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Honorable Mayor and Members of the City Council  
City of Riverside  
Riverside, California

### **INDEPENDENT AUDITORS' REPORT**

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, 2009, 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, 2009, 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.



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The Management's Discussion and Analysis, as listed in the table of contents, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 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.

*Mayer Hoffman Mc Cann P.C.*

San Jose, California  
October 29, 2009

## 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, 2009. 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 v 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>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008*</u>
Current and other assets	\$ 692,258	\$ 767,115	\$ 555,210	\$ 658,446	\$ 1,247,468	\$ 1,425,561
Capital assets, net	<u>1,114,814</u>	<u>966,068</u>	<u>1,147,793</u>	<u>1,050,010</u>	<u>2,262,607</u>	<u>2,016,078</u>
Total assets	<u>1,807,072</u>	<u>1,733,183</u>	<u>1,703,003</u>	<u>1,708,456</u>	<u>3,510,075</u>	<u>3,441,639</u>
Current liabilities	117,522	116,917	100,506	102,777	218,028	219,694
Long-term liabilities	<u>682,012</u>	<u>694,278</u>	<u>696,567</u>	<u>735,058</u>	<u>1,378,579</u>	<u>1,429,336</u>
Total liabilities	<u>799,534</u>	<u>811,195</u>	<u>797,073</u>	<u>837,835</u>	<u>1,596,607</u>	<u>1,649,030</u>
Net assets:						
Invested in capital assets, net of related debt	950,496	850,740	659,904	601,999	1,610,400	1,452,739
Restricted	98,903	102,677	38,621	43,341	137,524	146,018
Unrestricted	<u>(41,861)</u>	<u>(31,429)</u>	<u>207,405</u>	<u>225,281</u>	<u>165,544</u>	<u>193,852</u>
Total net assets	<u>\$1,007,538</u>	<u>\$921,988</u>	<u>\$905,930</u>	<u>\$870,621</u>	<u>\$1,913,468</u>	<u>\$1,792,609</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 \$1,913,468 at June 30, 2009, an increase of \$120,859 from June 30, 2008.

By far the largest portion of the City's net assets (84 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 (7 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, \$207,405 is held by the business type activities; and negative \$41,861 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents \$62,115 of negative unrestricted net assets for 2009 and was a negative \$56,792 in the prior year. The remaining governmental activities of the City have positive

unrestricted net assets of \$20,254 in 2009 and positive \$25,363 in 2008. This decrease in unrestricted net assets is primarily due to an increase in expenses paid out of unrestricted net assets.

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 \$120,859 during the current fiscal year, which reflects the growth in both the governmental (\$85,550) and business type (\$35,309) activities. This is primarily due to continued investment by the City in its infrastructure, which is largely funded by grants and dedicated revenue sources.

The following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2009 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	
	2009	2008*	2009	2008	2009	2008*
Revenues:						
Program Revenues:						
Charges for services	\$ 39,664	\$ 57,958	\$416,628	\$399,421	\$456,292	\$457,379
Operating Grants and Contributions	23,313	15,024	1,929	3,308	25,242	18,332
Capital Grants and Contributions	69,745	115,982	17,288	29,215	87,033	145,197
General Revenues:						
Sales taxes	41,882	50,526	-	-	41,882	50,526
Property taxes	116,420	114,176	-	-	116,420	114,176
Other taxes and fees	38,589	37,108	-	-	38,589	37,108
Investment income	15,941	25,670	23,402	22,756	39,343	48,426
Other	5,137	9,480	4,590	4,931	9,727	14,411
Total revenues	<u>350,691</u>	<u>425,924</u>	<u>463,837</u>	<u>459,631</u>	<u>814,528</u>	<u>885,555</u>
Expenses:						
General government	102,665	113,897	-	-	102,665	113,897
Public safety	127,350	122,783	-	-	127,350	122,783
Highways and streets	18,731	26,986	-	-	18,731	26,986
Culture and recreation	24,121	31,659	-	-	24,121	31,659
Interest on long-term debt	34,361	34,075	-	-	34,361	34,075
Electric	-	-	269,209	271,412	269,209	271,412
Water	-	-	53,931	47,570	53,931	47,570
Sewer	-	-	34,853	31,209	34,853	31,209
Refuse	-	-	18,425	18,430	18,425	18,430
Airport	-	-	1,734	1,418	1,734	1,418
Transportation	-	-	3,194	3,190	3,194	3,190
Public Parking	-	-	5,095	4,093	5,095	4,093
Total expenses	<u>307,228</u>	<u>329,400</u>	<u>386,441</u>	<u>377,322</u>	<u>693,669</u>	<u>706,722</u>
Increase in net assets and transfers:						
Transfers	43,463	96,524	77,396	82,309	120,859	178,833
Transfers	<u>42,087</u>	<u>32,326</u>	<u>(42,087)</u>	<u>(32,326)</u>	-	-
Increase in net assets	85,550	128,850	35,309	49,983	120,859	178,833
Net assets – beginning	<u>921,988</u>	<u>793,138</u>	<u>870,621</u>	<u>820,638</u>	<u>1,792,609</u>	<u>1,613,776</u>
Net assets – ending	<u>\$1,007,538</u>	<u>\$921,988</u>	<u>\$905,930</u>	<u>\$870,621</u>	<u>\$1,913,468</u>	<u>\$1,792,609</u>

\* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

**Governmental activities.** Governmental activities increased the City's net assets by \$85,550 accounting for 71 percent of the total change in net assets. The net assets in the prior fiscal year increased by \$128,850. Key elements of this year's activity in relation to the prior year are as follows:

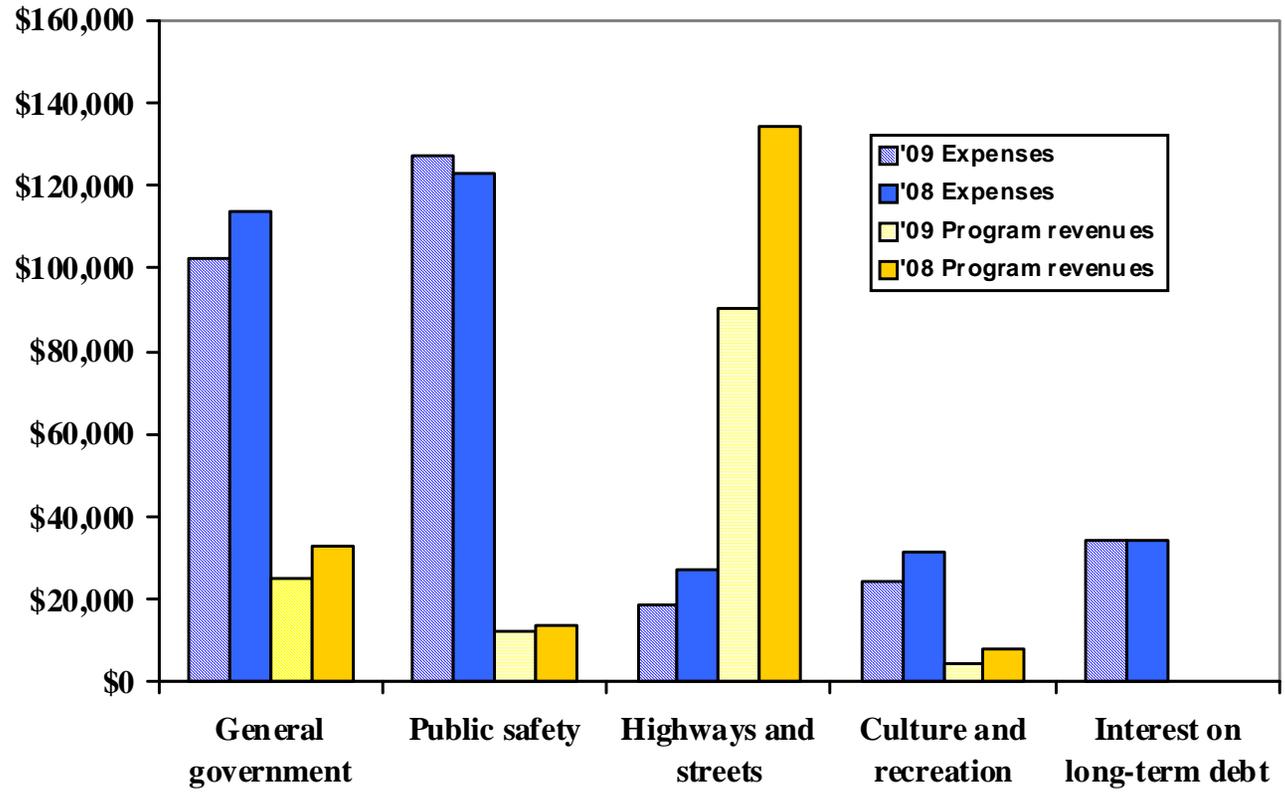
**Revenues:**

- There was a \$49 million decrease in the amount of fixed assets donated by developers due to the current slowdown in the local construction industry.
- Investment income decreased by \$9,729 (40%) primarily due to a decrease in cash and investments of approximately \$118 million (a 27% decrease from cash and investment balances at 6/30/08). The decrease in cash and investments was primarily due to capital outlays on projects related to the Riverside Renaissance.
- Sales taxes decreased by \$8,644 in 2009 due to the current downturn in the economy.

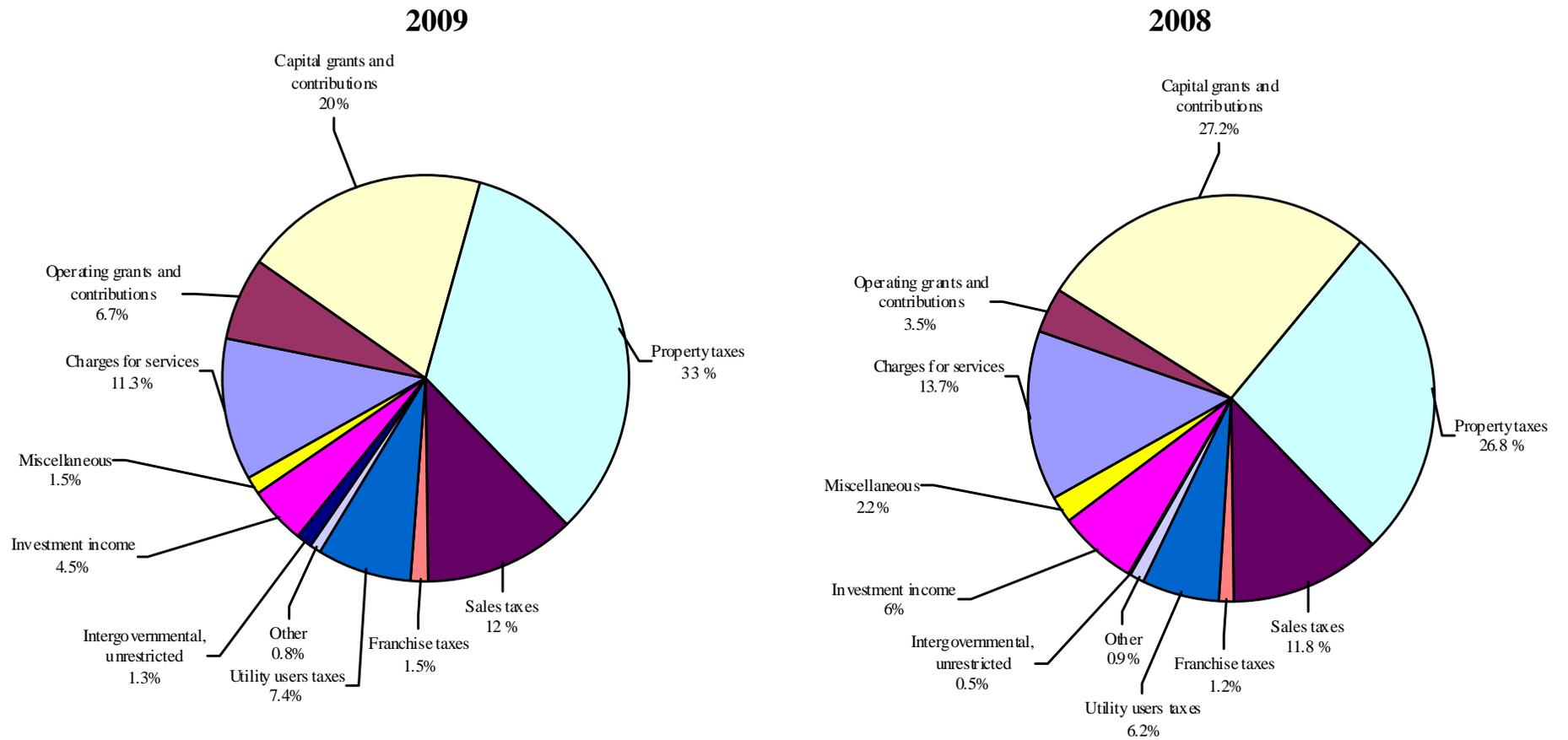
**Expenses:**

- While variances between years exist for the various expense functions, the total net decrease was approximately \$22 million. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

**Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2009 vs. 2008**



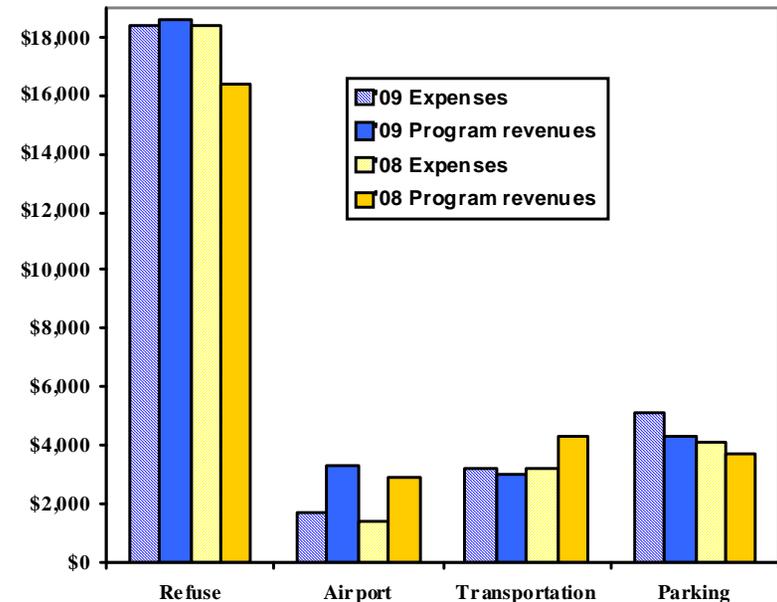
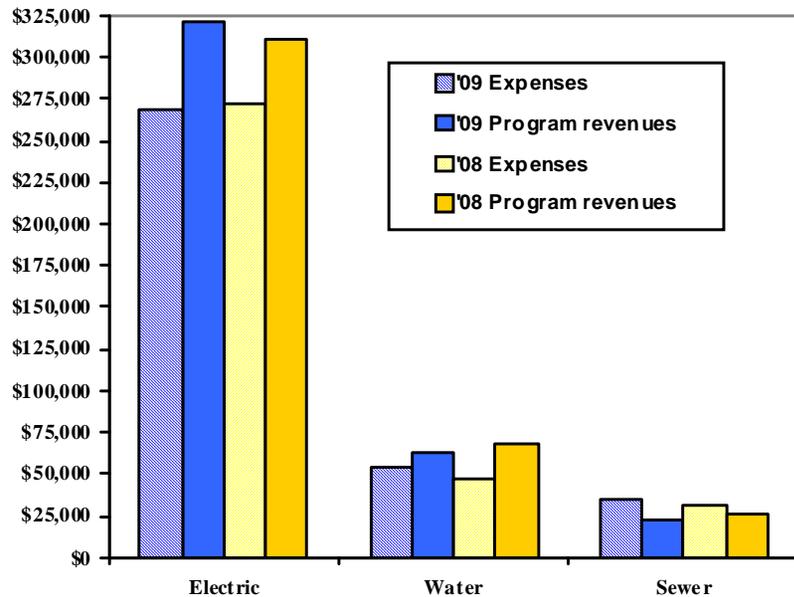
## Revenues by Source – Governmental Activities – Fiscal Year Comparison



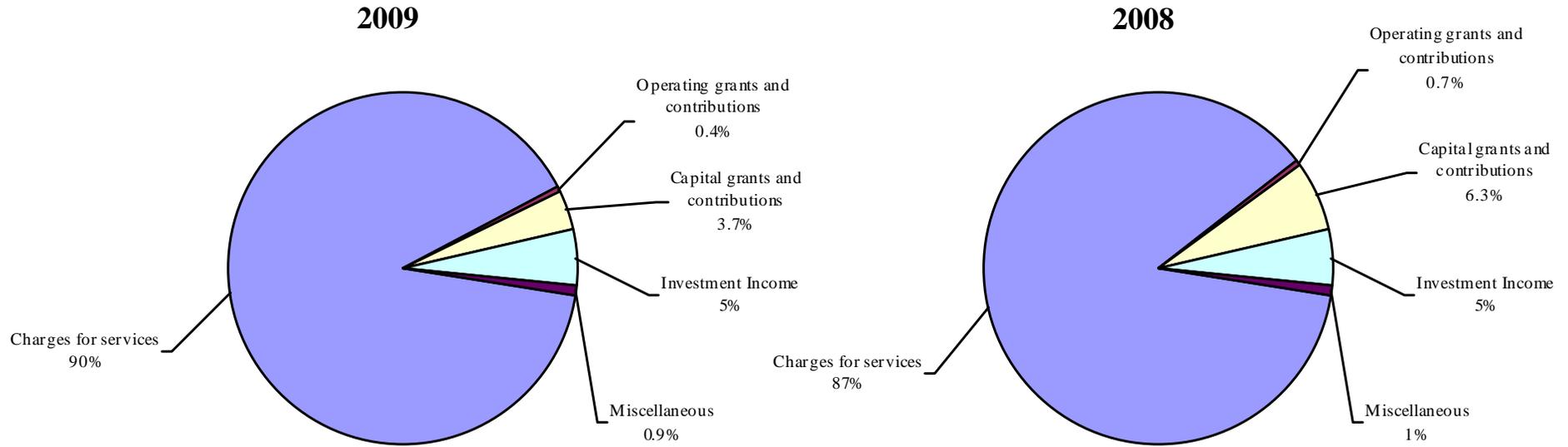
**Business type activities.** Business type activities increased the City’s net assets by \$35,309, accounting for 29 percent of the total change in net assets. The net assets of business type activities increased by \$49,983 in the prior year. Key elements of this year’s increase in relation to the prior year are as follows:

- In 2009, charges for services increased \$17,207 to \$416,628. The increase primarily related to the following:
  - Electric revenues increased by \$8,865 (2.9%), which was primarily the result of an electric rate increase on January 1, 2009. The average rate increase was 5.7% for residential customers, 9.7% for commercial customers and 6.3% for industrial customers, which was partially offset by a 3% decrease in consumption.
  - Water revenues increased by \$5,068 (10.2%), which was primarily due to a \$3,427 (7.4%) increase in retail revenues. The increase in retail revenues was primarily due to a water rate increase of 10% that became effective November 1, 2008 as part of the Safe W.A.T.E.R. Plan, which was partially offset by a 2.5% decrease in retail consumption.
- Capital grants and contributions decreased \$11,927 in the current year to \$17,288. The decrease is due primarily to a large State grant received in the prior year for the JW North Treatment Plant that was substantially completed in 07/08.

