	3,635	3,162	2,964
Miscellaneous ⁽²⁾	3,184	11,316	5,857	1,451	6,731
Total Revenues	\$183,716	\$190,874	\$171,400	\$156,532	\$170,906
Expenditures					
Current:					
General Government ⁽³⁾	\$ 20,563 ⁽⁵⁾	\$ 7,764	\$ 8,148	\$ 8,174	\$ 9,347
Public safety ⁽³⁾	139,739	151,773	145,802	137,331	138,620
Highways and streets ⁽³⁾	19,722	25,209	18,452	14,987	14,587
Culture and recreation ⁽³⁾	21,680	30,483	26,646	23,182	25,360
Capital Outlay ⁽³⁾	32,255 ⁽⁴⁾	19,798 ⁽⁴⁾	4,836	1,609	1,617
Debt service; principal	5,826	5,683	5,369	8,424	6,244
Debt service; interest	11,786	12,118	9,060	7,536	7,207
Bond issuance costs		160	259	231	174
Total Expenditures	\$251,571	\$252,988	\$218,572	\$201,474	\$203,156
Revenues over (under) expenditures	(\$ 67,855)	(\$ 62,114)	(\$ 47,172)	(\$ 44,942)	(\$ 32,250)
Other Financing Sources (Uses)					
Transfers in	\$ 32,656	\$ 33,526	\$ 50,650	\$ 45,256	\$121,348
Transfers out	(1,922)		(7,776)	(2,679)	(9,539)
Proceeds from issuance of long-term debt		36,108	30,425	33,716	32,775 ⁽⁶⁾
Payment to escrow account for advance		(30,000)	(30,200)	(30,425)	(30,600)
Sales of capital assets	397	8,931	235	885	(81)
Total other financing sources (uses)	\$ 31,131	\$ 48,565	\$ 43,334	\$ 46,753	\$113,903 ⁽⁷⁾
Net change in fund balances	(36,724)	(13,549)	(3,838)	1,811	81,653
Fund balances, July 1	131,490	94,766	81,217	77,379	79,190
Fund balances, June 30	\$ 94,766	\$81,217	\$77,379	\$ 79,190	\$160,843

(1) Reflects revenue received from grants and motor vehicle in-lieu fees.

(2) Increase in fiscal year 2007-08 reflects one-time receipts associated with the reimbursement of funds previously expended related to completed public works projects and one-time contributions by a City utility fund for a public works project, the cost of which will be recovered from collection of fees and charges.

(3) Prior to fiscal year 2008-09, Capital outlay expenditures were classified with the related functional expenditures in the audited financial statements. Beginning in fiscal year 2008-09, Capital outlay expenditures have been segregated from their functional categories. Prior year capital outlay expenditures have been reclassified in the table above to enhance comparability.

(4) Increase in fiscal years 2006-07 and 2007-08 reflects expenditure of a portion of proceeds of City bonds/certificates of participation. Proceeds of the City's 2004 Measure G Fire Facilities General Obligation bonds were spent on fire stations and a new Emergency Operation Center. 2003 certificates of participation were executed and delivered to finance a parking garage (lease payments are charged to the Parking Fund), a project for the Redevelopment Agency (lease payments are charged to the Successor Agency to the Redevelopment Agency) and several General Fund projects, including the Arlington Branch Library, the City Hall remodeling project, the Magnolia Police Station and the Airport Fire Station.

(5) Reduction from fiscal year 2006-07 reflects substantially reduced technology expenditures.

(6) Includes \$2,000,000 in capital lease proceeds.

(7) Increase reflects properties transferred from the Redevelopment Agency to the City in March 2011. Such properties remain subject to the restrictions associated with properties purchased with redevelopment funds. Any proceeds of the sale of these properties will remain subject to applicable restrictions as to use. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties have been transferred back to the Successor Agency to the Redevelopment Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: Annual City Audits (except as noted).

Budgetary Process and Administration

The City uses the following procedures when establishing the budgetary data reflected in its financial statements:

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed revenue and expenditures and historical data for the two preceding fiscal years. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. Budgets for the funds are adopted on a basis consistent with generally accepted accounting principles.

Table 4 summarizes the final budget and audited actual results of the General Fund of the City for fiscal year 2010-11.

Table 4
CITY OF RIVERSIDE
GENERAL FUND BUDGET
(Fiscal Year 2010-11)
(000's Omitted)

	2010-11 <u>Final Budget</u>	2010-11 <u>Actual</u>	<u>Variance</u>
Revenues			
Taxes	\$ 117,754	\$ 123,505	\$ 5,751
Licenses and permits	7,329	6,717	(612)
Intergovernmental ⁽¹⁾	21,775	11,104	(10,651)
Charges for services	9,926	10,687	761
Fines and forfeitures	5,070	5,244	174
Special assessments	4,212	3,954	(258)
Rental and investment income	1,580	2,964	1,384
Miscellaneous	7,007	6,731	(276)
Total revenues	\$ 174,633	\$ 170,906	\$ (3,727)
Expenditures			
General government	\$ 58,901	\$ 50,742	\$ 8,159
Allocated expenditures	(55,943)	(41,395)	(14,548)
Public Safety	148,129	138,620	9,509
Highways and streets	17,940	14,587	3,353
Culture and recreation	30,629	25,360	5,269
Capital Outlay	1,617	1,617	-
Debt service: Principal	6,349	6,244	105
Debt service: Interest	7,445	7,207	238
Bond issuance costs	103	174	(71)
Total expenditures	\$ 215,170	\$ 203,156	\$ 12,014
Deficiency of revenue under expenditures	\$ (40,537)	\$ (32,250)	\$ 8,287
Other financing sources (uses):			
Transfers in ⁽⁴⁾	\$ 117,274	\$ 121,348	\$ 4,074
Transfers out	(9,539)	(9,539)	-
Proceeds from issuance of long-term debt ⁽²⁾	30,775	30,775	-
Payment to Escrow for Advance Refunding ⁽³⁾	(30,600)	(30,600)	-
Capital lease proceeds	2,000	2,000	-
Sales of capital assets	65	(81)	(146)
Total other financing sources (uses)	\$ 109,975	\$ 113,903	\$ 3,928
Net change in fund balance	\$ 69,438	\$ 81,653	\$ 12,215
Fund balance, beginning	79,190	79,190	-
Fund balance, ending	\$ 148,628	\$ 160,843	\$ 12,215

(1) The variance between budgeted and actual revenues resulted because anticipated grants were not received until the following fiscal year.

(2) \$30,775,000 reflects Proceeds of the City's 2011 Pension Obligation Notes, the proceeds of which were used to refund outstanding 2010 Pension Obligation Notes.

(3) Reflects refunding of the City's 2010 Pension Obligation Notes.

(4) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remain subject to the restrictions associated with Redevelopment-purchased properties. Any proceeds of the sale of these properties will remain subject to applicable restrictions on use. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties have been transferred back to the Successor Agency to the Redevelopment Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: City of Riverside.

Fiscal Year 2011-12 Budget. The adopted fiscal year 2011-12 budget forecast General Fund revenues of \$208.6 million. The year-end forecast of General Fund revenue is \$205.5 million as a result of the following major variances: (i) the State permanently redirected vehicle license fees resulting in an impact of \$1,130,000; (ii) the City's code enforcement program to address bank-owned properties produced \$1.8 million less fine and forfeit revenue than anticipated as banks began to properly maintain foreclosed properties; (iii) red light cameras produced \$1.2 million less in fine revenue than anticipated due to the removal of certain cameras and a decline in violations; and (iv) one-time revenue was \$1.2 million less than budgeted. Counterbalancing a portion of this shortfall is \$1.3 million in property tax revenues that formerly would have gone to the City's redevelopment agency that will now flow to the City's General Fund as a result of the dissolution of redevelopment agencies by the State. Additionally, the City received \$602,000 of pass-through revenues from the former redevelopment agency that the City would have waived if the redevelopment agency had not been dissolved and sales tax revenue is expected to be \$609,000 higher than budgeted.

In fiscal year 2011-12, the General Fund expenditure budget was \$211.2 million. The year-end forecast of General Fund expenditures is \$213.7 million as a result of the following major variances: (i) mid-year appropriations of \$1.1 million were approved by the City Council primarily for property acquisitions associated with future park sites; (ii) expenditures increased by \$917,000 as a result of the dissolution of the redevelopment agency (including code enforcement and graffiti removal in the former redevelopment project areas); and (iii) some anticipated budgetary savings (including anticipated pension and benefit concessions not realized due to a delay in implementation of the second pension tier) have not been achieved, which resulted in \$458,000 of expenditures above budget. With its action to approve the fiscal year 2012-13 budget, the City Council authorized supplemental appropriations to cover the minor over-budget amounts.

If the revenue and expenditure forecast described above is realized, the General Fund reserve balance would decrease to approximately \$39.1 million at the end of fiscal year 2011-12. However, City staff currently expects sales tax receipts for the third and fourth quarters to increase (as they have in the first and second quarters), and it is possible that property tax revenue from the former redevelopment agency may exceed the budgeted amount, both of which could result in a General Fund reserve balance of approximately \$40 million. As the City is still in the process of closing the books for fiscal year 2011-12, data on the final budgetary performance of the General Fund is not yet available.

Fiscal Year 2012-13 Budget. The budgeted General Fund expenditures for fiscal year 2012-13 are \$220,714,911. General Fund revenues are estimated at \$218.3 million, a 6.2% increase from fiscal year 2011-12. The increase is primarily attributable to (i) a growth in sales tax revenue of \$43.9 million; (ii) a 2% increase in transient occupancy tax revenue (\$700,000) as a result of the voter-approved increase in the tax (1% of the approved 2% increase will begin to be assessed on July 1, 2012); and (iii) the sale of delinquent property tax receivables, which is conservatively estimated to generate one-time revenue of \$3 million. Additionally, \$1.4 million of projected available resources at the end of fiscal year 2011-12 is being carried forward to decrease the projected deficit between revenue and expenditures to approximately \$964,000. As is the case for fiscal year 2011-12, staff anticipates that this gap will be closed as the year proceeds.

Without the one-time revenue from the sale of property-tax receivables described in the previous paragraph, the fiscal year 2012-13 budget would require approximately \$3.9 million of General Fund reserves.

The following table summarizes the fiscal year 2011-12 adopted budget, the fiscal year 2011-12 projected actual results as of May 22, 2012, and the fiscal year 2012-13 adopted budget.

Table 5
CITY OF RIVERSIDE
SUMMARY OF GENERAL FUND BUDGETS
(Fiscal Years 2011-12 and 2012-13)

	Adopted Budget 2011-12	Projected Actuals 2011-12 ⁽¹⁾	Budgeted 2012-13
Revenues:			
Sales & Use Taxes	\$ 46,611,000	\$ 47,220,000	\$ 51,079,000
Property Taxes	44,389,533	46,713,575	47,265,758
Utilities Users Tax	27,525,200	27,521,000	28,397,050
Charges for Services	11,192,392	10,880,205	11,758,858
Licenses and Permits	7,421,323	7,158,863	7,456,234
Franchises	4,970,000	4,949,000	5,099,000
Other	4,685,123	4,823,698	5,044,881
Fines and Forfeitures	8,793,998	5,375,033	4,955,437
Special Assessments	4,525,220	4,760,220	4,749,395
Transient Occupancy Tax	3,197,700	3,142,000	3,912,000
Property Transfer Tax	1,418,000	1,450,000	1,500,000
Intergovernmental Revenues	2,350,000	1,303,739	1,220,000
One-Time Revenues ⁽²⁾	1,600,000	400,000	5,000,000
Set-Aside Prior Year Revenue ⁽³⁾	2,625,240	7,000,000	1,422,322
Interfund Transfers ⁽⁴⁾	39,936,100	39,791,080	40,890,700
Total Revenues	\$ 211,240,829	\$ 212,488,413	\$219,750,635
Expenditures:			
City Clerk ⁽⁵⁾	\$ 1,119,710	\$ 1,001,468	\$ 1,016,697
City Council ⁽⁵⁾	1,004,760	819,973	1,074,080
City Manager ⁽⁵⁾	14,820,634	13,958,830	5,242,083
Community Development ⁽⁵⁾	8,440,905	7,795,262	9,602,122
Development ⁽⁵⁾	6,602,257	7,228,281	--
Finance ⁽⁵⁾	-	-	5,254,254
Fire	40,734,971	40,916,319	42,250,374
General Services ⁽⁵⁾	5,893,069	5,604,909	4,488,342
Human Resources ⁽⁵⁾	2,362,455	2,041,238	2,483,473
Information Technology ⁽⁵⁾	12,148,950	11,697,116	9,809,017
Library	5,602,801	5,329,916	5,652,415
Mayor ⁽⁵⁾	781,022	810,396	726,976
Non-Departmental ⁽⁵⁾	-	-	16,455,815
Museum	1,110,538	1,144,839	2,863,640
Office of the City Attorney ⁽⁵⁾	3,525,453	3,518,939	3,400,266
Parks, Recreation & Comm Svcs	15,173,567	14,653,300	15,459,648
Police	81,801,786	82,084,947	80,345,738
Public Works	16,828,682	16,473,482	12,883,075
Mid-Year Appropriations ⁽⁶⁾	-	1,115,000	-
Net Debt Allocation ⁽⁸⁾	19,312,156	19,312,156	23,253,711
Managed Savings ⁽⁷⁾	(2,976,090)	-	(2,198,000)
Pension Reform Savings ⁽⁹⁾	(1,271,645)	-	(1,497,122)
Net Cost Allocation ⁽¹⁰⁾	(21,775,141)	(21,775,141)	(17,851,693)
Total Expenditures	\$ 211,240,829	\$ 213,731,230	\$220,714,911
Opening Reserves	\$ 40,368,872	\$ 40,368,872	\$ 39,126,055
Revenue	211,240,829	212,488,413	219,750,635
Expenditures	(211,240,829)	(213,731,230)	(220,714,911)
Ending Reserves	\$ 40,368,872	\$ 39,126,055	\$ 38,161,779

(1) As of May 22, 2012.

(2) Reflects projected one-time revenues that will be identified during the course of the fiscal year, which is a normal occurrence.

(3) Reflects surplus revenues on hand at the close of the prior fiscal year that were not added to the General Fund reserve balance.

(4) Interfund Transfers are composed of the transfers to the General Fund from the Water Utility and the Electric Utility described in "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIC and XIID of the State Constitution" and "- Revenue Transfer from Electric Utility," respectively.

(5) The "General Government" expenditure line item in Table 4 is not shown in Table 5 because the budgeted "General Government" expenditures are detailed in the line items "City Clerk", "City Council", "City Manager", "Community Development", "Human Resources", "Information Technology", "General Services", "Development", and "Office of the City Attorney".

[Footnotes continued on next page]

[Footnotes continued from prior page]

- (6) Reflects mid-year appropriations made by the City Council.
- (7) Reflects projected savings that will be realized across the entire General Fund budget during the course of the year. In the "Projected Actuals 2011-12" column, this amount is spread across all departments.
- (8) Debt service is budgeted in the Office of the City Manager and is allocated to other General Fund departments based on the use of the debt proceeds. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.
- (9) Reflects projected savings associated with the implementation of a second pension tier and related benefit changes as outlined in the section titled "Retirement Programs" in Appendix A. Because the adopted budget reflects funding for positions as they are occupied at that time, the amount shown here is an estimate of the savings that will result from retirements and attrition during the course of the fiscal year. In the "Projected Actuals 2011-12" column, this amount is spread across all departments.
- (10) Costs associated with the internal service departments are allocated through the City's cost allocation plan. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the general fund reserves of the City for fiscal years 2001-02 through 2010-11, with projected figures for fiscal years 2011-12 and 2012-13. The City's policy is to maintain its general fund reserves in an amount equal to 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion.

Table 6
CITY OF RIVERSIDE
GENERAL FUND RESERVES
(As of June 30)

<u>Fiscal Year</u>	<u>(000's Omitted)</u> <u>Ending Reserves</u>	<u>Percent Change</u>	<u>% of Following</u> <u>FY Expenditures</u>
2001-02	\$45,170	--	N/A ⁽³⁾
2002-03	53,700	18.9	N/A ⁽³⁾
2003-04	50,503	(6.0)	N/A ⁽³⁾
2004-05	55,650	10.2	N/A ⁽³⁾
2005-06	46,626	(16.2)	22.8%
2006-07	46,239	(0.8)	20.4
2007-08	44,671	(3.4)	20.7
2008-09	39,921	(10.6)	20.1
2009-10	44,062	10.4	22.6
2010-11	40,369 ⁽¹⁾	(8.4)	19.1
2011-12	39,126 ⁽²⁾	(3.1)	17.7
2012-13	38,162 ⁽²⁾	(2.5)	--

(1) The available fund balance of \$40,369 at June 30, 2011 includes the following: "Unassigned" (\$36,359), "Restricted (for Debt Service Expense)" (\$3,211), as well as other budgetary adjustments to the fund balance found in the City's CAFR. The General Fund Reserves, except moneys in the "Restricted (for Debt Service Expense)" category, are available at the City Council's discretion.

(2) Projected.

(3) Prior to fiscal year 2006-07, the General Fund budget did not include the Riverside Public Library and the majority of the City's general government departments. These departments were budgeted in separate funds, which would render data provided here inconsistent with the presentation in fiscal year 2006-07 and later years.

Source: City of Riverside annual budgets.

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, each of these sources of local tax revenue is described in greater detail.

**Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE**

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Property Taxes ⁽¹⁾	\$ 50,145,000	\$ 50,432,000	\$ 50,937,000	\$ 46,714,000	\$ 44,989,000
Sales & Use Tax	57,233,000	50,526,000	41,881,000	39,645,000	44,157,000
Utility Users Tax	25,384,000	26,265,000	25,964,000	25,831,000	26,691,000
Other Taxes ⁽²⁾	8,585,000	8,659,000	8,050,000	6,964,000	7,670,000
Total Taxes	\$141,346,000	\$135,882,000	\$126,832,000	\$119,154,000	\$123,507,000

(1) Property Taxes includes Property Transfer Tax and Library Operations Tax.

(2) Other Taxes includes Transient Occupancy Tax and Franchise Fees.

Source: City of Riverside Annual Financial Reports.

Sales Taxes

Sales and use taxes represent the largest source of general fund revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the City to the State (see “ – Impact of State Budget” below).

Sales Tax Rates. The City’s sales tax revenue represents the City’s share of the sales and use tax imposed on taxable transactions occurring within the City’s boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law (the “**Sales Tax Law**”).

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective April 1, 2012**

State General Fund	6.25%
City	1.00
Riverside County Transportation Commission	0.50
Total	7.75%

Source: California State Board of Equalization.

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State, of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's May 2003 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>. See also "RISK FACTORS – Sales Taxes."

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to

the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Impact of State Budget. The State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a like amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Base Rental payments. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Base Rental payments, the City may not know the exact amount of revenue available to pay Base Rental payments

History of Taxable Transactions. In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and 2010 is not comparable to that of prior years. A summary of historic taxable sales within the City for calendar years 2006 through 2010 is shown in the following table. Total taxable sales during calendar year 2010 in the City were reported to be \$3.69 billion, a 5.5% increase from the total taxable sales of \$3.50 billion reported during calendar year 2009. Figures for 2011 are not yet available.

Table 9
CITY OF RIVERSIDE
TAXABLE TRANSACTIONS
For Calendar Years 2006 Through 2010
(Dollars in thousands)

	2006	2007	2008	2009	2010
Apparel stores	\$ 174,662	\$ 171,743	\$179,703	\$213,798	\$223,198
General merchandise stores	606,351	568,120	480,859	382,455	387,519
Food stores	176,052	180,993	172,072	181,051	181,870
Eating & drinking places	350,911	374,528	375,559	357,186	365,803
Home furnishings & appliances	119,217	107,072	116,053	124,993	134,997
Building materials & farm implements	573,736	334,342	215,303	197,685	198,360
Auto dealers and auto supplies	1,219,784	1,170,184	855,915	708,510	776,979
Service stations	342,810	402,574	416,205	300,220	343,767
Other retail stores	519,454	578,695	397,415	268,652	276,797
Retail Stores Totals	4,082,977	3,888,251	3,209,084	2,734,550	2,889,292
All other outlets	951,095	901,303	884,135	765,964	803,010
Total all outlets	\$5,034,072	\$4,789,554	\$4,093,218	\$3,500,514	\$3,692,302

Source: California State Board of Equalization

Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

General. In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of

redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Historic Secured Property Tax Revenues. Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the "**Teeter Plan**") whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

The County of Riverside adopted this method of distributing taxes; *however, the City has elected not to participate in the Teeter Plan.* Consequently, property tax collections allocated to the City reflect actual collections.

The following table illustrates the secured property tax revenues of the City for fiscal years 2002-03 through 2010-11:

Table 10
CITY OF RIVERSIDE
HISTORICAL SECURED PROPERTY TAX REVENUES⁽¹⁾
(in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Current Tax Collections ⁽²⁾	% of Current Taxes Collected	Collections in Subsequent Years	Total Tax Collections as of 6/30/2011	Ratio of Total Tax Collections to Total Tax Levy
2002-03	\$25,809	\$25,479	98.72%	\$ 250	\$25,729	99.69%
2003-04	31,829	31,429	98.74	292	31,721	99.66
2004-05	36,825	36,332	98.66	346	36,678	99.60
2005-06	52,532	51,815	98.64	494	52,309	99.58
2006-07	69,246	67,046	96.82	1,850	68,896	99.449
2007-08	83,996	82,345	98.03	810	83,155	99.00
2008-09	86,251	84,134	97.55	1,117	85,251	98.84
2009-10	77,228	74,491	96.46	1,015	75,506	97.77
2010-11	74,608	72,327	96.94	--	72,327	96.94

(1) Includes collection of property tax revenue allocated to the City's Redevelopment Agency. The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside

(2) In year of levy. Do not include supplemental taxes, aircraft taxes or other property taxes.

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

Taxable Property and Assessed Valuation. Set forth in the table below is assessed valuation for secured and unsecured property within the City for the ten most recent fiscal years.

Table 11
CITY OF RIVERSIDE
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in thousands)

Fiscal Year	Secured	Unsecured	Less Exemptions	Total
2001-02	\$12,103,179	\$ 799,322	\$(2,239,115)	\$10,773,387
2002-03	13,071,415	980,529	(2,406,961)	11,644,984
2003-04	14,188,658	845,858	(2,526,503)	12,508,013
2004-05	15,540,982	951,211	(2,751,844)	13,740,349
2005-06	17,557,341	1,058,995	(4,002,177)	14,614,159
2006-07	20,672,126	1,140,891	(5,417,388)	16,395,629
2007-08	23,618,776	1,291,972	(6,960,666)	17,950,082
2008-09	24,428,633	1,330,053	(7,515,667)	18,243,019
2009-10	22,644,262	1,299,353	(7,103,040)	16,840,575
2010-11	22,056,793	1,260,923	(6,920,720)	16,396,996

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

The State Legislature adopted a bill, AB1X 26, during the 2011/12 State budget process, that purported to amend the California Community Redevelopment Law to dissolve redevelopment agencies State-wide. On December 29, 2011, the California Supreme Court upheld AB1X 26 in the face of a legal challenge. As a result, all California redevelopment agencies, including the Agency, were dissolved as of February 1, 2012. Certain tax revenues

formerly allocable to the Agency will continue to be available to the City, as successor agency to the Agency, to pay certain obligations, and some of those revenues may be redirected to other taxing agencies, such as the County, school districts and the City.

According to "trailer bill" legislation (AB 1484) effective on July 1, 2012, which further amended the Community Redevelopment Law, the County Auditor-Controller, the State Department of Finance and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by ABx1 26 and AB 1484, and if funds are not returned within 60 days, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Agency, is the City.

The full extent of the impact of the implementation of AB1X 26 on the City's General Fund is unknown at this time. While certain costs previously charged to the Redevelopment Agency from the General Fund will no longer be supported by the Agency, certain property tax revenues formerly allocated to the Agency will now be received by the City's General Fund. The City has already taken steps to address known impacts of AB1X 26 on the General Fund. The City does not believe it has received material amounts from the Agency or the City, as successor agency to the Agency, which may be asserted to be in violation of ABx1 26. No payment was required to be made by the City, as Successor Agency, to the County Auditor-Controller under AB 1484 (for returning monies improperly utilized by Successor Agencies that have been deemed not to be enforceable obligations) in July 2012. The City does not expect the recent amendments of the Community Redevelopment Law to adversely impact its ability to make the scheduled Base Rental Payments.

Table 12
CITY OF RIVERSIDE
TOTAL AND NET PROPERTY TAX VALUATIONS
(In thousands)

January 1	Gross Assessed Value	Homeowners' and Other Exemptions ⁽¹⁾	Redevelopment Agency Incremental Value	Net Value
2002	\$12,902,501	(\$ 699,429)	(\$1,429,686)	\$10,773,389
2003	14,051,944	(768,037)	(1,638,924)	11,644,983
2004	15,034,516	(819,536)	(1,706,967)	12,508,013
2005	16,492,193	(851,695)	(1,900,149)	13,770,349
2006	18,616,336	(929,544)	(3,072,633)	14,614,159
2007	21,813,017	(954,324)	(4,463,064)	16,395,629
2008	24,910,748	(1,036,591)	(5,924,075)	17,950,082
2009	25,758,686	(1,158,981)	(6,356,686)	18,243,019
2010	23,943,615	(1,205,988)	(5,897,052)	16,840,575
2011	23,317,716	(1,247,918)	(5,672,802)	16,396,996

(1) Includes homeowner, governmental and non-profit exemptions.

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report)..

Proposition 8 Reductions. For fiscal year 2008-09, the Assessor's office proactively reviewed more than 270,000 properties in the County for declines in assessed value. Of those reviewed, the assessed value of more than 200,000 properties were reduced by more than \$16 billion. Within the City, the assessed values of 13,322 properties were reduced; the total amount of the reduction was in excess of \$1.1 billion. For fiscal year 2009-10, the Assessor's office proactively reduced the assessed value of more than 380,000 properties by more than \$42.7

billion. Within the City, the assessed values of 24,286 properties were reduced; the total amount of the reduction was in excess of \$3.2 billion.

For the 2010-11 tax year, the Assessor’s office independently reviewed over 420,000 single-family properties for decline in assessed value. Of those reviewed, over 316,000 were reduced. The total amount of reduction was in excess of \$44.34 billion. The total Proposition 8 reductions for 2010-11 in the City was \$3.16 billion, with 24,554 properties reduced.

For the 2011-12 tax year, the Assessor’s office independently reviewed over 420,000 single-family properties for decline in assessed value. Of those reviewed, over 300,000 were reduced. The amount of reduction for single-family properties was \$37.67 billion. The total reduction including all property types was \$44.31 billion. The total Proposition 8 reductions for 2011-12 in the City was \$3.02 billion, with 22,527 properties reduced.

Largest Taxpayers. The 10 largest secured property taxpayers for fiscal year 2010-11 are as follows:

**Table 13
CITY OF RIVERSIDE
LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2010-11
(in thousands)**

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percent of Total</u>
Tyler Mall	\$185,497	0.8%
La Sierra University	122,345	0.5
Riverside Healthcare System	105,573	0.5
State Street Bank and Trust Co. of California	87,419	0.4
Fountains South Bay, LLC	81,594	0.4
MEF Realty	78,406	0.3
Rohr Inc.	76,435	0.4
Mission Grove Plaza, LP	75,147	0.3
Press Enterprise	74,222	0.3
Canyon Springs Marketplace Corp	68,969	0.3
Total	\$955,607	4.3

Source: County of Riverside Assessor’s Office (as presented in the City’s Comprehensive Annual Financial Report).

State Legislative Shift of Property Tax Allocation. The State has, from time to time, shifted property tax revenues from the City in order to balance the State’s budget. Although recent amendments to the California Constitution purport to limit future such shifts, except in limited circumstances (see “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 1A” and “- Proposition 22”), the City can provide no assurances that the State will not, in the future, transfer property tax revenues from the City in a manner that could adversely impact its ability to meet its financial obligations on a timely basis.

Other Taxes

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection, utility franchises, taxi cabs, natural gas piping and ambulance service.

Business License Taxes. The City levies a business license tax based principally on gross receipts and on number of employees.

Transient Occupancy Taxes. The City levies a 11% transient occupancy tax on hotel and motel bills.

Utility Users Taxes. The City levies a tax equal to 6.5% of utility bills, which is collected by the companies providing the services and remitted monthly to the City.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

Library Operations Taxes. The City levies a \$19 per year parcel tax for library operations, which was approved by voters in November 2001 and renewed in November 2011. The tax expires on June 30, 2022.

Utility Payments

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution” for a description of certain transfers to the General Fund from the City’s water utility (in the amount of \$6,290,800 in fiscal year 2010-11) and the City’s electric utility (in the amount of \$33,645,300 in fiscal year 2010-11).

Special Assessments

On an annual basis, the City deposits into the General Fund assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction and maintenance of public lighting and related facilities. The City uses the assessments to pay for a portion of the costs incurred by the City for the authorized public lighting and related facilities.

In-Lieu Payments

Historically, a significant revenue source of the City has been State of California payments and other payments in-lieu of taxes. The City receives a portion of Department of Motor Vehicles fees collected statewide. Payment of State assistance depends on the adoption by the State of its budget, including the appropriations therein providing for local assistance. These revenues are shown in Table 3 and in the accompanying financial statements (see “APPENDIX C – Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011”) as “intergovernmental revenues.”

Table 14
CITY OF RIVERSIDE
IN-LIEU PAYMENTS (VEHICLE LICENSE FEES)
(Fiscal Year)

Fiscal Year	In-Lieu Payment
1999-00	\$12,422,389
2000-01	13,772,065
2001-02	14,848,312
2002-03	15,533,453
2003-04	12,527,520
2004-05	1,795,358
2005-06	1,747,027
2006-07	1,839,093
2007-08	1,359,877
2008-09	1,087,534
2009-10	953,182
2010-11	1,285,891

Source: City of Riverside.

The decline in in-lieu payments for fiscal years 2004-05 and after is primarily due to the State's swapping of property tax revenue for vehicle license fees. SB89 of 2011 eliminated, effective July 1, 2011, Vehicle License Fee revenue allocated under California Revenue and Taxation Code Section 11005 to cities. The City compensated for the loss of this revenue during the course of the current fiscal year and the mid-year budget information presented in this Official Statement takes into account the loss of this revenue. See "RISK FACTORS — Vehicles License Fees."

Short-Term Obligations

2012 Pension Obligation Notes. In fiscal year 2011-12, the City issued Taxable Pension Obligation Refunding Bond Anticipation Notes 2012 Series A (the "**2012 Pension Obligation Notes**") in the amount of \$30,940,000 to redeem at maturity the City's \$30,775,000 outstanding aggregate principal amount of Taxable Pension Obligation Notes 2011 Series A. The 2012 Pension Obligation Notes are due on June 1, 2013. The 2012 Pension Obligation Notes are payable from any legally available funds of the City.

Long-Term Obligations

Set forth below is a summary of the City's outstanding general obligation bonds and general fund obligations.

General Obligation Debt. On November 4, 2003, the voters in the City approved the issuance of up to \$20 million principal amount of general obligation bonds to finance fire facilities. As of June 30, 2012, the outstanding obligation with respect to the general obligation bonds was \$16,107,000 (including \$192,000 of unamortized initial issue premium).

Pension Obligation Bonds. In fiscal year 2003-04, the City issued Pension Obligation Bonds (the "**2004 Pension Obligation Bonds**") in the amount of \$89,540,000 to fund the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Pension Obligation Bonds were deposited with CalPERS and are reflected as a net pension

asset of \$88,300,000 for governmental activities in the Government-wide Statement of Net Assets in the City’s audited financial statements (see “APPENDIX C – Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011”). As of June 30, 2012, the City had \$73,935,000 principal amount of 2004 Pension Obligation Bonds outstanding.

In fiscal year 2004-05, the City issued Pension Obligation Bonds (the “**2005 Pension Obligation Bonds**”) in the amount of \$60,000,000 to partially fund unfunded actuarial accrued liabilities for non-safety employees. Proceeds from the 2005 Pension Obligation Bonds in the amount of \$59,434,000 were deposited with CalPERS and are reflected as a net pension asset in the Government-wide Statement of Net Assets in the City’s audited financial statements for fiscal year 2010-11. As of June 30, 2012, \$22,605,000 principal amount of the 2005-A Pension Obligation bonds was outstanding. The 2005-B Pension Obligation Bonds (Auction Rate Securities) were refunded with a BAN in 2008. That BAN was subsequently redeemed in 2009, 2010, 2011 and 2012. Ultimately the City’s intent is to take out the BAN (or a future BAN) with long-term financing consistent with the original Series 2005-B Pension Obligation Bonds’ amortization, which did not begin principal payments until after the Series 2005-A debt has been retired in 2020.

As of June 30, 2011, a total of \$137,632,000 of net pension assets (including the 2004 Pension Obligation Bonds, the 2005 Pension Obligation Bonds and the 2012 Pension Obligation Notes) are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses. See Note 14 of the fiscal year 2010-11 audited financial statements for additional information.

Certificates of Participation. The City has made use of various lease arrangements to finance capital projects through the execution and delivery of certificates of participation and issuance of lease revenue bonds.

As of June 30, 2012, the outstanding certificates of participation and their outstanding principal balance were as set forth in the following table:

Table 15
CITY OF RIVERSIDE
SUMMARY OF LONG-TERM GENERAL FUND OBLIGATIONS

	Original Issue	Outstanding Principal ⁽¹⁾
2003 Certificates of Participation ⁽²⁾	\$ 53,185,000	\$ 44,025,000
2006 Certificates of Participation	19,945,000	19,510,000
2008 Certificates of Participation ⁽³⁾	128,300,000	122,400,000
2010 Certificates of Participation	20,660,000	20,660,000
Subtotal	\$222,090,000	\$206,595,000
Plus unamortized Premium		764,000
Total		\$207,359,000

(1) As of June 30, 2012.

(2) The 2003 Certificates of Participation will be refinanced with proceeds of the Series 2012A Bonds.

(3) The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 9 (Derivative Instruments) to the City’s fiscal year 2010-11 audited financial statements.

Bank Loan Financings. The City entered into a loan with City National Bank in 2011 to finance the construction of the Fox Entertainment Plaza, a mixed-use project adjacent to the Fox Performing Arts Center in downtown Riverside that will contain a parking garage, museum exhibit space, restaurant/retail space, and a small black box theater. While the debt is recorded in the City's Parking Fund (an enterprise fund) and the debt is to be serviced by Parking Fund revenues, the debt is secured by the General Fund. As of June 30, 2012, the total amount outstanding was \$23,801,000. Parking Fund revenues are fully expected to make the required debt service payments through maturity of the loan.

