

Comprehensive Annual Financial Report

Year Ended June 30, 2009



The City of Riverside, CA

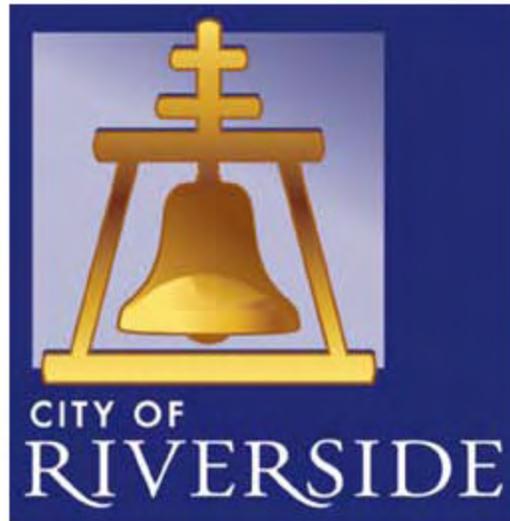


**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2009**

**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, 2009**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	v
Legislative and City Officials.....	vi
Organization Chart.....	vi
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	23
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	27
Statement of Net Assets – Proprietary Funds.....	28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	30
Statement of Cash Flows – Proprietary Funds.....	31
Statement of Fiduciary Net Assets – Fiduciary Fund – Agency Fund.....	33
Notes to Financial Statements.....	34
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	65
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds.....	67
Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	71
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	73

**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

FINANCIAL SECTION (CONT.)

Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	74
Combining Statement of Net Assets – Internal Service Funds.....	77
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	78
Combining Statement of Cash Flows – Internal Service Funds.....	79
Combining Statement of Changes in Assets and Liabilities – Fiduciary Fund.....	81
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source.....	83
Schedule by Function and Activity.....	84
Schedule of Changes by Function and Activity.....	85

STATISTICAL SECTION

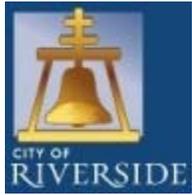
Table

1	Net Assets by Component – Last Nine Fiscal Years.....	87
2	Changes in Net Assets – Last Nine Fiscal Years.....	88
3	Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	90
4	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	92
5	Business-Type Activities Electricity Revenues By Source – Last Nine Fiscal Years.....	93
6	Governmental Activities Tax Revenues By Source – Last Nine Fiscal Years.....	94
7	Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	95
8	Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	96
9	Principal Property Taxpayers – Current Year and Nine Years Ago.....	97
10	Property Tax Levies and Collections – Last Seven Fiscal Years.....	98
11	Electricity Sold by Type of Customer – Last Ten Fiscal Years.....	99
12	Electricity Rates – Last Ten Fiscal Years.....	100
13	Top 10 Electricity Customers – Current Year and Nine Years Ago.....	101
14	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	102
15	Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	104
16	Direct and Overlapping Debt.....	105
17	Legal Debt Margin Information – Last Ten Fiscal Years.....	106
18	Pledged-Revenue Coverage Governmental Activity Debt – Last Ten Fiscal Years.....	107
19	Pledged-Revenue Coverage Business Type Activity Debt – Last Ten Fiscal Years.....	108
20	Demographic and Economic Statistics – Last Ten Fiscal Years.....	109
21	Principal Employers – Current Year and Nine Years Ago.....	110
22	Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	111

**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

STATISTICAL SECTION (CONT.)		Page
<u>Table</u>		
23	Operating Indicators by Function – Last Ten Fiscal Years.....	112
24	Capital Asset Statistics by Function – Last Ten Fiscal Years.....	113
25	Cash Debt Reserves Tax Allocation Bonds – Last Ten Fiscal Years.....	114



October 29, 2009

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, 2009.

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 Mayer Hoffman McCann P.C., 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, 2009. 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 81.53 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 located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.12 million is larger than 25 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 300,096, 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 14.1%; about 10,000 jobs have been lost during the past year. The budget for the City for fiscal year 2009/2010 projects an 8% drop in revenue, which includes a planned use of \$2 million of available fund balance. Reduced expenditures are being achieved by selectively not filling vacant positions and carefully monitoring all expenditures, with all services continuing.

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 Culture**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2009/10 - 2013/14 total \$1.05 billion. The level of capital improvements is significantly greater than the historical level. 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.