**Expenses and Program Revenues – Business Type Activities – Fiscal Year Comparison 2009 vs. 2008**



# 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, *unreserved 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	
	2009	2008	2009	2008	2009	2008
	Total assets	\$ 128,882	\$ 156,184	\$ 48,356	\$ 49,315	\$ 16,094
Total liabilities	\$ 51,503	\$ 74,967	\$ 25,103	\$ 25,596	\$ 238	\$ 80
Fund balances						
Reserved	41,400	36,025	23,253	23,719	15,856	18,114
Unreserved:						
Designated for economic cont.	30,000	34,000	-	-	-	-
Designated for future operations	2,888	10,253	-	-	-	-
Undesignated	3,091	939	-	-	-	-
Total	77,379	81,217	23,253	23,719	15,856	18,114
Total liabilities and fund balances	\$ 128,882	\$ 156,184	\$ 48,356	\$ 49,315	\$ 16,094	\$ 18,194

	Capital Outlay		Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
	Total assets	\$ 82,248	\$ 115,182	\$ 216,747	\$ 233,402	\$ 96,572	\$ 90,783	\$ 588,899
Total liabilities	\$ 34,035	\$ 14,466	\$ 42,009	\$ 40,748	\$ 27,104	\$ 23,389	\$ 179,992	\$ 179,246
Fund balances								
Reserved	35,711	59,189	84,560	73,963	19,369	20,097	220,149	231,107
Unreserved:								
Designated for economic cont.	-	-	-	-	-	-	30,000	34,000
Designated for future operations	12,502	23,756	79,612	118,691	38,016	23,891	133,018	176,591
Undesignated	-	17,771	10,566	-	12,083	23,406	25,740	42,116
Total	48,213	100,716	174,738	192,654	69,468	67,394	408,907	483,814
Total liabilities and fund balances	\$ 82,248	\$ 115,182	\$ 216,747	\$ 233,402	\$ 96,572	\$ 90,783	\$ 588,899	\$ 663,060

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$408,907, a decrease of \$74,907 in comparison with the prior year. About 54% of this amount (\$220,149) is reserved to indicate funds are not available for new spending because it has already been committed for a variety of restricted purposes. The remainder of the fund balance is unreserved, meaning it is available for spending at the City's discretion. Of that amount, \$163,018 has been designated for specific capital projects and economic contingencies, leaving \$25,740 without a commitment; at June 30, 2008 the comparable amount was \$42,116. The City's governmental funds reported combined total assets of \$588,899 at June 30, 2009, a decrease of \$74,161 in comparison with the prior year. The primary reason for the decrease in total assets and related fund balances is due to expenditure of capital projects in the Capital Outlay Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$77,379 in comparison to \$81,217 in the prior year. The unreserved fund balance was \$35,979, most of which was designated for future operations and economic contingencies, leaving \$3,091 unreserved and undesignated; the comparable number at June 30, 2008 was \$939. Fund balance decreased during the current year by \$3,838 in comparison to a decrease of \$13,549 in the prior year. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

The Redevelopment debt service fund has a total fund balance of \$23,253 all of which is reserved for the payment of debt service. A net decrease of \$466 in the fund balance occurred during the current year.

***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 \$164,762, \$30,911, and \$58,245 respectively. The total change in net assets for these funds was an increase of \$41,969, an increase of \$656 and a decrease of \$8,782, respectively as a result of routine operations.

## General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$180,407</u>	<u>\$193,175</u>	<u>\$171,400</u>	<u>\$ (21,775)</u>
Expenditures:				
General Government	9,269	9,269	8,148	1,121
Public Safety	156,469	164,764	145,802	18,962
Highways & Streets	20,883	24,068	18,452	5,616
Culture & Recreation	25,940	31,646	26,646	5,000
Capital Outlay	8,380	8,380	4,836	3,544
Debt Service	<u>14,701</u>	<u>14,803</u>	<u>14,688</u>	<u>115</u>
Total Expenditures	<u>235,642</u>	<u>252,930</u>	<u>218,572</u>	<u>34,358</u>
Deficiency of Revenue Under Expenditures	(55,235)	(59,755)	(47,172)	12,583
Other Financing Sources	<u>34,593</u>	<u>37,054</u>	<u>43,334</u>	<u>6,280</u>
Net Change in Fund Balances	(20,642)	(22,701)	(3,838)	18,863
Beginning Fund Balance	<u>81,217</u>	<u>81,217</u>	<u>81,217</u>	<u>-</u>
Ending Fund Balance	<u>\$ 60,575</u>	<u>\$ 58,516</u>	<u>\$ 77,379</u>	<u>\$18,863</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:

- ❑ Actual total revenues were less than the amount budgeted due to the downturn in the economy resulting in less than budgeted sales taxes (\$10.7 million), property taxes (\$2 million), utility users tax (\$1.8 million) and licenses and permits (\$1.3 million).
- ❑ Actual expenditures were less than budgeted amounts by approximately \$34,000. This is primarily associated with capital projects not completed during the year (which are carried over to the next fiscal year) and planned reductions in expenditures in all departments.
- ❑ The net effect of all of the above was that the ending fund balance increased \$18,863 more than budgeted.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for governmental and business type activities as of June 30, 2009 amounted to \$2,262,607 (net of accumulated depreciation). This investment includes land, 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 \$246,530 (\$148,747 for governmental activities including internal service funds and \$97,783 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$89,802); Sewer Mains (\$6,791); Electric Utility upgrades (\$51,068); Water Utility upgrades (\$48,466); and City Hall Improvements (\$7,401).

Construction in progress totaled \$248,011 at June 30, 2009. Some of the major projects in process are the RERC Power Plant Units 3 & 4, a 203 KV Transmission Substation, Orange Terrace Community Center, the Fox Theatre and the remodel of the Lincoln Street Police Station. Depreciation expense during the fiscal year was \$29,507 for governmental activities and \$41,771 for business type activities.

### City of Riverside's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$270,580	\$250,582	\$ 40,835	\$ 37,200	\$ 311,415	\$ 287,782
Buildings	88,367	91,239	152,316	153,874	240,683	245,113
Improvements other than Buildings	79,494	63,022	790,575	728,817	870,069	791,839
Machinery and equipment	25,664	28,398	28,809	21,456	54,473	49,854
Infrastructure	537,967	448,165	-	-	537,967	448,165
Construction in progress	<u>112,742</u>	<u>84,661</u>	<u>135,258</u>	<u>108,663</u>	<u>248,000</u>	<u>193,324</u>
Total	<u>\$1,114,814</u>	<u>\$966,067</u>	<u>\$1,147,793</u>	<u>\$1,050,010</u>	<u>\$2,262,607</u>	<u>\$2,016,077</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 \$1,378,579 which includes bonded debt of \$1,316,238.

### City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Lease/Revenue Bonds	\$285,743	\$292,244	\$674,646	\$720,749	\$960,389	\$1,012,993
General Obligation Bonds	18,171	18,774	-	-	18,171	18,774
Pension Obligation Bonds	139,410	142,170	-	-	139,410	142,170
Certificates of Participation	198,268	200,273	-	-	198,268	200,273
Notes Payable	8,749	9,040	7,915	8,569	16,664	17,609
Capital Leases	7,455	9,391	2,574	211	10,029	9,602
Landfill Capping	-	-	7,512	2,881	7,512	2,881
Arbitrage Liability	-	-	502	481	502	481
Compensated Absences	20,494	20,494	-	-	20,494	20,494
Net OPEB Obligation	3,722	1,892	2,470	1,204	6,192	3,096
Water Acquisition Rights	-	-	948	964	948	964
<b>Total</b>	<u>\$682,012</u>	<u>\$694,278</u>	<u>\$696,567</u>	<u>\$735,059</u>	<u>\$1,378,579</u>	<u>\$1,429,337</u>

The City's total debt decreased by \$50,758 (4 percent) during the current fiscal year primarily due to principal payments on outstanding debt.

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 margin for the City is \$665,942, after deducting the general obligation debt of \$18,171.

Additional information on the City's long-term debt can be found in note 7 beginning on page 43 of this report.

### **Economic Factors and Next Year's Budget and Rates**

- Sales taxes decreased by \$8,644 (17%) during the current fiscal year.
- Unemployment in Riverside County is 14.1% as compared to 8.3% for 2008.
- 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, 2009 as follows:
  - Miscellaneous Plan –22.169% to 22.219%
  - Safety Plan – 29.026% to 29.323%

At the time of budget preparation for fiscal year 2010, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2010 of approximately \$198 million was adopted with a planned use of \$2 million of available fund balance. It represents a reduction from the prior year of approximately 8%, principally as a result of a projected reduction in sales taxes.

**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, 2009**  
(amounts expressed in thousands)

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 156,536	\$ 172,032	\$ 328,568
Receivables, net	106,008	55,074	161,082
Inventory	5,835	1,066	6,901
Nuclear material inventory	-	1,750	1,750
Prepaid items	1,741	6,248	7,989
Deferred charges	128,007	44,724	172,731
Internal balances	15,480	(15,480)	-
Land and improvements held for resale	84,102	-	84,102
Restricted assets:			
Cash and cash equivalents	-	38,696	38,696
Cash and investments at fiscal agent	169,609	250,264	419,873
Other	-	836	836
Capital leases receivable	24,940	-	24,940
Land and other capital assets not being depreciated	383,322	176,093	559,415
Capital assets (net of accumulated depreciation)	<u>731,492</u>	<u>971,700</u>	<u>1,703,192</u>
Total assets	<u>1,807,072</u>	<u>1,703,003</u>	<u>3,510,075</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	57,690	27,413	85,103
Accrued interest payable	9,010	5,610	14,620
Deferred revenue	1,776	1,740	3,516
Deposits	24,088	3,342	27,430
Current liabilities payable from restricted assets	-	3,329	3,329
Claims and judgments payable	24,958	-	24,958
Decommissioning liability	-	59,072	59,072
Noncurrent liabilities:			
Due within one year	57,666	27,239	84,905
Due in more than one year	<u>624,346</u>	<u>669,328</u>	<u>1,293,674</u>
Total liabilities	<u>799,534</u>	<u>797,073</u>	<u>1,596,607</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	950,496	659,904	1,610,400
Restricted for:			
Expendable:			
Capital projects	41,374	-	41,374
Debt service	-	25,633	25,633
Economic development	23,190	-	23,190
Other purposes	-	2,975	2,975
Public works	8,439	-	8,439
Housing	24,627	-	24,627
Programs	-	10,013	10,013
Nonexpendable	1,273	-	1,273
Unrestricted	<u>(41,861)</u>	<u>207,405</u>	<u>165,544</u>
Total net assets	<u>\$ 1,007,538</u>	<u>\$ 905,930</u>	<u>\$ 1,913,468</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, 2009  
(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	\$ 102,665	\$ (46,988)	\$ 13,691	\$ 11,622	\$ 27	\$ (30,337)		\$ (30,337)	
Public safety	127,350	22,554	8,414	4,202	1	(137,287)		(137,287)	
Highways and streets	18,731	16,446	14,391	6,315	69,639	55,168		55,168	
Culture and recreation	24,121	7,988	3,168	1,174	78	(27,689)		(27,689)	
Interest on long-term debt	34,361	-	-	-	-	(34,361)		(34,361)	
Total governmental activities	307,228	-	39,664	23,313	69,745	(174,506)		(174,506)	
Business type activities:									
Electric	269,209		314,164	-	7,060		\$ 52,015	52,015	
Water	53,931		54,923		7,199		8,191	8,191	
Sewer	34,853		23,247	-	-		(11,606)	(11,606)	
Refuse	18,425		18,394	168	-		137	137	
Airport	1,734		1,232	-	2,082		1,580	1,580	
Transportation	3,194		336	1,761	937		(160)	(160)	
Public parking	5,095		4,332	-	10		(753)	(753)	
Total business type activities	386,441		416,628	1,929	17,288		49,404	49,404	
Total	\$ 693,669		\$ 456,292	\$ 25,242	\$ 87,033		(174,506)	49,404	(125,102)
General revenues:									
Taxes:									
Sales									
						41,882	-	41,882	
						116,420	-	116,420	
						25,964	-	25,964	
						5,144	-	5,144	
						2,912	-	2,912	
Intergovernmental, unrestricted									
						4,569	-	4,569	
Investment income									
						15,941	23,402	39,343	
Miscellaneous									
						5,137	4,590	9,727	
						217,969	27,992	245,961	
Transfers, net									
						42,087	(42,087)	-	
Total general revenues and transfers									
						260,056	(14,095)	245,961	
Change in net assets									
						85,550	35,309	120,859	
Net assets - beginning									
						921,988	870,621	1,792,609	
Net assets - ending									
						\$ 1,007,538	\$ 905,930	\$ 1,913,468	

The notes to the financial statements are an integral part of this statement.