On April 5, 2012, the City entered into a lease/leaseback financing arrangement with Pinnacle Public Finance in the principal amount of \$4,000,000. Proceeds of this financing arrangement were used to finance improvements to City parks. The City's general fund secures the lease/lease back arrangement.

On July 19, 2012, the City entered into a Lease and Option to Purchase Agreement with Compass Mortgage Corporation for the purpose of financing expansion and renovation of the City's Convention Center. The Lease and Option to Purchase Agreement establishes a variable rate interest component; a concurrent interest rate swap transaction with Compass Bank will produce a long-term "synthetic fixed" interest rate.

The Lease and Option to Purchase Agreement establishes a LIBOR-based variable rate interest rate. During the 21-month construction period, the City will pay interest-only payments from proceeds of the lease financing. At the end of the 21-month construction period, an interest rate swap agreement with Compass Bank commences and the variable interest rate under the Lease and Option to Purchase Agreement is "swapped" to fixed for the remaining 20-year amortization, resulting in equal payments each year of approximately \$2,850,000.

In order to enter into the swap transaction, the City waived certain of its Master Swap Policies relating to the requirements for ratings-based termination events and a credit support annex. The City mitigated the risks associated with this waiver by negotiating protections for the City if a credit event by Compass Bank were to occur, including the ability to offset swap payments due to it from Compass Bank pursuant to the swap agreement against current and future lease payments required to be made by the City to Compass Mortgage Corporation under the Lease and Option to Purchase Agreement.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2011 are identified in Note 7 to the City's June 30, 2011 audited financial statements. See Appendix C.

Direct and Overlapping Bonded Debt

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the "**Debt Report**") set forth below was prepared by California Municipal Statistics, Inc. as of March 15, 2012. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Table 16
Direct and Overlapping Bonded Debt
(As of March 15, 2012)

2011-12 Assessed Valuation: \$22,370,902,534
 Redevelopment Incremental Valuation: 5,776,869,136
 Adjusted Assessed Valuation: \$16,594,033,398

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/12	% Applicable (1)	City's Share of Debt 6/30/12
Metropolitan Water District	\$196,545,000	0.919%	\$ 1,806,249
Riverside City Community College District	230,858,371	28.657	66,157,083
Alvord Unified School District	205,160,954	62.393	128,006,074
Riverside Unified School District	147,135,000	84.115	123,762,605
Corona-Norco Unified School District	274,072,570	0.002	5,481
Jurupa Unified School District	51,252,972	0.003	1,538
Moreno Valley Unified School District	41,983,521	6.075	2,550,499
City of Riverside	15,915,000	100.	15,915,000
Alvord Unified School District Community Facilities District No. 2006-1	8,340,000	69.778	5,819,485
Riverside Unified School District Community Facilities Districts	92,660,000	89.192 -100.	92,508,688
City of Riverside Community Facilities Districts	13,600,000	100.	13,600,000
City of Riverside 1915 Act Bonds	29,360,000	100.	29,360,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$479,492,702

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$15,915,000) **0.07%**
 Total Direct and Overlapping Tax and Assessment Debt 2.14%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	\$655,042,180	11.440%	\$ 74,936,825
Riverside County Pension Obligations	357,540,000	11.440	40,902,576
Riverside County Board of Education Certificates of Participation	5,055,000	11.440	578,292
Alvord Unified School District Certificates of Participation	2,027,061	62.393	1,264,744
Corona Norco Unified School District Certificates of Participation	30,035,000	0.002	601
Jurupa Unified School District Certificates of Participation	7,220,000	0.003	217
Moreno Valley Unified School District Certificates of Participation	19,535,000	6.075	1,186,751
Riverside Unified School District General Fund Obligations	13,260,000	84.115	11,153,649
City of Riverside General Fund Obligations	210,595,000	100.	210,595,000
	(1)		
City of Riverside Pension Obligations	127,480,000	100.	127,480,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$468,098,655
Less: Riverside County supported obligations			1,418,092
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$466,680,563

TOTAL DIRECT DEBT **\$353,990,000**
TOTAL GROSS OVERLAPPING DEBT **\$593,601,357**
TOTAL NET OVERLAPPING DEBT **\$592,183,265**

GROSS COMBINED TOTAL DEBT **\$947,591,357**

NET COMBINED TOTAL DEBT **\$946,173,265**

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$353,990,000) **2.13%**
 Gross Combined Total Debt 5.71%
 Net Combined Total Debt 5.70%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: California Municipal Statistics, Inc.

Retirement Programs

The City contributes to the California Public Employee's Retirement System ("CalPERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All permanent and temporary employees who work more than 1,000 hours are eligible to participate in CalPERS. Benefits vest after 5 years of service. Benefits for employees vary based upon final yearly compensation, safety or non-safety status, length of service and age at retirement. CalPERS also provides death and disability benefits.

City employees' contribution rates are 9% for public safety employees and 8% for all other employees, calculated as a percentage of their monthly earnings. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees hired on or before specific dates as outlined in the following table. For any employee hired after those dates, the employee pays its full share. This second tier of pension benefits also included a change in the number of years' salary utilized to compute the retirement benefit and, for certain bargaining units, a change to the formula used to calculate the benefit amount.

<u>Pension Plan</u>	<u>Pension Formula</u>	<u>Benefit Calculation</u>	<u>Effective Date – Formula and Benefit Calculation</u>	<u>Effective Date – Employees Paying Employee Share of Contribution</u>
Safety – Fire	Tier 1: 3% @ 50 Tier 2: 3% @ 55	Tier 1: 1 Year Tier 2: 3 Years	June 11, 2011	June 11, 2011
Safety – Police ⁽¹⁾	Tier 1: 3% @ 50 Tier 2: 3% @ 50	Tier 1: 1 Year Tier 2: 3 Years	February 17, 2012	February 17, 2012
Miscellaneous	Tier 1: 2.7% @ 55 Tier 2: 2.7% @ 55	Tier 1: 1 Year Tier 2: 3 Years	December 16, 2011	October 19, 2011

(1) Currently applies to the Riverside Police Officers Association only. The dates shown apply to the Police Officer, Police Pilot, and Police Detective classifications. The Police Sergeants negotiated separately at a subsequent date, but are now also subject to the provisions of the second tier. Negotiations are ongoing with the Riverside Police Administrators Association, which represents sworn officers of the rank of Lieutenant and above.

The employer CalPERS contribution rates for fiscal year 2011-12 are 18.438% for miscellaneous employees and 25.303% for safety employees. For fiscal year 2012-13, the rates will be decreasing slightly to 18.277% for miscellaneous employees and 25.091% for safety employees. The City is required to contribute amounts necessary to fund the benefits for its members using the actuarial basis recommended by CalPERS.

The City made a contribution of \$50,486,000 for fiscal year 2011-12 and anticipates a contribution of \$51,137,777 for fiscal year 2012-13. Both of these contributions include employee contributions paid by the City for employees in pension tier 1, but do not take into account any savings for positions budgeted at tier 1 that will move to tier 2 during the fiscal year.

Four-year trend information for CalPERS funding is set forth in the following tables (in thousands of dollars):

MISCELLANEOUS PLAN

Fiscal Year Ending <u>June 30</u>	Plan	Actual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2008	Miscellaneous	\$12,457	97.5%	\$(58,334)
2009	Miscellaneous	14,735	94.7	(57,548)
2010	Miscellaneous	16,463	93.8	(56,529)
2011	Miscellaneous	16,888	92.4	(55,253)

SAFETY PLAN

Fiscal Year Ending <u>June 30</u>	Plan	Actual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2008	Safety	\$11,134	95.0%	\$(87,043)
2009	Safety	12,543	91.0	(85,909)
2010	Safety	13,949	89.0	(84,369)
2011	Safety	14,956	86.7	(82,379)

The City is amortizing its CalPERS unfunded actuarial accrued liability, as set forth in the following table, as a level percentage of projected payroll on a closed basis over 19 years. The following table, excerpted from the City's audited financial statements for fiscal year 2010-11, describes the schedule of funding for CalPERS:

Table 17
Schedule of Funding for CalPERS
(\$'s in Thousands)

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/08	\$828,351	\$779,481	\$48,870	94.1	\$110,870	44.1%
Safety	6/30/08	608,192	570,661	37,531	93.8	63,966	58.7
Misc.	6/30/09	921,349	810,929	110,420	88.0	110,318	100.1
Safety	6/30/09	660,742	595,018	65,724	90.1	63,924	102.8
Misc.	6/30/10	952,499	846,368	106,131	88.9	106,590	99.6
Safety	6/30/10	685,213	621,107	64,106	90.6	61,778	103.8

The following tables, excerpted from CalPERS' actuarial report, dated October 2011, for each of the Miscellaneous Plan and Safety Plan, show market value information for the City's plans' funded status:

MISCELLANEOUS PLAN

	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Market Value of Assets (MVA)	\$590,044,979	\$660,844,061
Unfunded Liability (MVA)	331,304,355	291,655,536
Funded Status (MVA)	64.0%	69.4%

SAFETY PLAN

	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Market Value of Assets (MVA)	\$432,337,915	\$483,775,810
Unfunded Liability (MVA)	228,403,976	201,437,433
Funded Status (MVA)	65.4%	70.6%

See “ — Long Term Obligations” for a discussion of the issuance of pension obligation bonds by the City, the use of the bond proceeds and the reflection of the proceeds in the City’s audited financial statements.

The City also contributes to defined benefit healthcare plans, pursuant to various collective bargaining agreements. See Note 14 of the audited financial statements attached as Appendix C for additional information.

Other Post-Employment Benefits. The City contributes to two single-employer defined benefit healthcare plans: a Stipend Plan and the Implied Subsidy Plan. The plans provide other post-employment health care benefits (“**OPEB**”) for eligible retirees and beneficiaries.

The Stipend Plan is available to eligible retirees and beneficiaries pursuant to their collective bargaining agreements. The City has historically contributed to seven bargaining units through their associations. These seven associations are responsible for the administration of their individual plans. In concert with the implementation of the second pension tier described above, these contributions by the City have ceased for the SEIU, IBEW, and Fire bargaining units. They remain in place for Police bargaining units. For a description of each association and applicable benefits – see “APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2011 – Notes to Basic Financial Statements – Other Post Employment Benefits.”

The City also provides benefits to retirees in the form of an implied rate subsidy (“Implied Subsidy”). Under an implied rate subsidy, retirees and current employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees are receiving the benefit of a lower rate.

Benefit provisions for the Stipend Plan for eligible retirees and beneficiaries are established and amended through the various memoranda of understanding (“**MOU**”). The MOUs are agreements established between the City and the respective employee associations.

The contribution requirements of the City for the Stipend Plan are established and may be amended through the MOU between the City and the unions. The City’s contribution is paid on a “pay-as-you-go-basis,” which is currently less than the annual required contribution.

The contribution requirements of the City’s Implied Subsidy Plan are established by the City Council. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City’s annual OPEB cost (expense) for each plan is reported based on the annual required contribution of the employer (“**ARC**”), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing

basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (“**UAAL**”) over a period not to exceed thirty years.

The City’s annual OPEB costs as reported in the fiscal year 2011-12 Comprehensive Annual Financial Report were as follows (amounts in thousands):

Table 18
CITY OF RIVERSIDE
RESULTS – IMPLIED SUBSIDY
Discount Rate and Amortization Sensitivity
(amounts in 000’s)

Valuation Date	6/30/07	6/30/09	6/30/11 ⁽³⁾
Discount Rate	4.5%	4.5%	4.5%
Amortization Period	30 Years	30 Years	30 Years
Present Value of Benefits ⁽¹⁾	\$75,665	\$82,217	N/A
Funded Status ⁽²⁾			
AAL (Accrued Actuarial Liability)	50,430	54,869	N/A
Assets	---	---	---
UAAL	50,430	54,869	N/A
Annual Required Contribution ⁽⁵⁾			
Normal Cost	2,306	2,762	2,852
UAAL Amortization	2,080	2,529	2,765
ARC	4,386	5,291	5,617
ARC as % of payroll	3%	4%	3%

(1) Based on most recent actuarial valuation performed as of 6/30/09.

(2) 30-year amortization.

(3) The actuarial evaluation as of 6/30/11 was not yet available.

The City's annual OPEB cost ("AOC"), the contribution, and the net OPEB obligation ("NOO") for the year ended June 30, 2011 is as follows (dollar amounts in thousands):

Table 19
CITY OF RIVERSIDE
RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation
(amounts in 000's)

	No Pre-Funding 4.5%
NOO 6/30/2008	\$3,096
2008/09 AOC ⁽¹⁾	4,386
2008/09 Contributions ⁽²⁾	(1,290)
NOO 6/30/2009	\$6,192
2009/10 ARC ⁽³⁾	5,291
2009/10 Interest on NOO	279
2009/10 Amortization of NOO	(469)
2009/10 Contributions ⁽⁸⁾	(1,440)
NOO 6/30/2010	\$9,853
2010/11 ARC ⁽⁸⁾	5,617
2010/11 Interest on NOO	443
2010/11 Amortization of NOO	(746)
2010/11 Contributions ⁽⁸⁾	(1,734)
NOO 6/30/2011	\$13,433

- (1) UAAL amortized as a level percent of payroll over 30 years and is based on an actuarial valuation performed as of 6/30/07.
(2) Includes benefit payments.
(3) UAAL amortized as a level percent of payroll over 30 years and is based on an actuarial valuation performed as of 6/30/09.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information normally provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Based on the most recent actuarial valuation performed on June 30, 2009, the actuarial accrued liability for benefits was \$54.9 million. The funded status of the Stipend Plan was as follows (amounts in thousands):

Actuarial Value of Assets	Actuarial Liability (AAL)-Entry Age	Unfunded AAL (UAAL)	Actuarial Valuation Date	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
(a)	(b)	(b-a)		(a/b)	(c)	((b-a)/c)
\$2,885	\$12,186	\$9,301	06/30/07	24%	92,643	10%
3,530	12,378	8,847	06/30/09	29	85,938	10

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Three-year trend information for the Stipend Plan ⁽¹⁾:

<u>Fiscal Year June 30</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 929	71%	\$ (657)
2010	1,134	49	(1,230)
2011	1,186	47	(1,854)

(1) Effective with the City's 2010-11 Comprehensive Annual Financial Report this information is no longer reported as a liability as it was determined to be immaterial. Prospectively, actuarial valuation information for the stipend plan will no longer be available. Additionally, as indicated above recent employee contracts signed in 2011 have eliminated the City's Stipend Plan contributions to all but the Police bargaining units, which has further reduced the materiality of the Stipend Plan liability.

Three-year trend information for the Implied Subsidy Plan:

<u>Fiscal Year June 30</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$4,386	29%	\$ (6,192)
2010	5,101	28	(9,853)
2011	5,314	33	(13,433)

Employee Relations and Collective Bargaining

City employees are represented by nine labor union associations, the principal one being the Service Employees International Union, which represents approximately 41% of City full-time employees. Currently approximately 65% all City employees, including part-time employees, are covered by negotiated agreements. Eighty-one percent of full-time employees are covered by these agreements, which have the following expiration dates:

Table 20
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of July 19, 2012)

Bargaining Unit	Contract Expiration Date	Number of Employees
Service Employees International Union - General	6/30/13	830
Riverside Police Officers Assoc.	12/1/14	286
Riverside Police Officers Association - Supervisory	12/1/14	48
Riverside Police Administrators Association	6/30/10*	24
International Brotherhood of Electrical Workers	9/30/13	183
International Brotherhood of Electrical Workers - Supervisory	9/30/13	26
Riverside City Firefighters Assoc.	6/30/14	204
Riverside City Fire Management	6/30/14	10
Service Employees Int. Union -- Refuse	6/30/13	36

* The City is currently in negotiations for this employee contract.
Source: City of Riverside.

Since 1979 the City has not had an employee work stoppage.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss of public liability claims and worker's compensation.

Property insurance coverage has a limit of \$1 billion, with a \$50,000 deductible. Earthquake and flood insurance currently have a \$25 million limit, with a deductible of 5% for earthquake and \$100,000 for flood. Workers' compensation insurance coverage has a limit of \$25 million with a deductible of \$3 million per occurrence. On July 1, 2011, the City carried commercial insurance in the amount of \$20 million for general and auto liability claims greater than \$3 million. There were no claims settled during fiscal years 2000 through 2011 above the self-insured amount.

The following tables summarize the reserved balances in the Self-Insurance Fund for fiscal years 2006-07 through 2011-12. The decline in the cumulative balance in the self-insurance fund in recent years was reversed beginning in fiscal year 2011-12 with larger contributions designed to grow the balance in the fund to a level targeted by management.

Table 21
CITY OF RIVERSIDE
SELF-INSURANCE FUND⁽¹⁾
(in thousands)

Fund	2006-07	2007-08	2008-09	2009-10	2010-11
Self-Insurance Fund	\$27,913	\$21,546	\$21,391	\$16,410	\$13,281

(1) Reflects the consolidated balances for liability, workers compensation, and unemployment insurance trust funds.
Source: City of Riverside.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds that are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted on February 21, 2012 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of June 30, 2012, had a market value of \$433,031,119.84. The following table illustrates the investments as of June 30, 2012:

Table 22
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of June 30, 2012)

Type	Market Value	Cost Basis	% of Portfolio ⁽¹⁾
Certificates of Deposit		\$7,813,932.03	
Money Market Accounts	171,443,661.43		39.59
Medium Term Corporate Notes		58,714,241.98	13.81
U.S. Govt. Agency	193,891,766.91		44.78
Total	\$433,031,119.84	\$429,804,342.39	100.00%

(1) Calculated using cost basis.
Source: City of Riverside.

As of June 30, 2012, the average life of the City's investment portfolio was 1.42 years.

Personal Income

The following table is based on effective buying income, as reported in the annual publication "Survey of Buying Power," published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and non-tax payments. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then

made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance. The following items are not included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers' compensation programs; (2) imputed personal income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries; and (3) imputed rental income of owner-occupied nonfamily dwellings.

Between 2007 and 2011 the City's median household effective buying power decreased approximately 1.9%, while at the same time, the County's decreased approximately 2.6%, the State's decreased approximately 2.4% and there was a decrease of approximately 1.3% for the United States. The table below summarizes the total effective buying income and the median household effective buying income for the City, the County, the State and the United States from 2007 through 2011.

**Table 23
PERSONAL INCOME
For Calendar Years 2007 Through 2011**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2007	City of Riverside	\$ 5,065,658	\$43,161
	Riverside County	38,631,365	45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Riverside	\$ 5,318,760	\$45,059
	Riverside County	40,935,408	46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Riverside	\$ 5,352,323	\$44,974
	Riverside County	41,337,770	47,080
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Riverside	\$ 4,967,723	\$42,509
	Riverside County	38,492,225	44,253
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Riverside	\$ 4,950,100	\$42,351
	Riverside County	39,981,683	44,116
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

Source: The Nielsen Company (US), Inc.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City.

These two districts include 65 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Employment

The following table presents the annual average distribution of persons in various wage and salary employment categories for Riverside-San Bernardino Primary Metropolitan Statistical Area for calendar years 2007 through 2011.

Table 24
RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA
ANNUAL AVERAGE EMPLOYMENT COMPARISON

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian Labor Force ⁽¹⁾	1,766,900	1,776,000	1,774,800	1,798,200	1,799,000
Employment	1,664,000	1,629,500	1,541,300	1,540,500	1,557,800
Unemployment	102,900	146,500	233,500	257,700	241,200
Unemployment Rate	5.8%	8.3%	13.2%	14.3%	13.4%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	16,400	15,900	14,900	15,000	14,900
Mining and Logging	1,300	1,200	1,100	1,000	1,000
Construction	112,500	90,700	67,900	59,700	58,700
Manufacturing	118,500	106,900	88,800	85,100	85,800
Wholesale Trade	56,800	54,100	48,900	48,600	49,400
Retail Trade	175,600	168,600	156,200	155,500	157,200
Transportation, Warehousing and Utilities	69,500	70,200	66,800	66,600	68,500
Information	15,400	14,900	15,100	15,800	15,000
Finance and Insurance	30,300	27,400	26,000	25,500	25,000
Real Estate and Rental and Leasing	19,500	18,700	16,600	15,500	14,200
Professional and Business Services	145,200	137,700	124,300	123,400	126,100
Educational and Health Services	127,200	131,800	133,600	133,800	137,900
Leisure and Hospitality	132,600	131,000	123,800	122,800	124,300
Other Services	41,200	40,800	37,300	38,200	39,300
Federal Government	19,400	19,600	20,600	22,700	21,200
State Government	28,700	29,600	29,800	29,300	29,100
Local Government	177,200	180,700	178,100	182,300	177,000
Total All Industries	1,287,300	1,239,700	1,149,700	1,140,900	1,144,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The table below shows the 10 largest employers in the City.

Table 25
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of January 1, 2011)

<u>Employer</u>	<u>Number of Employees</u>	<u>% of Total City-wide Employment</u>
County of Riverside	10,137	6.5%
University of California Riverside	5,390	3.5
Riverside Unified School District	4,867	3.1
Kaiser Permanente	4,000	2.6
City of Riverside	2,647	1.7
Riverside Community Hospital	2,200	1.4
Riverside Community College District	1,864	1.2
Riverside County Office of Education	1,710	1.1
Alvord Unified School District	1,689	1.1
Parkview Community Hospital	1,350	0.9
Total	35,854	23.1%

Source: City of Riverside, Development Department (as presented in the City's 2011 Comprehensive Annual Financial Report).

The 25 largest employers in the County are shown below.

Table 26
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of January 1, 2012)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Abbott Vascular Inc	Temecula	Physicians & Surgeons Equip & Supls-Whls
Corrections Dept	Norco	State Govt-Correctional Institutions
Desert Regional Med	Palm Springs	Hospitals
Eisenhower Medical Ctr Heart	Rancho Mirage	Hospitals
Goodrich Aerostructures Group	Riverside	Aircraft Components-Manufacturers
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
Hub International Ins Svc-CA	Riverside	Insurance
Inland Valley Medical Ctr	Wildomar	Hospitals
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resort & Club	La Quinta	Hotels & Motels
Morongo Casino Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Ent	Banning	Business Management Consultants
Pechanga Casino	Temecula	Casinos
Professional Hospital Supply	Temecula	Hospital Equipment & Supplies (Whls)
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Spa Casino	Palm Springs	Casinos
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2012 2nd Edition

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five years for which information is available.

Table 27
CITY OF RIVERSIDE BUILDING PERMIT ACTIVITY
For Calendar Years 2007 Through 2011
(Valuation in Thousands of Dollars)

<u>Permit Valuation</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New Single-family	\$88,770.6	\$23,168.9	\$15,420.4	\$27,882.4	\$ 8,311
New Multi-family	59,369.5	24,410.6	1,711.3	23,278.4	26,764
Res. Alterations/Additions	<u>18,372.3</u>	<u>16,864.6</u>	<u>6,812.3</u>	<u>7,603.4</u>	<u>8,298</u>
Total Residential	166,512.4	64,444.1	23,944.0	58,764.2	\$43,372
New Commercial	117,693.6	55,156.5	16,667.4	42,753.6	30,852
New Industrial	45,943.6	13,778.9	0.0	0.0	100
New Other	27,857.2	11,023.8	7,370.9	9,051.8	5,703
Com. Alterations/Additions	<u>67,889.5</u>	<u>59,695.9</u>	<u>21,845.0</u>	<u>35,463.3</u>	<u>56,555</u>
Total Nonresidential	\$259,383.9	\$139,655.2	\$45,883.3	\$87,268.7	\$93,210
 <u>New Dwelling Units</u>					
Single Family	342	69	56	107	43
Multiple Family	<u>599</u>	<u>216</u>	<u>23</u>	<u>266</u>	<u>236</u>
TOTAL	<u>941</u>	<u>285</u>	<u>79</u>	<u>373</u>	<u>279</u>

Source: Construction Industry Research Board, Building Permit Summary

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but

in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate \$4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

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APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following statements are summaries of the Ground Lease (“the Ground Lease”), the Lease Agreement (the “Lease Agreement”), the Indenture (the “Indenture”) and the Assignment Agreement (the “Assignment Agreement”). **These statements are qualified in their entirety by reference to the full terms of the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement, copies of which may be obtained from the City.**

DEFINITIONS OF CERTAIN TERMS

The following sets forth the definitions of certain words and terms used in this Summary of the Principal Legal Documents.

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“**Additional Bonds**” means Bonds other than the Series 2012A Bonds issued under the Indenture in accordance with the provisions thereof.

“**Additional Rental Payments**” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“**Assignment Agreement**” means the Assignment Agreement, by and between the Authority and the Trustee, dated as of August 1, 2012, as the same may be amended or supplemented pursuant to the provisions thereof.

“**Authority**” means the Riverside Public Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

“**Authorized Authority Representative**” means the Chairman, the Executive Director or the Treasurer of the Authority, or any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“**Authorized City Representative**” means the Mayor of the City, the City Manager of the City, the Director of Finance of the City, the Treasurer of the City, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

“**Authorized Denominations**” means \$5,000 or any integral multiple thereof.

“**Base Rental Payment Fund**” means the fund by that name established in accordance with the Indenture.

“**Base Rental Payments**” means all amounts payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“**Base Rental Payment Schedule**” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Lease Agreement and attached thereto as Exhibit C.

“**Beneficial Owner**” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant or the records of such Participant or such person’s subrogee.

“**Bonds**” means the Series 2012A Bonds and any Additional Bonds.

“**Book-Entry Bonds**” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“**Business Day**” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the principal corporate trust office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“**Cede & Co.**” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“**City**” means the City of Riverside, a municipal corporation and charter law city duly organized and existing tinder and by virtue of the Constitution and laws of the State of California and the City’s Charter.

“**Closing Date**” means August 15, 2012.

“**Code**” means the Internal Revenue Code of 1986.

“**Continuing Disclosure Certificate**” means the Continuing Disclosure Certificate, dated as of August 1, 2012, executed by the City, as originally executed and as it may from time to time be amended in accordance with the terms thereof.

“**Costs of Issuance**” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds, rating agency fees. CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, any computer and other expenses incurred in connection with the execution and delivery of the Bonds, the initial fees and expenses of the Trustee and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

“**Costs of Issuance Fund**” means the fund by that name established in accordance with the Indenture.

“**Delivery Date**” means August 15, 2012.

“**DTC**” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“**Escrow Agent**” means U.S. Bank National Association, as escrow agent pursuant to the Escrow Agreement.

“**Escrow Fund**” means the fund established and held by the Escrow Agent pursuant to the Escrow Agreement.

“Escrow Agreement” means the escrow agreement dated as of August 1, 2012 by and between the Authority and the Escrow Agent relating to the defeasance of the 2003 Certificates.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Fitch” means Fitch Ratings, Inc., or its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Forward Purchase and Sale Agreement” means an agreement entered into by the Trustee and/or the Authority and/or the City and a bank or financial institution (the “Provider”) rated “A2” or higher by Moody’s and “A” or higher by S&P providing for the Provider to tender, and for the Trustee to purchase, certain eligible securities on one or more dates occurring at least thirty (30) business days after the date of such agreement; provided that (1) securities tendered by the Provider are purchased on a delivery versus payment basis, (2) securities purchased constitute Permitted Investments at the time they are tendered, and (3) the Authority and the City receive an opinion of counsel acceptable to the Authority and to the City which states that the agreement constitutes a legally valid, binding, and enforceable obligation of the Provider and that in the event of a bankruptcy of the Provider, securities sold by the Provider to the Trustee pursuant to the agreement do not constitute property of the estate of the Provider within the applicable bankruptcy or insolvency laws.

“Ground Lease” means the Ground Lease, dated as of August 1, 2012, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“Indenture” means the Indenture, dated as of August 1, 2012, by and among the Authority, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Interest Fund” means the fund by that name established in accordance with the Indenture.

“Interest Payment Date” means May 1 and November 1 of each year, commencing on May 1, 2013.

“Lease Agreement” means the Lease Agreement, dated as of August 1, 2012, by and between the City and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation will no longer perform the function of a securities rating agency for any reason, the term “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Trustee.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such

term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the City by the Trustee in writing.

“**Opinion of Counsel**” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City.

“**Outstanding**,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture; and
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“**Owner**” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“**Participant**” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“**Participating Underwriter**” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“**Permitted Encumbrances**” means, with respect to the Property, as of any particular time, (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the City, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing.

“**Permitted Investments**” means any of the following to the extent then permitted by the general laws of the State of California:

- (1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner

of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively "United States Obligations"). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
GNMA-guaranteed mortgage-backed securities
GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
Local authority bonds
- Washington Metropolitan Area Transit Authority
Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated systemwide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)
Debt obligations
- Resolution Funding Corporation (REFCORP)
Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 180 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-1+" or better by S&P and "P-I" or better by Moody's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

(7) Money market funds rated "AAm" or "AAm-G" or better by S&P and "AA" or better by Moody's.

(8) Repurchase agreements:

(a) With any domestic bank the long term debt of which is rated "AA" or better by S&P and Moody's (so long as an opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and that such bank is subject to FIRREA), or any foreign bank rated at least "AA" by S&P and "Aaa" by Moody's or "AAA" by S & P and at least "Aa" by Moody's; provided the term of such repurchase agreement is for one year or less.

(b) With (i) any broker-dealer with "retail customers" which has, or the parent company of which has, long-term debt rated at least "AA" by S&P and "Aa" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that:

A. The market value of the collateral is maintained for United States Treasury Obligations, at the levels shown below under "Collateral Levels for United States Treasury Obligations";

B. Failure to maintain the requisite collateral percentage will require the City or the Trustee to liquidate the collateral;

C. The Trustee, the City or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

D. The repurchase agreement states, and an opinion of counsel is rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

E. The transferor represents that the collateral is free and clear of any third-party liens or claims;

F. An opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code;

G. There is or will be a written agreement governing every repurchase transaction;

H. Each of the City and the Trustee represents that it has no knowledge of any fraud involved in the repurchase transaction: and

I. The City and the Trustee receive an opinion of counsel (which opinion will be addressed to the City and the Trustee) that such repurchase agreement is legal, valid and binding and enforceable against the provider in accordance with its terms,

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(10) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability of the guarantor, is rated at least "AA" by S&P and "Aa" by Moody's; provided, that prior written notice of an investment in the investment agreement is provided to S&P and, provided, further, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in the Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the City to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement will state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the City receive the opinion of domestic counsel (which opinion will be addressed to the City) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) the investment agreement will provide that if during its term (A) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "AA" or "Aa", respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the City or the Trustee within 10 days of receipt of

such direction, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee, the City or a Holder of the Collateral, United States Treasury Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (2) repay the principal of and accrued but unpaid interest on the investment (the choice of (1) or (2) above will be that of the City or Trustee, as appropriate), and (B) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "A", or, with respect to a foreign bank, below "AA" or "Aa" by S&P or Moody's, as appropriate, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

(g) the investment agreement will state, and an opinion of counsel will be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider will default in its payment obligations, the provider's obligation under the investment agreement will, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the City or Trustee, as appropriate, and (B) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the City or Trustee, as appropriate.

(11) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; and

(e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

Collateral Levels For United States Treasury Obligations

<i>Frequency of Valuation</i>	Remaining Maturity				
	<i>1 year or less</i>	<i>5 years or less</i>	<i>10 years or less</i>	<i>15 years or less</i>	<i>30 years or less</i>
Daily	102	105	106	108	114
Weekly	103	111	112	114	120
Monthly	105	117	120	125	133
Quarterly	107	120	130	133	140

Further Requirements: (a) On each valuation date the City, the Trustee, or the custodian who will confirm to the City and the Trustee, will value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment (including unpaid accrued interest thereon) that is being secured, (b) in the event the collateral level is below its collateral percentage on a valuation date, such percentage will be restored within the following restoration periods: one Business Day for daily valuations, two Business Days for weekly and monthly valuations, and one month for quarterly valuations (the use of different restoration periods affect the requisite collateral percentage), (c) the City or the Trustee will terminate the repurchase agreement or the investment agreement, as the case may be, upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

(12) The Local Agency Investment Fund of the State of California created pursuant to Section 16429.1 of the California Government Code.

“**Person**” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Principal Fund**” means the fund by that name established in accordance with the Indenture.

“**Property**” means the real property described in Exhibit A to the Lease Agreement and the improvements located thereon.

“**Rebate Fund**” means the fund by that name established in accordance with the Indenture.

“**Rebate Requirement**” has the meaning ascribed thereto in the Tax Certificate.

“**Record Date**” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“**Redemption Fund**” means the fund by that name established in accordance with the Indenture.

“**Redemption Price**” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

“**Registration Books**” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“**Rental Payments**” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Closing Date through October 31, 2013 and, thereafter, the twelve-month period commencing on November 1 of each year during the term of the Lease Agreement.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity will no longer perform the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Series” means the Series 2012A Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to this Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2012A Bonds” means the Bonds designated “Riverside Public Financing Authority Lease Revenue Bonds, Series 2012A” issued under the Indenture.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the Authority and the City at the time of issuance of the Series 2012A Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Termination Date” means November 1, 2033, unless extended or sooner terminated as provided in the Lease Agreement.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“2003 Certificates” means the City of Riverside, 2003 Certificates of Participation (Capital Improvement Project).

“Written Certificate of the Authority” and **“Written Request of the Authority”** mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument

“Written Certificate of the City” and **“Written Request of the City”** mean, respectively, a written certificate or written request signed in the name of the City by an Authorized City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE GROUND LEASE

The City leases to the Authority, and the Authority leases from the City, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances for the term of the Ground Lease. The parties intend that the Property will be leased back to the City pursuant to the Lease Agreement. The parties further intend that, to the extent provided in the (Ground Lease and the Lease Agreement, if an event of default occurs under the Lease Agreement, the Authority, or its assignee, will have the right for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an

appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. The Ground Lease may be sold or assigned, and the Property may be subleased, as a whole or in part, by the Authority without the necessity of obtaining the consent of the City, if an event of default occurs under the lease Agreement. The Authority will, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the City a true and correct copy of such assignment, sale or sublease, as the case may be. The City agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

The term of the Ground Lease commences on the Delivery Date, and will remain in full force and effect from such date to and including November 1, 2033, unless such term is sooner extended or terminated as provided in the Ground Lease. If, on November 1, 2033, the Bonds will not have been fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement will have been abated at any time, then the term of the Ground Lease will be automatically extended until the date upon which all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, except that the term of the Ground Lease will in no event be extended more than ten years. If prior to November 1, 2033, all Bonds will be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, the term of the Ground Lease will end simultaneously therewith.

