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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, 2010, 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, 2010, 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.



Honorable Mayor and Members of the City Council
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During the year ended June 30, 2010, the City changed the manner in which it accounts for derivative instruments as a result of the implementation of GASB Statement No. 53, as described further in the notes to the financial statements.

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 18, 2010 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 18, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the City and its component units. The City's component units are the Riverside Redevelopment Agency, Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 21-22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Debt Service Fund, the COPS Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 67-74 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 75-84 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 85.

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	
	2010	2009*	2010	2009*	2010	2009*
Current and other assets	\$ 645,237	\$ 699,419	\$ 867,615	\$ 571,294	\$ 1,512,852	\$ 1,270,713
Capital assets, net	<u>1,168,832</u>	<u>1,114,814</u>	<u>1,220,188</u>	<u>1,147,793</u>	<u>2,389,020</u>	<u>2,262,607</u>
Total assets	<u>1,814,069</u>	<u>1,814,233</u>	<u>2,087,803</u>	<u>1,719,087</u>	<u>3,901,872</u>	<u>3,533,320</u>
Current liabilities	98,782	105,303	157,389	120,723	256,171	226,026
Long-term liabilities	<u>710,688</u>	<u>701,392</u>	<u>990,212</u>	<u>692,434</u>	<u>1,700,900</u>	<u>1,393,826</u>
Total liabilities	<u>809,470</u>	<u>806,695</u>	<u>1,147,601</u>	<u>813,157</u>	<u>1,957,071</u>	<u>1,619,852</u>
Net assets:						
Invested in capital assets, net of related debt	976,614	950,496	660,619	659,904	1,637,233	1,610,400
Restricted	108,932	98,903	59,863	38,621	168,795	137,524
Unrestricted	<u>(80,947)</u>	<u>(41,861)</u>	<u>219,720</u>	<u>207,405</u>	<u>138,773</u>	<u>165,544</u>
Total net assets	<u>\$1,004,599</u>	<u>\$1,007,538</u>	<u>\$940,202</u>	<u>\$905,930</u>	<u>\$1,944,801</u>	<u>\$1,913,468</u>

* 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 \$1,944,801 at June 30, 2010, an increase of \$31,333 from June 30, 2009.

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 (9 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, \$219,720 is held by the business type activities; and negative \$80,947 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents \$81,490 of negative unrestricted net assets for 2010 and was a negative \$62,115 in the prior year. The remaining governmental activities of the City have positive

unrestricted net assets of \$543 in 2010 and positive \$20,254 in 2009. This decrease in unrestricted net assets is partly due to an increase in deficit net assets of the Public Liability Internal Service Fund.

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 \$31,333 during the current fiscal year, which reflects a reduction in governmental activities (\$2,939) and growth in business type activities (\$34,272) activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 15.

On the following page is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2010 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 41,324	\$ 39,664	\$420,017	\$416,628	\$461,341	\$456,292
Operating Grants and Contributions	32,853	23,313	2,487	1,929	35,340	25,242
Capital Grants and Contributions	23,395	69,745	6,838	17,288	30,233	87,033
General Revenues:						
Sales taxes	39,645	41,882	-	-	39,645	41,882
Property taxes	104,087	116,420	-	-	104,087	116,420
Other taxes and fees	34,279	38,589	-	-	34,279	38,589
Investment income	11,405	15,941	21,271	23,402	32,676	39,343
Other	228	5,137	7,447	4,590	7,675	9,727
Total revenues	<u>287,216</u>	<u>350,691</u>	<u>458,060</u>	<u>463,837</u>	<u>745,276</u>	<u>814,528</u>
Expenses:						
General government	119,676	102,665	-	-	119,676	102,665
Public safety	118,868	127,350	-	-	118,868	127,350
Highways and streets	22,036	18,731	-	-	22,036	18,731
Culture and recreation	37,679	24,121	-	-	37,679	24,121
Interest on long-term debt	32,049	34,361	-	-	32,049	34,361
Electric	-	-	256,860	269,209	256,860	269,209
Water	-	-	55,402	53,931	55,402	53,931
Sewer	-	-	41,248	34,853	41,248	34,853
Refuse	-	-	20,527	18,425	20,527	18,425
Airport	-	-	2,206	1,734	2,206	1,734
Transportation	-	-	3,368	3,194	3,368	3,194
Public Parking	-	-	4,024	5,095	4,024	5,095
Total expenses	<u>330,308</u>	<u>307,228</u>	<u>383,635</u>	<u>386,441</u>	<u>713,943</u>	<u>693,669</u>
Increase (decrease) in net assets and transfers:						
Transfers	(43,092)	43,463	74,425	77,396	31,333	120,859
Transfers	<u>40,153</u>	<u>42,087</u>	<u>(40,153)</u>	<u>(42,087)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(2,939)	85,550	34,272	35,309	31,333	120,859
Net assets – beginning	<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>
Net assets – ending	<u>\$1,004,599</u>	<u>\$1,007,538</u>	<u>\$940,202</u>	<u>\$905,930</u>	<u>\$1,944,801</u>	<u>\$1,913,468</u>