**City of Riverside**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**  
 (amounts expressed in thousands)

<b>Assets</b>	<b>General Fund</b>	<b>Redevelopment Debt Service</b>	<b>Certificates of Participation Debt Service</b>	<b>Capital Outlay</b>	<b>Redevelopment Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 48,202	\$ 15,716	\$ -	\$ -	\$ 39,553	\$ 43,109	\$ 146,580
Cash and investments at fiscal agent	12,355	7,426	16,094	31,127	97,919	4,688	169,609
Receivables (net of allowance for uncollectibles)							
Interest	255	156	-	50	190	340	991
Property taxes	5,389	-	-	-	-	-	5,389
Sales tax	6,295	-	-	-	-	-	6,295
Utility billed	764	-	-	-	-	-	764
Accounts	7,803	118	-	6,369	37	1,950	16,277
Intergovernmental	3,803	-	-	44,526	681	4,799	53,809
Notes	277	-	-	-	3,591	18,447	22,315
Capital lease receivable	-	24,940	-	-	-	-	24,940
Prepaid items	293	-	-	-	21	-	314
Deposits	-	-	-	176	1,241	-	1,417
Due from other funds	15,981	-	-	-	3	12,648	28,632
Advances to other funds	27,465	-	-	-	-	-	27,465
Land & improvements held for resale	-	-	-	-	73,511	10,591	84,102
Total assets:	<u>\$ 128,882</u>	<u>\$ 48,356</u>	<u>\$ 16,094</u>	<u>\$ 82,248</u>	<u>\$ 216,747</u>	<u>\$ 96,572</u>	<u>\$ 588,899</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable	\$ 11,400	\$ 160	\$ 238	\$ 10,164	\$ 14,872	\$ 1,219	\$ 38,053
Accrued payroll	12,060	-	-	-	42	27	12,129
Retainage payable	44	-	-	44	2,049	3,668	5,805
Intergovernmental	140	-	-	-	-	-	140
Deferred revenue	3,580	24,940	-	1,037	3,497	18,526	51,580
Deposits	24,062	-	-	-	-	26	24,088
Due to other funds	-	3	-	22,790	-	3,040	25,833
Advances from other funds	217	-	-	-	21,549	598	22,364
Total liabilities:	<u>51,503</u>	<u>25,103</u>	<u>238</u>	<u>34,035</u>	<u>42,009</u>	<u>27,104</u>	<u>179,992</u>
Fund balances:							
Reserved	41,400	23,253	15,856	35,711	84,560	19,369	220,149
Unreserved, designated for economic contingencies	30,000	-	-	-	-	-	30,000
Unreserved, designated for future operations							
General fund	2,888	-	-	-	-	-	2,888
Special revenue	-	-	-	-	-	26,097	26,097
Capital project funds	-	-	-	12,502	79,612	11,919	104,033
Unreserved, undesignated							
General fund	3,091	-	-	-	-	-	3,091
Special revenue	-	-	-	-	-	2,949	2,949
Debt service	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	10,566	9,134	19,700
Total fund balances	<u>77,379</u>	<u>23,253</u>	<u>15,856</u>	<u>48,213</u>	<u>174,738</u>	<u>69,468</u>	<u>408,907</u>
Total liabilities and fund balances	<u>\$ 128,882</u>	<u>\$ 48,356</u>	<u>\$ 16,094</u>	<u>\$ 82,248</u>	<u>\$ 216,747</u>	<u>\$ 96,572</u>	<u>\$ 588,899</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, 2009**  
**(amounts expressed in thousands)**

Total fund balances - governmental funds \$408,907

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. 1,111,233

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. 9,230

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. 117,173

Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds. 49,804

Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds. (9,010)

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	\$ (436,635)	
Certificates of participation payable	(196,905)	
Notes payable	(8,749)	
Capital leases payable	(7,455)	
Bond premiums	(8,052)	
Net OPEB obligation	(3,722)	
Compensated absences	(20,494)	
	(682,012)	(682,012)

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. 2,213

Net assets of governmental activities \$1,007,538

City of Riverside  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the fiscal year ended June 30, 2009  
(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
<b>Revenues</b>							
Taxes	\$ 126,838	\$ 52,390	\$ -	\$ -	\$ -	\$ 13,094	\$ 192,322
Licenses and permits	6,381	-	-	-	-	987	7,368
Intergovernmental	10,802	200	-	57,211	827	17,833	86,873
Charges for services	9,003	-	-	-	-	96	9,099
Fines and forfeitures	4,649	-	-	-	-	1,564	6,213
Special assessments	4,235	-	-	195	-	1,001	5,431
Rental and investment income	3,635	2,660	764	3,067	5,278	3,216	18,620
Miscellaneous	5,857	280	488	-	393	578	7,596
Total revenues	<u>171,400</u>	<u>55,530</u>	<u>1,252</u>	<u>60,473</u>	<u>6,498</u>	<u>38,369</u>	<u>333,522</u>
<b>Expenditures</b>							
Current:							
General government	8,148	669	24	136	11,226	5,792	25,995
Public safety	145,802	-	-	-	-	-	145,802
Highways and streets	18,452	-	-	-	-	-	18,452
Culture and recreation	26,646	-	-	-	-	213	26,859
Capital outlay	4,836	-	-	105,309	47,411	22,838	180,394
Debt service:							
Principal	5,369	6,830	1,950	-	-	-	14,149
Interest	9,060	15,447	8,526	-	-	-	33,033
Bond issuance costs	259	-	-	-	-	-	259
Total expenditures	<u>218,572</u>	<u>22,946</u>	<u>10,500</u>	<u>105,445</u>	<u>58,637</u>	<u>28,843</u>	<u>444,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,172)</u>	<u>32,584</u>	<u>(9,248)</u>	<u>(44,972)</u>	<u>(52,139)</u>	<u>9,526</u>	<u>(111,421)</u>
<b>Other financing sources (uses):</b>							
Transfers in	50,650	3,185	9,197	304	35,991	1,470	100,797
Transfers out	(7,776)	(36,235)	(2,207)	(7,837)	(414)	(4,241)	(58,710)
Issuance of long term debt	30,425	-	-	-	-	-	30,425
Payment to escrow account for advance refunding	(30,200)	-	-	-	-	-	(30,200)
Sales of capital assets	235	-	-	2	(1,354)	(4,681)	(5,798)
Total other financing sources and uses	<u>43,334</u>	<u>(33,050)</u>	<u>6,990</u>	<u>(7,531)</u>	<u>34,223</u>	<u>(7,452)</u>	<u>36,514</u>
Net change in fund balances	(3,838)	(466)	(2,258)	(52,503)	(17,916)	2,074	(74,907)
Fund balances - beginning	81,217	23,719	18,114	100,716	192,654	67,394	483,814
Fund balances - ending	<u>\$ 77,379</u>	<u>\$ 23,253</u>	<u>\$ 15,856</u>	<u>\$ 48,213</u>	<u>\$ 174,738</u>	<u>\$ 69,468</u>	<u>\$ 408,907</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, 2009  
(amounts expressed in thousands)**

Net change in fund balances-total governmental funds (\$74,907)

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	\$ 178,180	
Depreciation Expense	<u>(29,191)</u>	148,989

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. (2,855)

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. (1,559)

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	14,149	
Debt refunding	30,200	
Other post-employment benefit liabilities	(1,830)	
Compensated Absences	(128)	
Interest	(1,159)	
Premiums on the issuance of LTD	172	
Proceeds from LTD	<u>(30,425)</u>	10,979

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 757

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. 4,146

Change in net assets of governmental activities \$ 85,550

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, 2009  
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final				Original	Final		
<b>Revenues</b>									
Taxes	\$ 142,677	\$ 142,724	\$ 126,838	\$ (15,886)	Public safety:				
Licenses and permits	7,733	7,733	6,381	(1,352)	Police	98,191	102,298	87,377	14,921
Intergovernmental	2,820	13,731	10,802	(2,929)	Fire	47,803	51,065	47,315	3,750
Charges for services	11,159	11,228	9,003	(2,225)	Animal regulation	3,345	4,125	3,977	148
Fines and forfeitures	4,710	4,710	4,649	(61)	Building and zoning inspection	2,891	3,025	2,658	367
Special assessments	3,543	3,543	4,235	692	Street lighting	4,239	4,251	4,475	(224)
Rental and investment income	2,996	3,009	3,635	626	Total public safety	156,469	164,764	145,802	18,962
Miscellaneous	4,769	6,497	5,857	(640)	Highways and streets	20,883	24,068	18,452	5,616
Total revenues	180,407	193,175	171,400	(21,775)	Culture and recreation	25,940	31,646	26,646	5,000
<b>Expenditures</b>					Capital Outlay	8,380	8,380	4,836	3,544
General government:					Debt service:				
Mayor	1,236	1,338	1,184	154	Principal	5,537	5,442	5,369	73
Council	1,158	1,174	1,104	70	Interest	9,164	9,164	9,060	104
Manager	10,449	11,619	9,524	2,095	Bond issuance costs	-	197	259	(62)
Attorney	3,942	4,018	4,040	(22)	Total debt service	14,701	14,803	14,688	115
Clerk	1,331	1,321	1,101	220	Total expenditures	235,642	252,930	218,572	34,358
Community Development	9,372	10,202	8,463	1,739	Deficiency of revenue under expenditures	(55,235)	(59,755)	(47,172)	12,583
Human Resources	3,508	3,698	2,917	781	<b>Other financing sources (uses)</b>				
General Services	8,708	13,131	7,172	5,959	Transfers in	34,553	34,859	50,650	15,791
Information System	12,134	14,992	12,386	2,606	Transfers out	-	-	(7,776)	(7,776)
Development	6,662	7,742	7,245	497	Issuance of long term debt	-	-	30,425	30,425
Subtotal	58,500	69,235	55,136	14,099	Payment to escrow account for advance refunding	-	-	(30,200)	(30,200)
Allocated expenditures	(49,231)	(59,966)	(46,988)	(12,978)	Sale of capital assets	40	2,195	235	(1,960)
Total general government	9,269	9,269	8,148	1,121	Total other financing sources	34,593	37,054	43,334	6,280
				continued	Net change in fund balances	(20,642)	(22,701)	(3,838)	18,863
					Fund balance, beginning	81,217	81,217	81,217	-
					Fund balance, ending	\$ 60,575	\$ 58,516	\$ 77,379	\$ 18,863

The notes to the financial statements are an integral part of this statement.

**City of Riverside**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 3009**  
 (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	\$ 134,883	\$ 29,679	\$ 2,038	\$ 5,432	\$ 172,032	\$ 9,956
Receivables (net allowances for uncollectibles)						
Interest	745	146	178	83	1,152	131
Utility billed	14,532	2,843	688	597	18,660	-
Utility unbilled	12,609	2,737	768	637	16,751	-
Accounts	10,757	2,402	1,932	402	15,493	22
Intergovernmental	112	2,284	50	572	3,018	15
Nuclear materials inventory	1,750	-	-	-	1,750	-
Inventory	-	-	1,066	-	1,066	5,835
Prepaid items	6,224	7	5	12	6,248	8
Restricted assets:						
Cash and cash equivalents	28,805	6,917	-	2,975	38,697	-
Cash and investments at fiscal agent	222,538	27,726	-	-	250,264	-
Public benefit programs receivable	686	-	-	-	686	-
Conservation & reclamation programs receivable	-	150	-	-	150	-
Total current assets	<u>433,641</u>	<u>74,891</u>	<u>6,725</u>	<u>10,710</u>	<u>525,967</u>	<u>15,967</u>
Non-current assets:						
Advances to other funds	5,918	-	10,018	-	15,936	12,616
Deferred charges	22,453	7,329	3,650	11,292	44,724	1,604
Capital assets:						
Land	7,612	16,824	2,698	13,701	40,835	-
Buildings	18,572	15,199	184,327	20,338	238,436	1,488
Accumulated depreciation - buildings	(4,280)	(3,392)	(74,653)	(3,795)	(86,120)	(151)
Improvements other than buildings	715,607	418,728	61,877	19,818	1,216,030	-
Accumulated depreciation - improvements other than buildings	(290,012)	(120,504)	(10,893)	(4,046)	(425,455)	-
Machinery and equipment	25,102	12,483	8,996	17,696	64,277	9,575
Accumulated depreciation - machinery and equipment	(12,907)	(7,656)	(5,200)	(9,705)	(35,468)	(7,331)
Construction in progress	106,200	24,407	-	4,651	135,258	-
Total non-current assets	<u>594,265</u>	<u>363,418</u>	<u>180,820</u>	<u>69,950</u>	<u>1,208,453</u>	<u>17,801</u>
Total assets	<u>1,027,906</u>	<u>438,309</u>	<u>187,545</u>	<u>80,660</u>	<u>1,734,420</u>	<u>33,768</u>

Continued

City of Riverside  
Statement of Net Assets  
Proprietary Funds  
June 30, 3009  
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds

Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current liabilities:						
Accounts payable	13,858	4,588	1,877	1,168	21,491	865
Accrued payroll	4,364	1,461	1,070	720	7,615	533
Retainage payable	75	1,203	-	1	1,279	-
Intergovernmental	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	24,959
Unearned revenue	-	-	-	1,740	1,740	-
Deposits	2,780	561	-	1	3,342	-
Due to other funds	-	-	-	-	-	2,799
Capital leases - current	360	-	42	17	419	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	300	300	-
Current liabilities payable from restricted assets:						
Revenue bonds	21,300	4,415	-	-	25,715	-
Accrued interest	4,454	1,156	-	-	5,610	-
Other payables	2,117	526	355	331	3,329	164
Total current liabilities	49,308	14,060	3,344	4,278	70,990	29,320
Non-current liabilities:						
Revenue bonds	506,208	142,723	-	-	648,931	-
Arbitrage payable	-	-	-	-	-	-
Notes payable	-	-	7,915	-	7,915	-
Other payables	-	-	-	-	-	-
Capital leases	2,073	-	-	81	2,154	-
Advances from other funds	12,979	5,584	3,572	9,282	31,417	2,235
Decommissioning liability	59,072	-	-	-	59,072	-
Water stock acquisitions	-	799	-	-	799	-
Landfill capping	-	-	-	7,212	7,212	-
Total non-current liabilities	580,332	149,106	11,487	16,575	757,500	2,235
Total liabilities	629,640	163,166	14,831	20,853	828,490	31,555
<b>Net Assets</b>						
Invested in capital assets, net of related debt	204,902	237,188	159,237	58,577	659,904	3,581
Restricted for debt service	20,477	5,156	-	-	25,633	-
Restricted for other purposes	-	-	-	2,975	2,975	-
Restricted for programs	8,125	1,888	-	-	10,013	-
Unrestricted	164,762	30,911	13,477	(1,745)	207,405	(1,368)
Total net assets	\$ 398,266	\$ 275,143	\$ 172,714	\$ 59,807	\$ 905,930	\$ 2,213

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, 2009  
(amounts expressed in thousands)

<b>Business-type Activities - Enterprise Funds</b>							<b>Governmental Activities-Internal Service Funds</b>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>		
Operating revenues:							
Charges for services	\$ 314,164	\$ 54,923	\$ 23,247	\$ 24,294	\$ 416,628	\$	15,834
Operating expenses:							
Personal services	29,205	9,716	8,930	7,042	54,893		3,651
Contractual services	8,176	2,274	756	4,375	15,581		108
Maintenance and operation	170,533	9,530	8,380	6,486	194,929		1,513
General	13,203	13,582	5,253	3,988	36,026		1,733
Materials and supplies	725	1,041	2,730	940	5,436		13
Insurance	859	404	519	251	2,033		5,114
Depreciation and amortization	23,091	9,771	6,084	3,247	42,193		940
Total operating expenses	<u>245,792</u>	<u>46,318</u>	<u>32,652</u>	<u>26,329</u>	<u>351,091</u>		<u>13,072</u>
Operating income (loss)	<u>68,372</u>	<u>8,605</u>	<u>(9,405)</u>	<u>(2,035)</u>	<u>65,537</u>		<u>2,762</u>
Non-operating revenues (expenses):							
Operating grants	-	-	-	1,929	1,929		-
Interest income	17,625	3,169	2,018	590	23,402		1,468
Other	1,702	1,011	8	911	3,632		3
Gain (loss) on retirement of capital assets	210	(564)	16	(1,640)	(1,978)		(5)
Capital improvement fees	-	-	782	-	782		-
Interest expense and fiscal charges	(23,417)	(7,049)	(2,201)	(479)	(33,146)		(82)
Total non-operating revenues (expenses)	<u>(3,880)</u>	<u>(3,433)</u>	<u>623</u>	<u>1,311</u>	<u>(5,379)</u>		<u>1,384</u>
Income before capital contributions and transfers	64,492	5,172	(8,782)	(724)	60,158		4,146
Cash capital contributions	1,494	3,749	-	3,029	8,272		-
Noncash capital contributions	5,566	3,399	-	-	8,965		-
Transfers out	(29,583)	(11,664)	-	(840)	(42,087)		-
Change in net assets	41,969	656	(8,782)	1,465	35,308		4,146
Total net assets - beginning	356,297	274,487	181,496	58,342	870,622		(1,933)
Total net assets - ending	<u>\$ 398,266</u>	<u>\$ 275,143</u>	<u>\$ 172,714</u>	<u>\$ 59,807</u>	<u>\$ 905,930</u>	<u>\$</u>	<u>2,213</u>