THE LEASE AGREEMENT

Lease of Property

(a) The Authority leases to the City, and the City leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, and subject to all Permitted Encumbrances.

(b) The leasing of the Property by the City to the Authority pursuant to the Ground Lease shall not effect or result in a merger of the City's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Ground Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term of the Lease and the Ground Lease. The leasehold interest granted by the City to the Authority pursuant to the Ground Lease is independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest granted to the Authority under the Ground Lease.

Assignment and Subleasing

Neither the Lease Agreement nor any interest of the City thereunder will be sold, mortgaged, pledged, assigned, or transferred by the City by voluntary act or by operation of law or otherwise. The Property may not be subleased in whole or in part by the City without the prior written consent of the Authority. Any such sublease will be subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the City to make all Rental Payments thereunder will remain the primary obligation of the City;

(b) the City will, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the City will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the City will explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(e) the City will furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Liens

In the event the City will at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the City will pay, when due, all sums of money that may become due for, or purporting to be due for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as such contestment is in good faith. If any such lien will be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City will forthwith pay and discharge said judgment.

Term of the Lease Agreement

The term of the Lease Agreement will commence on the Delivery Date and will end on the Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on the Termination Date the Bonds will not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms, or if the Rental Payments will remain due and payable or will have been abated at any time and for any reason, then the term of the Lease Agreement will be extended until the date upon which all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will be discharged by its terms and all Rental Payments will have been paid in full, except that the term of the Lease Agreement will in no event be extended more than ten years beyond such Termination Date, such extended date being the "Maximum Lease Term." If prior to the Termination Date, all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, the Indenture will be discharged by its terms and all Rental Payments will have been paid in full, the term of the Lease Agreement will end simultaneously therewith.

Rental Payments

Subject to the provisions of the Lease Agreement relating to a revision of the Base Rental Schedule, the City will pay to the Authority as Base Rental Payments (subject to the provisions of the Lease Agreement) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments will constitute principal and a portion of which will constitute interest. If the term of the Lease Agreement is extended pursuant to the Lease Agreement, the obligation of the City to pay Rental Payments will continue to and including the Base Rental deposit Date preceding the date of termination of the Lease Agreement. Upon such extension, the Base Rental Payments will be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments payable in any Rental Period will not exceed the annual fair rental value of the Property.

The City will also pay, as Additional Rental Payments, such amounts as will be required for the payment of the following: all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein; all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of

the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees; insurance premiums for all insurance required pursuant to the Lease Agreement; any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and all other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture. Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts will be payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within sixty (60) days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Payments of the Rental Payments for the Property during each rental period will constitute the total rental for said rental period.

Each installment of Base Rental Payments payable under the Lease Agreement will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee, or such other place or entity as the Authority will designate. Each Base Rental Payment will be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which will not be paid by the City when due and payable under the terms of the Lease Agreement will bear interest from the date when the same is due thereunder until the same will be paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this paragraph on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Rental Abatement

Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments will be abated proportionately, and the City waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority will calculate such abatement and will provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated

as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Prepayment of Rental Payments

(a) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2012A Bonds which are payable on or after November 1, 2023, from any source of available funds, on any date on or after November 1, 2022, by paying (i) all or a portion, as selected by the City, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment, without premium.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2012A Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments as described above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) above.

If less than all of the Base Rental Payments attributable to the Series 2012A Bonds are prepaid pursuant to the Lease Agreement then, as of the date of such prepayment pursuant to subsection (a) above, or the date of a deposit pursuant to subsection (b) above, the principal and interest components of such Base Rental Payments will be recalculated in order to take such prepayment into account. The City agrees that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City will not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City will not be entitled to any reimbursement of such Base Rental Payments.

If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement, then, as of the date of such prepayment as described in (a) above and, if applicable, the corresponding provisions of the Lease Agreement relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or the date of deposit pursuant to (b) above and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Lease Agreement, the term of the Lease Agreement will be terminated.

Prepayments of Base Rental Payments attributable to the Series 2012A Bonds made pursuant to the Lease Agreement will be applied to the redemption of Series 2012A Bonds as provided in the Indenture.

Before making any prepayment pursuant to the Lease Agreement, the City will give written notice to the Authority specifying the date on which the prepayment will be made, which date will be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given to the Authority.

Substitution or Release of the Property

The City will have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement. All costs and expenses incurred in connection with such substitution or release will be borne by the City. Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property will be subject to the following specific conditions, which are made conditions precedent to such substitution or release:

(i) an independent certified real estate appraiser selected by the City will have found (and will have delivered a certificate to the City and the Trustee setting forth its findings) that the Property, as

constituted after such substitution or release, (A) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(ii) the City will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;

(iii) the City will have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(iv) the City, the Authority and the Trustee will have executed, and the City will have caused to be recorded with the Riverside County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(v) the City will have provided notice of such substitution to each rating agency then rating the Bonds.

Insurance

The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease. The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid.

The City will maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

The City will maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which will include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. Each such policy of insurance will contain a standard replacement cost endorsement providing for

no deduction for depreciation and a stipulated amount endorsement. All insurance required to be maintained pursuant to this paragraph may be subject to a deductible in an amount not to exceed \$500,000. The City's obligations under this paragraph may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement.

The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by the insurance described in the preceding paragraph in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City will not be permitted to self-insure this obligation under the Lease Agreement.

The City will pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement, and will promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies will provide that the Trustee will be given thirty (30) days notice of the expiration thereof, or any intended cancellation thereof. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City will cause to be delivered to the Trustee on or before August 15 of each year, commencing August 15, 2013, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the requirements of the Lease Agreement. The Trustee will be entitled to rely upon said Certificate of the City as to the City's compliance with the Lease Agreement. The Trustee will not be responsible for the sufficiency of coverage or amounts of such policies.

Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance will be deemed to be self-insurance for purposes of the Lease Agreement. Any self-insurance maintained by the City pursuant to the Indenture will comply with the following terms:

(a) the self-insurance program will be approved in writing by the City's risk manager or by an independent insurance consultant;

(b) the self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid, the adequacy of each such fund will be evaluated on a bi-annual basis by the City's risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the City's risk manager or such independent insurance consultant, as applicable;

(c) in the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by the City's risk manager or by an independent insurance consultant, will be maintained.

The insurance required by the Lease Agreement will be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of the City's risk manager or an independent insurance consultant, to be adequate for the purposes of the Lease Agreement.

Title Insurance

The City will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2012A Bonds. Said policy or policies will insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate under the

Lease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or the Lease or required by the Indenture or the Lease Agreement will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Bond Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) will be taken under the power of eminent domain, the term of the Lease Agreement will cease as of the day that possession will be so taken. If less than all of the Property will be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Bonds will be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Lease Agreement, have been fully paid, will be paid to the Authority and to the City as their respective interests may appear.

Assignment

The City and the Authority acknowledge the assignment of the Lease Agreement (except for the Authority's obligation and its rights to give consents or approvals pursuant to the Lease Agreement), and the Base Rental Payments payable thereunder, to the Trustee pursuant to the Assignment Agreement.

Default

(a) (i) If the City will fail (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Lease Agreement or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events specified in paragraph (b) below, the City will be deemed to be in default under the Lease Agreement and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. The City will in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the City will have failed, for a period of thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner hereinafter described on account of default by the City, notwithstanding any re-entry or re-letting of the Property as hereinafter described in paragraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-

entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease Agreement will of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Authority will have given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Lease Agreement, (a) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Lease Agreement in the manner described in paragraph (1) above, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as described above for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Lease Agreement, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City, and the City indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-letting without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-letting will constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement will vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (1) above. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, and as hereinafter described, or (ii) the City or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency,

or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to elect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City will make a general assignment for the benefit of the City's creditors, or (iii) the City will abandon or vacate the Property, then the City will be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Authority and its assignee will be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees will be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee will have the right to bring the following actions:

(i) *Accounting.* By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction.* By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) *Mandamus.* By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Lease Agreement.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Authority will have no right upon a default thereunder by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Authority and its assignees on account of a default by the City thereunder will not effect or result in a termination of the Ground Lease.

Failure of the Authority to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Authority on account of such default. A waiver of a particular default will not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement will not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

Amendments

The Lease Agreement and the Ground Lease may be amended and the rights and obligations of the Authority and the City thereunder may be amended at any time by an amendment thereto which will become binding upon execution and delivery by the Authority and the City but only with the prior written consent of the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment will (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease.

The Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City thereunder may also be amended at any time by an amendment thereto which will become binding upon execution by the Authority and the City, but without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease Agreement or other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(d) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement;

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture; or

(f) to make such other changes therein or modifications thereto as the Authority or the City may deem desirable or necessary, and which will not materially adversely affect the interests of the Owners as evidenced by an Opinion of Bond Counsel.

THE INDENTURE

Costs of Issuance Fund

The Trustee will establish and maintain a separate special fund designated the "Costs of Issuance Fund." On the Closing Date, there will be deposited in the Costs of Issuance Fund the amount specified in the Indenture. There will be additionally be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was

incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On February 15, 2013, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Base Rental Payment Fund and the Costs of Issuance Fund shall be closed.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2012A Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds will have been authorized under and pursuant to the Indenture and will have been provided for by a Supplemental Indenture which will specify the following:

(1) The application of the proceeds of the sale of such Additional Bonds;

(2) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds will be payable as to principal annually on May 1 or November 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds will have annual mandatory sinking fund redemptions on May 1, (ii) the Additional Bonds will be payable as to Interest semiannually on November 1 and May 1 of each year, except that the first installment of interest may be payable on either November 1 or May 1 and will be for a period of not longer than twelve months and the interest will be payable thereafter semiannually on November 1 and May 1, (iii) all Additional Bonds of a Series of like maturity will be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory' sinking fund redemptions for term Bonds, or any combination thereof, will be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Additional Bonds;

(5) The form of such Additional Bonds;

(6) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof;

(b) The Authority will be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(c) The City will be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(d) The Ground Lease will have been amended, to the extent necessary, and the Lease Agreement will have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal of and interest on such Additional

Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period will be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition will be made by a Written Certificate of the City).

Nothing contained in the Indenture will limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds will be executed by the Authority for issuance under the Indenture and will be delivered to the Trustee and thereupon will be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by the Indenture and the amendment to the Ground Lease, if any, required by the Indenture, together with satisfactory evidence that such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, have been duly recorded;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by the Indenture) and the Ground Lease (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of the Indenture have been met;

(e) a Written Certificate of the City that the requirements of the Indenture have been met, and a Written Certificate of the City as to the fair rental value of the Property, after giving effect to the execution and delivery of the Additional Bonds, and to the use of proceeds received therefrom; and

(f) Such further documents as are required by the provisions hereof or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

So long as any of the Bonds remain Outstanding, the Authority will not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the Indenture.

Pledge of Base Rental Payments and Additional Rental; Base Rental Payment Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged to secure the payment of the principal of premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge will constitute a first lien on such assets.

All obligations of the Authority under the Indenture will be special obligations of the Authority, payable solely from Rental Payments and the other assets pledged therefor thereunder; provided, however, that all obligations of the Authority under the Bonds will be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the City will be deposited by the Trustee in the Base Rental Payment Fund.

Deposit of Base Rental Payments

The Trustee will transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds.

Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

Principal Fund. On the Business Day immediately preceding each May 1 and November 1, commencing May 1, 2013, the Trustee will transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such May 1 or November 1, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

Redemption Fund. The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, will deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee will deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2012A Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Application of Net Insurance Proceeds

If the Property or any portion thereof will be damaged or destroyed, subject to the further requirements of the Indenture, the City will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof will as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, will be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City will, within sixty (60) days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City will deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted a substantial interference with the City's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction pursuant to the Lease Agreement, then the City will be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption, as set forth in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction. Funds to be applied to the redemption of Bonds in accordance with clause (b) above will be deposited in the Redemption Fund. If the City is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds will, if there is first delivered to the Trustee a Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current rental period or any subsequent rental period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

The proceeds of any award in eminent domain received in respect to the Property will be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Property will be applied and disbursed by the Trustee, upon written direction of the City, as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, such proceeds will be remitted to the City and used for any lawful purpose thereof, or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the City under the Lease Agreement, then the Trustee will immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the

manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. Moneys in all funds and accounts held by the Trustee will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date. Absent timely written direction from the Authority, the Trustee will hold any funds held by it uninvested.

Subject to the provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be retained therein.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued by the Trustee at the fair market value cost thereof, such valuation to be performed not less frequently than semiannually on or before each May 15 and November 15. In determining the fair market value, the Trustee may use and rely conclusively (Contract Liability) on any generally recognized securities pricing service available to it (including brokers and dealers in securities).

The Trustee may act as principal or agent in the making or disposing of any investment, Upon the Written Request of the Authority, the Trustee will sell or present for redemption any Permitted Investments so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Covenants

Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any matter other than accordance with the provisions of the Indenture, and the Authority and the City will not suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them. The Authority agrees to remain bound by such covenant regardless of whether or not the City of Riverside, as successor agency to the Redevelopment Agency of the City of Riverside, remains a member of the Authority.

Compliance with Ground Lease and Lease Agreement. The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms. The Authority agrees to remain bound by such covenant regardless of whether or not the Redevelopment Agency of the City of Riverside remains a member of the Authority.

Observance of Laws and Regulations. The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of

each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Other Liens. The City will keep the Property and all parts thereof free from judgments and materialman's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten (10) days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City will create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien as provided for or permitted under the Indenture.

The Authority and the Trustee will not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records will be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. The Trustee will, upon written request, make copies of the foregoing available to any Owner or his agent duly authorized in writing upon reasonable notice.

Recordation and Filing. The City will record, or cause to be recorded, with the appropriate City recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. Neither the Authority nor the City will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on any tax-exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the City will comply with the requirements of the Tax Certificate. This covenant will survive payment in full or defeasance of the Bonds.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture, the Assignment Agreement, the Ground Lease or the Lease Agreement.

Maintain Existence of Authority. The City and the Authority agree to use all reasonable efforts to maintain the legal existence of the Authority.

Continuing Disclosure. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate will not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, will) or any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Events of Default

If an event of default (within the meaning of the Lease Agreement) will happen, then such event of default will constitute an event of default under the Indenture. The Trustee shall give notice, as assignee of the Authority, of an event of default under the Lease Agreement to the City. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, will, upon notice in writing to the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee

Subject to the provisions of the Indenture, the Trustee will have the right:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the City or any member, officer or employee thereof, and to compel the Authority or the City or any such member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;
- (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or
- (c) by suit in equity upon the happening of any default under the Indenture to require the Authority and the City to account as the trustee of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred

upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee will deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Subject to the provisions of the Indenture, no remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Indenture, the City will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the Authority or the City of the other agreements and covenants required to be performed by them contained in the Lease Agreement, the Ground Lease or the Indenture.

All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, will be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under the Indenture; and
- (b) to the payment of all amounts then due for principal and interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal and interest, respectively, on such Bonds due and payable; and
- (c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable.

All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee will be brought in its own name as trustee of an express trust, and any recovery of judgment will, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits

No Owner of any Bond will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy under the Indenture, unless (a) such Owner has previously given written notice to the Trustee of a continuing event of default; (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding will have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture; (c) such Owner or Owners will have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity will have failed to institute any such proceedings; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty-day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds.

The Trustee

The Authority appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the indenture, all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to above and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee covenants and agrees that it will not encumber the Property except as set forth in the Assignment Agreement.

The Authority may by an instrument in writing remove the Trustee initially a party to the Indenture and any successor thereto unless an event of default will have occurred and then be continuing, and will remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee will cease to be eligible in accordance with the following sentence, and will appoint a successor Trustee, but the Trustee and any successor Trustee will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City and by giving notice, by first-class mail, postage prepaid, of such resignation to the Owners of the Bonds at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Modification or Amendments to Indenture

The Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which will have been filed with the Trustee. No such modification or amendment will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners may also be modified or amended from time to time at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes.

(a) to add to the covenants and agreements of the Authority or the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority or the City under the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(c) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(e) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(f) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of

the Bond Owners under the Indenture, in the opinion of Bond Counsel filed with the Authority, the City and the Trustee.

Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee will mail a notice (the form of which will be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

No Supplemental Indenture will modify any of the rights or obligations of the Trustee without its prior written consent.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the City, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the principal corporate trust office of the Trustee a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the principal corporate trust office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

The provisions of the Indenture will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Discharge of Indenture

If the Authority will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds will cease to be entitled to the pledge of the Base Rental and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant hereto which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds will have been paid and if, at the time of such payment, the Authority and the City will have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all

covenants, agreements and other obligations of the Authority and the City under the Indenture will cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee will remain in effect and will be binding upon the Trustee, the City, and the Authority.

If moneys will have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds will be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there will have been deposited with the Trustee either (i) money in an amount which will be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, will, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, will be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such money s to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Tax Covenants

Neither the Authority nor the City will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2012A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority and the City will comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant will survive payment in full or defeasance of the Series 2012A Bonds.

Rebate Fund

(a) There will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate as specified in w Written Request of the Authority. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund will be governed exclusively by the Indenture and by the Tax Certificate (which is incorporated herein by reference). The Trustee will be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and will have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations.

(b) Any funds remaining in the Rebate Fund with respect to the Bonds after payment in full after payment of any amounts described in the Indenture, will be withdrawn by the Trustee and remitted to the Authority.

THE ASSIGNMENT AGREEMENT

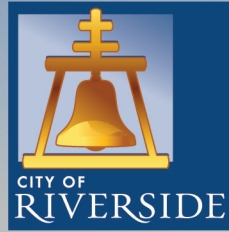
Pursuant to the Assignment Agreement, the Authority, for good and valuable consideration, the receipt of which is acknowledged, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments will be applied and the rights so assigned will be exercised by the Trustee as provided in the Lease Agreement and the Indenture.

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2011**

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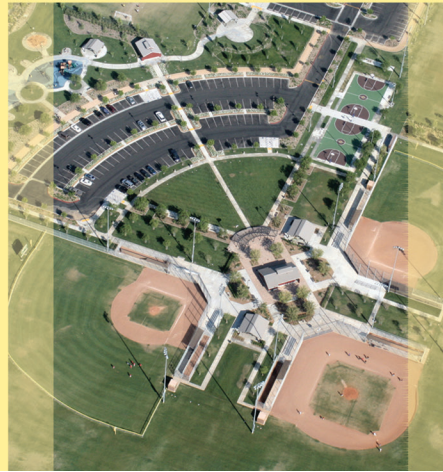


City of Arts & Innovation

Comprehensive Annual Financial Report Year Ended June 30, 2011



The City of Riverside, CA

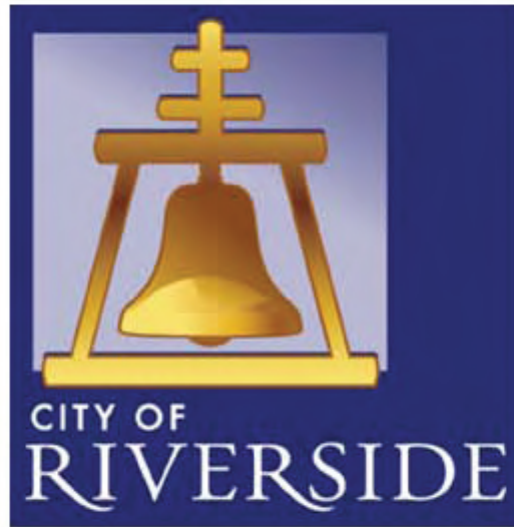


**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2011**

**Prepared by the City Manager's Office – Finance Division
Paul C. Sundeen, Assistant City Manager/Chief Financial Officer**

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock



**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011**

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**CITY OF RIVERSIDE
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October 14, 2011

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Moss Adams LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A

can be found immediately following the report of the independent auditors.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Redevelopment Agency, Riverside Housing Authority, Riverside Public Financing Authority and the Riverside Municipal Improvements Corporation; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 67.

Local economy: The City is located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.2 million is larger than 24 states. The City leads the Inland Empire in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 304,051, which places it as the sixth largest in Southern California.

Until recently the MSA has experienced a very strong economic environment. However, unemployment is currently at 14.8%. The budget for the City for fiscal year 2011/2012 projects a 12% increase in expenditures, but is balanced. The increase in expenditures is largely related to capital outlay.

The MSA is projected to grow rapidly in future years because land values remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Priorities for the future: A Citywide Strategic Planning document has been developed through a series of meetings, workshops, and surveys with the community, elected officials, and City employees. The plan, as updated, sets forth five goals as follows:

- **Economic Development**
- **Environmental Leadership**
- **Transportation**
- **Livable Communities and Neighborhoods**
- **Arts and Innovation**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2011/12 - 2015/16 total approximately \$832 million. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; General Fund certificates of participation; Redevelopment Agency tax allocation bonds; and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to parks in the City; railroad grade separations; library, museum, convention center and Municipal Auditorium improvements/expansions/rehabilitations; and, public safety projects.

Financial policies. A portion of fund balance within the General Fund is set aside and designated for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the twenty third consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division, particularly the leadership of Jason Al-Imam, Controller. We would like to express our appreciation to all members of the Division who assisted and contributed to its preparation. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Scott C. Barber
Interim City Manager



Paul C. Sundeen
Assistant City Manager/CFO/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Riverside
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



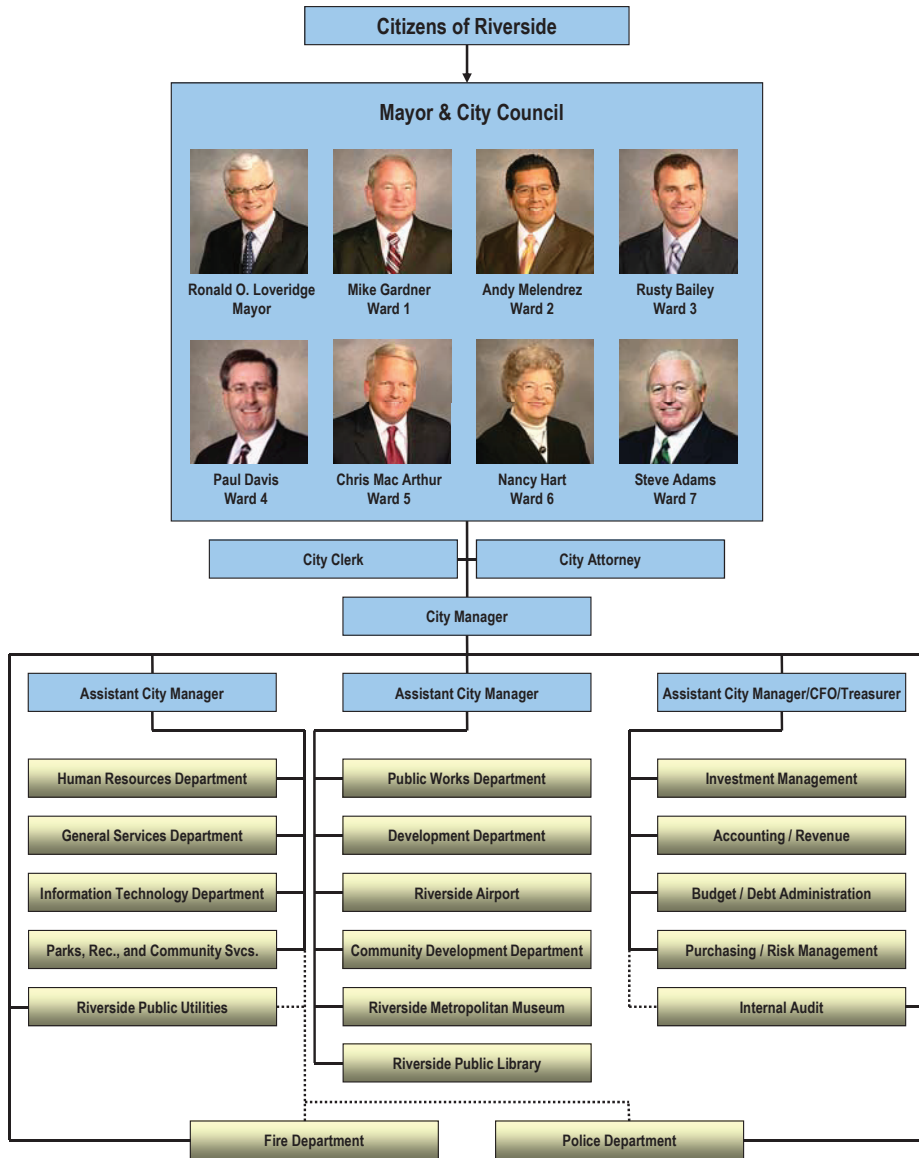
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

Ronald O. Loveridge Mayor
 Mike Gardner Councilmember – Ward 1
 Andy Melendrez Councilmember – Ward 2
 Rusty Bailey Councilmember – Ward 3
 Paul Davis Councilmember – Ward 4
 Chris Mac Arthur Councilmember – Ward 5
 Nancy Hart Councilmember – Ward 6
 Steve Adams Councilmember – Ward 7

CITY OFFICIALS

Scott C. Barber Interim City Manager*
 Belinda Graham Assistant City Manager
 Deanna Lorson Assistant City Manager
 Paul C. Sundeen Assistant City Manager/CFO

Mark S. Ripley Airport Director
 Colleen J. Nicol City Clerk*
 Gregory P. Priamos City Attorney*
 Tom Boyd City Engineer
 Sergio G. Diaz Chief of Police
 Steve Reneker Chief Information Officer
 Dan Chudy Interim Community Development Director
 Emilio Ramirez Development Director
 Brent A. Mason Finance Director
 Steve Earley Fire Chief
 Kris Martinez General Services Director
 Rhonda Strout Human Resources Director
 Tonya Kennon Library Director
 Ennette Morton Museum Director
 Ralph Nuñez Parks and Recreation Director
 David Wright General Manager - Public Utilities
 Siobhan Foster Public Works Director

*Appointed by City Council

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California (“the City”), as of and for the year ended June 30, 2011, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the City Council
City of Riverside

The Management's Discussion and Analysis on pages 3 through 19 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Mess Adams LLP

Los Angeles, California
October 14, 2011

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's 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, *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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the City and its component units. The City's component units are the Riverside Redevelopment Agency, Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 21-22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Debt Service Fund, the COPS Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 63-70 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 71-80 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Agency funds. Agency funds are used to account for situations where the City's role is purely custodial. Agency funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All assets reported in agency funds are offset by a liability; the accrual basis of accounting is used to recognize receivables and payables.

The agency fund financial statement can be found on page 33 of this report, and the combining statement can be found on page 81.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 620,030	\$ 645,237	\$ 930,414	\$ 867,615	\$ 1,550,444	\$ 1,512,852
Capital assets, net	<u>1,214,316</u>	<u>1,168,832</u>	<u>1,338,272</u>	<u>1,220,188</u>	<u>2,552,588</u>	<u>2,389,020</u>
Total assets	<u>1,834,346</u>	<u>1,814,069</u>	<u>2,268,686</u>	<u>2,087,803</u>	<u>4,103,032</u>	<u>3,901,872</u>
Current liabilities	91,317	98,782	137,667	157,389	228,984	256,171
Long-term liabilities	<u>732,476</u>	<u>710,688</u>	<u>1,163,610</u>	<u>990,212</u>	<u>1,896,086</u>	<u>1,700,900</u>
Total liabilities	<u>823,793</u>	<u>809,470</u>	<u>1,301,277</u>	<u>1,147,601</u>	<u>2,125,070</u>	<u>1,957,071</u>
Net assets:						
Invested in capital assets, net of related debt	1,019,892	976,614	654,974	660,619	1,674,866	1,637,233
Restricted	80,820	108,932	56,397	59,863	137,217	168,795
Unrestricted	<u>(90,159)</u>	<u>(80,947)</u>	<u>256,038</u>	<u>219,720</u>	<u>165,879</u>	<u>138,773</u>
Total net assets	<u>\$1,010,553</u>	<u>\$1,004,599</u>	<u>\$967,409</u>	<u>\$940,202</u>	<u>\$1,977,962</u>	<u>\$1,944,801</u>

* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

The City's assets exceeded liabilities by \$1,977,962 at June 30, 2011, an increase of \$33,161 from June 30, 2010.

By far the largest portion of the City's net assets (85 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$256,038 is held by the business type activities and a negative \$90,159 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents \$103,289 of negative unrestricted net assets for 2011 and was a negative \$81,490 in the prior year. The remaining governmental activities of the City have positive

unrestricted net assets of \$13,132 in 2011 and \$543 in 2010. Unrestricted net assets for governmental activities decreased in total in comparison to the prior year, which is primarily attributable to the Redevelopment Agency.

The Agency exists to finance improvements that serve to remediate blight within the City. Often these activities do not result in a residual asset, but rather underwrite the cost of a development activity deemed beneficial in meeting the Agency's objectives. The resulting statement of net assets reflects the debt obligation to be repaid through future tax revenues, without an offsetting asset. While this is the routine functioning of such an entity, when blended with the City, its negative unrestricted net assets causes the governmental activities to report a negative position.

The City's total net assets increased by \$33,161 during the current fiscal year, which reflects growth in governmental activities (\$5,954) and growth in business type activities (\$27,207) activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 15.

On the following page is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2011 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 42,481	\$ 41,324	\$434,581	\$420,017	\$477,062	\$461,341
Operating Grants and Contributions	21,127	32,853	2,159	2,487	23,286	35,340
Capital Grants and Contributions	38,138	23,395	7,337	6,838	45,475	30,233
General Revenues:						
Sales taxes	44,157	39,645	-	-	44,157	39,645
Property taxes	100,802	104,087	-	-	100,802	104,087
Other taxes and fees	35,644	34,279	-	-	35,644	34,279
Investment income	7,439	8,289	17,548	21,271	24,987	29,560
Other	9,544	3,344	4,808	7,447	14,352	10,791
Total revenues	<u>299,332</u>	<u>287,216</u>	<u>466,433</u>	<u>458,060</u>	<u>765,765</u>	<u>745,276</u>
Expenses:						
General government	102,877	119,676	-	-	102,877	119,676
Public safety	123,061	118,868	-	-	123,061	118,868
Highways and streets	24,082	22,036	-	-	24,082	22,036
Culture and recreation	44,098	37,679	-	-	44,098	37,679
Interest on long-term debt	33,638	32,049	-	-	33,638	32,049
Electric	-	-	275,922	256,860	275,922	256,860
Water	-	-	56,390	55,402	56,390	55,402
Sewer	-	-	42,276	41,248	42,276	41,248
Refuse	-	-	20,046	20,527	20,046	20,527
Airport	-	-	2,320	2,206	2,320	2,206
Transportation	-	-	3,493	3,368	3,493	3,368
Public Parking	-	-	4,401	4,024	4,401	4,024
Total expenses	<u>327,756</u>	<u>330,308</u>	<u>404,848</u>	<u>383,635</u>	<u>732,604</u>	<u>713,943</u>
Increase (decrease)						
in net assets before transfers	(28,424)	(43,092)	61,585	74,425	33,161	31,333
Transfers, net	<u>34,378</u>	<u>40,153</u>	<u>(34,378)</u>	<u>(40,153)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	5,954	(2,939)	27,207	34,272	33,161	31,333
Net assets – beginning	<u>1,004,599</u>	<u>1,007,538</u>	<u>940,202</u>	<u>905,930</u>	<u>1,944,801</u>	<u>1,913,468</u>
Net assets – ending	<u>\$1,010,553</u>	<u>\$1,004,599</u>	<u>\$967,409</u>	<u>\$940,202</u>	<u>\$1,977,962</u>	<u>\$1,944,801</u>

Governmental activities. Net assets for governmental activities increased by \$5,954, accounting for a 0.1 percent increase in total net assets. Governmental net assets in the prior fiscal year decreased by \$2,939. Key elements of this year's activity in relation to the prior year are as follows:

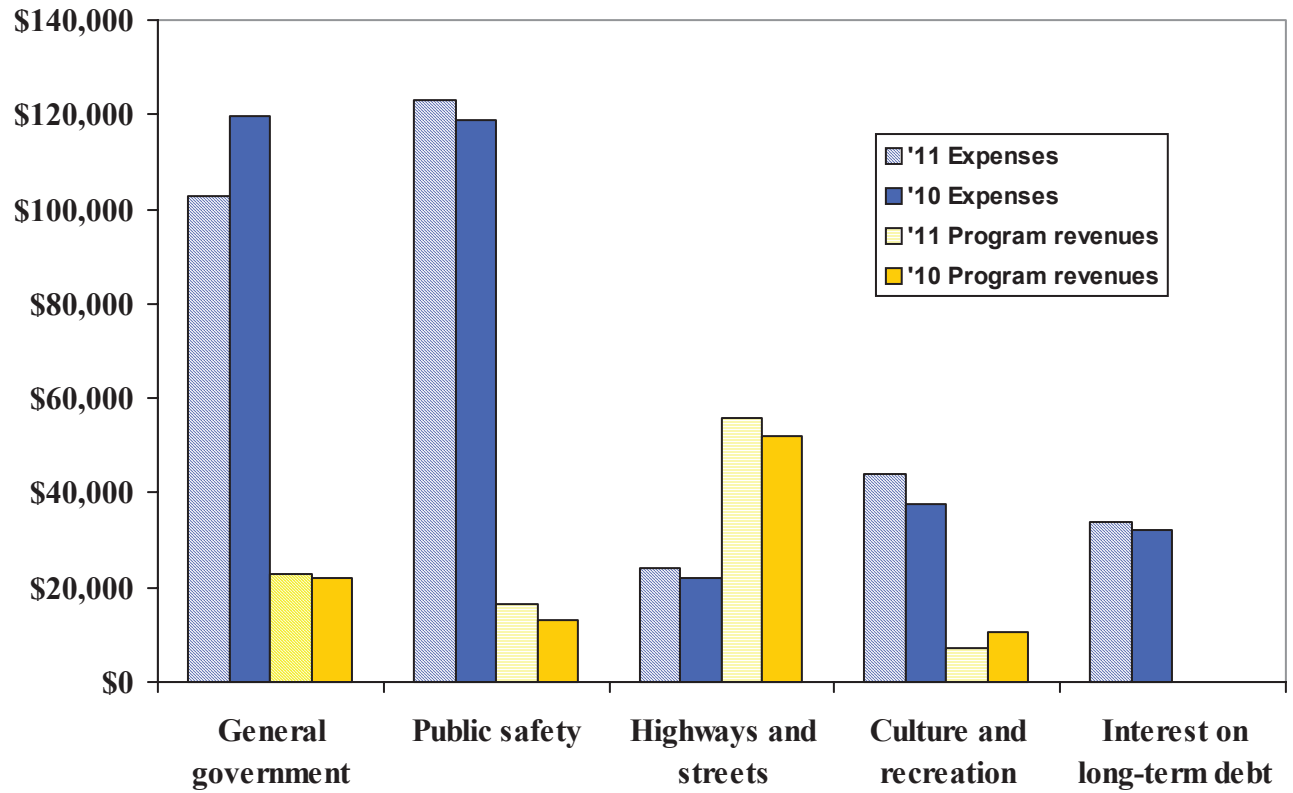
Revenues:

- Sales tax revenue increased by \$4.5 million (11%) due to an increase in taxable sales. Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts.
- Property tax revenue decreased by \$3.2 million (3%) due to a decline in assessed property values, which was offset by an increase in grants and contributions of \$3 million.