Governmental activities. Net assets for governmental activities decreased by \$2,939, accounting for a 0.2 percent decrease in total net assets. Governmental net assets in the prior fiscal year increased by \$85,550. Key elements of this year's activity in relation to the prior year are as follows:

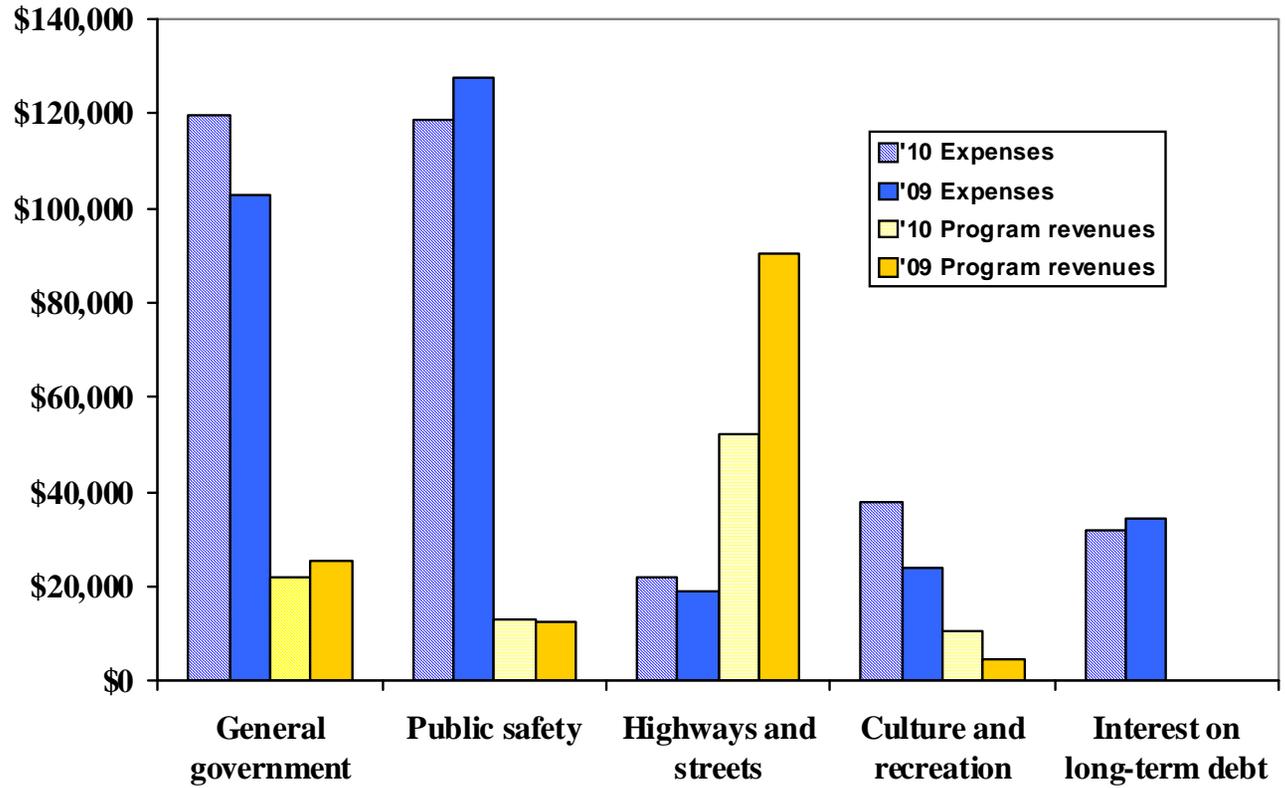
Revenues:

- Capital grant activity over the past ten fiscal years on average has been approximately \$20 million annually except for fiscal years 2007/08 and 2008/09, which had particularly large construction project activity. In the current year, capital grant revenue amounted to \$23.4 million, which is a \$46.4 million decrease from the prior year. In the prior year there were several large transportation projects that were funded by Transportation Uniform Mitigation Fees (TUMF), Measure A and other federal and state grants, which were substantially completed in 08/09. For example, \$16.5 million was received in the prior year for the La Sierra Freeway Interchange Reconstruction Project, which was completed in the summer of 2009. Capital grant related expenditures are capitalized in the government-wide statements and therefore the related grant revenue increases net assets in the year of construction. Capital assets are subsequently depreciated over their estimated useful lives after the assets have been constructed and placed in service.
- There was a \$14 million decrease in the amount of fixed assets donated by developers due to the current slowdown in the local construction industry.
- Property tax revenue decreased by \$12 million (12%) due to a decline in assessed property values.
- Investment income decreased by \$4.5 million (28%) primarily due to a decrease in cash and investments of approximately \$63 million (a 24% decrease from cash and investment balances at 6/30/09). The decrease in cash and investments was primarily due to capital outlays on projects related to the Riverside Renaissance.

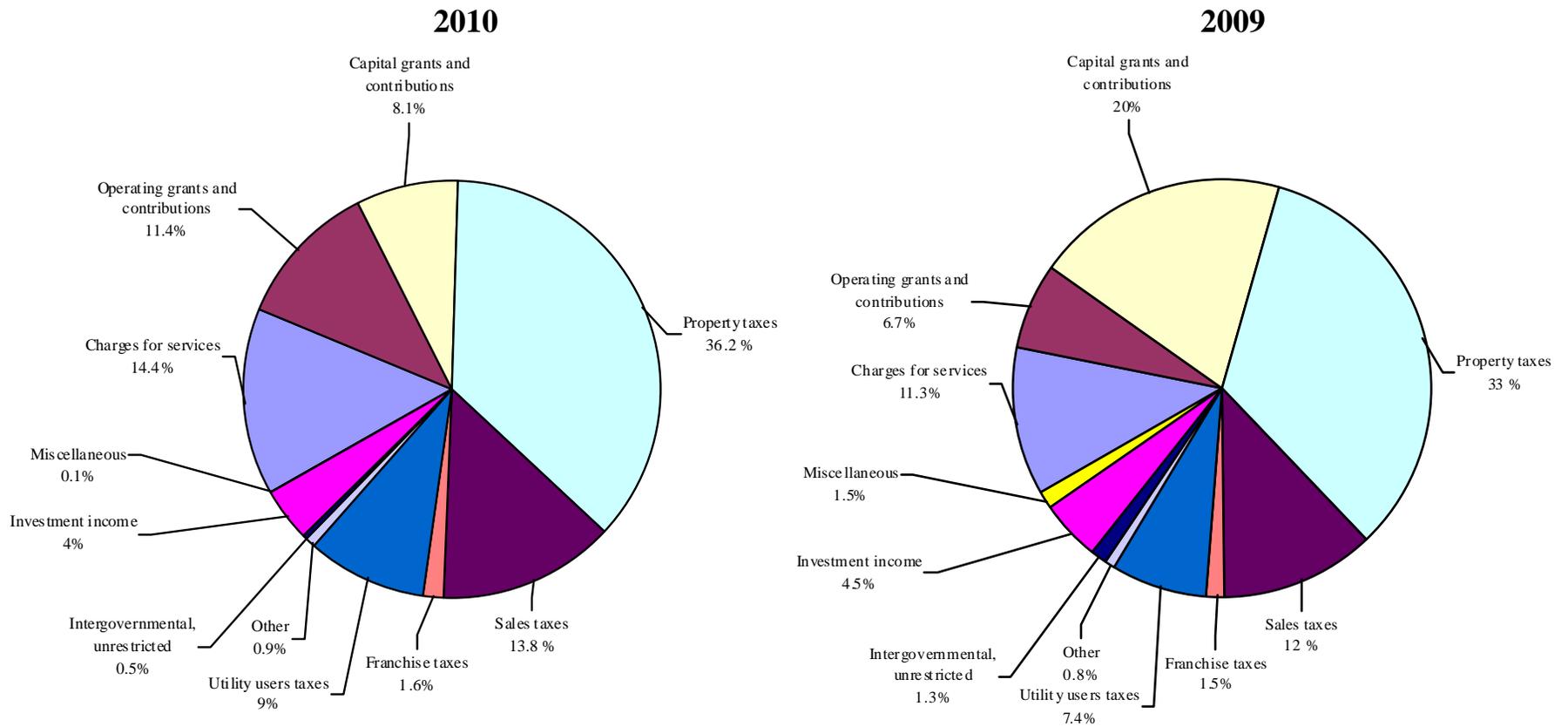
Expenses:

- While variances between years exist for the various expense functions, the total net increase was approximately \$23 million. The primary reason for this is due to a \$17 million payment from the redevelopment agency to the Supplemental Educational Revenue Augmentation Fund ("SERAF") as required by Assembly Bill 26.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2010 vs. 2009



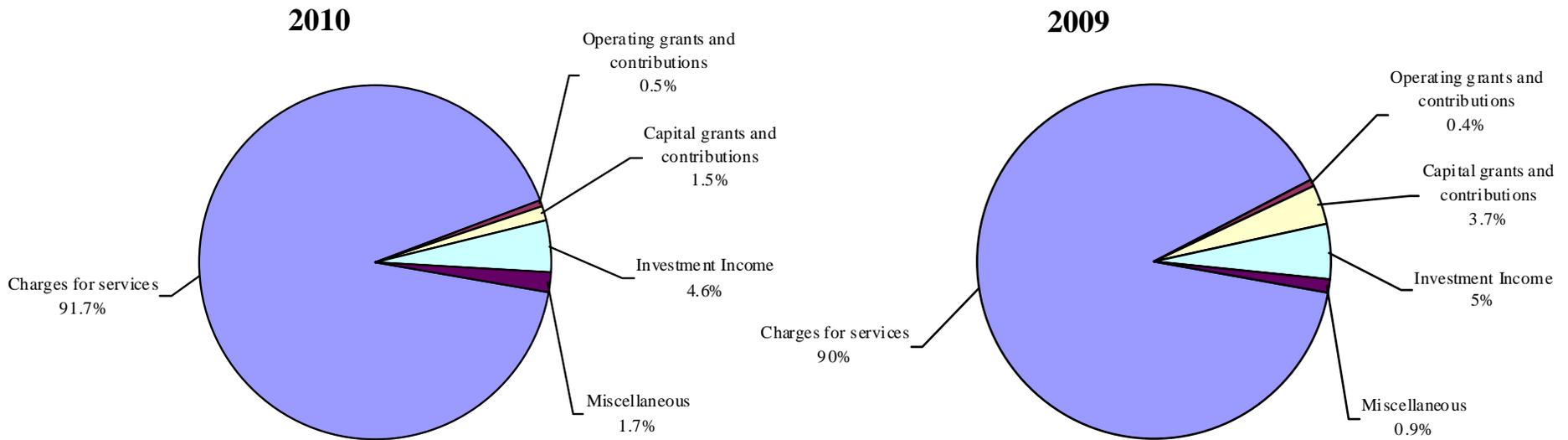
Revenues by Source – Governmental Activities – Fiscal Year Comparison



Business type activities. Business type activities increased the City’s net assets by \$34,272, accounting for a 2 percent increase in total net assets. The net assets of business type activities increased by \$35,309 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- In 2010, charges for services increased \$3,389 to \$420,017. The increase primarily related an increase in Sewer revenues, which increased by \$4,095 (18%). New rates and charges went into effect on July 1, 2009 for residential, commercial and industrial customers. The monthly sewer rates for basic single family dwelling customers and flat commercial customers increased by 27%.
- Expenses decreased \$2,806 primarily due to a decrease in Electric Utility operating expenses related to production and purchased power costs.