City of Riverside  
Proprietary Funds  
Statement of Cash Flows  
For the fiscal year ended June 30, 2009  
(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	\$ 315,095	\$ 54,046	\$ 22,759	\$ 23,933	\$ 415,833	\$ 15,894
Cash paid to employees for services	(30,265)	(10,044)	(9,058)	(7,143)	(56,510)	(3,777)
Cash paid to other suppliers of goods or services	(185,574)	(27,906)	(17,968)	(16,556)	(248,004)	(12,295)
Other receipts	1,702	1,011	8	911	3,632	3
Net cash provided (used) by operating activities	<u>100,958</u>	<u>17,107</u>	<u>(4,259)</u>	<u>1,145</u>	<u>114,951</u>	<u>(175)</u>
Cash flows from noncapital financing activities:						
Transfers to other funds	(29,583)	(11,664)	-	(840)	(42,087)	-
Operating grants	-	-	-	3,011	3,011	-
Advances to other funds	-	-	(10,018)	-	(10,018)	(12,620)
Repayments on advances to other funds	33,586	-	-	-	33,586	-
Cash received (repaid) on loans from other funds	(227)	(98)	(63)	(27)	(415)	(24)
Cash paid on amounts due to the General Fund	-	-	-	(645)	(645)	-
Net cash provided (used) by noncapital financing activities	<u>3,776</u>	<u>(11,762)</u>	<u>(10,081)</u>	<u>1,499</u>	<u>(16,568)</u>	<u>(12,644)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(72,900)	(37,714)	(9,361)	(7,076)	(127,051)	(698)
Purchase of nuclear fuel	(2,221)	-	-	-	(2,221)	-
Proceeds from the sale of capital assets	558	128	25	-	711	(5)
Principal paid on long-term obligations	(20,639)	(4,390)	(22,028)	-	(47,057)	-
Interest paid on long-term obligations	(23,950)	(6,584)	(2,757)	(478)	(33,769)	(82)
Capital improvement fees	-	-	782	-	782	-
Capital contributions	1,493	11,872	-	3,617	16,982	-
Net cash used for capital and related financing activities	<u>(117,659)</u>	<u>(36,688)</u>	<u>(33,339)</u>	<u>(3,937)</u>	<u>(191,623)</u>	<u>(785)</u>
Cash flows from investing activities:						
Purchase of investments	(4,186)	684	-	-	(3,502)	-
Income from investments	19,674	3,283	2,089	603	25,649	1,393
Net cash provided by investing activities	<u>15,488</u>	<u>3,967</u>	<u>2,089</u>	<u>603</u>	<u>22,147</u>	<u>1,393</u>
Net change in cash and cash equivalents	2,563	(27,376)	(45,590)	(690)	(71,093)	(12,211)
Cash and cash equivalents, ending (including \$212,733 for Electric, \$54,355 for Water and \$4,025 for Sewer in restricted accounts)						
	<u>291,420</u>	<u>83,932</u>	<u>47,628</u>	<u>9,097</u>	<u>432,077</u>	<u>22,167</u>
Cash and cash equivalents, ending (including \$159,100 for Electric and \$26,877 for Water in restricted accounts)						
	<u>\$ 293,983</u>	<u>\$ 56,556</u>	<u>\$ 2,038</u>	<u>\$ 8,407</u>	<u>\$ 360,984</u>	<u>\$ 9,956</u>

continued

City of Riverside  
Proprietary Funds  
Statement of Cash Flows  
For the fiscal year ended June 30, 2009  
(amounts expressed in thousands)

						continued
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 68,372	\$ 8,605	\$ (9,405)	\$ (2,035)	\$ 65,537	\$ 2,762
Other receipts	1,702	1,011	8	911	3,632	3
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	23,091	9,771	6,084	3,247	42,193	940
Amortization of pension costs	179	77	49	33	338	22
Amortization (burn) of nuclear fuel	5,191	-	-	-	5,191	-
Decrease in utility billed receivables	1,946	57	104	61	2,168	-
Decrease in utility unbilled receivables	1,267	223	31	7	1,528	-
(Increase) in accounts receivable	(422)	(1,094)	(681)	(215)	(2,412)	20
(Increase) decrease in intergovernmental receivables	(4)	2	59	(218)	(161)	15
(Increase) decrease in prepaid items	786	(1)	(5)	(12)	768	17
Decrease in nuclear materials inventory	171	-	-	-	171	-
(Increase) in inventory	-	-	(77)	-	(77)	801
(Decrease) in accounts payable	(5,008)	(1,585)	(171)	(228)	(6,992)	(131)
(Decrease) in accrued payroll	(1,863)	(681)	(357)	(273)	(3,174)	(229)
Increase (decrease) in retainage payable	56	511	(78)	-	489	-
Increase in other payable	1,279	276	180	159	1,894	81
(Decrease) in intergovernmental receivables	(20)	-	-	-	(20)	-
(Decrease) in deposits	(314)	(65)	-	-	(379)	-
(Decrease) in due to other funds	-	-	-	-	-	(956)
(Decrease) in claims and judgments	-	-	-	-	-	(3,520)
Increase in decommissioning liability	4,549	-	-	-	4,549	-
(Decrease) in landfill capping	-	-	-	(292)	(292)	-
<b>Net cash provided by operating activities</b>	<b>\$ 100,958</b>	<b>\$ 17,107</b>	<b>\$ (4,259)</b>	<b>\$ 1,145</b>	<b>\$ 114,951</b>	<b>\$ (175)</b>
Schedule of noncash financing and investing activities:						
Contribution in aid	\$ 5,565	\$ 3,399	\$ -	\$ -	\$ 8,964	\$ -
Borrowing under capital lease	2,433	-	-	-	2,433	-

The notes to the financial statements are an integral part of this statement.

**City of Riverside**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2009**  
 (amounts expressed in thousands)

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 10,898
Cash and investments at fiscal agent	9,294
Interest receivable	61
Property tax receivables	<u>187</u>
Total assets	<u><u>\$ 20,440</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 21
Held for bond holders	<u>20,419</u>
Total liabilities	<u><u>\$ 20,440</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2009**

(amounts expressed in thousands)

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 1971 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.

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. Agency funds report only assets and liabilities, therefore have no measurement focus.

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 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.

Effective with the previous fiscal year, 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 the central stores, central garage, and the three self-insured risks of workers compensation, unemployment and public liability 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.

Significant interfund activity has been eliminated from the government-wide financial statements with the exception of charges between the City's electric, water, sewer and refuse functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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. 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 \$59,072 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. Decommissioning is expected to commence around the year 2022.

#### L. 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.

#### M. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management or the governing board for the future use of financial resources.

#### N. 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.

#### O. 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".

#### P. 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, 2009 relates to unearned revenue on a capital lease. See Note 4.

#### Q. 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.

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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.

**R. 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.

**S. Implementation of new accounting principles**

GASB has issued three pronouncements prior to June 30, 2009 (for years ending after June 30, 2009) that have effective dates that may impact future financial presentations. Management has currently determined that GASB Statement No 51, "Accounting and Reporting for Intangible Assets", GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments" and GASB Statement No 54, "Fund Balance Reporting and Governmental Fund Type Definitions" apply to the City, and are currently evaluating the impacts of implementing the pronouncements.

**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 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	\$360,777
Investments at fiscal agent	<u>445,420</u>
	806,197
Cash on hand and deposits with financial institutions	<u>1,132</u>
	<u>\$807,329</u>

The amounts are reflected in the government-wide statement of net assets:

Cash and investments	\$328,568
Restricted cash and cash equivalents	38,696
Restricted cash and investments at fiscal agent	<u>419,873</u>
Total per statement of net assets	787,137
Fiduciary fund cash and investments	<u>20,192</u>
	<u>\$807,329</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

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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%

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

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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Money Market Funds	\$ 42,549	\$ 42,549	\$ -	\$ -	\$ -
Federal Agency Securities	200,278	40,997	31,410	127,871	-
Corp Medium Term Notes	30,875	-	10,279	20,596	-
State Investment Pool	87,075	87,075	-	-	-
Held by Fiscal Agent					
Money Market Funds	47,810	47,810	-	-	-
State Investment Pool	80,519	80,519	-	-	-
Investment Contracts	232,025	30,155	164,081	8,409	29,380
Commercial Paper	502	502	-	-	-
Fed Agency Securities	41,454	2,318	5,676	16,230	17,230
Negotiable CDs	19,839	3,601	2,796	13,442	-
Corp Med Term Notes	23,271	-	1,028	4,216	18,027
<b>Total</b>	<b><u>\$806,197</u></b>	<b><u>\$335,526</u></b>	<b><u>\$215,270</u></b>	<b><u>\$190,764</u></b>	<b><u>\$64,637</u></b>

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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-1+	Unrated
Money Market Funds	\$ 42,549	\$ 42,549	\$ -	\$ -	\$ -
Federal Agency Securities	200,278	200,278	-	-	-
Corp Medium Term Notes	30,875	30,875	-	-	-
State Investment Pool	87,075	-	-	-	87,075
Held by Fiscal Agent					
Money Market Funds	47,810	47,626	-	-	184
State Investment Pool	80,519	-	-	-	80,519
Investment Contracts	232,025	-	-	-	232,025
Commercial Paper	502	-	-	502	-
Fed Agency Securities	41,454	41,454	-	-	-
Negotiable CDs	19,839	-	-	-	19,839
Corp Med Term Notes	23,271	-	23,271	-	-
<b>Total</b>	<b>\$806,197</b>	<b>\$362,782</b>	<b>\$23,271</b>	<b>\$ 502</b>	<b>\$419,642</b>

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 Company, LLC	Investment Contract	\$159,336
General Electric	Corporate Medium Term Notes	43,440

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-

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:

2010	\$ 2,355
2011	2,381
2012	2,413
2013	2,443
2014	2,473
Thereafter	<u>29,267</u>
Total Due	41,332
Less: amount applicable to interest	<u>(16,392)</u>
Total capital lease receivable	<u>\$24,940</u>

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2009.

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	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$250,582	\$23,541	\$(3,543)	\$270,580
Construction in progress	<u>84,661</u>	<u>78,194</u>	<u>(50,113)</u>	<u>112,742</u>
Total capital assets not being depreciated	<u>335,243</u>	<u>101,735</u>	<u>(53,656)</u>	<u>383,322</u>
Capital assets being depreciated:				
Buildings	122,330	401	-	122,731
Improvements other than Buildings	95,264	20,456	-	115,720
Machinery and Equipment	72,175	4,309	(3,239)	73,245
Infrastructure	<u>642,659</u>	<u>105,159</u>	<u>-</u>	<u>747,818</u>
Total capital assets being depreciated	<u>932,428</u>	<u>130,325</u>	<u>(3,239)</u>	<u>1,059,514</u>
Less accumulated depreciation for:				
Buildings	(31,091)	(3,273)	-	(34,364)
Improvements other than Buildings	(32,242)	(3,984)	-	(36,226)
Machinery and Equipment	(43,777)	(6,893)	3,089	(47,581)
Infrastructure	<u>(194,494)</u>	<u>(15,357)</u>	<u>-</u>	<u>(209,851)</u>
Total accumulated depreciation	<u>(301,604)</u>	<u>(29,507)</u>	<u>3,089</u>	<u>(328,022)</u>
Total capital assets being depreciated, net	<u>630,824</u>	<u>100,818</u>	<u>(150)</u>	<u>731,492</u>
Governmental activities capital assets, net	<u>\$966,067</u>	<u>\$202,553</u>	<u>\$(53,806)</u>	<u>\$1,114,814</u>
Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 37,200	\$3,635	\$ -	\$40,835
Construction in progress	<u>108,663</u>	<u>138,646</u>	<u>(112,051)</u>	<u>135,258</u>
Total capital assets not being depreciated	<u>145,863</u>	<u>142,281</u>	<u>(112,051)</u>	<u>176,093</u>
Capital assets being depreciated:				
Buildings	234,591	5,764	(1,919)	238,436
Improvements other than Buildings	1,124,861	94,028	(2,859)	1,216,030
Machinery and Equipment	<u>54,513</u>	<u>12,260</u>	<u>(2,496)</u>	<u>64,277</u>
Total capital assets being depreciated	<u>1,413,965</u>	<u>112,052</u>	<u>(7,274)</u>	<u>1,518,743</u>
Less accumulated depreciation for:				
Buildings	(80,717)	(5,416)	13	(86,120)
Improvements other than Buildings	(396,044)	(31,508)	2,097	(425,455)
Machinery and Equipment	<u>(33,057)</u>	<u>(4,847)</u>	<u>2,436</u>	<u>(35,468)</u>
Total accumulated depreciation	<u>(509,818)</u>	<u>(41,771)</u>	<u>4,546</u>	<u>(547,043)</u>
Total capital assets being depreciated, net	<u>904,147</u>	<u>70,281</u>	<u>(2,728)</u>	<u>971,700</u>
Business type activities capital assets, net	<u>\$1,050,010</u>	<u>\$212,562</u>	<u>\$(114,779)</u>	<u>\$1,147,793</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	\$ 3,430
Public safety	4,102
Highways and streets, including depreciation of general infrastructure assets	16,725
Culture and recreation	<u>5,250</u>
Total depreciation expense – governmental activities	<u>\$29,507</u>

Business type activities:

Electric	\$23,091
Water	9,771
Sewer	6,084
Refuse	1,378
Special Transportation	270
Airport	607
Public Parking	<u>570</u>
Total depreciation expense – business type activities	<u>\$41,771</u>

**6. 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 \$15,000, with a deductible of 5% for earthquake and 2% for flood. Workers' compensation insurance coverage has a limit of \$25,000, with a deductible of \$3,000 per occurrence. The City carries commercial insurance up to \$23,000 for general and auto liability claims greater than \$3,000 per occurrence. 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.

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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 funds' claims liability amounts are:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u> <u>Compensation</u>	<u>Public</u> <u>Liability</u>	<u>Total</u>
Unpaid Claims, June 30, 2007	\$19,687	\$ 76	\$8,226	\$27,989
Incurred claims	2,086	104	6,451	8,641
Claim payments	<u>(2,530)</u>	<u>-</u>	<u>(5,621)</u>	<u>(8,151)</u>
Unpaid Claims, June 30, 2008	19,243	180	9,056	28,479
Incurred claims (including IBNR's)	(6,442)	41	6,647	246
Claim payments and adjustments	<u>1,801</u>	<u>-</u>	<u>(5,568)</u>	<u>( 3,767)</u>
Unpaid claims, June 30, 2009	<u>\$14,602</u>	<u>\$ 221</u>	<u>\$ 10,135</u>	<u>\$24,958</u>

**7. Long-Term Obligations**

Changes in Long-Term Obligations: The following is a summary of changes in long-term obligations during the fiscal year:

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.

**Governmental Activities:**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Redevelopment Agency bonds	\$292,244	\$ -	\$ 6,501	\$285,743	\$ 6,625
General Obligation Bonds	18,774	-	603	18,171	625
Pension Obligation Bonds	142,170	30,425	33,185	139,410	33,960
Certificates of Participation	200,273	-	2,005	198,268	2,045
Capital leases	9,391	-	1,936	7,455	1,325
Notes Payable	9,040	-	291	8,749	586
Compensated Absences*	20,494	13,007	13,007	20,494	12,500
Net OPEB Obligation	<u>1,892</u>	<u>2,592</u>	<u>762</u>	<u>3,722</u>	<u>-</u>
Total	<u>\$694,278</u>	<u>\$46,024</u>	<u>\$58,290</u>	<u>\$682,012</u>	<u>\$57,666</u>

\*Beginning balances have been adjusted for a change in the amount of compensated absences reported in the prior year. Beginning net assets of the governmental activities have not been restated since the net affect of changes are not material.

**Business-type activities:**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Revenue Bonds	\$720,749	\$ -	\$46,103	\$674,646	\$25,715
Notes Payable	8,569	-	654	7,915	666
Capital Leases	211	2,433	70	2,574	408
Landfill Capping	2,881	4,923	292	7,512	300
Arbitrage Liability	481	28	7	502	-
Water Stock Acquisition Rights	963	-	15	948	150
Net OPEB Obligation	<u>1,204</u>	<u>1,794</u>	<u>528</u>	<u>2,470</u>	<u>-</u>
Total	<u>\$735,058</u>	<u>\$ 9,178</u>	<u>\$ 47,669</u>	<u>\$696,567</u>	<u>\$27,239</u>

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Long-Term Obligations at June 30, 2009:

	<u>Principal Outstanding</u>	<u>Water</u>	
Revenue Bonds:			
<u>Electric</u>			
\$98,730 1998 Electric Revenue Bonds (partial refunding issue); \$63,165 serial bonds, 4.25% to 5.38%, due in annual installments from \$4,650 to \$7,085 through October 1, 2013; \$35,565 term bonds, 5%, due October 1, 2022 (partially advance refunded in 2005, with final maturity in 2018).	\$ 35,125	\$69,840 1991 Water Revenue Bonds; \$25,050 serial bonds, 4.25% to 9.0%, due in annual installments from \$675 to \$3,100 through October 1, 2002; \$25,900 Capital Appreciation Bonds, due in annual installments from \$3,235 to \$3,240 from October 1, 2003 to October 1, 2010; (partially advance refunded in 1998)	\$ 6,475
\$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, with final maturity in 2014).	22,740	\$30,965 1998 Water Revenue Bonds (partial refunding issue); \$15,055 serial bonds, 4.0% to 5.38%, due in annual installments from \$205 to \$4,080 through October 1, 2013; \$15,910 term bonds, 5%, due October 1, 2027 (with final maturity in 2018).	20,405
\$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.	39,305	\$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, with final maturity in 2016).	4,030
\$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.	19,305	\$60,300 2008 Water Refunding/Revenue Bonds; Series A variable rate subject to weekly repricing (rate at June 25, 2009 was 3.6%), due in annual installments from \$425 to \$3,950 through October 1, 2035	59,875
\$199,115 2008 Electric Refunding/Revenue Bonds; Series A, B, and C; variable rate subject to weekly repricing (rate at June 24, 2009 was 3.5%), due in annual installments from \$1,800 to \$9,285 through October 1, 2035.	198,565	\$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.	<u>58,235</u>
\$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.	<u>209,740</u>	Subtotal	149,020
		Less: Unamortized bond premium	1,219
		Less: Unamortized deferred bond refunding costs	<u>(3,101)</u>
			<u>\$ 147,138</u>
		Total Revenue Bonds	<u>\$674,646</u>
Subtotal	524,780		
Add: Unamortized bond premium	9,762		
Less: Unamortized deferred bond refunding costs	<u>(7,034)</u>		
	<u>\$527,508</u>		

**CITY OF RIVERSIDE**  
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(amounts expressed in thousands)

Remaining revenue bond debt service payments will be made from revenues of the Electric and Water 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
2010	21,300	21,735	43,035	4,415	5,939	10,354
2011	22,295	20,709	43,004	4,465	5,892	10,357
2012	21,050	19,693	40,743	4,590	5,939	10,529
2013	22,040	18,692	40,732	4,820	5,709	10,529
2014	21,080	17,640	38,720	5,050	5,289	10,339
2015-2019	66,230	78,514	144,744	20,850	23,255	44,105
2020-2024	63,970	67,585	131,555	19,275	19,677	38,952
2025-2029	77,070	54,104	131,174	23,160	15,674	38,834
2030-2034	94,000	36,768	130,768	28,085	10,638	38,723
2035-2039	115,745	14,449	130,194	34,310	4,235	38,545
Premium (Discount)	9,762	-	9,762	1,219	-	1,219
Refunding Costs	(7,034)	-	(7,034)	(3,101)	-	(3,101)
Total	<u>\$527,508</u>	<u>\$349,889</u>	<u>\$877,397</u>	<u>\$ 147,138</u>	<u>\$102,247</u>	<u>\$249,385</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)

\$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

Principal  
Outstanding

\$ 160

13,885

\$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

\$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.