Expenses:

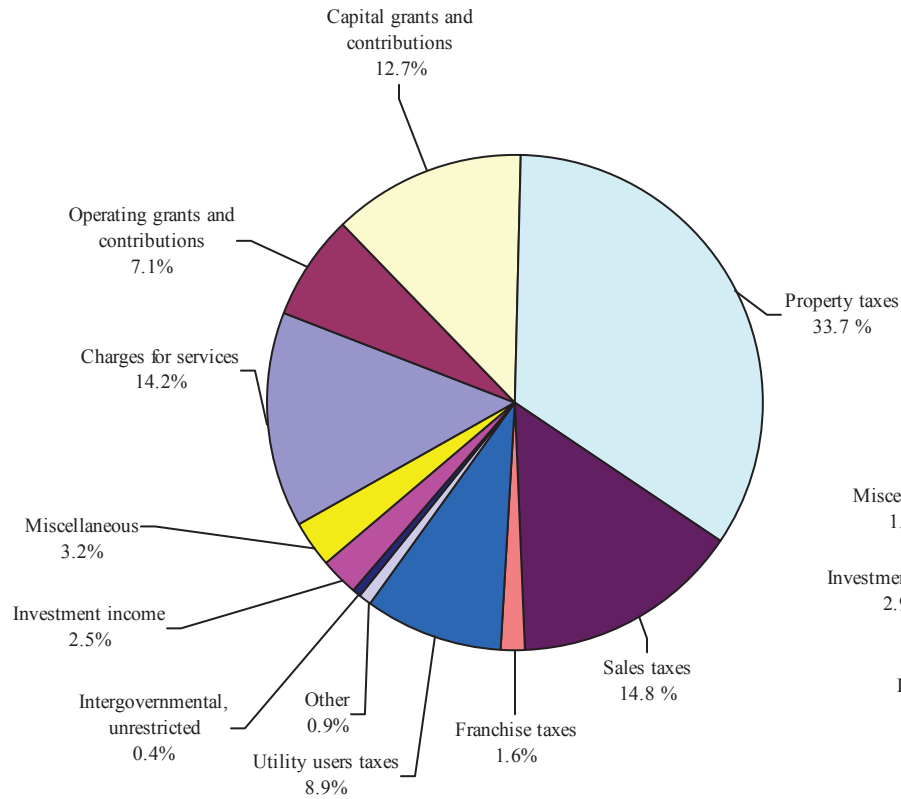
- While variances between years exist for the various expense functions, the total net decrease was approximately \$2.5 million. The more significant items are as follows:
 - In May 2010 and May 2011, payments from the redevelopment agency were made to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in the amount of \$17 million and \$3.5 million, respectively, as required by State Legislation. The SERAF payment that was made in the current year was \$13.5 million less than the prior year.
 - Depreciation expense increased by \$4 million (13%) due a \$91 million increase in depreciable capital assets in the current year and \$141 million in the prior year, which is a 22 percent increase over the two-year period.
 - Increased costs associated with interest expense (\$1.6 million) and compensated absences (\$1 million).

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2011 vs. 2010

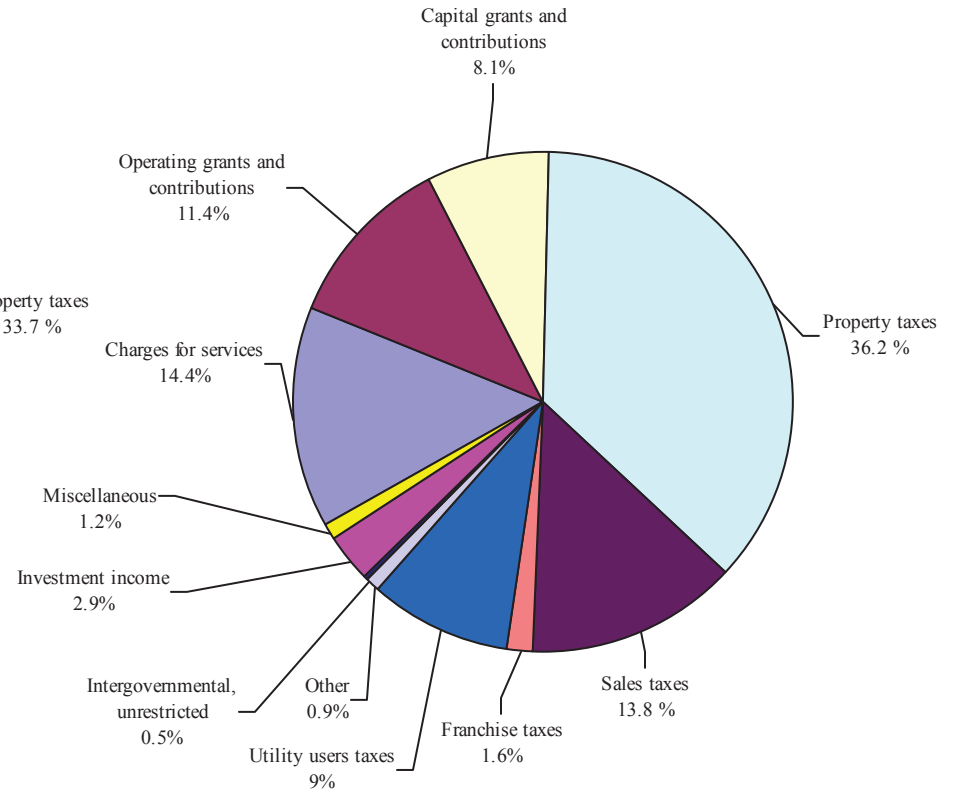


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2011



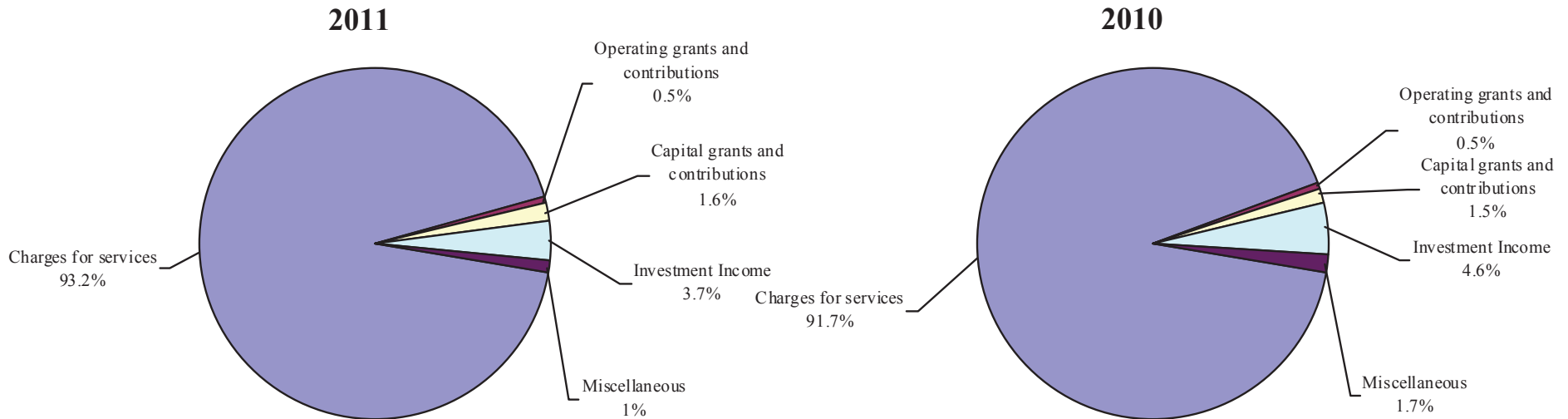
2010



Business-type activities. Business type activities increased the City’s net assets by \$27,207, accounting for a 1 percent increase in total net assets. The net assets of business type activities increased by \$34,272 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- In 2011, charges for services increased \$14,564 to \$434,581. The increase primarily related to increases in Sewer and Water revenues, which is explained in further detail as follows:
 - Sewer charges for services increased by \$5,427 (20%). New rates and charges went into effect on July 1, 2010 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 24%, which is the primary reason for the increase in Sewer charges for services (approximately \$4 million).
 - Water charges for services increased by \$4,550 (8%) primarily due to an increase of approximately \$4 million in retail sales. The increase in retail sales was primarily due to recent rate increases required to support the Water Utility’s Master, Water Supply and Asset Management Plans, offset by a 3% reduction in retail consumption.
- Expenses increased \$21,213 primarily due to a \$19 million increase in Electric Utility operating expenses, which primarily related to an increase in transmission costs and distribution expenses.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Redevelopment Debt Service, COPS Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		COPS Debt Service			
	2011	2010	2011	2010	2011	2010		
Total assets	\$ 212,468	\$ 129,623	\$ 46,531	\$ 45,140	\$ 33,454	\$ 32,917		
Total liabilities	\$ 51,625	\$ 50,433	\$ 23,425	\$ 24,225	\$ 34	\$ 37		
Fund balances								
Nonspendable	26,646	27,437	-	-	-	-		
Restricted	82,249	10,535	23,106	20,915	33,420	32,880		
Assigned	15,589	9,195	-	-	-	-		
Unassigned	36,359	32,023	-	-	-	-		
Total	160,843	79,190	23,106	20,915	33,420	32,880		
Total liabilities and fund balances	\$ 212,468	\$ 129,623	\$ 46,531	\$ 45,140	\$ 33,454	\$ 32,917		

	Capital Outlay		Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2011	2010	2011	2010	2011	2010	2011	2010
Total assets	\$ 48,975	\$ 42,324	\$ 126,943	\$ 199,412	\$ 97,290	\$ 102,771	\$ 565,661	\$ 552,187
Total liabilities	\$ 35,468	\$ 21,433	\$ 75,049	\$ 61,918	\$ 32,962	\$ 33,383	\$ 218,563	\$ 191,429
Fund balances								
Nonspendable	-	-	1	1	1,625	1,621	28,272	29,059
Restricted	13,507	20,891	51,893	137,493	62,703	67,767	266,878	290,481
Assigned	-	-	-	-	-	-	15,589	9,195
Unassigned	-	-	-	-	-	-	36,359	32,023
Total	13,507	20,891	51,894	137,494	64,328	69,388	347,098	360,758
Total liabilities and fund balances	\$ 48,975	\$ 42,324	\$ 126,943	\$ 199,412	\$ 97,290	\$ 102,771	\$ 565,661	\$ 552,187

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$347,098, a decrease of \$13,660 in comparison with the prior year. About 8% of this amount (\$28,272) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. Approximately 77% (\$266,878) of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. \$15,589 (4%) of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$32,000 has been set aside for future economic contingencies, leaving \$4,359; at June 30, 2010 the comparable amount was \$2,023. The City's governmental funds reported combined total assets of \$565,661 at June 30, 2011, an increase of \$13,474 in comparison with the prior year which was offset by an increase of \$27,134 in total liabilities. The primary reason for the overall decrease in related fund balances is due to expenditure of capital projects in the Redevelopment Capital Projects Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$160,843 in comparison to \$79,190 in the prior year. The portion of fund balance classified as unassigned was \$36,359, most of which was set aside for future economic contingencies. Fund balance increased during the current year by \$81,653 in comparison to an increase of \$1,811 in the prior year. The primary reason for this is due to the transfer of \$78,896 of land held for resale from the Redevelopment Capital Projects Fund.

The Redevelopment Debt Service Fund has a total fund balance of \$23,106 all of which is restricted. A net increase of \$2,191 in the fund balance occurred during the current year primarily due to the sale of agency parcels for the construction of the Fox Entertainment Plaza.

Fund balance for the Certificates of Participation Debt Service Fund increased by \$540.

Fund balance for the Capital Outlay Fund decreased by \$7,384. The primary reason for this is due to a number of large capital projects related to the 91 freeway interchanges and grade separation projects.

Fund balance for the Redevelopment Capital Projects Fund decreased by \$85,600. This is largely related to the transfer of \$78,896 of land held for resale to the General Fund, as discussed earlier.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$199,057, \$52,181, and \$2,746 respectively. The total change in net assets for these funds was an increase of \$10,069, an increase of \$23,739 and a decrease of \$5,418, respectively as a result of routine operations.

The Electric Fund reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of rate increases in years prior to fiscal year 2011 along with an expanded customer base which was partially offset by a reduction in consumption. Retail sales (residential, commercial, industrial, and other sales) represent 83.4% of total revenues. Retail sales, net of reserve/recovery were \$278,406 and \$274,206 for years ended June 30, 2011 and 2010, respectively. Total expenses, excluding transfers, increased \$19 million (7.6%), which primarily related to an increase in transmission costs and distribution expenses.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 65% of total revenues. Retail sales, net of reserve/recovery were \$55,186 and \$51,147 for years ended June 30, 2011 and 2010, respectively. The increase in sales was primarily due to recent rate increases to support the Water Utility's Master, Water Supply and Asset Management Plans, partially offset by a 3% reduction in retail consumption.

Net assets of the Sewer Fund decreased by \$5,418 and \$9,549 for years ended June 30, 2011 and 2010, respectively. Total revenues increased by \$6,088 (19%) primarily as a result of a rate increase. However, total expenses increased by \$1,957 (5%) primarily as a result of an increase in routine operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$154,974</u>	<u>\$174,633</u>	<u>\$170,906</u>	<u>\$ (3,727)</u>
Expenditures:				
General Government	2,958	2,958	9,347	(6,389)
Public Safety	131,726	148,129	138,620	9,509
Highways & Streets	14,528	17,940	14,587	3,353
Culture & Recreation	24,506	30,629	25,360	5,269
Capital Outlay	-	1,617	1,617	-
Debt Service	<u>13,794</u>	<u>44,497</u>	<u>44,225</u>	<u>272</u>
Total Expenditures	<u>187,512</u>	<u>245,770</u>	<u>233,756</u>	<u>12,014</u>
Deficiency of Revenue Under Expenditures	(32,538)	(71,137)	(62,850)	8,287
Other Financing Sources	<u>32,538</u>	<u>140,575</u>	<u>144,503</u>	<u>3,928</u>
Net Change in Fund Balances	-	69,438	81,653	12,215
Beginning Fund Balance	<u>79,190</u>	<u>79,190</u>	<u>79,190</u>	<u>-</u>
Ending Fund Balance	<u>\$ 79,190</u>	<u>\$ 148,628</u>	<u>\$160,843</u>	<u>\$ 12,215</u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects.

Actual amounts differed from the final fund budget as follows:

- ❑ Approximately \$10.7 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- ❑ Actual tax revenue was more than the amounts budgeted for sales taxes (\$4.2 million), property taxes (\$1 million), and utility user taxes (\$800 thousand) due to higher than anticipated taxable sales, assessed property values, and utility revenues.
- ❑ Actual expenditures were less than budgeted amounts by approximately \$12 million. This is primarily associated with capital projects not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business type activities as of June 30, 2011 amounted to \$2,552,588 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City’s net investment in capital assets for the current fiscal year was \$163,568 (\$45,484 for governmental activities including internal service funds and \$118,084 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$29 million); Sewer system improvements (\$29 million); Electric Utility upgrades (\$75 million) and Water Utility upgrades (\$19 million).

Construction in progress totaled \$131,211 at June 30, 2011. Some of the major projects in process are various Sewer system improvements, a 203 KV transmission substation, and the Evans Reservoir Replacement Project. Depreciation expense during the fiscal year was \$37,258 for governmental activities and \$48,875 for business type activities.

City of Riverside’s Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$290,692	\$280,446	\$ 34,905	\$ 34,820	\$ 325,597	\$ 315,266
Intangibles	-	-	16,128	6,307	16,128	6,307
Buildings	123,319	127,421	144,579	144,774	267,898	272,195
Improvements other than Buildings	154,601	118,333	1,005,897	835,239	1,160,498	953,572
Machinery and equipment	19,754	24,427	29,114	29,575	48,868	54,002
Infrastructure	602,388	572,999	-	-	602,388	572,999
Construction in progress	<u>23,562</u>	<u>45,206</u>	<u>107,649</u>	<u>169,473</u>	<u>131,211</u>	<u>214,679</u>
Total	<u>\$1,214,316</u>	<u>\$1,168,832</u>	<u>\$1,338,272</u>	<u>\$1,220,188</u>	<u>\$2,552,588</u>	<u>\$2,389,020</u>

Additional information on the City’s capital assets can be found in note 5 on page 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,896,086 which includes bonded debt of \$1,732,935.

City of Riverside’s Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$305,195	\$278,867	\$1,071,554	\$968,393	\$1,376,749	\$1,247,260
General Obligation Bonds	16,845	17,533	-	-	16,845	17,533
Pension Obligation Bonds	132,095	136,050	-	-	132,095	136,050
Certificates of Participation	207,246	211,212	-	-	207,246	211,212
Notes Payable	7,749	8,191	31,178	7,249	38,927	15,440
Loans Payable	1,100	1,100	45,569	-	46,669	1,100
Capital Leases	6,670	6,303	1,720	2,151	8,390	8,454
Landfill Capping	-	-	6,915	7,380	6,915	7,380
Arbitrage Liability	-	-	102	27	102	27
Compensated Absences	21,153	20,101	-	-	21,153	20,101
Claims liability	26,615	25,541	-	-	26,615	25,541
Net OPEB Obligation	7,808	5,790	5,625	4,063	13,433	9,853
Water Acquisition Rights	-	-	947	949	947	949
Total	<u>\$732,476</u>	<u>\$710,688</u>	<u>\$1,163,610</u>	<u>\$990,212</u>	<u>\$1,896,086</u>	<u>\$1,700,900</u>

The City’s total debt increased by \$195,186 (11 percent) during the current fiscal year primarily due to the issuance of \$255,830 of Electric and Water Revenue Bonds.

The City’s Water Utility maintains “AA+” and “AA” ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains “AA-” ratings from both rating agencies. The City’s general obligation bond ratings are “AA-” and “AA”, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$614,887 at June 30, 2011, which applies only to general obligation debt. At June 30, 2011, the City had \$16,845 of general obligation debt, resulting in available legal debt capacity of \$598,042.

Additional information on the City's long-term debt can be found in note 6 beginning on page 43 of this report.

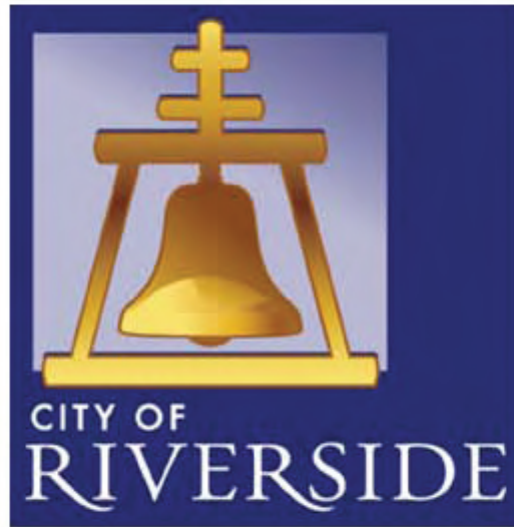
Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 14.8% as compared to 13.7% for the prior year.
- The required contribution rates as a percentage of payroll for the City's retirement program, including the employee portion which is paid by the City, will be changing effective July 1, 2011 as follows:
 - Miscellaneous Plan – 22.507% to 26.438%
 - Safety Plan – 29.756% to 34.303%

At the time of budget preparation for fiscal year 2012, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2012 of approximately \$211 million was adopted as balanced, not having to utilize any reserves. It represents an increase from the prior year of approximately 8%, principally as a result of increases to retirement costs, absorption of costs previously funded by the Redevelopment Agency, consolidation of the Neglected Property Abatement Fund and an increase in the amount contributed to the Self-Insurance Trust Fund.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager's Office, Finance Division, 3900 Main Street City of Riverside, CA 92522.



City of Riverside
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

	Governmental	Business-type	
Assets	Activities	Activities	Total
Cash and investments	\$ 162,084	\$ 248,586	\$ 410,670
Receivables, net	111,536	52,043	163,579
Inventory	7,435	1,184	8,619
Nuclear material inventory	-	1,905	1,905
Prepaid items	412	12,662	13,074
Deposits	400	-	400
Deferred charges - other	122,414	42,022	164,436
Deferred charges - derivative instruments	9,496	10,016	19,512
Internal balances	(3,257)	3,257	-
Land and improvements held for resale	94,097	-	94,097
Restricted assets:			
Cash and cash equivalents	-	36,295	36,295
Cash and investments at fiscal agent	91,988	521,631	613,619
Other	-	813	813
Capital leases receivable	23,425	-	23,425
Land and other capital assets not being depreciated	314,254	158,682	472,936
Capital assets (net of accumulated depreciation)	<u>900,062</u>	<u>1,179,590</u>	<u>2,079,652</u>
Total assets	<u>1,834,346</u>	<u>2,268,686</u>	<u>4,103,032</u>
Liabilities			
Accounts payable and other current liabilities	40,923	22,666	63,589
Accrued interest payable	9,635	12,793	22,428
Deferred revenue	2,029	1,656	3,685
Deposits	23,908	3,711	27,619
Current liabilities payable from restricted assets	-	5,726	5,726
Deferred charges - derivative instruments	-	482	482
Derivative instruments	14,822	22,664	37,486
Decommissioning liability	-	67,969	67,969
Noncurrent liabilities:			
Due within one year	67,198	29,157	96,355
Due in more than one year	<u>665,278</u>	<u>1,134,453</u>	<u>1,799,731</u>
Total liabilities	<u>823,793</u>	<u>1,301,277</u>	<u>2,125,070</u>
Net Assets			
Invested in capital assets, net of related debt	1,019,892	654,974	1,674,866
Restricted for:			
Expendable:			
Capital projects	18,609	-	18,609
Debt service	-	48,063	48,063
Economic development	9,658	-	9,658
Landfill capping	-	2,247	2,247
Public works	12,923	-	12,923
Housing	38,005	-	38,005
Programs	-	6,087	6,087
Nonexpendable	1,625	-	1,625
Unrestricted	<u>(90,159)</u>	<u>256,038</u>	<u>165,879</u>
Total net assets	<u>\$ 1,010,553</u>	<u>\$ 967,409</u>	<u>\$ 1,977,962</u>

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 102,877	\$ (41,395)	\$ 14,241	\$ 8,422	\$ 44	\$ (38,775)		\$ (38,775)
Public safety	123,061	22,294	8,075	8,209	-	(129,071)		(129,071)
Highways and streets	24,082	11,007	16,985	745	38,027	20,668		20,668
Culture and recreation	44,098	8,094	3,180	3,751	67	(45,194)		(45,194)
Interest on long-term debt	33,638	-	-	-	-	(33,638)		(33,638)
Total governmental activities	<u>327,756</u>	<u>-</u>	<u>42,481</u>	<u>21,127</u>	<u>38,138</u>	<u>(226,010)</u>		<u>(226,010)</u>
Business type activities:								
Electric	275,922		313,703	-	4,056		\$ 41,837	41,837
Water	56,390		62,084	-	1,982		7,676	7,676
Sewer	42,276		32,769	-	575		(8,932)	(8,932)
Refuse	20,046		19,134	-	-		(912)	(912)
Airport	2,320		1,342	-	-		(978)	(978)
Transportation	3,493		344	2,159	714		(276)	(276)
Public parking	4,401		5,205	-	10		814	814
Total business type activities	<u>404,848</u>		<u>434,581</u>	<u>2,159</u>	<u>7,337</u>		<u>39,229</u>	<u>39,229</u>
Total	<u>\$ 732,604</u>		<u>\$ 477,062</u>	<u>\$ 23,286</u>	<u>\$ 45,475</u>	<u>(226,010)</u>	<u>39,229</u>	<u>(186,781)</u>
General revenues:								
Taxes:								
Sales								
Property						44,157	-	44,157
Utility users						100,802	-	100,802
Franchise						26,691	-	26,691
Other						4,937	-	4,937
						2,731	-	2,731
Intergovernmental, unrestricted								
Investment income						1,285	-	1,285
						7,439	17,548	24,987
Miscellaneous						9,544	4,808	14,352
Subtotal						<u>197,586</u>	<u>22,356</u>	<u>219,942</u>
Transfers, net								
Total general revenues and transfers						<u>34,378</u>	<u>(34,378)</u>	<u>-</u>
Change in net assets						<u>231,964</u>	<u>(12,022)</u>	<u>219,942</u>
Net assets - beginning						5,954	27,207	33,161
Net assets - ending						<u>1,004,599</u>	<u>940,202</u>	<u>1,944,801</u>
						<u>\$ 1,010,553</u>	<u>\$ 967,409</u>	<u>\$ 1,977,962</u>

The notes to the financial statements are an integral part of this statement.

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2011
(amounts expressed in thousands)

<u>Assets</u>	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 42,944	\$ 15,416	\$ 470	\$ -	\$ 65,494	\$ 33,524	\$ 157,848
Cash and investments at fiscal agent	5,349	7,406	25,269	5,719	45,654	2,591	91,988
Receivables (net of allowance for uncollectibles)							
Interest	416	113	-	93	216	289	1,127
Property taxes	6,203	-	305	-	-	-	6,508
Sales tax	9,641	-	-	-	-	-	9,641
Utility billed	736	-	-	-	-	-	736
Accounts	9,187	171	-	11,673	200	291	21,522
Intergovernmental	3,032	-	-	31,313	1	3,760	38,106
Notes	35	-	-	-	10,921	22,734	33,690
Capital lease receivable	-	23,425	-	-	-	-	23,425
Prepaid items	411	-	-	-	1	-	412
Deposits	-	-	-	177	223	-	400
Due from other funds	31,980	-	-	-	-	-	31,980
Advances to other funds	26,200	-	7,410	-	-	20,571	54,181
Land & improvements held for resale	76,334	-	-	-	4,233	13,530	94,097
Total assets:	<u>\$ 212,468</u>	<u>\$ 46,531</u>	<u>\$ 33,454</u>	<u>\$ 48,975</u>	<u>\$ 126,943</u>	<u>\$ 97,290</u>	<u>\$ 565,661</u>
Liabilities and fund balances							
<u>Liabilities:</u>							
Accounts payable	\$ 5,319	\$ -	\$ 34	\$ 3,995	\$ 12,260	\$ 1,349	\$ 22,957
Accrued payroll	15,013	-	-	-	73	25	15,111
Retainage payable	362	-	-	-	224	1,105	1,691
Intergovernmental	169	-	-	-	-	-	169
Deferred revenue	6,455	23,425	-	1,349	3,332	24,480	59,041
Deposits	23,872	-	-	-	-	36	23,908
Due to other funds	-	-	-	30,124	-	1,851	31,975
Advances from other funds	435	-	-	-	59,160	4,116	63,711
Total liabilities:	<u>51,625</u>	<u>23,425</u>	<u>34</u>	<u>35,468</u>	<u>75,049</u>	<u>32,962</u>	<u>218,563</u>
<u>Fund balances:</u>							
<u>Nonspendable:</u>							
Inventories, prepaids and noncurrent receivables	446	-	-	-	1	-	447
Advances to other funds	26,200	-	-	-	-	-	26,200
Permanent fund principal	-	-	-	-	-	1,625	1,625
<u>Restricted for:</u>							
Housing and redevelopment	76,334	-	-	-	51,893	44,678	172,905
Debt service	5,349	23,106	33,420	-	-	-	61,875
Transportation and public works	-	-	-	13,507	-	12,952	26,459
Other purposes	566	-	-	-	-	5,073	5,639
<u>Assigned to:</u>							
General government	1,839	-	-	-	-	-	1,839
Public safety	1,957	-	-	-	-	-	1,957
Highways and streets	436	-	-	-	-	-	436
Culture and recreation	459	-	-	-	-	-	459
Continuing projects	10,898	-	-	-	-	-	10,898
Unassigned	36,359	-	-	-	-	-	36,359
Total fund balances	<u>160,843</u>	<u>23,106</u>	<u>33,420</u>	<u>13,507</u>	<u>51,894</u>	<u>64,328</u>	<u>347,098</u>
Total liabilities and fund balances	<u>\$ 212,468</u>	<u>\$ 46,531</u>	<u>\$ 33,454</u>	<u>\$ 48,975</u>	<u>\$ 126,943</u>	<u>\$ 97,290</u>	<u>\$ 565,661</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011
(amounts expressed in thousands)

Total fund balances - governmental funds		\$347,098
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds		1,211,224
Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.		13,307
Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalization and amortization in the Statement of Net Assets.		112,038
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		57,012
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(9,635)
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (447,620)	
Certificates of participation payable	(211,345)	
Notes payable	(7,749)	
Capital leases payable	(6,670)	
Commercial loan	(1,100)	
Bond premiums	(6,888)	
Net OPEB obligation	(7,458)	
Compensated absences	(20,689)	
		(709,519)
The City uses derivative instruments to hedge its exposure to changing interest rate through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Assets.		
Fair value of interest rate swap	\$ (14,822)	
Deferred amount related to the hedgeable portion of the derivative instrumen	9,496	
		(5,326)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		(5,646)
Net assets of governmental activities		<u>\$1,010,553</u>

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 123,505	\$ 44,650	\$ -	\$ -	\$ -	\$ 11,163	\$ 179,318
Licenses and permits	6,717	-	-	-	-	940	7,657
Intergovernmental	11,104	200	-	30,720	89	18,969	61,082
Charges for services	10,687	-	-	-	-	33	10,720
Fines and forfeitures	5,244	-	-	-	-	3,684	8,928
Special assessments	3,954	-	1,096	315	-	649	6,014
Rental and investment income	2,964	2,213	1,529	450	2,445	572	10,173
Miscellaneous	6,731	372	-	1,911	3,406	4,185	16,605
Total revenues	<u>170,906</u>	<u>47,435</u>	<u>2,625</u>	<u>33,396</u>	<u>5,940</u>	<u>40,195</u>	<u>300,497</u>
Expenditures							
Current:							
General government	9,347	426	24	-	8,983	7,310	26,090
Public safety	138,620	-	-	-	-	2,374	140,994
Highways and streets	14,587	-	-	-	-	-	14,587
Culture and recreation	25,360	-	-	-	18,848	137	44,345
Capital outlay	1,617	-	-	40,780	35,711	27,581	105,689
Debt service:							
Principal	36,844	39,145	4,175	-	-	9,100	89,264
Interest	7,207	14,551	9,863	-	990	-	32,611
Bond issuance costs	174	-	-	-	-	-	174
Total expenditures	<u>233,756</u>	<u>54,122</u>	<u>14,062</u>	<u>40,780</u>	<u>64,532</u>	<u>46,502</u>	<u>453,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,850)</u>	<u>(6,687)</u>	<u>(11,437)</u>	<u>(7,384)</u>	<u>(58,592)</u>	<u>(6,307)</u>	<u>(153,257)</u>
Other financing sources (uses):							
Transfers in	121,348	35,369	11,977	-	29,554	16,383	214,631
Transfers out	(9,539)	(28,491)	-	-	(117,905)	(24,345)	(180,280)
Issuance of long term debt	30,775	-	-	-	65,000	9,100	104,875
Capital lease proceeds	2,000	-	-	-	-	-	2,000
Sales of capital assets	(81)	2,000	-	-	(3,657)	109	(1,629)
Total other financing sources and uses	<u>144,503</u>	<u>8,878</u>	<u>11,977</u>	<u>-</u>	<u>(27,008)</u>	<u>1,247</u>	<u>139,597</u>
Net change in fund balances	81,653	2,191	540	(7,384)	(85,600)	(5,060)	(13,660)
Fund balances - beginning	79,190	20,915	32,880	20,891	137,494	69,388	360,758
Fund balances - ending	<u>\$ 160,843</u>	<u>\$ 23,106</u>	<u>\$ 33,420</u>	<u>\$ 13,507</u>	<u>\$ 51,894</u>	<u>\$ 64,328</u>	<u>\$ 347,098</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances-total governmental funds (\$13,660)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:

Capital Asset additions	\$ 81,698	
Depreciation Expense	<u>(36,475)</u>	45,223

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds. 1,547

The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (2,679)

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal repayments	89,264	
Other post-employment benefit liabilities	(1,929)	
Compensated absences	(1,033)	
Interest	(525)	
Premiums on the issuance of LTD	(41)	
Proceeds from LTD	(104,875)	
Capital lease proceeds	<u>(2,000)</u>	(21,139)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (3,338)