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			
	2010	2009	2010	2009	2010	2009		
Total assets	\$ 129,623	\$ 128,882	\$ 45,140	\$ 48,356	\$ 32,917	\$ 16,094		
Total liabilities	\$ 50,433	\$ 51,503	\$ 24,225	\$ 25,103	\$ 37	\$ 238		
Fund balances								
Reserved	40,734	41,400	20,915	23,253	32,880	15,856		
Unreserved:								
Designated for economic cont.	30,000	30,000	-	-	-	-		
Designated for future operations	6,433	2,888	-	-	-	-		
Undesignated	2,023	3,091	-	-	-	-		
Total	79,190	77,379	20,915	23,253	32,880	15,856		
Total liabilities and fund balances	\$ 129,623	\$ 128,882	\$ 45,140	\$ 48,356	\$ 32,917	\$ 16,094		

	Capital Outlay		Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2010	2009	2010	2009	2010	2009	2010	2009
Total assets	\$ 42,324	\$ 82,248	\$ 199,412	\$ 216,747	\$ 102,771	\$ 96,572	\$ 552,187	\$ 588,899
Total liabilities	\$ 21,433	\$ 34,035	\$ 61,918	\$ 42,009	\$ 33,383	\$ 27,104	\$ 191,429	\$ 179,992
Fund balances								
Reserved	37,056	35,711	97,398	84,560	33,866	19,369	262,849	220,149
Unreserved:								
Designated for economic cont.	-	-	-	-	-	-	30,000	30,000
Designated for future operations	-	12,502	30,433	79,612	27,275	38,016	64,141	133,018
Undesignated	(16,165)	-	9,663	10,566	8,247	12,083	3,768	25,740
Total	20,891	48,213	137,494	174,738	69,388	69,468	360,758	408,907
Total liabilities and fund balances	\$ 42,324	\$ 82,248	\$ 199,412	\$ 216,747	\$ 102,771	\$ 96,572	\$ 552,187	\$ 588,899

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$360,758, a decrease of \$48,149 in comparison with the prior year. About 73% of this amount (\$262,849) 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, \$94,141 has been designated for specific capital projects and economic contingencies, leaving \$3,768 without a commitment; at June 30, 2009 the comparable amount was \$25,740. The City's governmental funds reported combined total assets of \$552,187 at June 30, 2010, a decrease of \$36,712 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 \$79,190 in comparison to \$77,379 in the prior year. The unreserved fund balance was \$38,456, most of which was designated for future operations and economic contingencies, leaving \$2,023 unreserved and undesignated; the comparable number at June 30, 2009 was \$3,091. Fund balance increased during the current year by \$1,811 in comparison to a decrease of \$3,838 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 \$20,915 all of which is reserved for the payment of debt service. A net decrease of \$2,338 in the fund balance occurred during the current year.

Fund balance for the Certificates of Participation Debt Service Fund increased by \$17,024, which is primarily attributable to the \$20,660 issuance of the 2010 Recovery Zone Facility Hotel Project Certificates of Participation.

Fund balance for the Capital Outlay Fund decreased by \$27,322. The primary reason for this is due to a decrease in cash and investments of approximately \$28 million due to capital outlays on projects related to the Riverside Renaissance. As of June 30, 2010, \$37 million had been encumbered, which relates to purchase orders that will be fulfilled in a subsequent fiscal period. Therefore, \$37 million of fund balance was reserved, which created a \$16 million deficit in unreserved, undesignated fund balance. These encumbrances and related expenditures will be funded by grant revenue to be recognized in subsequent fiscal periods.

Fund balance for the Redevelopment Capital Projects Fund decreased by \$37,244. This is partly due to a \$17 million SERAF payment as discussed earlier.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$189,431, \$32,029, and \$2,691 respectively. The total change in net assets for these funds was an increase of \$41,785, an increase of \$2,851 and a decrease of \$9,549, respectively as a result of routine operations.

The Electric Fund reported positive operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of rate increases which was partially offset by a reduction in consumption. Retail sales (residential, commercial, industrial, and other sales) represent 82.8% of total revenues. Retail sales, net of reserve/recovery were \$274,206 and \$272,298 for years ended June 30, 2010 and 2009, respectively. Total expenses, excluding general fund transfer, decreased \$7,363 (2.8%), which primarily related to a decrease in production and purchased power costs due to lower generation costs resulting from lower natural gas and power prices.