\$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

\$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024

\$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

\$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

5,025

15,680

4,395

2,605

22,330

3,880

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\$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

34,045

\$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

21,850

\$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

1,105

\$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

8,320

\$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

14,575

\$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

89,155

\$43,875 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, Taxable, Series D, \$15,740 term bonds due August 1, 2017; \$28,135 term bonds due August 1, 2032

42,275

Subtotal 279,285  
 Add: Unamortized bond premium 6,457  
 Total Redevelopment Agency Bonds \$285,742

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>
2010	6,625	13,670	20,295
2011	6,925	13,380	20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,318
2014	7,920	12,411	20,331
2015-2019	45,695	56,073	101,768
2020-2024	61,015	42,744	103,759
2025-2029	58,175	26,736	84,911
2030-2034	45,205	13,826	59,031
2035-2039	32,925	3,110	36,035
Premium	6,457	-	6,457
Total	<u>\$285,742</u>	<u>\$207,775</u>	<u>\$493,517</u>

General Obligation Bonds: Principal Outstanding

\$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

\$17,940

Add: Unamortized bond premium 231  
 Total General Obligation Bonds \$18,171

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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:

Fiscal Year	Principal	Interest	Total
2010	625	819	1,444
2011	675	794	1,469
2012	725	766	1,491
2013	780	737	1,517
2014	840	706	1,546
2015-2019	5,210	2,934	8,144
2020-2024	7,345	1,485	8,830
2025-2029	1,740	48	1,788
Premium	231	-	231
Total	<u>\$18,171</u>	<u>\$8,289</u>	<u>\$26,460</u>

Pension Obligation Bonds:

Description	Principal Outstanding
\$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	\$82,100
\$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	26,885
\$30,425 2009 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2009 was 1.5%, \$30,425 due June 1, 2010.	<u>30,425</u>
Total Pension Obligation Bonds	<u>\$139,410</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:

Fiscal Year	Principal	Interest	Total
2010	*33,960	6,414	40,374
2011	4,130	5,792	9,922
2012	4,780	5,593	10,373
2013	5,475	5,357	10,832
2014	6,230	5,079	11,309
2015-2019	44,815	19,539	64,354
2020-2024	40,020	5,891	45,911
Total	<u>\$139,410</u>	<u>\$53,665</u>	<u>\$193,075</u>

\* Principal payment includes the refunding

Certificates of Participation:

Description	Principal Outstanding
\$6,360 1999 Municipal Improvements Corporation Certificates of Participation; 6.0% to 7.6%, due in annual installments from \$310 to \$815 through April 1, 2010	\$ 815
\$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	47,845
\$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
\$128,300 2008 Riverside Renaissance Certificates of Participation; rate at June 30, 2008 was 3.62%, due in annual installments from \$2,900 to \$7,200 through March 1, 2037	<u>128,300</u>
Subtotal	196,905
Add: Unamortized bond premium	<u>1,363</u>
Total Certificates of Participation	<u>\$198,268</u>

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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>
2010	2,045	7,533	9,578
2011	4,175	7,403	11,578
2012	4,750	7,250	12,000
2013	4,920	7,079	11,999
2014	5,085	6,902	11,987
2015-2019	28,660	31,418	60,078
2020-2024	34,970	25,346	60,316
2025-2029	39,490	18,138	57,628
2030-2034	48,275	9,618	57,893
2035-2039	24,535	1,525	26,060
Premium	<u>1,363</u>	-	<u>1,363</u>
Total	<u>\$198,268</u>	<u>\$122,212</u>	<u>\$320,480</u>

Contracts – Enterprise Funds:

Water stock acquisition rights payable on demand to various water companies

<u>Principal Outstanding</u>
<u>\$948</u>

Notes Payable - Redevelopment Agency:

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, including principal and interest through June 2020

\$2,987

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

2,260

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

3,175

Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects.

327

Total notes payable – Redevelopment Agency

\$ 8,749

Remaining notes payable debt service payments will be made from unrestricted revenues of the Redevelopment Agency. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Redevelopment Agency</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2010	586	601	1,187
2011	631	574	1,205
2012	677	543	1,220
2013	728	509	1,237
2014	692	471	1,163
2015-2019	2,907	1,779	4,686
2020-2024	471	1,238	1,709
2025-2029	777	932	1,709
2030-2034	<u>1,280</u>	<u>430</u>	<u>1,710</u>
Total	<u>\$ 8,749</u>	<u>\$7,077</u>	<u>\$15,826</u>

Notes payable – Sewer Fund:

Principal Outstanding

Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of \$339,474, beginning January 29, 2003 through January 29, 2022

\$ 3,574

Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of \$477,387, beginning November 6, 1999 through November 6, 2018

4,341

Total notes payable – Sewer Fund

\$7,915

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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	
2010	666	151	817
2011	679	138	817
2012	692	125	817
2013	705	112	817
2014	718	99	817
2015-2019	3,797	286	4,083
2020-2021	<u>658</u>	<u>21</u>	<u>679</u>
Total	<u>\$7,915</u>	<u>\$932</u>	<u>\$8,847</u>

**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	Business-Type
	Activities	Activities
Buildings and improvements	\$6,069	\$488
Equipment	<u>4,763</u>	<u>2,727</u>
Subtotal	10,832	3,215
Less: Accumulated		
Depreciation	<u>(2,330)</u>	<u>(133)</u>
Total	<u>\$8,502</u>	<u>\$3,082</u>

The future minimum lease obligations as of June 30, 2009 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2010	1,598	497
2011	1,598	497
2012	1,081	446
2013	938	446
2014	703	446
Thereafter	2,140	497
Copiers	<u>585</u>	<u>-</u>
Total Minimum lease payments	8,643	2,829
Less: Amount representing interest (rates ranging from 2.5% to 9%)	<u>(1,188)</u>	<u>(255)</u>
Total capital lease payable	<u>\$7,455</u>	<u>\$2,574</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, 2009:

General long-term obligations:

Redevelopment Agency	\$ 7,033
Certificates of Participation	<u>12,908</u>
Total	<u>\$19,941</u>

Enterprise funds:

Electric	\$31,398
Water	<u>8,259</u>
Total	<u>\$39,657</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 below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

**CITY OF RIVERSIDE**  
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Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/09
Tax increment:			
Non-Housing	\$42,659	\$15,440	2.76
Housing	7,611	2,776	2.74
Electric revenues	117,543	45,286	2.60
Water revenues	25,247	11,201	2.25

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, 2009, the following amounts are considered defeased:

2001 Electric Revenue Bonds	\$9,260,000
2001 Water Revenue Bonds	13,320,000
1993 Sewer Revenue Bonds	17,590,000

**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, 2009 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 23 years. The estimated cost of meeting the State's requirements was increased by \$4.9 million during 2009 based on the engineer's annual review of closure and post-closure maintenance costs.

**8. Other Long-Term Obligations**

**Assessment Districts Bonds (Not obligations of the City)**

As of June 30, 2009, the City has several series of Assessment District Bonds outstanding in the amount of \$64,102. 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 \$10,385 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. Interest Rate Swaps**

**Objective:** In order to lower borrowing costs as compared to fixed-rate bonds, at the time of issuance in May 2008, the City entered into interest rate swap agreements in connection with its \$198,115 2008 Electric Revenue Bonds (Series A, B, and C) and \$61,300 2008 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.



**CITY OF RIVERSIDE**  
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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, 2009, 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		
2010	\$ 1,000	\$ 7,305	\$ 4,601	\$ 12,906
2011	1,025	7,276	4,588	12,889
2012	6,350	7,175	4,505	18,030
2013	6,575	7,071	4,420	18,066
2014	6,800	6,962	4,332	18,094
2015-2019	63,975	30,804	19,688	114,467
2020-2024	75,475	23,494	15,749	114,718
2025-2029	82,650	15,944	10,902	109,496
2030-2034	91,825	7,697	5,567	105,089
2034-2037	49,050	436	504	49,990
Total	<u>\$384,725</u>	<u>\$114,164</u>	<u>\$ 74,856</u>	<u>\$573,745</u>

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2009 for the General Fund, Redevelopment Debt Service Fund, COPS Debt Service Fund, Capital Outlay Fund and the Redevelopment Capital Projects Fund consist of the following:

Reserved for:	
Encumbrances	\$ 49,926
Interfund receivable	27,465
Debt service	39,109
Prepaid items	314
Notes receivable	527
Fire bond	9,928
Land & improvements held for resale	<u>73,511</u>
Total reserved fund balance	<u>\$200,780</u>

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, 2009:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$2,945
	Capital Outlay Fund	10,237
	Unemployment Insurance*	12
	Central Stores *	<u>2,787</u>
		<u>15,981</u>
RDA Capital Projects	RDA Debt Service	<u>3</u>
Nonmajor Governmental Funds	Capital Outlay Fund	12,553
	Nonmajor Governmental Funds	<u>95</u>
		<u>12,648</u>
Total		<u>\$28,632</u>
* Internal service funds		

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, 2009:

Receivable Fund	Payable Fund	Amount
General	Electric	\$12,979
	Redevelopment Capital Projects	745
	Water	5,584
	Sewer	3,572
	Nonmajor Governmental Funds	598
	Nonmajor Enterprise Funds	2,401
	Workers' Compensation *	234
	Central Stores *	246
	Central Garage *	<u>1,106</u>
		<u>27,465</u>

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2009**

(amounts expressed in thousands)

			COPS Debt Service Fund	General Fund	7,775
				Redevelopment Debt Service	245
				Capital Outlay	337
				Nonmajor Enterprise Funds	<u>840</u>
					<u>9,197</u>
Workers' Compensation *	Nonmajor Enterprise Funds	6,881			
	General	217			
	Redevelopment Capital				
	Projects	<u>5,518</u>			
		<u>12,616</u>	Capital Outlay	COPS Debt Service Fund	<u>304</u>
Sewer	Redevelopment Capital				<u>304</u>
	Projects	10,018			
			Redevelopment Capital		
			Projects	Redevelopment Debt Service	<u>35,991</u>
Electric	Redevelopment Capital				<u>35,991</u>
	Projects	5,269			
	Central Stores*	<u>650</u>			
		<u>5,919</u>	Nonmajor Governmental	Redevelopment Capital	
			Funds	Projects	414
Total		<u>\$56,018</u>		Nonmajor Governmental Funds	<u>1,056</u>
					<u>1,470</u>
			Total		<u>\$100,797</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 an asset that was transferred from the General Fund to the Water Fund (4) 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, 2009:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$29,583
	Water	11,664
	Capital Outlay	7,500
	COPS Debt Service Fund	<u>1,903</u>
		<u>50,650</u>
Redevelopment Debt Service	Nonmajor Governmental Funds	<u>3,185</u>
		<u>3,185</u>

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Urban Areas Security Initiative Special Revenue Fund (\$92), Housing & Community Development Special Revenue Fund (\$120), Transportation Capital Projects Fund (\$20), Unemployment Compensation Internal Service Fund (\$229), and the Public Liability Internal Service Fund (\$7,580) at fiscal year end. The deficit in these funds 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

**CITY OF RIVERSIDE**  
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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.

The City also detected perchlorate in a number of its drinking water wells. While Lockheed Martin has not admitted liability for the presence of perchlorate in the City's wells, Lockheed Martin has agreed to pay for the design, construction, installation, rental and permitting, and to reimburse the City for its operational and maintenance costs associated with perchlorate treatment facilities on certain of the City's drinking water wells, under an agreement between the City and Lockheed Martin dated October 29, 2002 (the "Interim Perchlorate Agreement"). The Interim Perchlorate Agreement has been thrice amended, on November 25, 2003, on February 22, 2005, and on May 31, 2007, with each amendment increasing the number of wells from an original four wells to fourteen wells being treated for perchlorate at Lockheed Martin's expense.

**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 below, 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, 2006 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 affects of short-term volatility in the market value of investments (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2007	Misc	\$11,693	100%	(58,908)
2007	Safety	10,622	100%	(87,813)
2008	Misc	12,457	100%	(58,334)
2008	Safety	11,134	100%	(87,043)
2009	Misc	14,735	100%	(57,548)
2009	Safety	12,543	100%	(85,909)

A total of \$143,457 of net pension assets 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.

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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(amounts expressed in thousands)

Determination of Net Pension Asset as of June 30, 2009:

	<u>Misc</u>	<u>Safety</u>
Annual required contribution	\$13,949	11,409
Interest on net pension asset	(4,521)	(6,746)
Adjustment to annual required contribution	<u>5,307</u>	<u>7,880</u>
Annual pension cost	14,735	12,543
Less contributions made	<u>(13,949)</u>	<u>(11,409)</u>
Decrease (Increase) in net pension asset	786	1,134
Net pension asset, beginning of year	<u>(58,334)</u>	<u>(87,043)</u>
Net pension asset, end of year	<u>\$(57,548)</u>	<u>(85,909)</u>

Schedule of funding for CalPERS:

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>% Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
Misc.	6/30/05	\$655,642	634,694	20,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2
Misc.	6/30/06	712,551	677,903	34,648	95.1	92,844	37.3
Safety	6/30/06	523,914	498,433	25,481	95.1	53,728	47.4
Misc.	6/30/07*	770,089	731,550	38,539	95.0	102,435	37.6
Safety	6/30/07*	567,733	536,774	30,959	94.5	61,058	50.7

\* Information presented is for the most recent valuation date available.

Other Post-Employment Benefits

(All amounts are in whole dollars unless otherwise stated)

Plan Description

The City of Riverside (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 currently contributes to seven bargaining units through their associations. The following seven associations are responsible for the administration of their individual plans: The Riverside City Fire Association (RCFA), International Brotherhood of Electrical Workers General Trust (IBEW), The Riverside Police Administrator's Association (RPAA), The Riverside Police Association Sergeants Trust 1991 (RPOA 91), The Riverside Police Association Sergeants Trust 2006 (RPOA 06), Service Employee's International Union General Trust (SEIUG), and the Service Employee's International Union Refuse (SEIUR). The RCFA and the RPAA associations are new trusts and the benefit levels are not yet established, therefore the actuarial information was excluded and the actuarial information stated that the ARC for both trusts would be equal to the City's contribution.

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 MOU's are agreements established between the City and the respective employee associations. The City does not issue separate stand-alone financial reports for the plans, instead financial information for the trust funds can be obtained by contacting the individual association. The benefit summary information is as followed:

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2009**

(amounts expressed in thousands)

<b>BENEFIT SUMMARY<sup>1</sup></b>			
<u>Eligibility &amp; Benefit</u>	<u>Trust/Group</u>	<u>Eligibility</u>	<u>Monthly Benefit</u>
	• IBEW	• DOR>7/1/2000 50 & 5, or disability	• \$100 until Medicare eligible
	• RPOA 91	• Active on 6/1/90 or bought into plan, 20 yrs as Police officer (15 with City), or industrial disability with 5 yrs City Police service	• DOR<6/1/1990: \$75 • DOR>6/1/1990: \$150
	• RPOA 06	• DOR>7/1/06, 15 yrs City police service, or industrial disability	• \$200
	• SEIUG	• 20 yrs City service or industrial disability with 5 yrs service	• DOR<6/30/90: \$50 • DOR>6/30/90: \$100
	• SEIUR	• 20 yrs City service or industrial disability with 5 yrs service	• \$100

<b>BENEFIT SUMMARY</b>			
▪ Eligibility	▪ Retire directly from City under CalPERS (age 50, 5 years of service or disability), and meet plan eligibility above		
▪ City Contribution	<u>Trust/Group</u>	<u>Contribution</u>	
	• IBEW	• \$50/month for each active	
	• RPOA 91	• Initial contribution of \$750,000	
	• RPOA 06	• \$100/month for each active	
	• SEIUG	• Each January 1st through 2010, City contributes 0.25% of annual full-time payroll	
	• SEIUR	• Each January 1st through 2011, City contributes 0.25% of annual full-time payroll	

Funding Policy and Annual OPEB Cost

The contribution requirements of the City for the Stipend Plan are established and may be amended through the memoranda of understanding (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.