Change in net assets of governmental activities \$ 5,954

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final				Original	Final		
Revenues					Public safety:				
Taxes	\$ 117,754	\$ 117,754	\$ 123,505	\$ 5,751	Police	80,820	93,061	85,616	7,445
Licenses and permits	7,329	7,329	6,717	(612)	Fire	40,409	44,439	42,497	1,942
Intergovernmental	2,255	21,755	11,104	(10,651)	Animal regulation	3,917	4,041	3,933	108
Charges for services	9,889	9,926	10,687	761	Building and zoning inspection	2,147	2,155	2,085	70
Fines and forfeitures	5,070	5,070	5,244	174	Street lighting	4,433	4,433	4,489	(56)
Special assessments	4,090	4,212	3,954	(258)	Total public safety	131,726	148,129	138,620	9,509
Rental and investment income	1,580	1,580	2,964	1,384	Highways and streets	14,528	17,940	14,587	3,353
Miscellaneous	7,007	7,007	6,731	(276)	Culture and recreation	24,506	30,629	25,360	5,269
Total revenues	154,974	174,633	170,906	(3,727)	Capital Outlay	-	1,617	1,617	-
Expenditures					Debt service:				
General government:					Principal	6,349	36,949	36,844	105
Mayor	1,017	1,017	966	51	Interest	7,445	7,445	7,207	238
Council	1,183	1,183	1,173	10	Bond issuance costs	-	103	174	(71)
Manager	13,931	13,931	12,107	1,824	Total debt service	13,794	44,497	44,225	272
Attorney	4,108	4,108	4,226	(118)	Total expenditures	187,512	245,770	233,756	12,014
Clerk	1,300	1,300	1,093	207	Deficiency of revenue under expenditures	(32,538)	(71,137)	(62,850)	8,287
Community Development	4,479	4,479	3,571	908	Other financing sources (uses)				
Human Resources	3,007	3,007	2,741	266	Transfers in	39,695	117,274	121,348	4,074
General Services	8,434	8,434	6,539	1,895	Transfers out	(7,222)	(9,539)	(9,539)	-
Information System	14,280	14,280	11,670	2,610	Issuance of long term debt	-	30,775	30,775	-
Development	7,162	7,162	6,656	506	Capital Lease Proceeds	-	2,000	2,000	-
Subtotal	58,901	58,901	50,742	8,159	Sale of capital assets	65	65	(81)	(146)
Allocated expenditures	(55,943)	(55,943)	(41,395)	(14,548)	Total other financing sources	32,538	140,575	144,503	3,928
Total general government	2,958	2,958	9,347	(6,389)	Net change in fund balances	-	69,438	81,653	12,215
				continued	Fund balance, beginning	79,190	79,190	79,190	-
					Fund balance, ending	\$ 79,190	\$ 148,628	\$ 160,843	\$ 12,215

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3011
(amounts expressed in thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Current assets:						
Cash and investments	\$ 168,905	\$ 56,804	\$ 17,720	\$ 5,157	\$ 248,586	\$ 4,236
Receivables (net allowances for uncollectibles)						
Interest	1,381	435	60	71	1,947	57
Utility billed	13,694	3,125	1,228	619	18,666	-
Utility unbilled	12,986	3,306	1,213	580	18,085	-
Accounts	8,783	2,496	247	369	11,895	92
Intergovernmental	61	458	233	698	1,450	57
Nuclear materials inventory	1,905	-	-	-	1,905	-
Inventory	-	-	1,184	-	1,184	7,435
Prepaid items	12,660	2	-	-	12,662	-
Due from other funds	4,195	-	-	-	4,195	-
Restricted assets:						
Cash and cash equivalents	26,119	7,929	-	2,247	36,295	-
Cash and investments at fiscal agent	270,273	61,287	174,524	15,547	521,631	-
Public benefit programs receivable	697	116	-	-	813	-
Total current assets	521,659	135,958	196,409	25,288	879,314	11,877
Non-current assets:						
Advances to other funds	5,558	-	18,439	-	23,997	11,975
Deferred charges - other	19,864	7,437	4,670	10,051	42,022	1,541
Deferred charges - derivative instruments	10,016	-	-	-	10,016	-
Capital assets:						
Land	7,645	10,861	2,698	13,701	34,905	-
Intangible assets	9,821	6,307	-	-	16,128	-
Buildings	20,712	15,673	189,342	16,015	241,742	1,488
Accumulated depreciation - buildings	(5,090)	(4,008)	(83,813)	(4,252)	(97,163)	(211)
Improvements other than buildings	925,524	472,678	75,897	23,994	1,498,093	-
Accumulated depreciation - improvements other than buildings	(335,124)	(138,163)	(13,352)	(5,557)	(492,196)	-
Machinery and equipment	25,910	13,331	9,224	17,735	66,200	9,605
Accumulated depreciation - machinery and equipment	(12,129)	(8,983)	(5,373)	(10,601)	(37,086)	(8,005)
Construction in progress	44,665	24,568	26,853	11,563	107,649	215
Total non-current assets	717,372	399,701	224,585	72,649	1,414,307	16,608
Total assets	1,239,031	535,659	420,994	97,937	2,293,621	28,485

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3011
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds

Liabilities	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Current liabilities:						
Accounts payable	10,902	3,210	3,515	1,516	19,143	926
Accrued payroll	5,129	1,749	1,174	846	8,898	533
Retainage payable	150	106	96	-	352	-
Unearned revenue	-	-	-	1,656	1,656	-
Deposits	3,033	678	-	-	3,711	-
Due to other funds	-	-	-	5	5	4,195
Capital leases - current	388	-	-	7	395	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	200	200	-
Notes payable - current	-	-	-	807	807	-
Claims and judgements - current	-	-	-	-	-	9,900
Current liabilities payable from restricted assets:						
Revenue bonds	20,940	4,545	-	-	25,485	-
Notes payable	1,428	-	692	-	2,120	-
Accrued interest	6,382	1,891	4,520	-	12,793	-
Other payables	2,936	1,228	823	739	5,726	350
Total current liabilities	51,288	13,557	10,820	5,776	81,441	15,904
Non-current liabilities:						
Revenue bonds	594,613	208,315	243,141	-	1,046,069	-
Notes payable	44,141	-	5,878	23,801	73,820	-
Capital leases	1,303	-	-	22	1,325	-
Advances from other funds	12,381	5,327	3,408	3,814	24,930	1,512
Decommissioning liability	67,969	-	-	-	67,969	-
Deferred charges - derivative instruments	-	482	-	-	482	-
Derivative instruments	17,216	5,448	-	-	22,664	-
Claims and judgements	-	-	-	-	-	16,715
Water stock acquisitions	-	797	-	-	797	-
Landfill capping	-	-	-	6,715	6,715	-
Total non-current liabilities	737,623	220,369	252,427	34,352	1,244,771	18,227
Total liabilities	788,911	233,926	263,247	40,128	1,326,212	34,131
Net Assets						
Invested in capital assets, net of related debt	225,055	241,552	134,859	53,508	654,974	3,092
Restricted for debt service	22,237	5,684	20,142	-	48,063	-
Restricted for landfill capping	-	-	-	2,247	2,247	-
Restricted for programs	3,771	2,316	-	-	6,087	-
Unrestricted	199,057	52,181	2,746	2,054	256,038	(8,738)
Total net assets	\$ 450,120	\$ 301,733	\$ 157,747	\$ 57,809	\$ 967,409	\$ (5,646)

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds		
Operating revenues:							
Charges for services	\$ 313,703	\$ 62,084	\$ 32,769	\$ 26,025	\$ 434,581	\$	15,792
Operating expenses:							
Personnel services	35,386	11,670	9,133	8,072	64,261	3,705	
Contractual services	7,361	2,281	900	5,044	15,586	220	
Maintenance and operation	167,925	8,845	8,534	6,666	191,970	2,120	
General	14,382	11,865	5,518	4,312	36,077	1,780	
Materials and supplies	792	803	3,008	1,340	5,943	210	
Claims/Insurance	1,166	628	482	266	2,542	10,736	
Depreciation and amortization	27,690	11,386	6,379	3,841	49,296	783	
Total operating expenses	<u>254,702</u>	<u>47,478</u>	<u>33,954</u>	<u>29,541</u>	<u>365,675</u>	<u>19,554</u>	
Operating income (loss)	<u>59,001</u>	<u>14,606</u>	<u>(1,185)</u>	<u>(3,516)</u>	<u>68,906</u>	<u>(3,762)</u>	
Non-operating revenues (expenses):							
Operating grants	-	-	-	2,159	2,159	-	
Interest income	10,368	2,635	4,443	102	17,548	497	
Other	2,117	910	(623)	1,055	3,459	91	
Gain (loss) on retirement of capital assets	400	1,251	(306)	4	1,349	(16)	
Capital improvement fees	-	-	575	-	575	-	
Interest expense and fiscal charges	(21,220)	(8,912)	(8,322)	(719)	(39,173)	(148)	
Total non-operating revenues (expenses)	<u>(8,335)</u>	<u>(4,116)</u>	<u>(4,233)</u>	<u>2,601</u>	<u>(14,083)</u>	<u>424</u>	
Income before capital contributions and transfers	50,666	10,490	(5,418)	(915)	54,823	(3,338)	
Cash capital contributions	2,925	1,356	-	714	4,995	-	
Noncash capital contributions	1,131	626	-	10	1,767	-	
Transfers in	5,531	17,114	-	-	22,645	-	
Transfers out	(50,184)	(5,847)	-	(992)	(57,023)	-	
Change in net assets	10,069	23,739	(5,418)	(1,183)	27,207	(3,338)	
Total net assets - beginning	440,051	277,994	163,165	58,992	940,202	(2,308)	
Total net assets - ending	<u>\$ 450,120</u>	<u>\$ 301,733</u>	<u>\$ 157,747</u>	<u>\$ 57,809</u>	<u>\$ 967,409</u>	<u>\$ (5,646)</u>	

The notes to the financial statements are an integral part of this statement.

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	\$ 308,733	\$ 60,023	\$ 33,703	\$ 26,202	\$ 428,661	\$ 20,537
Cash paid to employees for services	(33,976)	(11,187)	(8,719)	(7,778)	(61,660)	(3,553)
Cash paid to other suppliers of goods or services	(189,073)	(22,914)	(17,894)	(17,164)	(247,045)	(18,452)
Other receipts	2,117	910	(623)	1,055	3,459	91
Net cash provided (used) by operating activities	87,801	26,832	6,467	2,315	123,415	(1,377)
Cash flows from noncapital financing activities:						
Transfers out	(50,184)	(5,847)	-	(992)	(57,023)	-
Operating grants	-	-	-	1,543	1,543	-
Advances from interfund receivables	-	-	2,421	-	2,421	-
Payments on interfund receivables	(324)	(139)	(89)	(7,269)	(7,821)	(689)
Advances to other funds	(3,545)	-	(306)	-	(3,851)	1,627
Net cash provided (used) by noncapital financing activities	(54,053)	(5,986)	2,026	(6,718)	(64,731)	938
Cash flows from capital and related financing activities:						
Proceeds from the sale of revenue bonds, including premium	140,857	-	-	-	140,857	-
Issuance costs	(1,124)	(402)	-	-	(1,526)	-
Purchase of capital assets	(50,331)	(29,754)	(28,592)	(4,979)	(113,656)	(1,044)
Purchase of nuclear fuel	(1,554)	-	-	-	(1,554)	-
Proceeds (loss) from the sale of capital assets	495	18,379	15	4	18,893	(16)
Proceeds from the long-term obligations	-	-	-	24,608	24,608	-
Principal paid on long-term obligations	(23,086)	(4,660)	(679)	(50)	(28,475)	-
Interest paid on long-term obligations	(24,985)	(9,268)	(10,891)	(712)	(45,856)	(148)
Capital improvement fees	-	-	575	-	575	-
Capital contributions	2,925	3,706	-	714	7,345	-
Net cash provided (used) for capital and related financing activities	43,197	(21,999)	(39,572)	19,585	1,211	(1,208)
Cash flows from investing activities:						
Purchase of investments	273	6,998	-	-	7,271	-
Income from investments	9,900	2,385	4,428	78	16,791	494
Net cash provided by investing activities	10,173	9,383	4,428	78	24,062	494
Net change in cash and cash equivalents	87,118	8,230	(26,651)	15,260	83,957	(1,153)
Cash and cash equivalents, beginning (including \$110,095 for Electric, \$87,736 for Water, \$211,184 for Sewer and \$2,466 for Other Enterprise Funds in restricted accounts.)						
	280,387	117,106	218,895	7,691	624,079	5,389
Cash and cash equivalents, ending (including \$198,600 for Electric, \$68,532 for Water, \$174,524 for Sewer and \$17,794 for Other Enterprise Funds in restricted accounts.)						
	\$ 367,505	\$ 125,336	\$ 192,244	\$ 22,951	\$ 708,036	\$ 4,236

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	continued Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 59,001	\$ 14,606	\$ (1,185)	\$ (3,516)	\$ 68,906	\$ (3,762)
Other receipts	2,117	910	(623)	1,055	3,459	91
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	27,690	11,386	6,379	3,841	49,296	783
Amortization of pension costs	291	125	80	54	550	35
Amortization (burn) of nuclear fuel	1,449	-	-	-	1,449	-
(Increase) decrease in utility billed receivables	639	(192)	(321)	(28)	98	-
(Increase) decrease in utility unbilled receivables	(66)	(231)	(245)	67	(475)	-
(Increase) decrease in accounts receivable	(4,630)	(1,272)	1,432	146	(4,324)	(47)
(Increase) decrease in intergovernmental receivables	(36)	(430)	68	(8)	(406)	(18)
(Increase) decrease in prepaid items	(1,912)	3	1	20	(1,888)	-
(Increase) in nuclear materials inventory	(80)	-	-	-	(80)	-
(Increase) in inventory	-	-	(33)	-	(33)	(1,420)
Increase (decrease) in accounts payable	(2,785)	1,507	509	832	63	123
Increase (decrease) in accrued payroll	348	16	98	41	503	28
Increase (decrease) in retainage payable	67	(48)	71	(1)	89	-
Increase in other payable	1,153	388	236	199	1,976	89
(Decrease) in intergovernmental payables	(7)	-	-	-	(7)	-
Increase in deposits	145	64	-	-	209	-
(Decrease) in due to other funds	-	-	-	(222)	(222)	1,647
Increase in claims and judgments	-	-	-	-	-	1,074
Increase in decommissioning liability	4,417	-	-	-	4,417	-
(Decrease) in landfill capping	-	-	-	(165)	(165)	-
Net cash provided by operating activities	<u>\$ 87,801</u>	<u>\$ 26,832</u>	<u>\$ 6,467</u>	<u>\$ 2,315</u>	<u>\$ 123,415</u>	<u>\$ (1,377)</u>
Schedule of noncash financing and investing activities:						
The Electric Fund issued bonds to refund debt issued in 2008. The \$56,450 proceeds were deposited immediately into an irrevocable trust for the defeasance of \$56,450 of outstanding bond principal.						
The Water Fund issued bonds to refund debt issued in 2008. The \$59,000 proceeds were deposited immediately into an irrevocable trust for the defeasance of \$59,000 of outstanding bond principal.						
Contribution in aid	<u>\$ 1,131</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 1,767</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund - Agency Fund
June 30, 2011
 (amounts expressed in thousands)

	<u>Agency Fund</u>
Assets:	
Cash and investments	\$ 8,655
Cash and investments at fiscal agent	8,962
Interest receivable	58
Property tax receivables	<u>262</u>
Total assets	<u><u>\$ 17,937</u></u>
Liabilities:	
Accounts payable	\$ 28
Held for bond holders	<u>17,909</u>
Total liabilities	<u><u>\$ 17,937</u></u>

The notes to the financial statements are an integral part of this statement

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

These financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1967 by the City. The Redevelopment Agency's primary purpose is to eliminate blighted areas in the City by encouraging commercial development. City Council members serve as the Redevelopment Agency's directors and have full accountability for fiscal matters.

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. City Council members serve as the Housing Authority's commissioners and have full accountability for fiscal matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. The purpose of the Public Financing Authority is to provide financing for public capital improvements to the City or the Redevelopment Agency. City Council members serve as the Public Financing Authority's directors and have full accountability for fiscal matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. Three members of the City Council serve as the Municipal Improvements Corporation's directors and have full accountability for fiscal matters.

Complete financial statements for each of the individual component units except the Riverside Municipal Improvement Corporation and Riverside Housing Authority (which do not generate financial statements) may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting for the proprietary fund financial statements. Agency funds report only assets and

liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In 2004, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but is currently estimated not to exceed eight (8) years. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes, which are paid monthly, three months in arrears. The vast majority of the in-lieu amount will be paid during the applicable fiscal year; however, the final payment of the in-lieu sales taxes will not be paid until the January following the end of the applicable fiscal year. The City has budgeted this final payment in the current fiscal year and will continue this practice during this temporary period, effectively extending the availability period to seven (7) months for the in-lieu sales taxes and thus provide consistency in the reporting of sales tax revenue.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible

to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency.

The Certificates of Participation (COPS) debt service fund accounts for the resources accumulated and payments made for principal, interest and trustee fees on certificates of participation.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

The agency (fiduciary) fund is used to account for special assessments that service no-commitment debt.

The permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Non-expendable net assets on the Statement of Net Assets includes \$1 million of permanent fund principal which are considered nonexpendable net assets.

Pronouncements regarding accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and

recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value. All highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the Statement of Cash Flows.

E. Restricted Cash and Investments

Certain proceeds of Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements in the normal course of Redevelopment Agency activity. The Developer Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. Additionally, the General fund has acquired property which is to be held for resale at a later date. This property is carried at cost until an event occurs to indicate a lower net realizable value.

G. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

H. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

I. Capital Assets and Nuclear Fuel

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are

reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost. Donated intangible assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method.

Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one dollar per megawatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

J. Compensated Absences

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

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Redevelopment Agency Capital Projects Housing and Community Development Special Revenue, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap was included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net assets. See Note 9 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The Utility has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

L. Long-Term Obligations

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are classified as deferred charges

and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant.

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$63,552 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the appropriate internal service fund.

N. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts,

long-term loans, notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.

- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council. No amounts have been reported within this category of fund balance.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. The authority to assign fund balance has been delegated by City Council to the City's chief financial officer.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

P. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in

the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest, which has been offset by deferred revenue.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Q. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The majority of the City's governmental fund unearned revenue for June 30, 2011 relates to unearned revenue on a capital lease. See Note 4.

R. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The

first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' uncollected tax levies, adjusted for uncollectable amounts.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

T. Implementation of New GASB Pronouncement

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This new accounting standard enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

Cash and investments at fiscal year-end consist of the following:

Investments	\$ 435,250
Investments at fiscal agent	<u>629,218</u>
	1,064,468
Cash on hand and deposits with financial institutions	369
Non-negotiable certificates of deposit	<u>13,364</u>
	<u>\$1,078,201</u>

The amounts are reflected in the government-wide statement of net assets:

Cash and investments	\$ 410,670
Restricted cash and cash equivalents	36,295
Restricted cash and investments at fiscal agent	<u>613,619</u>
Total per statement of net assets	1,060,584
Fiduciary fund cash and investments	<u>17,617</u>
	<u>\$1,078,201</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first \$250 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

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

	<u>Max Maturity</u>	<u>Max % of Portfolio</u>
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%
Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%
Local Agency Bonds	N/A	N/A

Investments in Medium Term Corporate Notes may be invested in securities rated A or better by Moody's or Standard and Poor's rating services and no more than 15% of the market value of the portfolio may be invested in one corporation.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated in the single highest classification
- Investments in money market funds rated in the single highest classification

CITY OF RIVERSIDE
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For the year ended June 30, 2011

(amounts expressed in thousands)

Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires that the interest rate risk exposure be managed by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 30,009	\$ 30,009	\$ -	\$ -	\$ -
Federal Agency Securities	192,084	16,635	71,238	104,211	-
Corp Medium Term Notes	51,954	10,122	15,669	26,163	-
Local Agency Bonds	33,300	-	-	-	33,300
State Investment Pool	123,329	123,329	-	-	-
Negotiable CDs	4,574	-	248	4,326	-
Held by Fiscal Agent					
Money Market Funds	29,570	29,570	-	-	-
State Investment Pool	90,631	90,631	-	-	-
Investment Contracts	414,871	150,493	76,260	173,403	14,715
Commercial Paper	5,261	5,261	-	-	-
Fed Agency Securities	64,582	3,416	15,017	26,817	19,332
Corp Med Term Notes	24,303	1,230	3,154	11,674	8,245
Total	\$1,064,468	\$460,696	\$181,586	\$346,594	\$75,592

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of year-end for each investment type:

Investment Type	Total	Ratings as of Year End			
		AAA	AA	A	Unrated
Money Market Funds	\$ 30,009	\$ 19,498	\$10,511	\$ -	\$ -
Federal Agency Securities	192,084	192,084	-	-	-
Corp Medium Term Notes	51,954	51,954	-	-	-
Local Agency Bonds	33,300	-	-	-	33,300
State Investment Pool	123,329	-	-	-	123,329
Negotiable CDs	4,574	-	-	-	4,574
Held by Fiscal Agent					
Money Market Funds	29,570	13,958	-	-	15,612
State Investment Pool	90,631	-	-	-	90,631
Investment Contracts	414,871	-	-	-	414,871
Commercial Paper	5,261	-	-	5,261	-
Fed Agency Securities	64,582	64,582	-	-	-
Corp Med Term Notes	24,303	-	18,573	5,730	-
Total	\$1,064,468	\$342,076	\$29,084	\$10,991	\$682,317

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Trinity Funding	Investment Contract	\$249,105
Deutsche Bank Securities Inc.	Investment Contract	\$140,257

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-

CITY OF RIVERSIDE
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For the year ended June 30, 2011

(amounts expressed in thousands)

dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Capital Lease Receivable

The Redevelopment Agency has a direct financing lease arrangement with the State of California (the State) for a twelve-story office building. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed by the Redevelopment Agency on the lease revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2012	\$ 2,413
2013	2,443
2014	2,473
2015	2,507
2016	2,533
Thereafter	<u>24,227</u>
Total Due	<u>36,596</u>
Less: amount applicable to interest	<u>(13,171)</u>
Total capital lease receivable	<u>\$23,425</u>

5. Capital Assets

Below and on the following page is a summary of changes in the capital assets during the fiscal year ended June 30, 2011.

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 280,446	\$ 10,246	\$ -	\$ 290,692
Construction in progress	<u>45,206</u>	<u>23,124</u>	<u>(44,768)</u>	<u>23,562</u>
Total capital assets not depreciated	<u>325,652</u>	<u>33,370</u>	<u>(44,768)</u>	<u>314,254</u>
Capital assets being depreciated:				
Buildings	165,017	84	-	165,101
Improvements				
other than Buildings	159,501	43,410	-	202,911
Machinery and Equipment	75,442	2,694	(3,633)	74,503
Infrastructure	<u>800,754</u>	<u>48,336</u>	<u>-</u>	<u>849,090</u>
Total capital assets being depreciated	<u>1,200,714</u>	<u>94,524</u>	<u>(3,633)</u>	<u>1,291,605</u>
Less accumulated depreciation for:				
Buildings	(37,596)	(4,186)	-	(41,782)
Improvements				
other than Buildings	(41,168)	(7,142)	-	(48,310)
Machinery and Equipment	(51,015)	(6,983)	3,249	(54,749)
Infrastructure	<u>(227,755)</u>	<u>(18,947)</u>	<u>-</u>	<u>(246,702)</u>
Total accumulated depreciation	<u>(357,534)</u>	<u>(37,258)</u>	<u>3,249</u>	<u>(391,543)</u>
Total capital assets being depreciated, net	<u>843,180</u>	<u>57,266</u>	<u>(384)</u>	<u>900,062</u>
Governmental activities capital assets, net	<u>\$1,168,832</u>	<u>\$90,636</u>	<u>\$(45,152)</u>	<u>\$1,214,316</u>

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(amounts expressed in thousands)

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not depreciated:				
Land	\$ 34,820	\$ 155	\$ (70)	\$ 34,905
Intangibles	6,307	9,821	-	16,128
Construction in progress	<u>169,473</u>	<u>159,221</u>	<u>(221,045)</u>	<u>107,649</u>
Total capital assets not depreciated	210,600	169,197	(221,115)	158,682
Capital assets being depreciated:				
Buildings	236,280	5,462	-	241,742
Improvements other than Buildings	1,293,535	208,155	(3,597)	1,498,093
Machinery and Equipment	<u>66,405</u>	<u>7,431</u>	<u>(7,636)</u>	<u>66,200</u>
Total capital assets being depreciated	<u>1,596,220</u>	<u>221,048</u>	<u>(11,233)</u>	<u>1,806,035</u>
Less accumulated depreciation for:				
Buildings	(91,506)	(5,658)	1	(97,163)
Improvements other than Buildings	(458,296)	(36,967)	3,067	(492,196)
Machinery and Equipment	<u>(36,830)</u>	<u>(6,250)</u>	<u>5,994</u>	<u>(37,086)</u>
Total accumulated depreciation	<u>(586,632)</u>	<u>(48,875)</u>	<u>9,062</u>	<u>(626,445)</u>
Total capital assets being depreciated, net	<u>1,009,588</u>	<u>172,173</u>	<u>(2,171)</u>	<u>1,179,590</u>
Business type activities capital assets, net	<u>\$1,220,188</u>	<u>\$341,370</u>	<u>\$(223,286)</u>	<u>\$1,338,272</u>

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
General government	\$ 4,548
Public safety	4,361
Highways and streets, including depreciation of general infrastructure assets	20,502
Culture and recreation	<u>7,847</u>
Total depreciation expense – governmental activities	<u>\$37,258</u>

Business type activities:	
Electric	\$27,690
Water	11,386
Sewer	6,379
Refuse	1,373
Special Transportation	561
Airport	620
Public Parking	<u>866</u>
Total depreciation expense – business type activities	<u>\$48,875</u>

6. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

Governmental Activities:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment					
Agency bonds	\$278,867	\$ 65,000	\$ 38,672	\$305,195	\$ 7,240
General Obligation Bonds	17,533	-	688	16,845	725
Pension Obligation Bonds	136,050	30,775	34,730	132,095	35,555
Certificates of Participation	211,212	-	3,966	207,246	4,750
Capital leases	6,303	2,000	1,633	6,670	1,340
Notes Payable	8,191	-	442	7,749	588
Commercial Loan	1,100	9,100	9,100	1,100	-
Compensated Absences	20,101	7,836	6,784	21,153	7,100
Claims liability	25,541	10,576	9,502	26,615	9,900
Net OPEB Obligation	<u>5,790</u>	<u>2,962</u>	<u>944</u>	<u>7,808</u>	-
Total	<u>\$710,688</u>	<u>\$128,249</u>	<u>\$106,461</u>	<u>\$732,476</u>	<u>\$67,198</u>

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Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$968,393	\$242,732	\$ 139,571	\$1,071,554	\$25,485
Loan Payable	-	45,569	-	45,569	1,428
Notes Payable	7,249	25,000	1,071	31,178	1,499
Capital Leases	2,151	-	431	1,720	395
Landfill Capping	7,380	-	465	6,915	200
Arbitrage Liability	27	75	-	102	-
Water Stock Acquisition Rights	949	-	2	947	150
Net OPEB Obligation	4,063	2,352	790	5,625	-
Total	<u>\$990,212</u>	<u>\$315,728</u>	<u>\$ 142,330</u>	<u>\$1,163,610</u>	<u>\$29,157</u>

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects. The Redevelopment Agency does issue debt for the above purposes as well as for redevelopment related purposes such as housing and blight removal.

Long-Term Obligations at June 30, 2011:

Revenue Bonds:	Principal Outstanding
<u>Electric</u>	
\$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from \$2,855 to \$4,280 through October 1, 2016 (partially advance refunded in 2005 and 2009, with final maturity in 2013).	\$ 7,525
\$75,405 2003 Electric Revenue Bonds; 2.0% to 5.0%, due in annual installments from \$1,035 to \$8,535 through October 1, 2013.	23,665
\$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from \$2,615 to \$3,695 through October 1, 2014.	13,125

\$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from \$1,325 to \$8,560 through October 1, 2035. 140,965

\$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from \$125 to \$24,960 through October 1, 2038. 209,740

\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from \$450 to \$6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series. 27,425

\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 4.9%, due in annual installments from \$2,300 to \$33,725 through October 1, 2040. 140,380

\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. 56,450

Subtotal	619,275
Add: Unamortized bond premium	10,091
Less: Unamortized deferred bond refunding costs	(13,813)
	<u>\$615,553</u>

Water

\$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from \$345 to \$585 through October 1, 2031 (partially advance refunded in 2005 and 2009, with final maturity in 2014). \$ 1,470

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\$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,210 to \$7,505 through October 1, 2038. 58,235

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from \$500 to \$3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series. 31,370

\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.33% to 4.13%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039. 67,790

\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$800 to \$3,950 through October 1, 2035. 59,000

Subtotal 217,865
 Add: Unamortized bond premium 4,797
 Less: Unamortized deferred bond refunding costs (9,802)
\$212,860

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039. \$240,910
 Add: Unamortized bond premium 2,231
\$243,141

Total Revenue Bonds \$1,071,554

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer Enterprise funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Electric Utility Fund			Water Utility Fund		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 20,940	\$ 26,531	\$ 47,471	\$ 4,545	\$ 8,840	\$ 13,385
2013	21,905	25,551	47,456	4,695	8,678	13,373
2014	20,685	24,543	45,228	4,870	8,487	13,357
2015	14,480	23,745	38,225	5,015	8,276	13,291
2016	15,415	23,113	38,528	5,260	8,046	13,306
2017-2021	68,380	108,340	176,720	28,175	36,753	64,928
2022-2026	81,705	94,398	176,103	33,990	30,773	64,763
2027-2031	99,720	75,736	175,456	41,110	23,417	64,527
2032-2036	122,650	51,670	174,320	49,955	14,296	64,251
2037-2041	153,395	19,753	173,148	40,250	3,234	43,484
Premium (Discount) Refunding	10,091	-	10,091	4,797	-	4,797
Costs	(13,813)	-	(13,813)	(9,802)	-	(9,802)
Total	<u>\$615,553</u>	<u>\$473,380</u>	<u>\$1,088,933</u>	<u>\$ 212,860</u>	<u>\$150,800</u>	<u>\$363,660</u>

Fiscal Year	Sewer Utility Fund		
	Principal	Interest	Total
2012	\$ -	\$ 10,847	\$ 10,847
2013	6,760	10,712	17,472
2014	7,035	10,436	17,471
2015	7,325	10,149	17,474
2016	7,660	9,811	17,471
2017-2021	39,810	43,746	83,556
2022-2026	31,900	36,416	68,316
2027-2031	40,050	28,260	68,310
2032-2036	50,520	17,796	68,316
2037-2041	49,850	4,802	54,652
Premium	2,221	-	2,221
Total	<u>\$243,131</u>	<u>\$182,975</u>	<u>\$426,106</u>

Redevelopment Agency Bonds:

\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; \$1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from \$100 to \$145 through February 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded).