Cash management policies and practices. Cash temporarily idle during the year was invested principally in federal agency securities, money market funds and medium term notes. The maturities of the investments do not exceed five (5) years, with the average maturity not exceeding three (3) years. All securities are held in third party safekeeping by Union Bank of California as agent for the City. All transactions originated and authorized by the City are transacted on a delivery versus payment (DVP) basis in order to perfect delivery. The average yield on the investments was 4.3% for the fiscal year.

Risk management. Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City believes it has current assets adequate to cover the actuarially determined liability for general liability and workers' compensation claims, including estimated claims incurred but not reported, as they become payable. The City maintains excess liability insurance to provide coverage beyond a self-insured retention of \$3,000,000 per occurrence for both general liability and workers' compensation.

Pension benefits. The City provides pension benefits for all employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS). The City has no obligation in connection with employee benefits offered through this plan

beyond its annual contractual payment to CalPERS. Additional information on the plan can be found in Note 14 in the notes to the financial statements.

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, 2008. This was the twenty first 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 Brent Mason, Assistant Finance Director. 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,



Bradley J. Hudson
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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. M.", written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery", written over the printed name.

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, 2008.

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.

LEGISLATIVE OFFICIALS

Ronald O. Loveridge.....Mayor
Mike GardnerCouncilmember – Ward 1
Andy Melendrez.....Councilmember – Ward 2
Rusty BaileyCouncilmember – Ward 3
Paul Davis.....Councilmember – Ward 4
Chris Mac Arthur.....Councilmember – Ward 5
Nancy Hart.....Councilmember – Ward 6
Steve Adams.....Councilmember – Ward 7

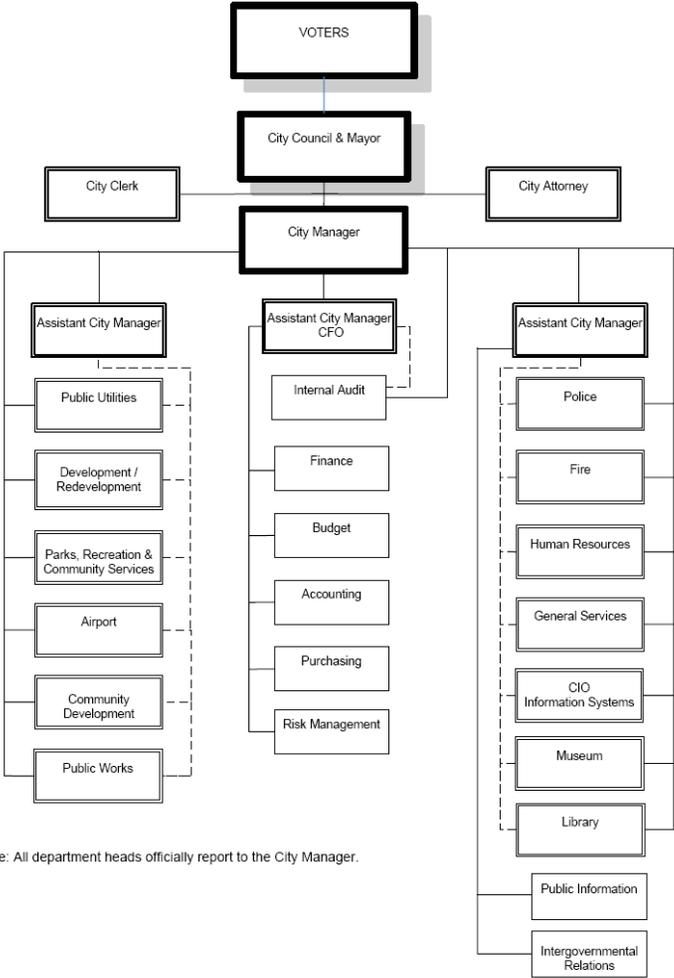
CITY OFFICIALS

Bradley J. Hudson.....City Manager*
Belinda Graham.....Assistant City Manager
Tom DeSantis.....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
Russ Leach.....Chief of Police
Steve Reneker.....Chief Information
Scott Barber.....Community Development Director
Deanna Lorson.....Development Director
Steve Earley..... Fire Chief
Kris Martinez.....General Services
Rhonda Strout..... Human Resources
Leonard Hernandez.....Library Director
Ennette Morton.....Museum Director
Ralph Nuñez.....Park and Recreation
David Wright.....Public Utilities
Siobhan Foster.....Public Works

***Appointed by City Council**

ORGANIZATION CHART



Note: All department heads officially report to the City Manager.