<b>Assets</b>	
<b>Trust Amounts</b>	
<b>As of Most Recent Actuarial Valuation</b>	
IBEW General Retiree Health Trust	\$ 204,858
RPOA 1991 Trust	531,376
RPOA 2006 Trust	230,105
SEIU General Retiree Health	1,839,569
SEIU Refuse Retiree Health	<u>30,317</u>
Total	\$ <u>2,836,225</u>

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.

<sup>1</sup> Chart information obtained from the Bartel Associates, LLC Stipend and Implied Subsidy Plans-GASB 45 Actuarial Valuation report dated July 24, 2008.

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2009**

(amounts expressed in thousands)

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 for the current year and the related information for each plan are as follows (amounts in thousands):

RESULTS – STIPEND PLANS					
Annual Required Contribution (ARC) at 4.5% 2008/09 Fiscal Year (amounts in 000's)					
	IBEW	RPOA 1991 Trust	RPOA 2006 Trust	SEIU General	SEIU Refuse
▪ ARC \$					
• Normal Cost <sup>2</sup>	\$19	\$44	\$303	\$172	\$7
• UAAL					
• Amortization <sup>3</sup>	4	94	150	128	8
• Total	23	138	453	300	15
▪ 2008/09 Payroll	15,326	8,343	27,253	47,621	1,762
▪ ARC as % of payroll					
• Normal Cost	0.1%	0.5%	1.1%	0.4%	0.4%
• UAAL					
• Amortization	0.0%	1.1%	0.6%	0.3%	0.5%
• Total	0.1%	1.6%	1.7%	0.7%	0.9%
▪ Current Contribution					
• \$	\$123	-	\$424	\$113 <sup>4</sup>	-
• % of payroll	0.8%	-	1.6%	0.24%	-

<sup>2</sup> Level \$

<sup>3</sup> Amortized as a level percent of payroll over 30 years

<sup>4</sup> Contribution was based on annual projected payroll figures as of January 1, 2009. If actual payroll had been used, contributions would be \$119.

**RESULTS – IMPLIED SUBSIDY**  
**Discount Rate and Amortization Sensitivity**  
(amounts in 000's)

	4.5%	
	20 Years	30 Years
▪ <b>Discount Rate</b>		
▪ <b>Amortization Period</b>		
▪ <b>Present Value of Benefits<sup>5</sup></b>	\$75,665	\$75,665
▪ <b>Funded Status<sup>5</sup></b>		
• AAL (Accrued Actuarial Liability)	50,430	50,430
• Assets	-	-
• UAAL	50,430	50,430
▪ <b>2008/2009 ARC<sup>5</sup></b>		
• Normal Cost	2,306	2,306
• UAAL Amortization	2,947	2,080
• ARC	5,253	4,386
• ARC as % of payroll	3%	3%

The City's annual OPEB cost (AOC), the contribution, and the net OPEB obligation (NOO) for the year ended June 30, 2009 for each of the plans were as follows (dollar amounts in thousands):

RESULTS – STIPEND PLANS						
Estimated Net OPEB Obligation (amounts in 000's)						
4.5% Discount Rate						
	IBEW	RPOA 1991 TRUS T	RPOA 2006 TRUST	SEIU GENERAL	SEIU REFUSE	Total
▪ <b>NOO 6/30/2007</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
o AOC <sup>6</sup>	23	138	453	300	15	929
o Contribution	(105)	-	(322)	(113)	(4)	(544)
▪ <b>NOO 6/30/2008</b>	\$ (82)	\$ 138	\$ 131	\$ 187	\$ 11	\$ 385
o AOC <sup>5</sup>	23	138	453	300	15	929
o Contribution	(123)	-	(424)	(113)	-	(660)
▪ <b>Estimated NOO 6/30/2009</b>	\$ (182)	\$ 276	\$ 160	\$ 374	\$ 26	\$ 654

<sup>5</sup> Based on most recent actuarial valuation performed as of 6/30/08.

<sup>6</sup> 30 year amortization. Level \$ for IBEW, RPOA 1991 & RPOA 2006. Level % of payroll for SEIU General and SEIU Refuse.

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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(amounts expressed in thousands)

<b>RESULTS – IMPLIED SUBSIDY</b>	
<b>Estimated Net OPEB Obligation</b>	
(amounts in 000's)	
	<b>No Pre-Funding 4.5%</b>
▪ <b>NOO 6/30/2007</b>	\$ -
○ 2007/08 ARC <sup>7</sup>	4,386
○ Contributions <sup>8</sup>	(1,290)
▪ <b>NOO 6/30/2008</b>	\$ 3,096
○ 2008/09 ARC <sup>9</sup>	4,386
○ Contributions <sup>7</sup>	(1,290)
▪ <b>Estimated NOO 6/30/2009</b>	\$ 6,192

Funding Status and Funding Progress

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, 2008, the actuarial accrued liability for benefits was \$50.4 million. The funded status of the Stipend Plan was as follows (amounts in thousands):

Stipend Plan

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Actuarial Valuation Date	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 2,885	\$ 12,186	\$9,301	06/30/08*	24%	92,643	10%

\* Information presented is for the most recent valuation date available.

<sup>7</sup> UAAL amortized as a level percent of payroll over 30 years.

<sup>8</sup> Includes benefit payments.

<sup>9</sup> Based on most recent actuarial valuation performed as of 6/30/08.

Actuarial Methods and Assumptions

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. Significant methods and assumptions were as follows:

<b>ACTUARIAL ASSUMPTIONS</b>																					
<b>June 30, 2007 Valuation</b>																					
▪ Valuation Date	<ul style="list-style-type: none"> <li>• June 30, 2007</li> <li>• Cost for fiscal year 2007/08 (end of year)</li> </ul>																				
▪ Discount Rate:	<ul style="list-style-type: none"> <li>• 6.0% Baseline</li> <li>• 4.5% Assets invested conservatively</li> <li>• 7.75% Pre-funded with CalPERS CERBT – diversified and irrevocable trust</li> </ul>																				
▪ General Inflation	<ul style="list-style-type: none"> <li>• 3.0%</li> </ul>																				
▪ Aggregate Payroll Increases	<ul style="list-style-type: none"> <li>• 3.25%</li> </ul>																				
▪ Retirement	<ul style="list-style-type: none"> <li>• CalPERS 1997-2002 Experience Study</li> </ul> <table style="margin-left: 40px; border: none;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Misc</u></th> <th style="text-align: center;"><u>Fire</u></th> <th style="text-align: center;"><u>Police</u></th> </tr> </thead> <tbody> <tr> <td>Level</td> <td style="text-align: center;">2.7% @ 55</td> <td style="text-align: center;">3% @ 50</td> <td style="text-align: center;">3% @ 50</td> </tr> <tr> <td>Hire Age</td> <td style="text-align: center;">34</td> <td style="text-align: center;">27</td> <td style="text-align: center;">27</td> </tr> <tr> <td>Exp. Ret. Age</td> <td style="text-align: center;">60 (M)</td> <td style="text-align: center;">56</td> <td style="text-align: center;">54</td> </tr> <tr> <td></td> <td style="text-align: center;">59 (F)</td> <td></td> <td></td> </tr> </tbody> </table>		<u>Misc</u>	<u>Fire</u>	<u>Police</u>	Level	2.7% @ 55	3% @ 50	3% @ 50	Hire Age	34	27	27	Exp. Ret. Age	60 (M)	56	54		59 (F)		
	<u>Misc</u>	<u>Fire</u>	<u>Police</u>																		
Level	2.7% @ 55	3% @ 50	3% @ 50																		
Hire Age	34	27	27																		
Exp. Ret. Age	60 (M)	56	54																		
	59 (F)																				
▪ Mortality, Termination, & Disability	<ul style="list-style-type: none"> <li>• CalPERS 1997-2002 Experience Study</li> </ul>																				

**CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the year ended June 30, 2009**

(amounts expressed in thousands)

▪ Medicare Eligible Rate	• 100%
▪ Plan Assets	▪ Market value of assets ▪ No smoothing
▪ Cost Method	▪ Entry Age Normal <ul style="list-style-type: none"> <li>• As a level % of pay: <ul style="list-style-type: none"> <li>➢ SEIU General</li> <li>➢ SEIU Refuse</li> </ul> </li> <li>• As a level \$ amount: <ul style="list-style-type: none"> <li>➢ IBEW Trust</li> <li>➢ RPOA 1991 Trust</li> <li>➢ RPOA 2006 Trust</li> </ul> </li> </ul>
▪ Amortization Period	▪ 30 years ▪ 20 years -- sensitivity
▪ Amortization Method	▪ Level Percent of Payroll (same as CalPERS) ▪ Level Dollar Amount
▪ Future New Entrants	▪ None – Closed Group

15. 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 2008-09 and 2007-08 fiscal years, the Electric Utility paid approximately \$17,792 and \$17,074, 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%	11.7MW
Southern Transmission System (STS)	10.20%	195.0MW
Hoover Dam Upgrading (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	12.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. 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 3.0 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.

**CITY OF RIVERSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2009**

(amounts expressed in thousands)

Fiscal Year	SCPPA						
	IPA	PV	STS	Hoover	MPP	MAT	Total
2010	\$19,926	\$ 692	\$ 6,457	\$ 708	\$ 229	\$ 2,454	\$ 30,466
2011	25,742	662	7,538	708	319	3,100	38,069
2012	23,323	666	7,936	706	318	3,090	36,039
2013	20,116	669	9,614	704	318	3,087	34,508
2014	22,918	672	8,764	705	318	3,092	36,469
Thereafter	165,263	2,725	102,231	2,803	1,826	20,653	295,501
Total	<u>\$277,288</u>	<u>\$ 6,086</u>	<u>\$142,540</u>	<u>\$ 6,334</u>	<u>\$ 3,328</u>	<u>\$35,476</u>	<u>\$471,052</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	2023
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, 2009 and 2008, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPP	Hoover	Total
2009	\$28,010	\$3,044	\$1,975	\$ 243	\$ 121	\$ 81	\$33,474
2008	27,759	2,758	2,181	248	97	88	33,131

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 has executed five firm power purchase agreements. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; and Bonneville Power Administration (BPA). The

minimum annual obligations under each of these contracts are shown in the following table.

Minimum Obligations 2009-2010			
Supplier	Capacity	Energy	Total
Deseret	\$1,732	\$1,143	\$2,875
BPA (two agreements)	1,096	-	1,096
Total	<u>\$2,828</u>	<u>\$1,143</u>	<u>\$3,971</u>

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 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.

As of June 30, 2009 and 2008, Deferred purchased power was \$1,670 and \$5,011, respectively, and the Utility had recorded amortization of \$3,341 in both fiscal years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. The 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.

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 16, 2007, the Public Utilities Board approved a new RPS, increasing the

**CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the year ended June 30, 2009**

(amounts expressed in thousands)

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 2009</u>
Wintec	Wind	8.0MW	11/10/2021	233
Salton Sea Power	Geothermal	20.0MW	5/31/2020	22,123
Total		28.0MW		\$22,356

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 capacity available upon completion of Wintec's Facility II Wind Turbine Project.

On June 19, 2008 and December 12, 2008, the City of Riverside entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC for geothermal power. The contract term is for 30 years with an estimated start date in late 2011 and will provide a combined 96 MW of geothermal energy.

Construction Commitments:

As of June 30, 2009, the Electric Utility had major commitments of approximately \$17,207, with respect to unfinished capital projects, of which \$16,560 is expected to be funded by bonds and \$647 funded by rates.

As of June 30, 2009, the Water Utility had major commitments of approximately \$8,663 with respect to unfinished capital projects, of which \$8,000 is expected to be funded by bonds and \$663 funded by rates.

**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.

SCE, as operating agent, has declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would likely result in permanent shutdown of the plant in the 2009-2010 timeframe. The estimated costs to replace the 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 Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, Anaheim has opted not to participate. 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 units 2 and 3 of SONGS.

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.

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 \$146,027 and \$142,120 for fiscal years ended June 30, 2009 and 2008, respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. As a result, all acquisitions are now depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to \$120,549 and \$114,511 for the fiscal years ended June 30, 2009 and 2008, 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 \$2,968 and \$2,336 for fiscal years June 30, 2009 and June 30, 2008, respectively (see Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

#### 16. Uncertainty Relating to the State of California's Budget Deficit

The State of California continues to have significant financial challenges and remains an ongoing uncertainty for the City as they continue to look to local municipalities to assist with closing their budget gap. When adopting its budget for fiscal year 2009-10, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2009-10 and 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time. The specific impact on the City's redevelopment agency would be to re-direct \$17 million from the redevelopment agency to offset a portion of the State budget deficit.

#### 17. Subsequent Events

On August 6, 2009, the City issued the 2009 Sewer Revenue Bonds in the amount of \$240,910. The bonds were issued to reimburse certain previously incurred improvement costs and to finance certain capital projects of the City's sewer system. Interest on the bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2010. The rate of interest varies from 4.0% to 7.2% per annum depending on maturity date. Principal is payable in annual installments ranging from \$6,760 to \$109,130 commencing August 1, 2012 and ending August 1, 2039.

## **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.

### **Debt Service Funds**

**Debt Service Funds** are used to account for the accumulation of resources and payment of long-term debt obligations of the City and related entities.

**Debt Service Fund** – To accumulate monies for the payment of interest and principal on long-term debt obligations of the City. Debt service is financed via special property tax assessments.

## **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, 2009  
(amounts expressed in thousands)

Special Revenue								
Assets	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement	Total
Cash and investments	\$ -	\$ 9,413	\$ 701	\$ -	\$ 23,475	\$ -	\$ -	\$ 33,589
Cash and investments at fiscal agent	-	-	-	-	386	-	-	386
Receivable (net of allowance for uncollectibles):								
Interest	-	48	4	-	165	-	-	217
Accounts	-	-	-	2	-	-	1,671	1,673
Intergovernmental	-	991	-	3,294	-	438	-	4,723
Notes	-	-	-	6,064	12,383	-	-	18,447
Land & improvements held for resale	-	-	-	-	10,591	-	-	10,591
Total assets	<u>\$ -</u>	<u>\$ 10,452</u>	<u>\$ 705</u>	<u>\$ 9,360</u>	<u>\$ 47,000</u>	<u>\$ 438</u>	<u>\$ 1,671</u>	<u>\$ 69,626</u>
<b>Liabilities and fund balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ 67	\$ 11	\$ 758	\$ 72	\$ 2	\$ 49	\$ 959
Accrued payroll	-	-	-	18	-	-	9	27
Retainage payable	-	2,640	-	-	-	-	-	2,640
Deferred revenue	-	-	-	6,066	12,459	-	-	18,525
Deposits	-	-	-	-	26	-	-	26
Due to other funds	92	-	-	2,040	1	436	375	2,944
Advance from other funds	-	-	-	598	-	-	-	598
Total liabilities	<u>92</u>	<u>2,707</u>	<u>11</u>	<u>9,480</u>	<u>12,558</u>	<u>438</u>	<u>433</u>	<u>25,719</u>
Fund balances								
Reserved:								
Reserved for noncurrent loans receivable	-	-	-	-	52	-	-	52
Reserved for encumbrances	600	164	11	2,518	900	-	25	4,218
Reserved for land & improvements held for resale	-	-	-	-	10,591	-	-	10,591
Unreserved, designated for future operations	-	6,463	523	-	19,034	-	77	26,097
Unreserved, undesignated	(692)	1,118	160	(2,638)	3,865	-	1,136	2,949
Total fund balances	<u>(92)</u>	<u>7,745</u>	<u>694</u>	<u>(120)</u>	<u>34,442</u>	<u>-</u>	<u>1,238</u>	<u>43,907</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 10,452</u>	<u>\$ 705</u>	<u>\$ 9,360</u>	<u>\$ 47,000</u>	<u>\$ 438</u>	<u>\$ 1,671</u>	<u>\$ 69,626</u>