Principal Outstanding

\$ 130

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<p>\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; \$6,205 serial bonds, 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bonds at 5.0% due August 1, 2027.</p>	12,950	<p>\$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; \$32,720 serial bonds 2.0% to 5.25% due in annual installments from \$1,220 to \$1,955 through August 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through August 2034.</p>	31,285
<p>\$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; \$1,900 serial bonds, 4.5% to 5.5% due in annual installments from \$35 to \$190 through September 1, 2013; \$1,135 term bonds at 5.5% due September 1, 2018; and \$3,020 term bonds at 5.625% due September 1, 2027.</p>	4,700	<p>\$24,115 2005 Housing Set-Aside Tax Allocation Bonds; \$17,025 serial bonds 3.0% to 4.625% due in annual installments from \$505 to \$1,165 through August 1, 2025; \$2,425 term bonds at 5.0% due August 1, 2028; and \$4,665 term bonds at 4.85% due August 1, 2034.</p>	20,555
<p>\$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; \$8,925 serial bonds, 3.4% to 4.7% due in annual installments from \$455 to \$780 through August 1, 2014; \$2,565 term bonds at 4.75% due August 1, 2017; \$4,035 term bonds at 4.75% due August 1, 2021; and \$4,870 term bonds at 5.0% due August 1, 2025.</p>	14,395	<p>\$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from \$20 to \$590,000 through August 1, 2025; \$4,980 term bonds at 4.5% due August 1, 2029; \$410 term bonds at 4.375% due August 1, 2037.</p>	8,280
<p>\$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; \$420 term bonds at 3.8% due August 1, 2014; \$615 term bonds at 4.6% due August 1, 2024; and \$3,515 term bonds at 4.7% due August 1, 2034.</p>	4,310	<p>\$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of \$105 to \$180 through August 1, 2015.</p>	675
<p>\$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024.</p>	2,385	<p>\$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, \$4,050 term bonds at 5.2% due August 1, 2017; \$10,800 term bonds at 5.8% due August 1, 2028.</p>	13,785
<p>\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2.0% to 5.0% due in annual installments from \$545 to \$2,230 through October 1, 2024.</p>	20,710	<p>\$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from \$50 to \$3,210 through August 1, 2025; \$17,955 term bonds at 4.5% due August 1, 2030; \$47,775 term bonds at 5.0% due August 1, 2037.</p>	88,675
<p>\$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; \$310 serial bonds 1.20% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due Oct. 1, 2008; \$1,110 term bonds at 4.340% due Oct. 1, 2014 and \$2,770 term bonds at 5.480% due Oct. 1, 2024.</p>	3,540	<p>\$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter</p>	

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Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, \$15,740 term bonds due August 1, 2017; \$28,135 term bonds due August 1, 2032. 39,210

\$5,000 Magnolia Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from \$80 to \$920 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool. 1,000

\$17,700 University Corridor/Sycamore Canyon Merged Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from \$845 to \$3,480 through November 1, 2037. The bonds were purchased by the City and are held in the City's investment pool. 10,000

\$17,300 Downtown/Airport/Hunter Park/Northside Merged Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from \$285 to \$1,365 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool. 17,300

\$20,000 La Sierra/Arlanza Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from \$1,870 to \$3,130 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool. 5,000

Subtotal 298,885
 Add: Unamortized bond premium 5,956
 Add: Unamortized deferred bond refunding costs 354
 Total Redevelopment Agency Bonds \$305,195

Remaining debt service will be paid by the Redevelopment Agency Debt Service Funds from future property tax revenues. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,240	\$ 15,417	\$ 22,657
2013	7,575	14,415	21,990
2014	7,930	14,073	22,003
2015	8,310	13,712	22,022
2016	8,520	13,330	21,850
2017-2021	52,430	59,516	111,946
2022-2026	65,955	43,997	109,952
2027-2031	56,480	28,092	84,572
2032-2036	51,730	14,875	66,605
2037-2041	27,300	3,468	30,768
2042-2046	5,415	135	5,550
Premium	5,956	-	5,956
Refunding Costs	354	-	354
Total	<u>\$305,195</u>	<u>\$221,030</u>	<u>\$526,225</u>

Principal Outstanding

General Obligation Bonds:

\$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from \$410 to \$1,740 through August 1, 2024. \$16,640
 Add: Unamortized bond premium 205
 Total General Obligation Bonds \$16,845

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 725	\$ 766	\$ 1,491
2013	780	737	1,517
2014	840	706	1,546
2015	900	671	1,571
2016	965	634	1,599
2017-2021	6,015	2,438	8,453
2022-2025	6,415	724	7,139
Premium	205	-	205
Total	<u>\$16,845</u>	<u>\$6,676</u>	<u>\$23,521</u>

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Pension Obligation Bonds:	<u>Principal</u> <u>Outstanding</u>	\$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from \$435 to \$1,270 through September 1, 2036.	19,945
\$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from \$1,125 to \$10,715 through June 1, 2023.	\$ 77,055	\$128,300 2008 Riverside Renaissance Certificates of Participation; issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see note 9. Due in annual installments from \$2,900 to \$7,200 through March 1, 2037.	125,400
\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020.	24,265	\$20,660 2010 Recovery Zone Facility Hotel Project Certificates of Participation; 4.0% to 5.5%, due in annual installments from \$415 to \$1,410 through March 1, 2040.	<u>20,660</u>
\$30,775 2011 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2011 was 1.33%, \$30,775 due June 1, 2012.	<u>30,775</u>	Subtotal	211,345
Total Pension Obligation Bonds	<u>\$132,095</u>	Add: Unamortized bond premium	727
		Less: Unamortized deferred bond refunding costs	<u>(4,826)</u>
		Total Certificates of Participation	<u>\$207,246</u>

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 35,555	\$ 5,901	\$ 41,456
2013	5,475	5,357	10,832
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016	7,930	4,391	12,321
2017-2021	49,410	14,442	63,852
2022-2023	<u>20,445</u>	<u>1,837</u>	<u>22,282</u>
Total	<u>\$132,095</u>	<u>\$41,767</u>	<u>\$173,862</u>

Certificates of Participation:	<u>Principal</u> <u>Outstanding</u>	\$53,185 2003 Riverside Public Financing Authority Certificates of Participation; 2.0% to 5.0%, due in annual installments from \$755 to \$2,830 through September 1, 2033.	\$45,340
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Remaining certificates of participation debt service payments will be made from unrestricted revenues of the Debt Service funds. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,750	\$ 8,326	\$ 13,076
2013	4,920	8,155	13,075
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016	5,990	7,560	13,550
2017-2021	33,490	34,172	67,662
2022-2026	39,675	26,930	66,605
2027-2031	46,730	18,453	65,183
2032-2036	51,335	8,264	59,599
2037-2040	13,690	950	14,640
Premium	727	-	727
Refunding Costs	<u>(4,826)</u>	<u>-</u>	<u>(4,826)</u>
Total	<u>\$207,246</u>	<u>\$128,574</u>	<u>\$335,820</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

<p>Loan Payable – Electric Fund:</p> <p>The City entered into the Clearwater Power Plant Purchase and Sale Agreement dated March 3, 2010 with the City of Corona for the acquisition of Clearwater Cogeneration Facility (Clearwater) located in Corona. The total purchase price for Clearwater is \$46,569, and will be funded through a series of semi-annual payments ranging from \$1,158 to \$2,664 through 2013, and \$182 to \$413 in 2014 and 2015. In addition, two payments of \$36,406 and \$7,367 are due in 2013 and 2015, respectively, and will be funded primarily from bond proceeds.</p>	<p style="text-align: center;"><u>Principal</u> <u>Outstanding</u></p> <p style="text-align: right;"><u>\$45,569</u></p>	<p>Remaining notes payable debt service payments will be made from unrestricted revenues of the Redevelopment Agency.</p> <p>Annual debt service requirements to maturity are as follows:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Fiscal Year</u></th> <th style="text-align: right;"><u>Principal</u></th> <th style="text-align: right;"><u>Interest</u></th> <th style="text-align: right;"><u>Total</u></th> </tr> </thead> <tbody> <tr> <td>2012</td> <td style="text-align: right;">\$ 588</td> <td style="text-align: right;">\$ 544</td> <td style="text-align: right;">\$ 1,132</td> </tr> <tr> <td>2013</td> <td style="text-align: right;">636</td> <td style="text-align: right;">513</td> <td style="text-align: right;">1,149</td> </tr> <tr> <td>2014</td> <td style="text-align: right;">1,011</td> <td style="text-align: right;">503</td> <td style="text-align: right;">1,514</td> </tr> <tr> <td>2015</td> <td style="text-align: right;">743</td> <td style="text-align: right;">440</td> <td style="text-align: right;">1,183</td> </tr> <tr> <td>2016</td> <td style="text-align: right;">782</td> <td style="text-align: right;">346</td> <td style="text-align: right;">1,128</td> </tr> <tr> <td>2017-2021</td> <td style="text-align: right;">1,461</td> <td style="text-align: right;">1,596</td> <td style="text-align: right;">3,057</td> </tr> <tr> <td>2022-2026</td> <td style="text-align: right;">471</td> <td style="text-align: right;">1,238</td> <td style="text-align: right;">1,709</td> </tr> <tr> <td>2027-2031</td> <td style="text-align: right;">777</td> <td style="text-align: right;">933</td> <td style="text-align: right;">1,710</td> </tr> <tr> <td>2032-2036</td> <td style="text-align: right;"><u>1,280</u></td> <td style="text-align: right;"><u>430</u></td> <td style="text-align: right;"><u>1,710</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$ 7,749</u></td> <td style="text-align: right;"><u>\$6,543</u></td> <td style="text-align: right;"><u>\$14,292</u></td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	2012	\$ 588	\$ 544	\$ 1,132	2013	636	513	1,149	2014	1,011	503	1,514	2015	743	440	1,183	2016	782	346	1,128	2017-2021	1,461	1,596	3,057	2022-2026	471	1,238	1,709	2027-2031	777	933	1,710	2032-2036	<u>1,280</u>	<u>430</u>	<u>1,710</u>	Total	<u>\$ 7,749</u>	<u>\$6,543</u>	<u>\$14,292</u>
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<p>Notes Payable - Redevelopment Agency:</p> <p>These notes payable have been issued to promote development and expansion within the City's redevelopment areas.</p> <p>Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion.</p> <p>HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of \$272 to \$425 through August 1, 2015</p> <p>HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018</p> <p>Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects.</p> <p>Total notes payable – Redevelopment Agency</p>	<p style="text-align: center;"><u>Principal</u> <u>Outstanding</u></p> <p style="text-align: right;">\$2,987</p> <p style="text-align: right;">1,740</p> <p style="text-align: right;">2,695</p> <p style="text-align: right;"><u>327</u></p> <p style="text-align: right;"><u>\$ 7,749</u></p>	<p>Notes payable – Enterprise Funds:</p> <p>Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of \$339, beginning January 29, 2003 through January 29, 2021</p> <p>Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of \$477, beginning November 6, 1999 through November 6, 2018</p> <p>Public parking fund loan from City National Bank for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of \$1,747, beginning June 16, 2011 through December 16, 2031</p> <p>Total notes payable – Enterprise Funds</p>	<p style="text-align: center;"><u>Principal</u> <u>Outstanding</u></p> <p style="text-align: right;">\$3,038</p> <p style="text-align: right;">3,532</p> <p style="text-align: right;"><u>24,608</u></p> <p style="text-align: right;"><u>\$31,178</u></p>																																											

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Sewer Fund		Total
	Principal	Interest	
2012	\$ 692	\$ 125	\$ 817
2013	705	112	817
2014	718	99	817
2015	731	86	817
2016	745	72	817
2017-2021	<u>2,979</u>	<u>150</u>	<u>3,129</u>
Total	<u>\$6,570</u>	<u>\$644</u>	<u>\$7,214</u>

Fiscal Year	Public Parking Fund		Total
	Principal	Interest	
2012	\$ 807	\$ 940	\$ 1,747
2013	838	909	1,747
2014	871	876	1,747
2015	905	842	1,747
2016	940	807	1,747
2017-2021	5,277	3,457	8,734
2022-2026	6,386	2,348	8,734
2027-2031	7,727	1,007	8,734
2032	<u>857</u>	<u>17</u>	<u>874</u>
Total	<u>\$24,608</u>	<u>\$11,203</u>	<u>\$35,811</u>

Contracts – Enterprise Funds:

	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	<u>\$947</u>

Commercial Loan:

The City has a \$20,000 commercial loan with City National Bank, which is being used to purchase, rehabilitate and resell foreclosed homes. As of June 30, 2011, the City had borrowed \$1,100 and had \$18,900 available for future borrowing. The interest rate is based on “prime” less 75 basis points, which was 2.5% as of June 30, 2011. Interest is paid monthly. Principal is due in full on July 1, 2012.

Current Year Refundings:

On April 28, 2011, \$56,450 of Electric Refunding/Revenue Series A Bonds were sold with an all-in true interest cost of 3.89% to refund \$56,450 of previously outstanding 2008 Electric Refunding/Revenue Series B Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$193. The difference is being charged to operations using the proportional method.

On May 26, 2011, \$59,000 of Water Refunding/Revenue Series A Bonds were sold with an all-in true interest cost of 3.33% to refund \$59,000 of previously outstanding 2008 Water Refunding/Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$434. The difference is being charged to operations using the proportional method.

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation. The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	\$1,103	\$ -
Equipment	<u>5,595</u>	<u>2,763</u>
Subtotal	6,698	2,763
Less: Accumulated depreciation	<u>(1,789)</u>	<u>(579)</u>
Total	<u>\$4,909</u>	<u>\$2,184</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

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The future minimum lease obligations as of June 30, 2011 were as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2012	\$1,568	\$ 442
2013	1,425	442
2014	1,190	442
2015	1,098	428
2016	1,099	65
Thereafter	744	-
Copiers	<u>319</u>	<u>29</u>
Total Minimum lease payments	7,443	1,848
Less: Amount representing interest (rates ranging from 2.5% to 9%)	<u>(773)</u>	<u>(128)</u>
Total capital lease payable	<u>\$6,670</u>	<u>\$1,720</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2011:

General long-term obligations:

Redevelopment Agency	\$ 7,034
Certificates of Participation	<u>13,765</u>
Total	<u>\$20,799</u>

Enterprise funds:

Electric	\$22,237
Water	5,684
Sewer	<u>20,142</u>
Total	<u>\$48,063</u>

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table on the following page. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service Coverage Ratio for FYE 6/30/11</u>
Tax increment:			
Non-Housing	\$39,165	\$15,372	2.55
Housing	6,997	2,771	2.53
Electric revenues	106,299	48,116	2.21
Water revenues	49,108	14,063	3.49
Sewer revenues	10,197	817	12.48

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Defeasance of Debt:

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2011, the following amounts are considered defeased:

2001 Electric Revenue Bonds	\$17,600
2001 Water Revenue Bonds	14,995
1993 Sewer Revenue Bonds	9,265

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2011 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 22 years.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of \$1,000,000, with a deductible of \$50. Earthquake and flood insurance coverage has a limit of \$25,000, with a deductible of 5% for earthquake and \$100 for flood. Workers' compensation insurance coverage has a limit of \$25,000, with a self-insured retention of \$3,000 per occurrence. The City carries commercial insurance in the amount of \$20,000 for general and auto liability claims greater than \$3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

Changes in the self-insurance trust fund's claims liability amounts are:

Unpaid Claims, June 30, 2009	\$24,958
Incurred claims (including IBNR's)	11,047
Claim payments and adjustments	<u>(10,464)</u>
Unpaid Claims, June 30, 2010	25,541
Incurred claims (including IBNR's)	10,576
Claim payments and adjustments	<u>(9,502)</u>
Unpaid Claims, June 30, 2011	<u>\$26,615</u>

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2011, the City has several series of Assessment District Bonds outstanding in the amount of \$53,667. Bonds issued for improvements in certain special assessment districts, in accordance with the provisions of the Municipal Improvements Acts, are liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

Conduit Debt Obligations

Mortgage Revenue Bonds outstanding of \$8,610 and Industrial Development Revenue Bonds of \$11,275 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Derivative Instruments

Interest Rate Swaps

The City has five cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

Below is a summary of the derivative activity for the year ended June 30, 2011:

As of June 30, 2011 rates were as follows:

	<u>Notional Amount</u>	<u>Fair Value as of 6/30/11</u>	<u>Change in Fair Value for Fiscal Year</u>
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(14,822)	3,831
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	84,515	(7,028)	1,719
2008 Electric Refunding/Revenue Bonds Series C	57,325	(5,108)	1,569
2011 Electric Refunding/Revenue Bonds Series A	56,450	(5,080)	1,569
2011 Water Refunding/Revenue Bonds Series A	59,000	(5,448)	1,682

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its \$141,840 2008 Electric Revenue Bonds (Series A and C), \$56,450 2011 Electric Revenue Bonds and \$59,000 2011 Water Revenue Bonds. Also, in 2008, the City entered into an additional interest rate swap agreement in connection with its \$128,300 2008 Certificates of Participation.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City again pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by \$975 to \$7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

	<u>Terms</u>	<u>Rates</u>	<u>Rates</u>
2011 Water Refunding/Revenue Bonds Series A			
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
	62.68 LIBOR		
Variable payment from counterparty	+ 12 bps	(0.24207%)	(0.24534%)
Net interest rate swap payments		2.95793%	2.95566%
Variable-rate bond coupon payments		0.22550%	0.14349%
Synthetic interest rate on bonds		3.18343%	3.09915%
2008 Electric Refunding/Revenue Bonds Series C			
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
	62.68 LIBOR		
Variable payment from counterparty	+ 12 bps	(0.59206%)	(0.58955%)
Net interest rate swap payments		2.61194%	2.52145%
Variable-rate bond coupon payments		0.58498%	0.58891%
Synthetic interest rate on bonds		3.19692%	3.11036%
COP 2008 Bonds			
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.36200%	
	63.00 LIBOR		
Variable payment from counterparty	+ 7 bps	(0.57662%)	
Net interest rate swap payments		2.78538%	
Variable-rate bond coupon payments		0.62476%	
Synthetic interest rate on bonds		3.41014%	

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For the year ended June 30, 2011

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Fair Value: As of June 30, 2011, in connection with all swap arrangements, the transactions had a total negative fair value of <\$37,486>. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2011, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase & Co. and Merrill Lynch were rated A+, A+ and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2011, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the City to basis risk should the relationship between LIBOR and the variable interest rate, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2011, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2012	\$ 6,450	\$ 1,825	\$ 10,511	\$ 18,786
2013	6,675	2,688	17,165	26,528
2014	6,900	2,656	16,978	26,534
2015	8,975	2,623	16,784	28,382
2016	16,700	2,581	16,535	35,816
2017-2021	68,850	12,520	80,400	161,770
2022-2026	76,300	10,820	71,045	158,165
2027-2031	85,415	8,497	58,921	152,833
2032-2036	98,350	5,585	43,860	147,795
2037	<u>7,200</u>	<u>45</u>	<u>201</u>	<u>7,446</u>
Total	\$381,815	\$49,840	\$332,400	\$764,055

10. Economic Contingency

A portion of unassigned fund balance within the General Fund is set aside for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,851
	Capital Outlay Fund	30,124
	Nonmajor Enterprise Funds	<u>5</u>
		31,980
Electric	Central Stores *	<u>4,195</u>
Total		<u>\$36,175</u>

* Internal service fund

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Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$12,381
	Redevelopment Capital Projects	704
	Water	5,327
	Sewer	3,408
	Nonmajor Governmental Funds	578
	Nonmajor Enterprise Funds	2,290
	Self-Insurance Trust *	223
	Central Stores *	234
	Central Garage *	<u>1,055</u>
		<u>26,200</u>
COPS Debt Service Fund	Redevelopment Capital Projects	7,410
Nonmajor Governmental	Redevelopment Capital Projects	20,571
Self-Insurance Trust *	Nonmajor Enterprise Funds	1,524
	General	435
	Nonmajor Governmental Funds	3,538
	Redevelopment Capital Projects	<u>6,478</u>
		11,975
Sewer	Redevelopment Capital Projects	18,439
Electric	Redevelopment Capital Projects	<u>5,558</u>
Total		<u>\$90,153</u>

Transfers In/Out: Transfers are used to (1) move revenues to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) record the difference between the sales price and original carrying value of capital assets transferred between funds, (4) transfer properties to the General Fund to be held as security for advances owed by the Redevelopment Capital Project Fund, (5) use unrestricted revenues collected in the General fund to finance various programs accounted for in the other funds in accordance with budgetary operations.

The following table shows amounts transferred to/from funds within the City as of June 30, 2011:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$33,070
	Water	5,847
	Redevelopment Capital Project	78,896
	Nonmajor Governmental Funds	<u>3,535</u>
		<u>121,348</u>
Redevelopment Debt Service	Redevelopment Capital Project	32,041
	Nonmajor Governmental Funds	3,176
	Nonmajor Enterprise Funds	<u>152</u>
		<u>35,369</u>
COPS Debt Service Fund	General Fund	7,222
	Redevelopment Capital Project	210
	Redevelopment Debt Service	245
	Nonmajor Governmental Funds	3,460
	Nonmajor Enterprise Funds	<u>840</u>
		<u>11,977</u>
Redevelopment Capital Projects	General Fund	108
	Redevelopment Debt Service	28,246
	Nonmajor Governmental Funds	<u>1,200</u>
		<u>29,554</u>
Nonmajor Governmental Funds	General Fund	2,209
	Redevelopment Capital Project	1,200
	Nonmajor Governmental Funds	<u>12,974</u>
		<u>16,383</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

Electric	Redevelopment Capital Project ¹	<u>5,531</u>
Water	Electric	<u>17,114</u>
Total		<u>\$237,276</u>

¹ The Electric Fund transferred capital assets with an original carrying value of \$27 to the Redevelopment Capital Projects Fund for \$5,558. The difference in interfund transfers at the fund level is due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds.

12. Deficit Fund Balances/Net Assets

Deficit net assets exist in the Self-Insurance Internal Service Trust Fund (\$13,554). The deficit in this fund will be primarily reduced based on a rate increase implemented in the subsequent fiscal year. Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years.

13. Litigation

The City continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

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

The Water Utility is also a plaintiff in a lawsuit against the manufacturers and distributors of methyl tertiary-butyl ether (MTBE) and its by-products, and of fuel containing these chemicals, arising out of the threat to the Water Utility wells of contamination with those chemicals from leaking underground storage tanks.

The defendants removed this lawsuit to federal court and then transferred the case to the Judicial Panel on Multidistrict Litigation, New York, where it was consolidated with all other pending MTBE water contamination litigation cases in the country. Although the City has tentatively settled with a number

of the defendants, the settlement has not been approved by the court and no trial date for the remainder of the case.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

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(amounts expressed in thousands)

Three-year trend information for CalPERS:

Fiscal Year	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2009	Misc	\$14,735	94.7%	(57,548)
2009	Safety	12,543	91.0%	(85,909)
2010	Misc	16,463	93.8%	(56,529)
2010	Safety	13,949	89.0%	(84,369)
2011	Misc	16,888	92.4%	(55,253)
2011	Safety	14,956	86.7%	(82,379)

A total of \$137,632 of net pension assets is included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets is amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period.

Determination of Net Pension Asset as of June 30, 2011:

	Misc	Safety
Annual required contribution	\$ 15,612	12,966
Interest on net pension asset	(4,381)	(6,539)
Adjustment to annual required contribution	<u>5,657</u>	<u>8,529</u>
Annual pension cost	16,888	14,956
Less contributions made	<u>(15,612)</u>	<u>(12,966)</u>
Decrease in net pension asset	1,276	1,990
Net pension asset, beginning of year	<u>(56,529)</u>	<u>(84,369)</u>
Net pension asset, end of year	<u>\$(55,253)</u>	<u>(82,379)</u>

Schedule of funding for CalPERS:

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/08	\$828,351	\$779,481	\$ 48,870	94.1	\$110,870	44.1
Misc.	6/30/09	921,349	810,929	110,420	88.0	110,318	100.1
Misc.	6/30/10*	952,499	846,368	106,131	88.9	106,590	99.6
Safety	6/30/08	608,192	570,661	37,531	93.8	63,966	58.7
Safety	6/30/09	660,742	595,018	65,724	90.1	63,924	102.8
Safety	6/30/10*	685,213	621,107	64,106	90.6	61,778	103.8

* Information presented is for the most recent valuation date available.

15. Other Post-Employment Benefits

The City provides healthcare benefits to retirees in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees are receive the benefit of a lower rate. The difference between these amounts is the implied rate subsidy, which is considered an other post-employment benefit (OPEB) under GASB 45.

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. However, the retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

The contribution requirements are established by the City Council. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2011 was \$5,617, which consisted of normal cost of \$2,852 and UAAL amortization of \$2,765. The ARC as a percentage of payroll was 3% for the year ended June 30, 2011.

As of June 30, 2009, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$54.9 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$54.9 million.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

Determination of the Net OPEB Obligation as of June 30, 2011:

Annual required contribution	\$ 5,617
Interest on net OPEB obligation	443
Amortization of net OPEB obligation	<u>(746)</u>
Annual benefit pension cost	5,314
Less contributions made	<u>(1,734)</u>
Increase in net OPEB obligation	3,580
Net OPEB liability, beginning of year	<u>9,853</u>
Net OPEB liability, end of year	<u>\$13,433</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.50%, (b) 3% inflation, (c) projected salary increases of 3.25% annually and (d) healthcare cost trend rates ranging from 4.5% to 9.4%.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Three-year trend information:

Fiscal Year <u>June 30,</u>	<u>ARC</u>	<u>Actual Contributions</u>	<u>% of ARC Contributed</u>
2009	\$4,386	\$1,290	29%
2010	5,291	1,440	27%
2011	5,617	1,734	31%

Fiscal Year <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$4,386	29%	6,192
2010	5,101	28%	9,853
2011	5,314	33%	13,433

16. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

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

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2010-11 and 2009-10 fiscal years, the Electric Utility paid approximately \$18,725 and \$15,151, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

<u>Project</u>	<u>Percent Share</u>	<u>Entitlement</u>
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3MW
Southern Transmission System (STS)	10.20%	244.0MW
Hoover Dam Upgrading (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	18.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

CITY OF RIVERSIDE
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For the year ended June 30, 2011

(amounts expressed in thousands)

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Interest rates on the outstanding debt associated with the take-or-pay obligations range from variable rates from 0.03 percent to 3.00 percent and fixed rates from 1.0 percent to 6.38 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

Fiscal Year	SCPPA						Total
	IPA	PV	STS	Hoover	MPP	MAT	
2011	\$ 22,118	\$ 666	\$ 4,680	\$ 706	\$ 318	\$ 3,090	\$ 31,578
2012	20,017	669	9,478	704	318	3,087	34,273
2013	22,712	672	8,544	705	318	3,092	36,043
2014	21,154	676	8,565	703	266	3,064	34,428
2015	23,942	680	8,595	702	273	3,061	37,253
Thereafter	<u>118,538</u>	<u>1,369</u>	<u>81,235</u>	<u>1,399</u>	<u>1,287</u>	<u>14,528</u>	<u>218,356</u>
Total	<u>\$228,481</u>	<u>\$ 4,732</u>	<u>\$121,097</u>	<u>\$ 4,919</u>	<u>\$ 2,780</u>	<u>\$29,922</u>	<u>\$391,931</u>

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

Project	Final Maturity Date
Intermountain Power Project	2024
Palo Verde Nuclear Generating System	2017
Southern Transmission System	2027
Hoover Dam Upgrading	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured

payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2011 and 2010, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPP	Hoover	Total
2011	\$29,530	\$2,792	\$2,460	\$ 298	\$ 43	\$ 100	\$35,223
2010	\$27,458	\$2,991	\$1,779	\$ 265	\$ 40	\$ 68	\$32,601

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Equity.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility executed two firm power purchase agreements with Bonneville Power Administration (BPA). The first agreement with BPA was for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. This agreement terminated on March 3, 2011. The second BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

The Electric Utility had an agreement with Deseret for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret \$25,000 from Electric fund reserves, which is reflected on the balance sheets as deferred purchased power. On July 1, 2002, the Electric Utility began to amortize the \$25,000, and will continue to amortize the remaining balance over the term of the agreement using the straight-line method.

On June 6, 2003 and July 8, 2003, the Public Utilities Board and the City Council respectively, adopted a RPS to increase procurement of renewable resources to reach a target of 20% of the Utility's energy by 2015. On March

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

(amounts expressed in thousands)

16, 2007, the Public Utilities Board approved a new RPS, increasing the targets to 20% and 25% by 2010 and 2015, respectively. On May 4, 2007, the Public Utilities added an additional target of 33% by 2020.

The contracts in the following table were executed as part of compliance with this standard. The Utility also has an agreement with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio.

Long-term renewable power purchase agreements:

<u>Supplier</u>	<u>Type</u>	<u>Maximum Contract</u>	<u>Contract Expiration</u>	<u>Estimated Annual Cost for 2011</u>
Wintec	Wind	8.0MW	11/10/2021	\$ 198
Salton Sea Power	Geothermal	46.0MW	5/31/2020	21,139
Total		<u>54.0MW</u>		<u>\$21,337</u>

All contracts are contingent on energy production from specific related generating facilities. Riverside has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

On August 23, 2005, the City Council approved an amendment to the Power Purchase Agreement between Salton Sea and the City. The agreement increases the amount of renewable energy available to the City from the current 20 MW to 46 MW effective June 1, 2009 through May 31, 2020, at the same price under the current contract until 2013, with escalation thereafter based on an inflationary type index. Similar to other renewable power purchase agreements, the City is only obligated for purchases of energy delivered to the City.

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with additional capacity available upon completion of Wintec's Facility II Wind Turbine Project. The developer is encountering challenges in finding suitable wind turbines to complete the project and the project is expected to continue to be delayed.

On June 19, 2008, and December 12, 2008, respectively the City of Riverside entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC (Renaissance). The contract term for each agreement is 30 years, and provides a combined 96 megawatts of geothermal energy. Like the majority of renewable projects, Renaissance continues to experience difficulty securing financing due to the

meltdown in the financial markets. In November 2010, the City entered into the Amended and Restated PPA I and terminated PPA II. The Amended and Restated PPA I reduced the geothermal power deliveries from 64 MW to 46 MW with the new commercial operation date extended to April 1, 2014. Measurable milestone dates and enforceable agreement termination "off-ramps" for the City were built into this agreement to allow the City the unilateral ability to terminate the Amended and Restated PPA I. On February 15, 2011 Shoshone Renaissance failed the first milestone as established in the Amended and Restated PPA I. The City notified Shoshone Renaissance in March 2011 of the City's intent to terminate the Amended and Restated PPA I by April 1, 2011 and provided an opportunity to Shoshone Renaissance to cure its failure to reach the first milestone. However, Shoshone Renaissance failed to provide evidence to cure its default by April 1, 2011. Thus, the City provided the final termination notice to Shoshone Renaissance and the Amended and Restated PPA I was terminated on April 1, 2011.

Construction Commitments:

As of June 30, 2011, the Electric Utility had major commitments of approximately \$19,290, with respect to unfinished capital projects, of which \$17,248 is expected to be funded by bonds and \$2,042 funded by rates.

As of June 30, 2011, the Water Utility had major commitments of approximately \$15,709 with respect to unfinished capital projects which is expected to be funded by bonds.

C. Jointly-Owned Utility Project

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

During 2006, the FERC, Nuclear Regulatory Commission and the California Public Utility Commission (CPUC) approved the transfer of Anaheim's shares

to SCE, and as a result, SCE's ownership was increased to 78.21 percent in SONGS units 2 and 3.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042, although the City has not approved its participation in the project through the extended term.

SCE, as operating agent, declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would have likely resulted in permanent shutdown of the plant in 2009-2010 timeframe. The estimated cost to replace the steam generators (SGs) is \$680,000, of which approximately \$12,200 would represent the City's share. Replacement of the SGs is expected to enable plant operations through at least 2022, and perhaps beyond if NRC approval is obtained. The City Council has approved participation in the replacement of the SGs. The SG replacement for SONGS Unit 2 was completed in April 2010 and the SG replacement for Unit 3 was completed in February 2011.

Due to the Fukushima nuclear power plant crisis in Japan early this year, NRC has instituted a comprehensive review of disaster preparedness of all nuclear power plants currently in operation in the U.S. SONGS has participated and is continuing to participate in this comprehensive disaster preparedness assessment effort. The ultimate outcome of this assessment is currently undetermined.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled \$159,907 and \$152,586 for fiscal years ended June 30, 2011 and 2010, respectively.

All acquisitions or construction of capital assets are depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to \$133,260 and \$126,837 for the fiscal years ended June 30, 2011 and 2010, respectively. The Electric Utility made provisions for future decommissioning costs of \$1,581 for both fiscal years

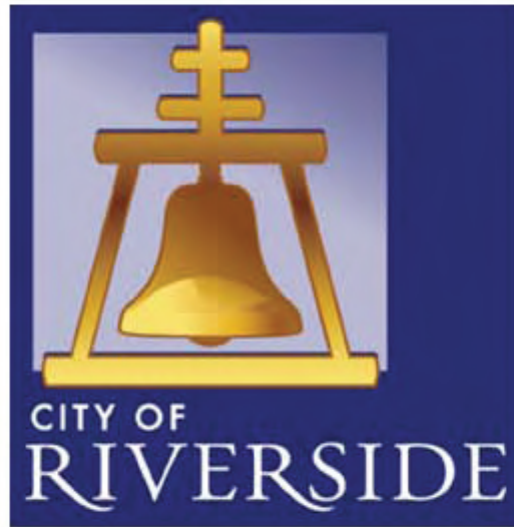
plus earnings on the Decommissioning Trust Fund of \$2,836 and \$2,898 for fiscal years June 30, 2011 and June 30, 2010, respectively. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

17. State Assembly Bills 1X 26 and 27

On June 29, 2011 Governor Brown signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires that California redevelopment agencies immediately suspend activities and only allows activity to meet existing obligations, preserve its assets and prepare for potential dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate via a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to help alleviate the State budget crisis in fiscal year 2011-12 and annual payments each fiscal year thereafter.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012."

On August 9, 2011, Ordinance No. 7138 was adopted, indicating that the agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$19.6 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$4.6M will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill 1X 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the agency to assemble sufficient funds to make its initial payments.



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Special Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvement Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing and Community Development Fund – To account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

Redevelopment Agency Fund – To account for the portion of Redevelopment tax increment monies which California Redevelopment Law requires be set aside for the development of low and moderate income housing.

National Pollution Discharge Elimination System (NPDES) – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Neglected Property Abatement Fund – To account for revenues and expenditures associated with the neglected property abatement activities of the Code Enforcement Division of the Community Development Department.

Housing Authority Fund – To account for revenues and expenditures associated with housing activities for persons with low or moderate income.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvements Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System.

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(amounts expressed in thousands)

Assets	Special Revenue						
	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement
Cash and investments	\$ -	\$ 13,050	\$ 610	\$ 68	\$ 11,469	\$ -	\$ -
Cash and investments at fiscal agent	-	-	-	-	192	-	-
Receivable (net of allowance for uncollectibles):							
Interest	-	104	6	4	112	1	-
Accounts	-	-	-	14	-	-	-
Intergovernmental	725	205	-	2,499	-	228	-
Notes	-	-	-	6,864	15,870	-	-
Advances to other funds	-	-	-	-	20,571	-	-
Land & improvements held for resale	-	-	-	1,677	-	-	-
Total assets	<u>\$ 725</u>	<u>\$ 13,359</u>	<u>\$ 616</u>	<u>\$ 11,126</u>	<u>\$ 48,214</u>	<u>\$ 229</u>	<u>\$ -</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 32	\$ 143	\$ 11	\$ 588	\$ 172	\$ 2	\$ -
Accrued payroll	-	-	-	25	-	-	-
Retainage payable	-	898	-	49	-	-	-
Deferred revenue	-	-	-	8,541	15,823	-	-
Deposits	-	-	-	-	26	-	-
Due to other funds	693	-	-	931	-	227	-
Advance from other funds	-	-	-	578	-	-	-
Total liabilities	<u>725</u>	<u>1,041</u>	<u>11</u>	<u>10,712</u>	<u>16,021</u>	<u>229</u>	<u>-</u>
Fund balances							
Restricted for:							
Housing and redevelopment	-	-	-	414	32,193	-	-
Transportation and public works	-	12,318	605	-	-	-	-
Total fund balances	<u>-</u>	<u>12,318</u>	<u>605</u>	<u>414</u>	<u>32,193</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 725</u>	<u>\$ 13,359</u>	<u>\$ 616</u>	<u>\$ 11,126</u>	<u>\$ 48,214</u>	<u>\$ 229</u>	<u>\$ -</u>

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(amounts expressed in thousands)

	Special Revenue		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Housing Authority	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
Assets								
Cash and investments	\$ 232	\$ 25,429	\$ 2,103	\$ 4,326	\$ 41	\$ 6,470	\$ 1,625	\$ 33,524
Cash and investments at fiscal agent	-	192	2,399	-	-	2,399	-	2,591
Receivable (net of allowance for uncollectibles):								
Interest	8	235	22	32	-	54	-	289
Property taxes	-	-	-	-	-	-	-	-
Accounts	-	14	277	-	-	277	-	291
Intergovernmental	-	3,657	-	-	103	103	-	3,760
Notes	-	22,734	-	-	-	-	-	22,734
Advances to other funds	-	20,571	-	-	-	-	-	20,571
Land & improvements held for resale	11,853	13,530	-	-	-	-	-	13,530
Total assets	<u>\$ 12,093</u>	<u>\$ 86,362</u>	<u>\$ 4,801</u>	<u>\$ 4,358</u>	<u>\$ 144</u>	<u>\$ 9,303</u>	<u>\$ 1,625</u>	<u>\$ 97,290</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ 12	\$ 960	\$ 24	\$ 365	\$ -	\$ 389	\$ -	\$ 1,349
Accrued payroll	-	25	-	-	-	-	-	25
Retainage payable	-	947	158	-	-	158	-	1,105
Deferred revenue	-	24,364	-	1	115	116	-	24,480
Deposits	10	36	-	-	-	-	-	36
Due to other funds	-	1,851	-	-	-	-	-	1,851
Advance from other funds	-	578	3,538	-	-	3,538	-	4,116
Total liabilities	<u>22</u>	<u>28,761</u>	<u>3,720</u>	<u>366</u>	<u>115</u>	<u>4,201</u>	<u>-</u>	<u>32,962</u>
Fund balances								
Nonspendable:								
Permanent fund principal	-	-	-	-	-	-	1,625	1,625
Restricted for:								
Housing and redevelopment	12,071	44,678	-	-	-	-	-	44,678
Transportation and public works	-	12,923	-	-	29	29	-	12,952
Other purposes	-	-	1,081	3,992	-	5,073	-	5,073
Total fund balances	<u>12,071</u>	<u>57,601</u>	<u>1,081</u>	<u>3,992</u>	<u>29</u>	<u>5,102</u>	<u>1,625</u>	<u>64,328</u>
Total liabilities and fund balances	<u>\$ 12,093</u>	<u>\$ 86,362</u>	<u>\$ 4,801</u>	<u>\$ 4,358</u>	<u>\$ 144</u>	<u>\$ 9,303</u>	<u>\$ 1,625</u>	<u>\$ 97,290</u>

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,163	\$ -	\$ -
Intergovernmental	2,374	7,253	352	8,951	-	-	-
Charges for services	-	-	-	-	-	-	33
Fines and forfeitures	-	-	-	-	-	-	3,684
Special assessments	-	-	-	-	-	228	421
Rental and investment income	-	325	18	33	16	-	-
Miscellaneous	-	-	151	3,725	220	-	-
Total revenues	2,374	7,578	521	12,709	11,399	228	4,138
Expenditures							
Current:							
General government	-	-	603	955	1,866	-	3,530
Public Safety	2,374	-	-	-	-	-	-
Capital outlay	-	6,414	-	10,946	3,693	228	-
Debt service:							
Principal	-	-	-	-	9,100	-	-
Total expenditures	2,374	6,414	603	11,901	14,659	228	3,530
Excess (deficiency) of revenues over (under) expenditures	-	1,164	(82)	808	(3,260)	-	608
Other financing sources (uses)							
Transfers in	-	-	-	-	1,474	-	-
Transfers out	-	-	-	-	(14,676)	-	(3,530)
Proceeds from Issuance of long-term debt	-	-	-	-	9,100	-	-
Sales of capital assets	-	-	-	-	197	-	-
Total other financing sources (uses)	-	-	-	-	(3,905)	-	(3,530)
Net change in fund balances	-	1,164	(82)	808	(7,165)	-	(2,922)
Fund balances - beginning	-	11,154	687	(394)	39,358	-	2,922
Fund balances - ending	\$ -	\$ 12,318	\$ 605	\$ 414	\$ 32,193	\$ -	\$ -

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Housing Authority	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
Revenues								
Taxes	\$ -	\$ 11,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,163
Licenses and permits	-	-	852	88	-	940	-	940
Intergovernmental	-	18,930	-	-	39	39	-	18,969
Charges for services	-	33	-	-	-	-	-	33
Fines and forfeitures	-	3,684	-	-	-	-	-	3,684
Special assessments	-	649	-	-	-	-	-	649
Rental and investment income	34	426	-	94	-	94	52	572
Miscellaneous	-	4,096	-	-	-	-	89	4,185
Total revenues	34	38,981	852	182	39	1,073	141	40,195
Expenditures								
Current:								
General government	12	6,966	244	100	-	344	-	7,310
Public Safety	-	2,374	-	-	-	-	-	2,374
Culture and recreation	-	-	-	-	-	-	137	137
Capital outlay	1,624	22,905	3,656	892	128	4,676	-	27,581
Debt service:								
Principal	-	9,100	-	-	-	-	-	9,100
Total expenditures	1,636	41,345	3,900	992	128	5,020	137	46,502
Excess (deficiency) of revenues over (under) expenditures	(1,602)	(2,364)	(3,048)	(810)	(89)	(3,947)	4	(6,307)
Other financing sources (uses)								
Transfers in	14,909	16,383	-	-	-	-	-	16,383
Transfers out	(2,674)	(20,880)	(3,465)	-	-	(3,465)	-	(24,345)
Proceeds from issuance of long-term debt	-	9,100	-	-	-	-	-	9,100
Sales of capital assets	(88)	109	-	-	-	-	-	109
Total other financing sources (uses)	12,147	4,712	(3,465)	-	-	(3,465)	-	1,247
Net change in fund balances	10,545	2,348	(6,513)	(810)	(89)	(7,412)	4	(5,060)
Fund balances - beginning	1,526	55,253	7,594	4,802	118	12,514	1,621	69,388
Fund balances - ending	\$ 12,071	\$ 57,601	\$ 1,081	\$ 3,992	\$ 29	\$ 5,102	\$ 1,625	\$ 64,328

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,696	2,374	(7,322)	7,568	7,253	(315)	330	352	22
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	150	325	175	-	18	18
Miscellaneous	-	-	-	-	-	-	131	151	20
Total revenues	<u>9,696</u>	<u>2,374</u>	<u>(7,322)</u>	<u>7,718</u>	<u>7,578</u>	<u>(140)</u>	<u>461</u>	<u>521</u>	<u>60</u>
Expenditures									
Current:									
General government	9,785	2,374	7,411	-	-	-	1,003	603	400
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	18,499	6,414	12,085	-	-	-
Total expenditures	<u>9,785</u>	<u>2,374</u>	<u>7,411</u>	<u>18,499</u>	<u>6,414</u>	<u>12,085</u>	<u>1,003</u>	<u>603</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(89)</u>	<u>-</u>	<u>89</u>	<u>(10,781)</u>	<u>1,164</u>	<u>11,945</u>	<u>(542)</u>	<u>(82)</u>	<u>460</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(89)	-	89	(10,781)	1,164	11,945	(542)	(82)	460
Fund balances (deficit), beginning	-	-	-	11,154	11,154	-	687	687	-
Fund balances (deficit), ending	<u>\$ (89)</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 373</u>	<u>\$ 12,318</u>	<u>\$ 11,945</u>	<u>\$ 145</u>	<u>\$ 605</u>	<u>\$ 460</u>

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			Redevelopment Agency			NPDES Storm Drain		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 9,586	\$ 11,163	\$ 1,577	\$ -	\$ -	\$ -
Intergovernmental	7,692	8,951	1,259	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	399	228	(171)
Rental and investment income	25	33	8	214	16	(198)	-	-	-
Miscellaneous	390	3,725	3,335	5	220	215	-	-	-
Total revenues	<u>8,107</u>	<u>12,709</u>	<u>4,602</u>	<u>9,805</u>	<u>11,399</u>	<u>1,594</u>	<u>399</u>	<u>228</u>	<u>(171)</u>
Expenditures									
Current:									
General government	959	955	4	33,119	1,866	31,253	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	25,562	10,946	14,616	8,426	3,693	4,733	434	228	206
Debt service									
Principal				9,100	9,100				
Total expenditures	<u>26,521</u>	<u>11,901</u>	<u>14,620</u>	<u>50,645</u>	<u>14,659</u>	<u>35,986</u>	<u>434</u>	<u>228</u>	<u>206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,414)</u>	<u>808</u>	<u>19,222</u>	<u>(40,840)</u>	<u>(3,260)</u>	<u>37,580</u>	<u>(35)</u>	<u>-</u>	<u>35</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	1,474	1,474	-	-	-
Transfers out	-	-	-	(14,840)	(14,676)	164	-	-	-
Proceeds from issuance of long-term debt	-	-	-	9,100	9,100	-	-	-	-
Sale of capital assets	-	-	-	-	197	197	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,740)</u>	<u>(3,905)</u>	<u>1,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,414)	808	19,222	(46,580)	(7,165)	39,415	(35)	-	35
Fund balances (deficit), beginning	(394)	(394)	-	39,358	39,358	-	-	-	-
Fund balances (deficit), ending	<u>\$ (18,808)</u>	<u>\$ 414</u>	<u>\$ 19,222</u>	<u>\$ (7,222)</u>	<u>\$ 32,193</u>	<u>\$ 39,415</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 35</u>

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue						Capital Projects					
	Neglected Property Abatement			Housing Authority			Capital Outlay			Redevelopment		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	85,402	30,720	(54,682)	769	89	(680)
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	33	33	-	-	-	-	-	-	-	-	-
Fines and forfeitures	3,000	3,684	684	-	-	-	-	-	-	-	-	-
Special assessments	500	421	(79)	-	-	-	35	315	280	-	-	-
Rental and investment income	-	-	-	-	34	34	175	450	275	809	2,445	1,636
Miscellaneous	-	-	-	-	-	-	2,100	1,911	(189)	23	3,406	3,383
Total revenues	<u>3,500</u>	<u>4,138</u>	<u>638</u>	<u>-</u>	<u>34</u>	<u>34</u>	<u>87,712</u>	<u>33,396</u>	<u>(54,316)</u>	<u>1,601</u>	<u>5,940</u>	<u>4,339</u>
Expenditures												
Current:												
General government	3,867	3,530	337	1,817	12	1,805	-	-	-	13,366	8,983	4,383
Culture and recreation	-	-	-	-	-	-	-	-	-	15,393	18,848	(3,455)
Capital outlay	-	-	-	-	1,624	(1,624)	101,545	40,780	60,765	127,390	35,711	91,679
Debt service												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	990	(990)
Total expenditures	<u>3,867</u>	<u>3,530</u>	<u>337</u>	<u>1,817</u>	<u>1,636</u>	<u>181</u>	<u>101,545</u>	<u>40,780</u>	<u>60,765</u>	<u>156,149</u>	<u>64,532</u>	<u>91,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(367)</u>	<u>608</u>	<u>975</u>	<u>(1,817)</u>	<u>(1,602)</u>	<u>215</u>	<u>(13,833)</u>	<u>(7,384)</u>	<u>6,449</u>	<u>(154,548)</u>	<u>(58,592)</u>	<u>95,956</u>
Other financing sources (uses)												
Transfers in	-	-	-	14,559	14,909	350	-	-	-	21,952	29,554	7,602
Transfers out	-	(3,530)	(3,530)	(1,200)	(2,674)	(1,474)	-	-	-	(117,365)	(117,905)	(540)
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	65,000	65,000	-
Sale of capital assets	-	-	-	-	(88)	(88)	-	-	-	-	(3,657)	(3,657)
Total other financing sources	<u>-</u>	<u>(3,530)</u>	<u>(3,530)</u>	<u>13,359</u>	<u>12,147</u>	<u>(1,212)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,413)</u>	<u>(27,008)</u>	<u>3,405</u>
Net change in fund balances	(367)	(2,922)	(2,555)	11,542	10,545	(997)	(13,833)	(7,384)	6,449	(184,961)	(85,600)	99,361
Fund balances (deficit), beginning	2,922	2,922	-	1,526	1,526	-	20,891	20,891	-	13,494	137,494	124,000
Fund balances (deficit), ending	<u>\$ 2,555</u>	<u>\$ -</u>	<u>\$ (2,555)</u>	<u>\$ 13,068</u>	<u>\$ 12,071</u>	<u>\$ (997)</u>	<u>\$ 7,058</u>	<u>\$ 13,507</u>	<u>\$ 6,449</u>	<u>\$ (171,467)</u>	<u>\$ 51,894</u>	<u>\$ 223,361</u>

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	449	39	(410)
Licenses and permits	-	852	852	65	88	23	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	60	94	34	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>852</u>	<u>852</u>	<u>125</u>	<u>182</u>	<u>57</u>	<u>449</u>	<u>39</u>	<u>(410)</u>
Expenditures									
Current:									
General government	549	244	305	100	100	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	7,861	3,656	4,205	3,732	892	2,840	539	128	411
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>8,410</u>	<u>3,900</u>	<u>4,510</u>	<u>3,832</u>	<u>992</u>	<u>2,840</u>	<u>539</u>	<u>128</u>	<u>411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,410)</u>	<u>(3,048)</u>	<u>5,362</u>	<u>(3,707)</u>	<u>(810)</u>	<u>2,897</u>	<u>(90)</u>	<u>(89)</u>	<u>1</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(3,465)	(3,465)	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>(3,465)</u>	<u>(3,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,875)	(6,513)	5,362	(3,707)	(810)	2,897	(90)	(89)	1
Fund balances (deficit), beginning	7,594	7,594	-	4,802	4,802	-	118	118	-
Fund balances (deficit), ending	<u>\$ (4,281)</u>	<u>\$ 1,081</u>	<u>\$ 5,362</u>	<u>\$ 1,095</u>	<u>\$ 3,992</u>	<u>\$ 2,897</u>	<u>\$ 28</u>	<u>\$ 29</u>	<u>\$ 1</u>

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011
 (amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ 2	\$ 1,378	\$ 1,167	\$ 2,610	\$ 5,157
Receivables (net of allowance for uncollectibles)					
Interest	-	30	9	32	71
Utility billed	-	619	-	-	619
Utility unbilled	-	580	-	-	580
Accounts	106	198	9	56	369
Intergovernmental	-	-	639	59	698
Restricted assets:					
Cash and cash equivalents	-	2,247	-	-	2,247
Cash and investments at fiscal agent	-	-	-	15,547	15,547
Total current assets	<u>108</u>	<u>5,052</u>	<u>1,824</u>	<u>18,304</u>	<u>25,288</u>
Non-current assets:					
Deferred charges - other	238	9,014	624	175	10,051
Capital assets:					
Land	9,988	-	-	3,713	13,701
Buildings	2,114	-	22	13,879	16,015
Accumulated depreciation-buildings	(1,062)	-	(9)	(3,181)	(4,252)
Improvements other than buildings	18,032	-	47	5,915	23,994
Accumulated depreciation-improvements other than buildings	(4,779)	-	(4)	(774)	(5,557)
Machinery and equipment	412	11,687	3,954	1,682	17,735
Accumulated depreciation-machinery and equipment	(217)	(7,303)	(2,080)	(1,001)	(10,601)
Construction in progress	1,077	-	191	10,295	11,563
Total non-current assets:	<u>25,803</u>	<u>13,398</u>	<u>2,745</u>	<u>30,703</u>	<u>72,649</u>
Total assets	<u>25,911</u>	<u>18,450</u>	<u>4,569</u>	<u>49,007</u>	<u>97,937</u>

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011
 (amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	111	692	21	692	1,516
Accrued payroll	49	592	118	87	846
Unearned revenue	-	-	1,656	-	1,656
Due to other funds	5	-	-	-	5
Capital leases-current	-	-	7	-	7
Notes-current	-	-	-	807	807
Landfill capping-current	-	200	-	-	200
Other payables	46	419	192	82	739
Total current liabilities	<u>211</u>	<u>1,903</u>	<u>1,994</u>	<u>1,668</u>	<u>5,776</u>
Non-current liabilities:					
Notes payables	-	-	-	23,801	23,801
Capital leases	-	-	22	-	22
Advances from other funds	233	1,273	612	1,696	3,814
Landfill capping	-	6,715	-	-	6,715
Total non-current liabilities	<u>233</u>	<u>7,988</u>	<u>634</u>	<u>25,497</u>	<u>34,352</u>
Total liabilities	<u>444</u>	<u>9,891</u>	<u>2,628</u>	<u>27,165</u>	<u>40,128</u>
Net Assets					
Invested in capital assets, net of related debt	25,565	4,384	2,092	21,467	53,508
Restricted for landfill capping	-	2,247	-	-	2,247
Unrestricted	(98)	1,928	(151)	375	2,054
Total net assets	<u>\$ 25,467</u>	<u>\$ 8,559</u>	<u>\$ 1,941</u>	<u>\$ 21,842</u>	<u>\$ 57,809</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Transportation</u>	<u>Public Parking</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 1,342	\$ 19,134	\$ 344	\$ 5,205	\$ 26,025
Operating expenses:					
Personnel services	718	4,360	1,917	1,077	8,072
Contractual services	59	3,825	18	1,142	5,044
Maintenance and operation	276	5,471	447	472	6,666
General	237	3,660	313	102	4,312
Materials and supplies	366	793	173	8	1,340
Insurance	29	105	46	86	266
Depreciation and amortization	619	1,795	561	866	3,841
Total operating expenses	<u>2,304</u>	<u>20,009</u>	<u>3,475</u>	<u>3,753</u>	<u>29,541</u>
Operating Income (loss)	<u>(962)</u>	<u>(875)</u>	<u>(3,131)</u>	<u>1,452</u>	<u>(3,516)</u>
Nonoperating revenues (expenses):					
Operating grants	-	-	2,159	-	2,159
Interest income	-	85	2	15	102
Other	117	200	74	664	1,055
Gain/loss on retirement of capital assets	-	2	2	-	4
Interest expense and fiscal charges	(16)	(37)	(18)	(648)	(719)
Total non-operating revenues	<u>101</u>	<u>250</u>	<u>2,219</u>	<u>31</u>	<u>2,601</u>
Income before capital contributions and transfers	<u>(861)</u>	<u>(625)</u>	<u>(912)</u>	<u>1,483</u>	<u>(915)</u>
Cash capital contributions	-	-	714	-	714
Noncash capital contributions	-	-	-	10	10
Transfers out	-	-	-	(992)	(992)
Change in net assets	<u>(861)</u>	<u>(625)</u>	<u>(198)</u>	<u>501</u>	<u>(1,183)</u>
Total net assets - beginning	<u>26,328</u>	<u>9,184</u>	<u>2,139</u>	<u>21,341</u>	<u>58,992</u>
Total net assets - ending	<u>\$ 25,467</u>	<u>\$ 8,559</u>	<u>\$ 1,941</u>	<u>\$ 21,842</u>	<u>\$ 57,809</u>

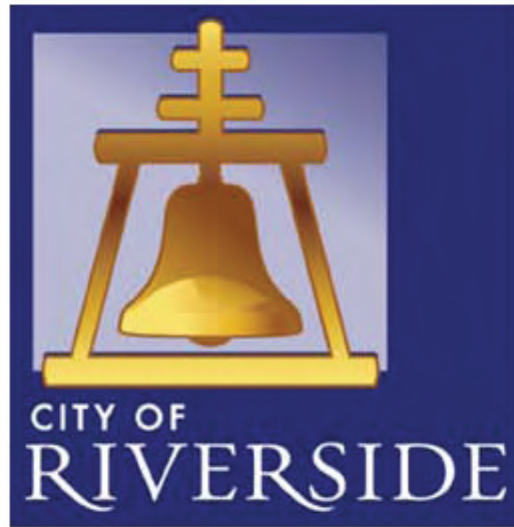
City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Trans- portation</u>	<u>Public Parking</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,334	\$ 19,224	\$ 338	\$ 5,306	\$ 26,202
Cash paid to employees for services	(698)	(4,206)	(1,842)	(1,032)	(7,778)
Cash paid to other suppliers of goods or services	(894)	(14,131)	(976)	(1,163)	(17,164)
Other receipts	<u>117</u>	<u>200</u>	<u>74</u>	<u>664</u>	<u>1,055</u>
Net cash provided (used) by operating activities	<u>(141)</u>	<u>1,087</u>	<u>(2,406)</u>	<u>3,775</u>	<u>2,315</u>
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(992)	(992)
Operating grants	99	-	1,444	-	1,543
Payments on interfund receivables	<u>(1)</u>	<u>(33)</u>	<u>(16)</u>	<u>(7,219)</u>	<u>(7,269)</u>
Net cash provided (used) by noncapital financing activities	<u>98</u>	<u>(33)</u>	<u>1,428</u>	<u>(8,211)</u>	<u>(6,718)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(93)	-	(481)	(4,405)	(4,979)
Proceeds from the sale of capital assets	-	2	2	-	4
Principal paid on long-term obligations	(50)	-	-	-	(50)
Proceeds from on long-term obligations	-	-	-	24,608	24,608
Interest paid on long-term obligations	(16)	(30)	(18)	(648)	(712)
Capital contributions	<u>-</u>	<u>-</u>	<u>714</u>	<u>-</u>	<u>714</u>
Net cash provided (used) for capital and related financing activities	<u>(159)</u>	<u>(28)</u>	<u>217</u>	<u>19,555</u>	<u>19,585</u>
Cash flows from investing activities:					
Income from investments	<u>1</u>	<u>70</u>	<u>5</u>	<u>2</u>	<u>78</u>
Net cash provided by investing activities	<u>1</u>	<u>70</u>	<u>5</u>	<u>2</u>	<u>78</u>
Net change in cash and cash equivalents	(201)	1,096	(756)	15,121	15,260
Cash and cash equivalents, beginning	<u>203</u>	<u>2,529</u>	<u>1,923</u>	<u>3,036</u>	<u>7,691</u>
Cash and cash equivalents, ending	<u>\$ 2</u>	<u>\$ 3,625</u>	<u>\$ 1,167</u>	<u>\$ 18,157</u>	<u>\$ 22,951</u>

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (962)	\$ (875)	\$ (3,131)	\$ 1,452	\$ (3,516)
Other receipts	117	200	74	664	1,055
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	619	1,795	561	866	3,841
Amortization of pension costs	6	30	14	4	54
(Increase) in utility billed receivable	-	(28)	-	-	(28)
Decrease in utility unbilled receivable	-	67	-	-	67
(Increase) decrease in accounts receivable	(8)	51	(6)	109	146
(Increase) in intergovernmental receivable	-	-	-	(8)	(8)
Decrease in prepaid items	-	-	20	-	20
Increase in accounts payable	74	110	1	647	832
Increase in accrued payroll	-	17	9	15	41
(decrease) in retainage payable	(1)	-	-	-	(1)
Increase in other payable	14	107	52	26	199
(Decrease) in due to other funds	-	(222)	-	-	(222)
(Decrease) in landfill capping	-	(165)	-	-	(165)
Net cash provided (used) by operating activities	<u>\$ (141)</u>	<u>\$ 1,087</u>	<u>\$ (2,406)</u>	<u>\$ 3,775</u>	<u>\$ 2,315</u>



Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Assets
Internal Service funds
June 30, 2011
 (amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Totals
Current assets:				
Cash and investments	\$ 1,306	\$ -	\$ 2,930	\$ 4,236
Receivables (net of allowance for uncollectibles):				
Interest	35	-	22	57
Accounts	29	-	63	92
Intergovernmental	57	-	-	57
Inventory	-	6,683	752	7,435
Total current assets	<u>1,427</u>	<u>6,683</u>	<u>3,767</u>	<u>11,877</u>
Advances to other funds	11,975	-	-	11,975
Deferred charges	228	239	1,074	1,541
Capital assets:				
Buildings	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	(211)	(211)
Machinery and equipment	-	148	9,457	9,605
Accumulated depreciation-machinery and equipment	-	(142)	(7,863)	(8,005)
Construction in Progress	-	-	215	215
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>6</u>	<u>3,086</u>	<u>3,092</u>
Total noncurrent assets	<u>12,203</u>	<u>245</u>	<u>4,160</u>	<u>16,608</u>
Total assets	<u>13,630</u>	<u>6,928</u>	<u>7,927</u>	<u>28,485</u>
Liabilities				
Current liabilities:				
Accounts payable	265	189	472	926
Accrued payroll	34	95	404	533
Due to other funds	-	4,195	-	4,195
Claims and judgements - current	9,900	-	-	9,900
Other payables	47	56	247	350
Total current liabilities	<u>10,246</u>	<u>4,535</u>	<u>1,123</u>	<u>15,904</u>
Noncurrent liabilities:				
Advances from other funds	223	234	1,055	1,512
Claims and judgements	16,715	-	-	16,715
Total noncurrent liabilities	<u>16,938</u>	<u>234</u>	<u>1,055</u>	<u>18,227</u>
Total liabilities	<u>27,184</u>	<u>4,769</u>	<u>2,178</u>	<u>34,131</u>
Net Assets				
Invested in capital assets	-	6	3,086	3,092
Unrestricted	(13,554)	2,153	2,663	(8,738)
Total net assets	<u>\$ (13,554)</u>	<u>\$ 2,159</u>	<u>\$ 5,749</u>	<u>\$ (5,646)</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	<u>Self-Insurance Trust</u>	<u>Central Stores</u>	<u>Central Garage</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 7,581	\$ 1,313	\$ 6,898	\$ 15,792
Operating expenses:				
Personnel services	455	606	2,644	3,705
Contractual services	67	-	153	220
Maintenance and operation	2	26	2,092	2,120
General	846	330	604	1,780
Materials and supplies	1	15	194	210
Claims/Insurance	10,692	9	35	10,736
Depreciation and amortization	-	4	779	783
Total operating expenses	<u>12,063</u>	<u>990</u>	<u>6,501</u>	<u>19,554</u>
Operating income (loss)	<u>(4,482)</u>	<u>323</u>	<u>397</u>	<u>(3,762)</u>
Non-operating revenues (expenses):				
Interest income	425	-	72	497
Other	85	-	6	91
Gain (loss) on retirement of capital assets	-	-	(16)	(16)
Interest expense and fiscal charges	(110)	(7)	(31)	(148)
Total non-operating revenue (expenses)	<u>400</u>	<u>(7)</u>	<u>31</u>	<u>424</u>
Change in net assets	(4,082)	316	428	(3,338)
Total net assets - beginning	(9,472)	1,843	5,321	(2,308)
Total net assets - ending	<u>\$ (13,554)</u>	<u>\$ 2,159</u>	<u>\$ 5,749</u>	<u>\$ (5,646)</u>

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 8,678	\$ 1,313	\$ 10,546	\$ 20,537
Cash paid to employees for services	(432)	(577)	(2,544)	(3,553)
Cash paid to other suppliers of goods or services	(11,775)	(73)	(6,604)	(18,452)
Other	85	-	6	91
Net cash provided (used) by operating activities	<u>(3,444)</u>	<u>663</u>	<u>1,404</u>	<u>(1,377)</u>
Cash flows from noncapital financing activities:				
Payments on interfund payables	(6)	(656)	(27)	(689)
Advances to other funds	1,627	-	-	1,627
Net cash (used) by noncapital financing activities	<u>1,621</u>	<u>(656)</u>	<u>(27)</u>	<u>938</u>
Cash flows from capital and related financing activities:				
Interest paid on long-term obligation	(110)	(7)	(31)	(148)
Loss from the sale of capital assets	-	-	(16)	(16)
Purchase of capital assets	-	-	(1,044)	(1,044)
Net cash (used) for capital and related financing activities	<u>(110)</u>	<u>(7)</u>	<u>(1,091)</u>	<u>(1,208)</u>
Cash flows from investing activities:				
Income from investments	431	-	63	494
	<u>431</u>	<u>-</u>	<u>63</u>	<u>494</u>
Net increase (decrease) in cash and cash equivalents	(1,502)	-	349	(1,153)
Cash and cash equivalents, beginning	<u>2,808</u>	<u>-</u>	<u>2,581</u>	<u>5,389</u>
Cash and cash equivalents, ending	<u>\$ 1,306</u>	<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ 4,236</u>

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

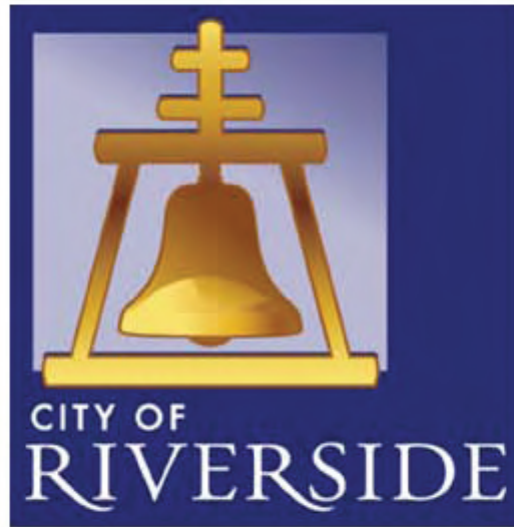
	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (4,482)	\$ 323	\$ 397	\$ (3,762)
Other	85	-	6	91
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	4	779	783
Amortization of pension costs	5	5	25	35
(Increase) in account receivable	(28)	-	(19)	(47)
(Increase) decrease in intergovernmental receivable	(27)	-	9	(18)
(Increase) in inventory	-	(1,242)	(178)	(1,420)
Increase (decrease) in accounts payable	(89)	(98)	310	123
Increase in other payable	13	15	61	89
Increase in accrued payroll	5	9	14	28
Increase in due to other funds	-	1,647	-	1,647
Increase in claims and judgments	1,074	-	-	1,074
Net cash provided (used) by operating activities	<u>\$ (3,444)</u>	<u>\$ 663</u>	<u>\$ 1,404</u>	<u>\$ (1,377)</u>

Fiduciary Fund

The City's Fiduciary Fund is comprised of an Agency Fund, which is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2011
(amounts expressed in thousands)

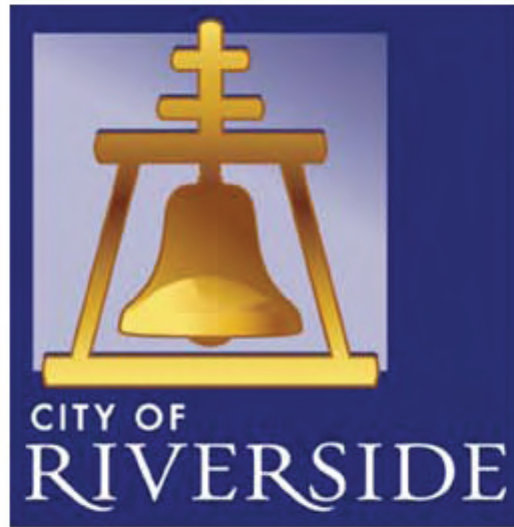
	Balance				Balance
	July 1, 2010	Additions	Deductions		June 30, 2011
Assets:					
Cash and investments	\$ 11,119	\$ 7,334	\$ 9,798	\$	8,655
Cash and investments at fiscal agent	8,930	8,864	8,832	\$	8,962
Interest receivable	52	572	566		58
Property taxes receivable	267	270	275		262
Total assets	\$ 20,368	\$ 17,040	\$ 19,471	\$	17,937
Liabilities:					
Accounts payable	\$ 5	\$ 136	\$ 113	\$	28
Held for bond holders	20,363	7,476	9,930		17,909
Total liabilities	\$ 20,368	\$ 7,612	\$ 10,043	\$	17,937



City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2011
(amounts expressed in thousands)

Governmental funds capital assets:	
Land	\$ 290,692
Buildings and improvements	165,101
Improvements other than buildings	202,911
Machinery and equipment	849,090
Infrastructure	74,503
Construction in progress	23,562
Total governmental funds capital assets	<u>\$ 1,605,859</u>

Investments in governmental funds capital assets by source:	
Certificates of participation	\$ 120,956
Gifts	310,779
Operating revenue	417,002
General obligation bonds	4,483
Revenue bonds	21,104
County contracts and grants	397
State grants	1,026
Asset forfeiture - state	2,278
Asset forfeiture - federal	147
Housing and community development grants	33,703
Other federal grants	768
Community facilities bonds	2,118
Assessment district bonds	29,309
Capital leases	18,452
RDA tax increment bonds	5,405
Capital projects funds	637,932
Total governmental funds capital assets	<u>\$ 1,605,859</u>



Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	85
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate property and sales taxes.	91
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	107
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	109

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 465,803	\$ 471,380	\$ 484,784	\$ 515,354	\$ 622,336	\$ 712,801	\$ 850,740	\$ 950,496	\$ 976,614	\$ 1,019,892
Restricted	115,352	106,862	137,126	154,957	158,038	107,982	102,677	98,903	108,932	80,820
Unrestricted	(59,893)	(10,227)	(41,353)	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)	(80,947)	(90,159)
Total governmental activities net assets	\$ 521,262	\$ 568,015	\$ 580,557	\$ 623,892	\$ 729,113	\$ 786,538	\$ 921,988	\$ 1,007,538	\$ 1,004,599	\$ 1,010,553
Business-type activities										
Invested in capital assets, net of related debt	\$ 293,936	\$ 323,094	\$ 341,041	\$ 402,377	\$ 425,285	\$ 520,059	\$ 601,999	\$ 659,904	\$ 660,619	\$ 654,974
Restricted	38,535	40,869	49,242	54,540	71,386	57,613	43,341	38,621	59,863	56,397
Unrestricted	177,537	181,985	217,762	229,462	250,041	242,966	225,281	207,405	219,720	256,038
Total business-type activities net assets	\$ 510,008	\$ 545,948	\$ 608,045	\$ 686,379	\$ 746,712	\$ 820,638	\$ 870,621	\$ 905,930	\$ 940,202	\$ 967,409
Primary government										
Invested in capital assets, net of related debt	\$ 759,739	\$ 794,474	\$ 825,825	\$ 917,731	\$ 1,047,621	\$ 1,232,860	\$ 1,452,739	\$ 1,610,400	\$ 1,637,233	\$ 1,674,866
Restricted	153,887	147,731	186,368	209,497	229,424	165,595	146,018	137,524	168,795	137,217
Unrestricted	117,644	171,758	176,409	183,043	198,780	208,721	193,852	165,544	138,773	165,879
Total primary government net assets	\$ 1,031,270	\$ 1,113,963	\$ 1,188,602	\$ 1,310,271	\$ 1,475,825	\$ 1,607,176	\$ 1,792,609	\$ 1,913,468	\$ 1,944,801	\$ 1,977,962