**City of Riverside**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**  
 (amounts expressed in thousands)

	Debt Service		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Debt Service	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
<b>Assets</b>								
Cash and investments	\$ -	\$ -	\$ 3,201	\$ 5,046	\$ -	\$ 8,247	\$ 1,273	\$ 43,109
Cash and investments at fiscal agent	-	-	4,302	-	-	4,302	-	4,688
Receivable (net of allowance for uncollectibles):								
Interest	-	-	95	28	-	123	-	340
Accounts	-	-	277	-	-	277	-	1,950
Intergovernmental	-	-	-	-	76	76	-	4,799
Notes	-	-	-	-	-	-	-	18,447
Due from other funds	-	-	12,648	-	-	12,648	-	12,648
Land & improvements held for resale	-	-	-	-	-	-	-	10,591
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,523</u>	<u>\$ 5,074</u>	<u>\$ 76</u>	<u>\$ 25,673</u>	<u>\$ 1,273</u>	<u>\$ 96,572</u>
<b>Liabilities and fund balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 242	\$ 18	\$ -	\$ 260	\$ -	\$ 1,219
Accrued payroll	-	-	-	-	-	-	-	27
Retainage payable	-	-	1,028	-	-	1,028	-	3,668
Deferred revenue	-	-	-	1	-	1	-	18,526
Deposits	-	-	-	-	-	-	-	26
Due to other funds	-	-	-	-	96	96	-	3,040
Advance from other funds	-	-	-	-	-	-	-	598
Total liabilities	<u>-</u>	<u>-</u>	<u>1,270</u>	<u>19</u>	<u>96</u>	<u>1,385</u>	<u>-</u>	<u>27,104</u>
Fund balances								
Reserved:								
Reserved for noncurrent loans receivable	-	-	-	-	-	-	-	52
Reserved for encumbrances	-	-	3,091	144	-	3,235	-	7,453
Reserved for land & improvements held for resale	-	-	-	-	-	-	-	10,591
Reserved for library services	-	-	-	-	-	-	1,273	1,273
Unreserved, designated for future operations	-	-	8,524	3,395	-	11,919	-	38,016
Unreserved, undesignated	-	-	7,638	1,516	(20)	9,134	-	12,083
Total fund balances	<u>-</u>	<u>-</u>	<u>19,253</u>	<u>5,055</u>	<u>(20)</u>	<u>24,288</u>	<u>1,273</u>	<u>69,468</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,523</u>	<u>\$ 5,074</u>	<u>\$ 76</u>	<u>\$ 25,673</u>	<u>\$ 1,273</u>	<u>\$ 96,572</u>

City of Riverside  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the fiscal year ended June 30, 2009  
(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	Total
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 13,094	\$ -	\$ -	\$ 13,094
Intergovernmental	-	7,217	345	9,958	151	-	-	17,671
Charges for services	-	-	-	-	-	-	96	96
Fines and forfeitures	-	-	-	-	-	-	1,564	1,564
Special assessments	-	-	-	-	-	438	563	1,001
Rental and investment income	-	329	38	38	1,489	-	-	1,894
Miscellaneous	-	-	-	242	229	-	-	471
Total revenues	<u>-</u>	<u>7,546</u>	<u>383</u>	<u>10,238</u>	<u>14,963</u>	<u>438</u>	<u>2,223</u>	<u>35,791</u>
<b>Expenditures</b>								
Current:								
General government	-	1,090	414	315	2,373	267	985	5,444
Culture and recreation	92	-	-	-	-	-	-	92
Capital outlay	-	3,685	-	10,098	1,925	171	-	15,879
Total expenditures	<u>92</u>	<u>4,775</u>	<u>414</u>	<u>10,413</u>	<u>4,298</u>	<u>438</u>	<u>985</u>	<u>21,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92)</u>	<u>2,771</u>	<u>(31)</u>	<u>(175)</u>	<u>10,665</u>	<u>-</u>	<u>1,238</u>	<u>14,376</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	561	909	-	-	1,470
Transfers out	-	-	-	(506)	(3,735)	-	-	(4,241)
Sales of capital assets	-	-	-	-	(4,681)	-	-	(4,681)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>(7,507)</u>	<u>-</u>	<u>-</u>	<u>(7,452)</u>
Net change in fund balances	<u>(92)</u>	<u>2,771</u>	<u>(31)</u>	<u>(120)</u>	<u>3,158</u>	<u>-</u>	<u>1,238</u>	<u>6,924</u>
Fund balances - beginning	<u>-</u>	<u>4,974</u>	<u>725</u>	<u>-</u>	<u>31,284</u>	<u>-</u>	<u>-</u>	<u>36,983</u>
Fund balances - ending	<u>\$ (92)</u>	<u>\$ 7,745</u>	<u>\$ 694</u>	<u>\$ (120)</u>	<u>\$ 34,442</u>	<u>\$ -</u>	<u>\$ 1,238</u>	<u>\$ 43,907</u>

**City of Riverside**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended June 30, 2009**  
**(amounts expressed in thousands)**

	Debt Service		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Debt Service	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,094
Licenses and permits	-	-	868	119	-	987	-	987
Intergovernmental	-	-	-	-	162	162	-	17,833
Charges for services	-	-	-	-	-	-	-	96
Fines and forfeitures	-	-	-	-	-	-	-	1,564
Special assessments	-	-	-	-	-	-	-	1,001
Rental and investment income	-	-	979	288	-	1,267	55	3,216
Miscellaneous	-	-	-	-	-	-	107	578
Total revenues	-	-	1,847	407	162	2,416	162	38,369
<b>Expenditures</b>								
Current:								
General government	54	54	294	-	-	294	-	5,792
Culture and recreation	-	-	-	-	-	-	121	213
Capital outlay	-	-	5,733	1,035	191	6,959	-	22,838
Total expenditures	54	54	6,027	1,035	191	7,253	121	28,843
Excess (deficiency) of revenues over (under) expenditures	(54)	(54)	(4,180)	(628)	(29)	(4,837)	41	9,526
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	1,470
Transfers out	-	-	-	-	-	-	-	(4,241)
Sales of capital assets	-	-	-	-	-	-	-	(4,681)
Total other financing sources (uses)	-	-	-	-	-	-	-	(7,452)
Net change in fund balances	(54)	(54)	(4,180)	(628)	(29)	(4,837)	41	2,074
Fund balances - beginning	54	54	23,433	5,683	9	29,125	1,232	67,394
Fund balances - ending	\$ -	\$ -	\$ 19,253	\$ 5,055	\$ (20)	\$ 24,288	\$ 1,273	\$ 69,468

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, 2009  
(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
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,601	-	(2,601)	7,850	7,217	(633)	385	345	(40)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	50	329	279	-	38	38
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>2,601</u>	<u>-</u>	<u>(2,601)</u>	<u>7,900</u>	<u>7,546</u>	<u>(354)</u>	<u>385</u>	<u>383</u>	<u>(2)</u>
<b>Expenditures</b>									
Current:									
General government	-	-	-	1,090	1,090	-	914	414	500
Culture and recreation	2,601	92	2,509	-	-	-	112	-	112
Capital outlay	-	-	-	11,652	3,685	7,967	-	-	-
Total expenditures	<u>2,601</u>	<u>92</u>	<u>2,509</u>	<u>12,742</u>	<u>4,775</u>	<u>7,967</u>	<u>1,026</u>	<u>414</u>	<u>612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(92)</u>	<u>(92)</u>	<u>(4,842)</u>	<u>2,771</u>	<u>7,613</u>	<u>(641)</u>	<u>(31)</u>	<u>610</u>
<b>Other financing sources (uses)</b>									
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	-	(92)	(92)	(4,842)	2,771	7,613	(641)	(31)	610
Fund balances (deficit), beginning	-	-	-	4,974	4,974	-	725	725	-
Fund balances (deficit), ending	<u>\$ -</u>	<u>\$ (92)</u>	<u>\$ (92)</u>	<u>\$ 132</u>	<u>\$ 7,745</u>	<u>\$ 7,613</u>	<u>\$ 84</u>	<u>\$ 694</u>	<u>\$ 610</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, 2009  
(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
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ 12,477	\$ 13,094	\$ 617	\$ -	\$ -	\$ -
Intergovernmental	9,354	9,958	604	281	151	(130)	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	565	438	(127)
Rental and investment income	-	38	38	1,372	1,489	117	-	-	-
Miscellaneous	288	242	(46)	3	229	226	-	-	-
Total revenues	<u>9,642</u>	<u>10,238</u>	<u>596</u>	<u>14,133</u>	<u>14,963</u>	<u>830</u>	<u>565</u>	<u>438</u>	<u>(127)</u>
<b>Expenditures</b>									
Current:									
General government	924	315	609	1,483	2,373	(890)	293	267	26
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	18,841	10,098	8,743	39,530	1,925	37,605	227	171	56
Total expenditures	<u>19,765</u>	<u>10,413</u>	<u>9,352</u>	<u>41,013</u>	<u>4,298</u>	<u>36,715</u>	<u>520</u>	<u>438</u>	<u>82</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,123)</u>	<u>(175)</u>	<u>9,948</u>	<u>(26,880)</u>	<u>10,665</u>	<u>37,545</u>	<u>45</u>	<u>-</u>	<u>(45)</u>
<b>Other financing sources (uses)</b>									
Transfers in	561	561	-	909	909	-	-	-	-
Transfers out	(506)	(506)	-	(3,735)	(3,735)	-	-	-	-
Sale of capital assets	-	-	-	-	(4,681)	(4,681)	-	-	-
Total other financing sources	<u>55</u>	<u>55</u>	<u>-</u>	<u>(2,826)</u>	<u>(7,507)</u>	<u>(4,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,068)	(120)	9,948	(29,706)	3,158	32,864	45	-	(45)
Fund balances (deficit), beginning	-	-	-	31,284	31,284	-	-	-	-
Fund balances (deficit), ending	<u>\$ (10,068)</u>	<u>\$ (120)</u>	<u>\$ 9,948</u>	<u>\$ 1,578</u>	<u>\$ 34,442</u>	<u>\$ 32,864</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ (45)</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, 2009  
(amounts expressed in thousands)

	Special Revenue			Capital Projects					
	Neglected Property Abatement			Capital Outlay			Redevelopment		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	95,783	57,211	(38,572)	3,225	827	(2,398)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	266	96	(170)	-	-	-	-	-	-
Fines and forfeitures	440	1,564	1,124	-	-	-	-	-	-
Special assessments	262	563	301	350	195	(155)	-	-	-
Rental and investment income	-	-	-	300	3,067	2,767	4,560	5,278	718
Miscellaneous	-	-	-	1,087	-	(1,087)	261	393	132
Total revenues	<u>968</u>	<u>2,223</u>	<u>1,255</u>	<u>97,520</u>	<u>60,473</u>	<u>(37,047)</u>	<u>8,046</u>	<u>6,498</u>	<u>(1,548)</u>
<b>Expenditures</b>									
Current:									
General government	924	985	(61)	-	136	(136)	10,972	11,226	(254)
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	207,549	105,309	102,240	158,166	47,411	110,755
Total expenditures	<u>924</u>	<u>985</u>	<u>(61)</u>	<u>207,549</u>	<u>105,445</u>	<u>102,104</u>	<u>169,138</u>	<u>58,637</u>	<u>110,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44</u>	<u>1,238</u>	<u>1,194</u>	<u>(110,029)</u>	<u>(44,972)</u>	<u>65,057</u>	<u>(161,092)</u>	<u>(52,139)</u>	<u>108,953</u>
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	304	304	36,891	35,991	(900)
Transfers out	-	-	-	-	(7,837)	(7,837)	(1,303)	(414)	889
Sale of capital assets	-	-	-	-	2	2	-	(1,354)	(1,354)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,531)</u>	<u>(7,531)</u>	<u>35,588</u>	<u>34,223</u>	<u>(1,365)</u>
Net change in fund balances	44	1,238	1,194	(110,029)	(52,503)	57,526	(125,504)	(17,916)	107,588
Fund balances (deficit), beginning	-	-	-	100,716	100,716	-	192,654	192,654	-
Fund balances (deficit), ending	<u>\$ 44</u>	<u>\$ 1,238</u>	<u>\$ 1,194</u>	<u>\$ (9,313)</u>	<u>\$ 48,213</u>	<u>\$ 57,526</u>	<u>\$ 67,150</u>	<u>\$ 174,738</u>	<u>\$ 107,588</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, 2009  
(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
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	296	162	(134)
Licenses and permits	-	868	868	100	119	19	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	979	979	29	288	259	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	1,847	1,847	129	407	278	296	162	(134)
<b>Expenditures</b>									
Current:									
General government	1,237	294	943	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	20,806	5,733	15,073	3,658	1,035	2,623	225	191	34
Total expenditures	22,043	6,027	16,016	3,658	1,035	2,623	225	191	34
Excess (deficiency) of revenues over (under) expenditures	(22,043)	(4,180)	17,863	(3,529)	(628)	2,901	71	(29)	(100)
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(8)	-	8	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	(8)	-	8	-	-	-	-	-	-
Net change in fund balances	(22,051)	(4,180)	17,871	(3,529)	(628)	2,901	71	(29)	(100)
Fund balances (deficit), beginning	23,433	23,433	-	5,683	5,683	-	9	9	-
Fund balances (deficit), ending	\$ 1,382	\$ 19,253	\$ 17,871	\$ 2,154	\$ 5,055	\$ 2,901	\$ 80	\$ (20)	\$ (100)

## **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, 2009**  
**(amounts expressed in thousands)**

<b>Assets</b>	<b>Airport</b>	<b>Refuse</b>	<b>Transportation</b>	<b>Public Parking</b>	<b>Total</b>
Current assets:					
Cash and investments	\$ 784	\$ 87	\$ 1,805	\$ 2,756	\$ 5,432
Receivables (net of allowance for uncollectibles)					
Interest	9	22	10	42	83
Utility billed	-	597	-	-	597
Utility unbilled	-	637	-	-	637
Accounts	78	186	-	138	402
Intergovernmental	201	275	46	50	572
Prepaid items	-	-	12	-	12
Restricted assets:					
Cash and cash equivalents	-	2,975	-	-	2,975
Total current assets	<u>1,072</u>	<u>4,779</u>	<u>1,873</u>	<u>2,986</u>	<u>10,710</u>
Non-current assets:					
Deferred charges	248	10,212	650	182	11,292
Capital assets:					
Land	9,988	-	-	3,713	13,701
Buildings	2,114	-	22	18,202	20,338
Accumulated depreciation-buildings	(965)	-	(8)	(2,822)	(3,795)
Improvements other than buildings	16,557	-	-	3,261	19,818
Accumulated depreciation-improvements other than buildings	(3,709)	-	-	(337)	(4,046)
Machinery and equipment	438	13,390	2,756	1,112	17,696
Accumulated depreciation-machinery and equipment	(174)	(7,601)	(1,434)	(496)	(9,705)
Construction in progress	1,987	-	120	2,544	4,651
Total non-current assets:	<u>26,484</u>	<u>16,001</u>	<u>2,106</u>	<u>25,359</u>	<u>69,950</u>
Total assets	<u>27,556</u>	<u>20,780</u>	<u>3,979</u>	<u>28,345</u>	<u>80,660</u>

(continued)

**City of Riverside**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2009**  
 (amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	41	437	22	668	1,168
Accrued payroll	46	529	92	53	720
Retainage payable	1	-	-	-	1
Unearned revenue	45	-	1,695	-	1,740
Deposits	1	-	-	-	1
Capital leases-current	17	-	-	-	17
Landfill capping-current	-	300	-	-	300
Other payables	20	195	86	30	331
Total current liabilities	171	1,461	1,895	751	4,278
Non-current liabilities:					
Capital leases	81	-	-	-	81
Advances from other funds	245	1,334	642	7,061	9,282
Landfill capping	-	7,212	-	-	7,212
Total non-current liabilities	326	8,546	642	7,061	16,575
Total liabilities	497	10,007	2,537	7,812	20,853
<b>Net Assets</b>					
Invested in capital assets, net of related debt	26,155	5,789	1,456	25,177	58,577
Restricted for other purposes	-	2,975	-	-	2,975
Unrestricted	904	2,009	(14)	(4,644)	(1,745)
Total net assets	\$ 27,059	\$ 10,773	\$ 1,442	\$ 20,533	\$ 59,807

**City of Riverside**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the fiscal year ended June 30, 2009**  
**(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	\$ 1,232	\$ 18,394	\$ 336	\$ 4,332	\$ 24,294
Operating expenses:					
Personal Services	587	3,888	1,816	751	7,042
Contractual services	38	3,125	60	1,152	4,375
Maintenance and operation	227	5,460	406	393	6,486
General	185	3,364	274	165	3,988
Materials and supplies	16	608	301	15	940
Insurance	26	99	34	92	251
Depreciation and amortization	607	1,800	270	570	3,247
Total operating expenses	<u>1,686</u>	<u>18,344</u>	<u>3,161</u>	<u>3,138</u>	<u>26,329</u>
Operating Income (loss)	<u>(454)</u>	<u>50</u>	<u>(2,825)</u>	<u>1,194</u>	<u>(2,035)</u>
Nonoperating revenues (expenses):					
Operating grants	-	168	1,761	-	1,929
Interest income	90	179	60	261	590
Other	118	197	-	596	911
Loss on retirement of capital assets	-	(13)	-	(1,627)	(1,640)
Interest expense and fiscal charges	(48)	(68)	(33)	(330)	(479)
Total non-operating revenues	<u>160</u>	<u>463</u>	<u>1,788</u>	<u>(1,100)</u>	<u>1,311</u>
Income before capital contributions and transfers	<u>(294)</u>	<u>513</u>	<u>(1,037)</u>	<u>94</u>	<u>(724)</u>
Cash capital contributions	2,082	-	937	10	3,029
Transfers out	-	-	-	(840)	(840)
Change in net assets	<u>1,788</u>	<u>513</u>	<u>(100)</u>	<u>(736)</u>	<u>1,465</u>
Total net assets - beginning	<u>25,271</u>	<u>10,260</u>	<u>1,542</u>	<u>21,269</u>	<u>58,342</u>
Total net assets - ending	<u>\$ 27,059</u>	<u>\$ 10,773</u>	<u>\$ 1,442</u>	<u>\$ 20,533</u>	<u>\$ 59,807</u>