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 47,245	\$ 59,530	\$ 63,000	\$ 58,460	\$ 74,458	\$ 105,486	\$ 113,897	\$ 102,665	\$119,676	\$102,877
Public safety	80,944	88,969	102,500	110,969	120,470	114,312	122,783	127,350	118,868	123,061
Highways and streets	6,819	15,625	22,017	20,364	20,757	22,556	26,986	18,731	22,036	24,082
Culture and Recreation	29,607	29,236	22,988	26,353	32,602	28,016	31,659	24,121	37,679	44,098
Interest on long-term debt	7,727	7,696	10,996	15,885	16,358	26,378	34,075	34,361	32,049	33,638
Total governmental activities expenses	172,342	201,056	221,501	232,031	264,645	296,748	329,400	307,228	330,308	327,756
Business-type activities:										
Electric	215,131	186,917	196,727	200,030	226,186	232,346	271,412	269,209	256,860	275,922
Water	28,978	29,715	33,921	36,709	39,486	42,108	47,570	53,931	55,402	56,390
Sewer	19,214	20,053	23,273	26,108	27,299	29,510	31,209	34,853	41,248	42,276
Refuse	10,821	11,577	11,510	12,841	14,546	16,490	18,430	18,425	20,527	20,046
Airport	1,045	1,151	1,088	1,185	1,004	1,201	1,418	1,734	2,206	2,320
Transportation	1,735	2,110	2,286	2,557	2,917	2,831	3,190	3,194	3,368	3,493
Public parking	-	1,392	1,389	824	2,701	3,762	4,093	5,095	4,024	4,401
Total business-type activities expenses	276,924	252,915	270,194	280,254	314,139	328,248	377,322	386,441	383,635	404,848
Total primary government expenses	\$ 449,266	\$ 453,971	\$ 491,695	\$ 512,285	\$ 578,784	\$ 624,996	\$ 706,722	\$ 693,669	\$713,943	\$732,604
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 20,265	\$ 22,675	\$ 26,160	\$ 25,995	\$ 24,683	\$ 10,245	\$ 23,969	\$ 13,691	\$ 12,933	\$ 14,241
Public safety	5,855	6,427	6,799	6,982	5,845	12,410	9,924	8,414	8,177	8,075
Highways and streets	18,891	20,867	22,286	23,108	25,412	30,563	19,695	14,391	17,847	16,985
Culture and recreation	4,671	8,304	5,056	7,002	7,716	8,302	4,370	3,168	2,367	3,180
Operating grants and contributions	7,257	12,716	12,935	16,140	13,150	12,101	15,024	23,313	32,853	21,127
Capital grants and contributions	19,528	2,144	1,136	5,292	18,618	10,557	115,982	69,745	23,395	38,138
Total governmental activities program revenues	76,467	73,133	74,372	84,519	95,424	84,178	188,964	132,722	97,572	101,746
Business-type activities:										
Charges for services:										
Electric	216,106	204,293	233,102	252,322	259,572	278,888	305,299	314,164	309,910	313,703
Water	29,527	28,637	32,382	34,002	37,613	47,080	49,855	54,923	57,534	62,084
Sewer	20,457	21,172	21,672	21,967	21,510	24,057	22,525	23,247	27,342	32,769
Refuse	11,220	11,795	13,759	14,492	15,160	15,833	16,289	18,394	18,712	19,134
Airport	1,089	1,046	1,051	1,088	1,162	1,263	1,423	1,232	1,315	1,342
Transportation	116	170	185	200	238	302	313	336	328	344
Public parking	-	2,385	2,760	2,961	2,837	3,431	3,717	4,332	4,876	5,205
Operating grants and contributions	2,992	3,663	1,723	2,261	2,704	1,939	3,308	1,929	2,487	2,159
Capital grants and contributions	1,877	4,976	26,390	32,317	29,293	40,066	29,215	17,288	6,838	7,337
Total business-type activities program revenues	283,384	278,137	333,024	361,610	370,089	412,859	431,944	435,845	429,342	444,077
Total primary government program revenues	\$ 359,851	\$ 351,270	\$ 407,396	\$ 446,129	\$ 465,513	\$ 497,037	\$ 620,908	\$ 568,567	\$526,914	\$545,823

(continued)

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Revenues (Expense)										
Governmental activities	\$ (95,875)	\$ (127,923)	\$ (147,129)	\$ (147,512)	\$ (169,221)	\$ (212,570)	\$ (140,436)	\$ (174,506)	\$ (232,736)	\$ (226,010)
Business-type activities	6,460	25,222	62,830	81,356	55,950	84,611	54,622	49,404	45,707	39,229
Total primary government net expense	\$ (89,415)	\$ (102,701)	\$ (84,299)	\$ (66,156)	\$ (113,271)	\$ (127,959)	\$ (85,814)	\$ (125,102)	\$ (187,029)	\$ (186,781)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Sales	\$ 38,467	\$ 41,691	\$ 46,624	\$ 53,348	\$ 57,522	\$ 55,666	\$ 50,526	\$ 41,882	\$ 39,645	\$ 44,157
Property	29,471	33,584	35,911	61,553	80,934	106,114	114,176	116,420	104,087	100,802
Utility Users	18,510	19,928	21,362	22,133	23,502	25,384	26,267	25,964	25,975	26,691
Franchise	4,070	3,811	4,261	4,481	4,813	5,031	4,972	5,144	4,477	4,937
Other	2,777	2,967	3,213	3,828	4,372	3,581	3,795	2,912	2,488	2,731
Intergovernmental, unrestricted	14,848	15,533	12,528	1,795	1,747	1,863	2,074	4,569	1,339	1,285
Unrestricted grants and contributions	-	-	18,710	15,220	39,653	29,743	-	-	-	-
Investment earnings	11,058	8,064	1,284	7,815	10,150	18,582	25,670	15,941	8,289	7,439
Miscellaneous	5,079	2,241	5,476	5,756	26,173	4,228	9,480	5,137	3,344	9,544
Transfers	18,057	18,218	10,302	14,918	25,576	31,171	32,326	42,087	40,153	34,378
Contributions	-	-	(2,800)	-	-	-	-	-	-	-
Total governmental activities	142,337	146,037	156,871	190,847	274,442	281,363	269,286	260,056	229,797	231,964
Business-type activities:										
Unrestricted grants and contributions	12,638	15,972	-	-	-	-	-	-	-	-
Investment income	12,780	9,115	5,016	7,548	11,259	16,988	22,756	23,402	21,271	17,548
Miscellaneous	5,624	3,849	4,553	7,362	18,700	3,498	4,931	4,590	7,447	4,808
Special item	7,900	-	-	(3,014)	-	-	-	-	-	-
Transfers	(18,057)	(18,218)	(10,302)	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)	(40,153)	(34,378)
Total business-type activities	20,885	10,718	(733)	(3,022)	4,383	(10,685)	(4,639)	(14,095)	(11,435)	(12,022)
Total primary government	163,222	156,755	156,138	187,825	278,825	270,678	264,647	245,961	218,362	219,942
Change in Net Assets										
Governmental activities	\$ 46,462	\$ 18,114	\$ 9,742	\$ 43,335	\$ 105,221	\$ 68,793	\$ 128,850	\$ 85,550	\$ (2,939)	\$ 5,954
Business-type activities	27,345	35,940	62,097	78,334	60,333	73,926	49,983	35,309	34,272	27,207
Total primary government	\$ 73,807	\$ 54,054	\$ 71,839	\$ 121,669	\$ 165,554	\$ 142,719	\$ 178,833	\$ 120,859	\$ 31,333	\$ 33,161

Table 3
City of Riverside
Fund Balances of Governmental Funds
As of June 30, 2011
(modified accrual basis of accounting, in thousands)

General fund	
Nonspendable	\$ 26,646
Restricted	82,249
Assigned	15,589
Unassigned	<u>36,359</u>
Total general fund	<u><u>160,843</u></u>

All other governmental funds	
Nonspendable	1,626
Restricted:	
Housing and redevelopment	96,571
Debt service	56,526
Transportation and public works	26,459
Other purposes	<u>5,073</u>
Total all other governmental funds	<u><u>\$ 186,255</u></u>

*The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011.
The City has elected to show one year of data for this schedule.*

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 1 of 2

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 93,879	\$ 102,286	\$ 113,118	\$ 142,056	\$ 170,638	\$ 191,131	\$ 200,438	\$ 192,322	\$ 177,255	\$ 179,318
Licenses and permits	12,317	14,394	11,343	14,389	16,351	12,984	10,027	7,368	6,899	7,657
Intergovernmental	47,410	43,829	42,609	42,568	55,178	47,934	79,423	86,873	60,550	61,082
Charges for services	7,866	8,878	10,046	11,299	11,538	11,914	11,325	9,099	9,570	10,720
Fines and forfeitures	2,346	2,095	2,188	2,006	2,098	2,778	4,573	6,213	7,512	8,928
Special assessments	5,420	6,324	10,259	6,272	6,247	6,170	5,245	5,431	5,464	6,014
Use of money and property	13,017	11,255	10,587	10,915	14,324	22,587	27,970	18,620	11,173	10,173
Miscellaneous	4,816	5,042	7,133	9,996	8,502	6,164	12,796	7,596	7,082	16,605
Total revenues	\$ 187,071	\$ 194,103	\$ 207,283	\$ 239,501	\$ 284,876	\$ 301,662	\$ 351,797	\$ 333,522	\$ 285,505	\$ 300,497
Expenditures:										
General government	\$ 27,748	\$ 22,031	\$ 25,108	\$ 21,800	\$ 25,193	\$ 39,093	\$ 26,177	\$ 25,995	\$ 23,835	\$ 26,090
Public safety	91,245	96,487	107,386	117,267	126,007	139,739	151,773	145,802	138,594	140,994
Highways and streets	10,551	12,034	11,990	11,695	11,281	19,722	25,209	18,452	14,987	14,587
Culture and recreation	23,835	27,579	24,836	28,939	31,017	31,039	30,622	26,859	40,373	44,345
Capital outlay	41,058	39,098	50,333	64,127	121,978	149,325	171,952	180,394	131,908	105,689
Debt Service:										
Principal	6,174	4,470	2,422	8,599	9,733	12,045	11,257	44,349	48,078	89,264
Interest	7,785	7,785	9,945	15,025	19,205	21,330	31,239	33,033	31,267	32,611
Debt issuance costs	-	-	950	1,538	-	2,551	697	259	231	174
Total expenditures	\$ 208,396	\$ 209,484	\$ 232,970	\$ 268,990	\$ 344,414	\$ 414,844	\$ 448,926	\$ 475,143	\$ 429,273	\$ 453,754
Excess of revenues over (under) expenditures	\$ (21,325)	\$ (15,381)	\$ (25,687)	\$ (29,489)	\$ (59,538)	\$ (113,182)	\$ (97,129)	\$ (141,621)	\$ (143,768)	\$ (153,257)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 2 of 2

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses):										
Transfers in	\$ 31,305	\$ 36,202	\$ 41,440	\$ 49,944	\$ 59,545	\$ 84,306	\$ 62,841	\$ 100,797	\$ 88,303	\$ 214,631
Transfers out	(13,248)	(17,984)	(31,338)	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)	(48,150)	(180,280)
Sales of general capital assets	153	1,314	(675)	6,230	1,281	541	8,931	(5,798)	529	(1,629)
Advances from other funds	-	81	-	-	-	-	-	-	-	-
Long-term obligation proceeds	8,454	750	247,594	85,578	20,969	295,190	164,408	30,425	52,360	104,875
Capital lease proceeds	-	-	-	-	-	-	-	-	3,116	2,000
Premiums (discounts) on bonds issued	-	-	-	113	-	4,455	-	-	(539)	-
Payments to refunded bond agent	-	-	(58,657)	(9,167)	-	-	(148,975)	-	-	-
Total other financing sources (uses)	26,664	20,363	198,364	97,672	47,826	331,357	56,690	36,514	95,619	139,597
Special item - pension contribution	-	-	(88,300)	(32,141)	-	-	-	-	-	-
Net change in fund balances	\$ 5,339	\$ 4,982	\$ 84,377	\$ 36,042	\$ (11,712)	\$ 218,175	\$ (40,439)	\$ (74,907)	\$ (48,149)	\$ (13,660)
Debt service as a percentage of noncapital expenditures	7.823% (1)	6.545%	7.173%	15.301% (2)	13.777%	14.011%	17.225% (3)	26.145% (4)	23.278%	35.114% (5)

(1) Debt service decreased upon the retirement of the 1977 Civic Center Authority Bonds.

(2) Increase in debt service related to the issuance of the 2003 and 2004 Redevelopment Agency Tax Allocation Bonds.

(3) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.

(4) Increase relates to \$30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The \$30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010 and 2011.

(5) Increase in debt service related to one-time early redemption of \$31.7 million of 2011 Redevelopment Tax Allocation Bonds and \$9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.

Table 5
City of Riverside
Business-Type Activities Electricity Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2002	\$ 64,625	\$ 46,265	\$ 49,487	\$ 46,505	\$ 7,447	\$ -	\$ 1,777	\$ 216,106
2003	68,649	48,974	52,380	17,806	5,619	8,661	2,230	204,319
2004	80,872	57,079	56,117	9,581	6,354	20,917	2,182	233,102
2005	79,786	59,998	59,157	15,249	6,337	20,213	12,697	253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703

The City started receiving Transmission Revenue in 2003.

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax	Property Tax	Utility Users Tax	Franchise Tax	Other Tax	Total Taxes
2002	\$ 38,467	\$ 29,471	\$ 18,510	\$ 4,070	\$ 2,777	\$ 93,295
2003	41,691	33,584	19,928	3,811	2,967	101,981
2004	46,624	35,911	21,362	4,261	3,213	111,371
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	106,114	25,384	5,031	3,581	195,776
2008	50,526	114,176	26,267	4,972	3,795	199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318

Table 7
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2002	12,103,179	799,323	(2,129,115)	10,773,387	1,240,768	205,181	(16,263)	1,429,686	0.267
2003	13,071,416	980,529	(2,406,961)	11,644,984	1,390,108	276,506	(27,690)	1,638,924	0.268
2004	14,188,658	845,858	(2,526,503)	12,508,013	1,508,478	228,775	(30,286)	1,706,967	0.264
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	0.266
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	0.309
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	0.304
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.349
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347

Notes:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

Source: Riverside County Auditor-Controller

Table 8
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Assessed Valuation)
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Basic Levy ¹	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service ²	0.151	0.250	0.210	0.234	0.220	0.155	0.185	0.291	0.326	0.334
City of Riverside Debt Service	-	-	-	0.011	0.009	0.008	0.006	0.007	0.006	0.006
Eastern Municipal Water Improvement District	0.024	0.024	0.022	0.023	0.010	0.009	0.008	-	-	-
Metropolitan Water District Original Area	0.008	0.007	0.006	0.006	0.005	0.005	0.005	0.004	0.004	0.004
Riverside City Community College Debt Service	-	-	-	0.018	0.018	0.018	0.013	0.013	0.012	0.015
Rubidoux Community Service Debt Service	0.004	0.004	0.003	0.003	-	-	-	-	-	-
Total Direct & Overlapping³ Tax Rates	1.187	1.285	1.241	1.295	1.262	1.195	1.217	1.315	1.348	1.359
City's Share of 1% Levy Per Prop 13⁴	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	-	-	-	0.011	0.009	0.009	0.006	0.007	0.006	0.006
Redevelopment Rate⁵	1.008	1.007	1.006	1.006	1.005	1.005	1.005	1.004	1.004	1.004
Total Direct Rate⁶	0.267	0.268	0.264	0.266	0.309	0.304	0.334	0.343	0.349	0.347

¹ In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various intergovernmental overlapping debt.

² Includes: Alford Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, Riverside Unified School District and Val Verde Unified School District.

³ Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

⁴ City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁵ RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

⁶ Total Direct Rate is the weighted average of all individual direct rates.

Source: Riverside County Assessor 2001/02 - 2010/11 Tax Rate Table.

Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tyler Mall	\$ 185,497	1	0.8%			
La Sierra University	122,345	2	0.5%			
Riverside Healthcare System	105,573	3	0.5%	87,571	3	0.7%
State Street Bank & Trust Co of Calif	87,419	4	0.4%	91,163	2	0.7%
Fountains South Bay, LLC	81,594	5	0.4%			
MEF Realty	78,406	6	0.4%			
Rohr Inc	76,435	7	0.3%	75,982	4	0.6%
Mission Grove Plaza, LP	75,147	8	0.3%			
Press Enterprise Co	74,222	9	0.3%	42,140	10	0.4%
Canyon Springs Marketplace Corp	68,969	10	0.3%			
Charter Communication				52,215	6	0.4%
Metal Container Corp				48,464	7	0.4%
Ohio Teacher Retirement				140,395	1	1.1%
Toro Company				47,629	8	0.4%
Lyon Corona Pointe				53,667	5	0.4%
Mission Grove Park Apartments				45,819	9	0.4%
Totals	<u>\$ 955,607</u>		<u>4.3%</u>	<u>685,045</u>		<u>5.5%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor 2010/11 and 2001/02 Combined Tax Rolls

Table 10
City of Riverside
Property Tax Levies and Collections
Last Nine Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 25,809	25,479	98.72%	250	25,729	99.69%
2004	31,829	31,429	98.74%	292	31,721	99.66%
2005	36,825	36,332	98.66%	346	36,678	99.60%
2006	52,532	51,815	98.64%	494	52,309	99.58%
2007	69,246	67,046	96.82%	1,850	68,896	99.49%
2008	83,996	82,345	98.03%	810	83,155	99.00%
2009	86,251	84,134	97.55%	1,117	85,251	98.84%
2010	77,228	74,491	96.46%	1,015	75,506	97.77%
2011	74,608	72,327	96.94%	-	72,327	96.94%

Note:

The table reflects amounts related to the City and the Redevelopment Agency. The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

Source: Riverside County Auditor Controller's Office and City Finance Division

The City of Riverside has elected to show nine years of data for this schedule.

Table 11
City of Riverside
Electricity Sold by Type of Customer,
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Type of Customer:										
Residential	600.0	618.0	707.0	675.0	696.0	748.0	734.0	733.0	701.0	666.0
Commercial	434.0	451.0	522.0	530.0	474.0	456.0	441.0	433.0	406.0	400.0
Industrial	629.0	658.0	687.0	707.0	810.0	924.0	960.0	946.0	906.0	912.0
Wholesale sales	541.0	378.0	354.0	470.0	287.0	295.0	357.0	137.0	44.0	7.0
Other	53.0	49.0	52.0	50.0	58.0	39.0	34.0	33.0	32.0	31.0
Total	2,257.0	2,154.0	2,322.0	2,432.0	2,325.0	2,462.0	2,526.0	2,282.0	2,089.0	2,016.0
Total direct rate										
Monthly Base Rate ¹	3.06	3.18	3.28	3.36	3.36	5.00	11.35	13.06	18.06	18.06
Rate per 250 KWH ¹	20.18	20.98	21.65	22.20	22.20	22.20	25.88	25.88	25.88	25.88

¹ Rates are based on a monthly base rate plus energy charge for the first 250 KWH.
The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2002	0.10768	0.10615	0.07844	0.11206
2003	0.10990	0.10779	0.07901	0.11869
2004	0.11439	0.10936	0.08167	0.12271
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089

NOTE:

Rates are based on a monthly base rate plus an energy charge for the first 250 KWH. The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2011		2002	
	Electricity Charges	Percent of Total Electric Revenues	Electricity Charges	Percent of Total Electric Revenues
Local University	\$9,446,847	3.38%	N/A	N/A
Local Government	7,676,133	2.75%	N/A	N/A
Local Government	6,597,628	2.36%	N/A	N/A
Local School District	4,139,323	1.48%	N/A	N/A
Corporation	3,634,707	1.30%	N/A	N/A
Corporation	2,605,188	0.93%	N/A	N/A
Hospital	2,181,356	0.78%	N/A	N/A
Shopping Mall	2,051,562	0.73%	N/A	N/A
Corporation	1,966,308	0.70%	N/A	N/A
Local School District	1,925,538	0.69%	N/A	N/A
	<u>\$42,224,590</u>	<u>15.10%</u>	<u>N/A</u>	<u>N/A</u>

Retail Sales Per Financial Statements \$279,427,397

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Governmental Activities							
	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Assessment Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	Notes/Loans Payable
2002	-	111,880	525	135	-	5,150	6,430	11,096
2003	-	109,615	-	-	-	4,650	5,517	11,447
2004	20,285	131,590	-	-	89,540	58,706	8,938	11,057
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	-	132,095	207,246	6,670	8,849

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Revenue Bonds	Notes/Loans Payable	Capital Leases			
2002	355,621	6,966	571	498,374	10.51%	1.90
2003	342,559	11,524	498	485,810	9.89%	1.79
2004	440,970	11,066	439	772,591	15.02%	2.79
2005	419,581	10,459	392	818,428	14.98%	2.91
2006	509,577	9,841	317	898,052	15.47%	3.13
2007	482,929	9,211	253	1,160,334	18.67%	4.01
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01

¹ These ratios are calculated using personal income and population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Statistical Table 20.

Table 15
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds ¹	Total	Percent of Assessed Value ²	Per Capita ³
2002	-	-	5,150	111,880	117,030	1.09%	446
2003	-	-	4,650	109,615	114,265	0.98%	422
2004	20,285	89,540	58,706	131,590	300,121	2.40%	1,083
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,316
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,264
2007	19,331	144,450	192,874	296,598	653,253	3.98%	2,260
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175

Notes:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

¹ Amount presented is net of restricted resources held for the repayment of outstanding debt principal.

² Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

³ These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Division.

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2011

(in thousands) Page 1 of 2

Total City Assessed Valuation	\$ 22,069,798
Less Redevelopment Agency Incremental Valuation	5,672,802
Adjusted Assessed Valuation	<u>\$ 16,396,996</u>

	Percentage Applicable ²	Outstanding Debt 06/30/2011	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Metropolitan Water District	0.931%	\$ 2,120	\$ 20
Riverside City Community College District	28.871%	68,344	19,732
Alvord Unified School District	62.592%	131,584	82,361
Riverside Unified School District	84.087%	130,032	109,340
Corona-Norco Unified School District	0.002%	5	-
Jurupa Unified School District	0.003%	2	-
Moreno Valley Unified School District	6.164%	2,722	168
Alvord Unified School District Community District No.2006-1	68.691%	5,852	4,020
Riverside Unified School District Community Facilities Districts	88.730-100%	94,691	84,019
City of Riverside Community Facilities Districts	100%	15,222	15,222
City of Riverside 1915 Act Bonds	100%	32,105	32,105
Total Overlapping Tax and Assessment Debt:		<u>\$ 482,679</u>	<u>\$ 346,987</u>

(continued)

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2011

(in thousands) Page 2 of 2

Overlapping Other Debt:			
Riverside County General Fund Obligations	11.370%	\$ 80,811	\$ 9,188
Riverside County Pension Obligations	11.370%	41,722	4,744
Riverside County Board of Education Certificates of Participation	11.370%	702	80
Alvord Unified School District Certificates of Participation	62.592%	1,269	794
Corona-Norco Unified School District Certificates of Participation	0.002%	1	-
Jurupa Unified School District Certificates of Participation	0.003%	-	-
Moreno Valley Unified School District Certificates of Participation	6.164%	1,261	78
Riverside Unified School District General Fund Obligations	84.047%	12,453	10,466
Total Overlapping Other Debt		<u>138,219</u>	<u>25,350</u>
Total Net Overlapping Debt		<u>\$ 620,898</u>	372,337
City Direct Debt			<u>360,152</u>
Total Direct and Overlapping Debt			<u>\$ 732,489</u> (1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

(2) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: HdL Coren & Cone

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

	(in thousands)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed valuation	\$10,773,387	\$11,644,984	\$12,508,013	\$13,740,349	\$14,614,159	\$16,395,629	\$17,950,082	18,243,019	16,840,575	16,396,996
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,693,347	2,911,246	3,127,003	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755	4,210,144	4,099,249
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	404,002	436,687	469,050	515,263	548,031	614,836	673,128	684,113	631,522	614,887
Total net debt applicable to limit:	-	-	20,285	20,280	19,858	19,331	18,774	18,171	17,533	16,845
Legal debt margin	404,002	436,687	448,765	494,983	528,173	595,505	654,354	665,942	613,989	598,042
Total net debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	4.3%	3.9%	3.6%	3.1%	2.8%	2.7%	2.8%	2.7%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 6 and Notes to Financial Statements.

Table 18
City of Riverside
Pledged-Revenue Coverage
Governmental Activity Debt
Last Ten Fiscal Years (in thousands)

Fiscal Year	Tax Allocation Bonds			
	Debt Service			
	Pledged Revenue ¹	Principal	Interest	Coverage
2002	14,859	2,745	7,252	1.49
2003	16,180	2,694	7,371	1.61
2004	17,410	1,873	9,599	1.52
2005	21,242	4,507	6,307	1.96
2006	35,268	4,390	7,236	3.03
2007	35,966	3,185	7,663	3.32
2008	50,911	3,305	12,988	3.12
2009	50,270	5,360	12,856	2.76
2010	48,843	5,675	13,316	2.57
2011	46,162	5,915	12,228	2.54

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amount has been calculated in accordance with the provisions set forth in the debt covenants.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Electric Revenue Bonds						Water Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2002	\$ 229,529	\$ 190,426	\$ 39,103	\$ 7,385	\$ 9,841	2.27	\$ 43,215	\$ 19,244	\$ 23,971	\$ 3,215	\$ 2,941	3.89
2003	211,553	157,450	54,103	7,840	10,966	2.88	36,837	19,928	16,909	3,895	2,720	2.56
2004	239,842	168,162	71,680	10,780	10,183	3.42	47,093	23,767	23,326	4,010	2,622	3.52
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49

Fiscal Year	Sewer Revenue Bonds ²					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	\$31,470	\$26,865	\$4,605	\$666	\$151	5.64
2011	37,772	27,575	10,197	692	125	12.48

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation.

² \$240,910 of Sewer Revenue Bonds were issued August 6, 2009

Table 20
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
2001	262,164	4,741,313	18,085	5.5
2002	270,805	4,914,404	18,147	6.5
2003	277,177	5,145,118	18,563	6.6
2004	281,192	5,462,823	19,427	6.1
2005	286,572	5,806,339	20,261	5.4
2006	289,045	6,214,628	21,501	5.1
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8

Sources:

¹ California State Department of Finance.

² Demographic Estimates for 2001-2009 are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 are per the US Census Bureau, most recent American Community Survey.

³ State of California Employment Development Department.

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Riverside	10,137	1	6.5%	N/A	N/A	N/A
University of California	5,390	2	3.5%	N/A	N/A	N/A
Riverside Unified School District	4,867	3	3.1%	N/A	N/A	N/A
Kaiser	4,000	4	2.6%	N/A	N/A	N/A
City of Riverside	2,647	5	1.7%	N/A	N/A	N/A
Riverside Community Hospital	2,200	6	1.4%	N/A	N/A	N/A
Riverside Community College District	1,864	7	1.2%	N/A	N/A	N/A
Riverside County Office of Education	1,710	8	1.1%	N/A	N/A	N/A
Alvord Unified School District	1,689	9	1.1%	N/A	N/A	N/A
Parkview Community Hospital	1,350	10	0.9%	N/A	N/A	N/A
Total	<u>35,854</u>		<u>23.1%</u>	<u>N/A</u>		<u>N/A</u>

N/A - not available

Source: City of Riverside, Development Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	313.29	314.39	318.36	331.88	377.15	412.22	436.35	439.10	433.40	431.40
Public safety										
Police ¹	560.65	569.65	567.83	568.83	589.33	618.33	637.33	591.93	589.93	589.93
Fire	217.65	218.65	219.65	221.11	221.73	251.73	254.21	254.21	255.46	255.46
Firefighters and Police Officers	552.00	561.00	557.00	557.46	566.46	620.46	632.46	633.46	632.46	632.46
Highways and streets	266.10	280.10	285.10	281.35	262.35	286.35	318.35	369.65	349.50	348.11
Sanitation	44.49	44.49	48.49	48.49	59.49	60.29	64.29	58.60	59.00	56.00
Culture and recreation	282.93	301.97	302.92	300.92	311.45	324.26	339.52	340.71	328.07	328.07
Airport	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	9.50
Water	123.00	123.00	130.00	130.00	133.00	142.00	167.00	167.00	177.65	180.15
Electric	282.60	291.60	295.60	305.60	337.60	351.35	404.60	408.10	419.45	448.50
Total	2,096.71	2,149.85	2,173.95	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30	2,619.46	2,647.12

¹ In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

Source: City of Riverside, Finance Division

Table 23
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Arrests	10,047	10,541	11,951	11,280	10,093	9,827	9,367	10,150	8,690	8,118
Fire										
Number of calls answered	24,115	24,886	25,876	26,505	26,696	27,458	27,429	26,397	26,484	27,322
Inspections	N/A	14,229	16,306	17,028	19,261	7,261	10,812	7,638	7,234	6,505
Public works:										
Street resurfacing (miles)	104.04	67.39	62.37	102.45	51.26	73.40	26.27	18.90	20.00	21.25
Parks and recreation										
Number of recreation classes	14,619	14,787	15,135	15,195	16,272	19,079	22,146	21,884	27,762	37,303
Number of facility rentals	26,533	26,854	27,014	27,074	27,483	32,980	35,076	36,822	34,565	42,638
Water										
Number of accounts	60,059	60,625	61,668	62,492	62,985	63,431	63,494	64,062	64,231	64,349
Annual consumption (ccf)	30,682,171	29,283,851	30,596,320	27,875,253	28,865,030	32,110,208	30,583,266	29,721,236	26,687,271	25,902,439
Electric										
Number of accounts	97,793	99,018	100,766	103,463	104,294	105,226	106,015	106,385	106,335	106,855
Annual consumption (kwh)	2,257	2,154	2,322	2,432	2,359	2,462	2,526	2,282	2,089	2,016
Sewer:										
New connections	5,267	5,825	7,034	9,621	16,717	15,423	16,412	18,765	16,971	17,746
Average daily sewage treatment (millions of gallons)	34.75	33.15	35.24	38.07	35.91	32.50	32.10	33.00	33.29	30.06

¹ Inspections were not tracked prior to 2003

² Amounts expressed in millions

N/A - not available

Source: City of Riverside, various departments

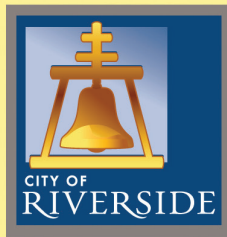
Table 24
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005 (1)	2006	2007 (2)	2008	2009	2010	2011
Public Safety										
Police										
Stations	2	2	2	2	3	3	3	3	3	3
Substations	9	7	11	7	5	4	4	5	4	4
Helicopters	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	13	13	13	13	13	14	14	14	14	14
Active apparatus	26	30	30	30	29	30	30	30	30	26
Reserve apparatus	5	6	5	5	6	6	6	7	7	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	816.34	819.00	829.00	836.00	845.35	852.04	864.68	866.89	867.96	868.39
Streetlights	28,058	28,246	28,401	28,581	28,847	29,028	29,312	29,675	29,757	29,868
Traffic signals	320	320	322	322	353	358	363	365	362	362
Culture and recreation										
Parks acreage	2,665.00	2,534.00	2,500.00	2,534.00	2,534.00	2,773.00	2,773.00	2,773.00	2,773.00	2,811.00
Community centers	10	10	10	11	11	11	11	11	11	10
Playgrounds	35	30	26	26	27	38	38	41	41	41
Swimming pools	9	6	6	7	6	7	7	7	7	7
Softball & baseball diamonds	36	34	34	35	33	44	44	44	44	49
Library branches	5	7	5	5	6	6	6	7	7	8
Museum exhibit-fixed	1	6	11	8	7	13	8	6	5	8
Museum exhibit-special	-	-	4	1	-	2	5	2	2	2
Water										
Fire hydrants	6,715	6,763	6,763	6,926	7,127	7,187	7,381	7,523	7,593	7,632
Sewer										
Sanitary sewers (miles)	735	745	755	765	775	785	794	794	820	823
Electric										
Miles of overhead distribution system	539.1	593.3	539.0	531.0	527.0	528.0	523.5	522.0	519.0	517.0
Miles of underground system	575.8	538.2	608.0	622.0	663.0	704.0	741.6	769.0	782.0	791.0

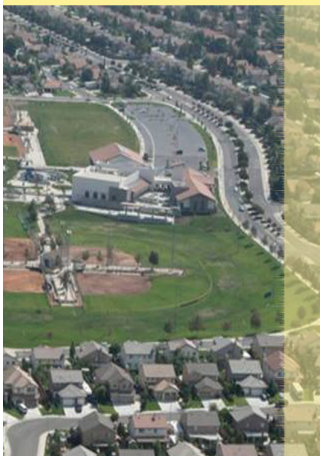
Source: City of Riverside, various departments

(1) During the 2004/05 fiscal year, four police substations closed.

(2) Museum Fixed Exhibits - In 2007, the Riverside Municipal Museum remodeled a number of the spaces within the museum allowing the museum the opportunity to debut new exhibitions and to display more permanent collections in addition to partnering with others on exhibits that were available that year.



City of Arts & Innovation



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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

August 15, 2012

Riverside Public Financing Authority
3900 Main Street
Riverside, California 92522

Re: \$41,240,000 Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series 2012A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Riverside Public Financing Authority (the "Authority") of the Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series 2012A (the "Bonds") in the aggregate principal amount of \$41,240,000. In such connection, we have reviewed the Indenture, dated as of August 1, 2012 (the "Indenture"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Authority and the City of Riverside (the "City"), the Lease Agreement, dated as of August 1, 2012 (the "Lease Agreement"), by and between the City and the Authority, the Ground Lease, dated as of August 1, 2012 (the "Ground Lease"), by and between the City and the Authority, the Assignment Agreement, dated as of August 1, 2012 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Tax Certificate of the Authority and the City, dated as of the date hereof (the "Tax Certificate"), opinions of counsel to the Authority, the City and the Trustee, certificates of the Authority, the City and the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The obligation of the City to pay Base Rental Payments in accordance with the terms of the Lease Agreement is a valid and binding obligation payable from the funds of the City lawfully available therefore, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California. The obligation of the City to make Base Rental Payments under the Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

(2) The Lease Agreement and the Indenture have been duly authorized, executed and delivered by the City and the Authority and constitute valid and legally binding agreements

of the City and the Authority enforceable against the City and the Authority in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, except that we express no opinion as to any provisions in the Lease Agreement or the Indenture with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

(4) Interest (and original issue discount) on the Bonds is exempt from personal income taxes imposed in the State of California.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to a Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

(6) The amount by which a Bond owner's original basis for determining loss on sale or exchange in a Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (3) and (5) are subject to the condition that the City and the Authority comply with all requirements of the Code, that must be satisfied subsequent to the delivery of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) with respect to the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City and the Authority have covenanted to comply with all such requirements.

Except as expressly set forth in paragraphs (3), (4), (5) and (6) we express no opinion regarding any tax consequences with respect to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the City and the Authority and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) due with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease Agreement, the Ground Lease and the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$41,240,000

RIVERSIDE PUBLIC FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2012A

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the CITY OF RIVERSIDE (the “City”), for and on behalf of itself and the Riverside Public Financing Authority (the “Authority”), in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being executed and delivered pursuant to an Indenture, dated as of August 1, 2012 (the “Indenture”), by and among the City, the Authority and U.S. Bank National Association, as trustee.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means J.P. Morgan Securities LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2013, with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the

preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, including information showing tax revenue collections by source;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City that are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City from the most recently available County Assessor's Roll, showing the valuation for secured and unsecured property;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year;

(v) table showing General Fund tax revenues by source; and

(vi) information showing the balance sheet of the General Fund of the City as of the close of the most recent completed Fiscal Year, including categorized assets, liabilities and reserved and unreserved fund balances.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 15, 2012

CITY OF RIVERSIDE

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:
U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Riverside Public Financing Authority

Name of Issue: Riverside Public Financing Authority Lease Revenue Refunding Bonds, Series 2012A

Date of Issuance: August 15, 2012

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated August 15, 2012. The City anticipates that the Annual Report will be filed by

_____.

Dated: _____

DISSEMINATION AGENT:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Its: _____

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2012A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2012A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2012A Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive

written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time

to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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