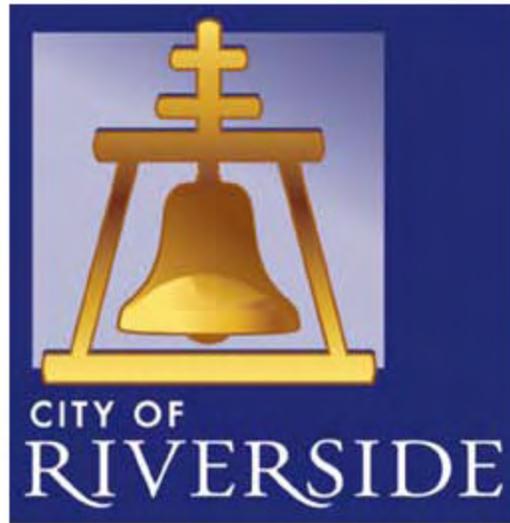
City of Riverside  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the fiscal year ended June 30, 2009  
(amounts expressed in thousands)

	<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	\$ 1,286	\$ 18,164	\$ 336	\$ 4,147	\$ 23,933
Cash paid to employees for services	(588)	(4,010)	(1,791)	(754)	(7,143)
Cash paid to other suppliers of goods or services	(618)	(13,269)	(1,074)	(1,595)	(16,556)
Other receipts	<u>118</u>	<u>197</u>	<u>-</u>	<u>596</u>	<u>911</u>
Net cash provided (used) by operating activities	<u>198</u>	<u>1,082</u>	<u>(2,529)</u>	<u>2,394</u>	<u>1,145</u>
Cash flows from noncapital financing activities:					
Operating grants	-	168	2,843	-	3,011
Transfers to other funds	-	-	-	(840)	(840)
Cash received (repaid) on loans from other funds	(731)	(23)	(11)	738	(27)
Cash repaid on amounts due to the General Fund	<u>(645)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,376)</u>	<u>145</u>	<u>2,832</u>	<u>(102)</u>	<u>1,499</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(742)	(1,690)	(915)	(3,729)	(7,076)
Interest paid on long-term obligations	(47)	(68)	(33)	(330)	(478)
Capital contributions	<u>2,670</u>	<u>-</u>	<u>937</u>	<u>10</u>	<u>3,617</u>
Net cash provided (used) for capital and related financing activities	<u>1,881</u>	<u>(1,758)</u>	<u>(11)</u>	<u>(4,049)</u>	<u>(3,937)</u>
Cash flows from investing activities:					
Income from investments	<u>81</u>	<u>199</u>	<u>60</u>	<u>263</u>	<u>603</u>
Net cash provided by investing activities	<u>81</u>	<u>199</u>	<u>60</u>	<u>263</u>	<u>603</u>
Net change in cash and cash equivalents	784	(332)	352	(1,494)	(690)
Cash and cash equivalents, beginning	<u>-</u>	<u>3,394</u>	<u>1,453</u>	<u>4,250</u>	<u>9,097</u>
Cash and cash equivalents, ending	<u>\$ 784</u>	<u>\$ 3,062</u>	<u>\$ 1,805</u>	<u>\$ 2,756</u>	<u>\$ 8,407</u>

continued

City of Riverside  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the fiscal year ended June 30, 2009  
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Trans- portation</u>	<u>Public Parking</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (454)	\$ 50	\$ (2,825)	\$ 1,194	\$ (2,035)
Other receipts	118	197	-	596	911
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	607	1,800	270	570	3,247
Amortization of pension costs	3	18	9	3	33
Decrease in utility billed receivable	-	61	-	-	61
Decrease in utility unbilled receivable	-	7	-	-	7
(Increase) decrease in accounts receivable	54	(130)	-	(139)	(215)
(Increase) in intergovernmental receivable	-	(168)	-	(50)	(218)
(Increase) in prepaid items	-	-	(12)	-	(12)
Increase (decrease) in accounts payable	(126)	(321)	13	206	(228)
(Decrease) in accrued payroll	(4)	(237)	(29)	(3)	(273)
Increase in other payable	-	97	45	17	159
(Decrease) in landfill capping	-	(292)	-	-	(292)
Net cash provided (used) by operating activities	<u>\$ 198</u>	<u>\$ 1,082</u>	<u>\$ (2,529)</u>	<u>\$ 2,394</u>	<u>\$ 1,145</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.

**Workers' Compensation Fund** – To account for the operations of the City's self-insured workers' compensation program.

**Unemployment Compensation Fund** – To account for the operations of the City's self-insured unemployment compensation program.

**Public Liability Fund** – To account for the operations of the City's self-insured liability program.

**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, 2009**  
**(amounts expressed in thousands)**

Assets	Self-Insurance					Totals
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	
Current assets:						
Cash and investments	\$ 5,991	\$ 4	\$ 2,784	\$ -	\$ 1,177	\$ 9,956
Receivables (net of allowance for uncollectibles):						
Interest	110	-	17	-	4	131
Accounts	13	-	-	-	9	22
Intergovernmental	14	-	-	-	1	15
Inventory	-	-	-	5,470	365	5,835
Prepaid items	8	-	-	-	-	8
Total current assets	6,136	4	2,801	5,470	1,556	15,967
Advances to other funds	12,616	-	-	-	-	12,616
Deferred charges	237	-	-	249	1,118	1,604
Capital assets:						
Buildings	-	-	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	-	-	(151)	(151)
Machinery and equipment	7	-	-	148	9,420	9,575
Accumulated depreciation-machinery and equipment	(7)	-	-	(134)	(7,190)	(7,331)
Capital assets (net of accumulated depreciation)	-	-	-	14	3,567	3,581
Total noncurrent assets	12,853	-	-	263	4,685	17,801
Total assets	18,989	4	2,801	5,733	6,241	33,768
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	-	-	246	295	324	865
Accrued payroll	65	-	-	76	392	533
Claims and judgements	14,603	221	10,135	-	-	24,959
Deposits	-	-	-	-	-	-
Due to other funds	-	12	-	2,787	-	2,799
Other payables	21	-	-	25	118	164
Total current liabilities	14,689	233	10,381	3,183	834	29,320
Noncurrent liabilities:						
Advances from other funds	234	-	-	896	1,105	2,235
Total noncurrent liabilities	234	-	-	896	1,105	2,235
Total liabilities	14,923	233	10,381	4,079	1,939	31,555
<b>Net Assets</b>						
Invested in capital assets	-	-	-	14	3,567	3,581
Unrestricted	4,066	(229)	(7,580)	1,640	735	(1,368)
Total net assets	\$ 4,066	\$ (229)	\$ (7,580)	\$ 1,654	\$ 4,302	\$ 2,213

**City of Riverside**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the fiscal year ended June 30, 2009**  
**(amounts expressed in thousands)**

	<b>Self-Insured</b>					<b>Totals</b>
	<b>Workers' Compensation</b>	<b>Unemployment Compensation</b>	<b>Public Liability</b>	<b>Central Stores</b>	<b>Central Garage</b>	
Operating revenues:						
Charges for services	\$ 5,000	\$ 86	\$ 3,001	\$ 1,265	\$ 6,482	\$ 15,834
Operating expenses:						
Personal services	387	-	-	544	2,720	3,651
Contractual services	65	-	3	-	40	108
Maintenance and operation	1	-	-	21	1,491	1,513
General	432	6	315	275	705	1,733
Materials and supplies	3	-	-	10	-	13
Claims/Insurance	(1,500)	403	6,177	8	26	5,114
Depreciation and amortization	-	-	-	4	936	940
Total operating expenses	(612)	409	6,495	862	5,918	13,072
Operating income (loss)	5,612	(323)	(3,494)	403	564	2,762
Non-operating revenues (expenses):						
Interest income	1,182	7	259	-	20	1,468
Other	-	-	3	-	-	3
Loss on retirement of capital assets	-	-	-	-	(5)	(5)
Interest expense and fiscal charges	(12)	-	-	(13)	(57)	(82)
Total non-operating revenue (expenses)	1,170	7	262	(13)	(42)	1,384
Change in net assets	6,782	(316)	(3,232)	390	522	4,146
Total net assets - beginning	(2,716)	87	(4,348)	1,264	3,780	(1,933)
Total net assets - ending	\$ 4,066	\$ (229)	\$ (7,580)	\$ 1,654	\$ 4,302	\$ 2,213

City of Riverside  
Combining Statement of Cash Flows  
Internal Service Funds  
For the fiscal year ended June 30, 2009  
(amounts expressed in thousands)

	<u>Self Insured</u>					Total
	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>Public Liability</u>	<u>Central Stores</u>	<u>Central Garage</u>	
Cash flows from operating activities:						
Cash received from customers and users	\$ 5,001	\$ 86	\$ 3,001	\$ 1,265	\$ 6,541	\$ 15,894
Cash paid to employees for services	(413)	-	-	(575)	(2,789)	(3,777)
Cash paid to other suppliers of goods or services	(3,650)	(356)	(5,447)	(673)	(2,169)	(12,295)
Other	-	-	3	-	-	3
Net cash provided (used) by operating activities	<u>938</u>	<u>(270)</u>	<u>(2,443)</u>	<u>17</u>	<u>1,583</u>	<u>(175)</u>
Cash flows from noncapital financing activities:						
Cash received (repaid) on loans from other funds	-	-	-	(4)	(20)	(24)
Advances to other funds	(12,620)	-	-	-	-	(12,620)
Net cash (used) by noncapital financing activities	<u>(12,620)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(20)</u>	<u>(12,644)</u>
Cash flows from capital and related financing activities:						
Interest paid on long-term obligation	(12)	-	-	(13)	(57)	(82)
Proceeds from the sale of capital assets	-	-	-	-	(5)	(5)
Purchase of capital assets	-	-	-	-	(698)	(698)
Net cash (used) for capital and related financing activities	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>(760)</u>	<u>(785)</u>
Cash flows from investing activities:						
Income from investments	1,124	9	242	-	18	1,393
Net cash provided by investing activities	<u>1,124</u>	<u>9</u>	<u>242</u>	<u>-</u>	<u>18</u>	<u>1,393</u>
Net increase (decrease) in cash and cash equivalents	(10,570)	(261)	(2,201)	-	821	(12,211)
Cash and cash equivalents, beginning	<u>16,561</u>	<u>265</u>	<u>4,985</u>	<u>-</u>	<u>356</u>	<u>22,167</u>
Cash and cash equivalents, ending	<u>\$ 5,991</u>	<u>\$ 4</u>	<u>\$ 2,784</u>	<u>\$ -</u>	<u>\$ 1,177</u>	<u>\$ 9,956</u>

continued

City of Riverside  
Combining Statement of Cash Flows  
Internal Service Funds  
For the fiscal year ended June 30, 2009  
(amounts expressed in thousands)

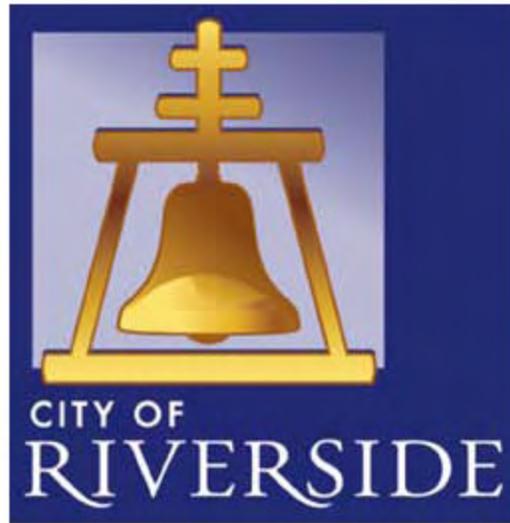
	Self Insured					Total
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 5,612	\$ (323)	\$ (3,494)	\$ 403	\$ 564	\$ 2,762
Other	-	-	3	-	-	3
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	-	-	-	4	936	940
Amortization of pension costs	3	-	-	3	16	22
(Increase) decrease in account receivable	(11)	-	-	-	31	20
(Increase) in intergovernmental receivable	12	-	-	-	3	15
(Increase) decrease in prepaid items	(8)	-	-	-	25	17
Decrease in inventory	-	-	-	632	169	801
(Decrease) in accounts payable	(1)	-	(31)	(23)	(76)	(131)
Increase in other payable	10	-	-	13	58	81
(Decrease) in accrued payroll	(39)	-	-	(47)	(143)	(229)
Increase (decrease) in due to other funds	-	12	-	(968)	-	(956)
Increase (decrease) in claims and judgments	(4,640)	41	1,079	-	-	(3,520)
Net cash provided (used) by operating activities	<u>\$ 938</u>	<u>\$ (270)</u>	<u>\$ (2,443)</u>	<u>\$ 17</u>	<u>\$ 1,583</u>	<u>\$ (175)</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, 2009**  
**(amounts expressed in thousands)**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2009</b>
<b>Assets:</b>				
Cash and investments	\$ 11,176	\$ 9,724	\$ 10,002	\$ 10,898
Cash and investments at fiscal agent	9,308	11,072	11,086	9,294
Interest receivable	93	830	862	61
Property taxes receivable	286	187	286	187
Total assets	<u>\$ 20,863</u>	<u>\$ 21,813</u>	<u>\$ 22,236</u>	<u>\$ 20,440</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 169	\$ 148	21
Held for bond holders	20,863	9,237	9,681	20,419
Total liabilities	<u>\$ 20,863</u>	<u>\$ 9,406</u>	<u>\$ 9,829</u>	<u>\$ 20,440</u>



**City of Riverside**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source**  
**June 30, 2009**  
**(amounts expressed in thousands)**

Governmental funds capital assets:	
Land	\$ 270,580
Buildings and improvements	122,731
Improvements other than buildings	115,720
Machinery and equipment	73,245
Infrastructure	747,818
Construction in progress	112,742
Total governmental funds capital assets	<u>\$ 1,442,836</u>

Investments in governmental funds capital assets by source:	
Certificates of participation	\$ 122,962
Gifts	304,213
Operating revenue	299,870
General obligation bonds	4,483
Revenue bonds	21,104
County contracts and grants	397
State grants	1,026
Asset forfeiture - state	2,279
Asset forfeiture - federal	218
Housing and community development grants	33,771
Other federal grants	148
Community facilities bonds	2,045
Assessment district bonds	28,234
Capital leases	18,385
RDA tax increment bonds	13,264
Capital projects funds	590,437
Total governmental funds capital assets	<u>\$ 1,442,836</u>

**City of Riverside**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**June 30, 2009**  
**(amount expressed in thousands)**

	<u>Land</u>	<u>Construction in Progress/ Buildings and Improvements</u>	<u>Construction in Progress/ Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General government	\$ 10,652	\$ 59,677	\$ 10,807	\$ 13,423	\$ 0	\$ 94,559
Public safety	14,242	58,355	1,704	34,452	0	108,753
Highways and streets	217,754	13,810	4,159	20,182	747,818	1,003,723
Recreation and culture	26,643	178,996	23,315	4,918	0	233,872
Community development	1,289	370	0	270	0	1,929
 Total governmental funds capital assets	 <u>\$ 270,580</u>	 <u>\$ 311,208</u>	 <u>\$ 39,985</u>	 <u>\$ 73,245</u>	 <u>\$ 747,818</u>	 <u>\$ 1,442,836</u>

**City of Riverside**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**For the fiscal year ended June 30, 2009**  
**(amount expressed in thousands)**

	<b>Governmental Funds Capital Assets July 1, 2008</b>	<b>Additions</b>	<b>Deductions and Transfers</b>	<b>Governmental Funds Capital Assets June 30, 2009</b>
General government	\$ 46,018	\$ 57,511	\$ 8,970	\$ 94,559
Public safety	109,237	1,831	2,315	108,753
Highways and streets	907,221	126,224	29,722	1,003,723
Recreation and culture	204,113	34,743	4,984	233,872
Community development	1,082	875	28	1,929
	<u>1,267,671</u>	<u>221,184</u>	<u>46,019</u>	<u>1,442,836</u>
Total governmental funds capital assets	<u>\$ 1,267,671</u>	<u>\$ 221,184</u>	<u>\$ 46,019</u>	<u>\$ 1,442,836</u>