The Water Fund reported positive operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 80.5% of total revenues. Retail sales, net of reserve/recovery were \$51,147 and \$49,591 for years ended June 30, 2010 and 2009, respectively. The increase in sales was primarily due to recent rate increases to support the Water Utility's Master, Water Supply and Asset Management Plans, partially offset by a 9.2% reduction in retail consumption.

Net assets of the Sewer Fund decreased by \$9,549 and \$8,782 for years ended June 30, 2010 and 2009, respectively. Revenues increased by \$4,095 (18%) as a result of a rate increase. However, interest expense increased by \$5,898 (268%), which is due to the issuance of \$240,910 of Sewer Revenue Bonds on August 6, 2009.

General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Total Revenues	<u>\$157,125</u>	<u>\$172,202</u>	<u>\$156,532</u>	<u>\$ (15,670)</u>
Expenditures:				
General Government	6,419	14,115	8,174	5,941
Public Safety	136,484	139,977	137,331	2,646
Highways & Streets	15,000	18,054	14,987	3,067
Culture & Recreation	23,287	28,921	23,182	5,739
Capital Outlay	-	7,174	1,609	5,565
Debt Service	<u>13,902</u>	<u>47,747</u>	<u>46,616</u>	<u>1,131</u>
Total Expenditures	<u>195,092</u>	<u>255,988</u>	<u>231,899</u>	<u>24,089</u>
Deficiency of Revenue Under Expenditures	(37,967)	(83,786)	(75,367)	8,419
Other Financing Sources	<u>35,797</u>	<u>76,302</u>	<u>77,178</u>	<u>876</u>
Net Change in Fund Balances	(2,170)	(7,484)	1,811	9,295
Beginning Fund Balance	<u>77,379</u>	<u>77,379</u>	<u>77,379</u>	<u>-</u>
Ending Fund Balance	<u>\$ 75,209</u>	<u>\$ 69,895</u>	<u>\$ 79,190</u>	<u>\$ 9,295</u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects.

Actual amounts differed from the final fund budget as follows:

- Approximately \$7 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- Actual total revenues were less than the amount budgeted partially due to the downturn in the economy resulting in less than budgeted sales taxes (\$2.3 million) and utility users' tax (\$2 million).
- Actual expenditures were less than budgeted amounts by approximately \$24 million. 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.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2010 amounted to \$2,389,020 (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 \$126,413 (\$54,018 for governmental activities including internal service funds and \$72,395 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$35,032); Sewer system improvements (\$12,432); Electric Utility upgrades (\$40,883); Water Utility upgrades (\$16,703); and the Arlington Heights Sports Park (\$12,938).

Construction in progress totaled \$214,679 at June 30, 2010. Some of the major projects in process are the RERC Power Plant Units 3 & 4 and a 203 KV Transmission Substation. Depreciation expense during the fiscal year was \$33,113 for governmental activities and \$45,538 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$280,446	\$270,580	\$ 41,127	\$ 40,835	\$ 321,573	\$ 311,415
Buildings	127,421	88,367	144,774	152,316	272,195	240,683
Improvements other than Buildings	118,333	79,494	835,239	790,575	953,572	870,069
Machinery and equipment	24,427	25,664	29,575	28,809	54,002	54,473
Infrastructure	572,999	537,967	-	-	572,999	537,967
Construction in progress	<u>45,206</u>	<u>112,742</u>	<u>169,473</u>	<u>135,258</u>	<u>214,679</u>	<u>248,000</u>
Total	<u>\$1,168,832</u>	<u>\$1,114,814</u>	<u>\$1,220,188</u>	<u>\$1,147,793</u>	<u>\$2,389,020</u>	<u>\$2,262,607</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 \$1,700,900 which includes bonded debt of \$1,612,055.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Lease/Revenue Bonds	\$278,867	\$285,743	\$968,393	\$670,512	\$1,247,260	\$956,255
General Obligation Bonds	17,533	18,171	-	-	17,533	18,171
Pension Obligation Bonds	136,050	139,410	-	-	136,050	139,410
Certificates of Participation	211,212	192,690	-	-	211,212	192,690
Notes Payable	8,191	8,749	7,249	7,915	15,440	16,664
Commercial Loan	1,100	-	-	-	1,100	-
Capital Leases	6,303	7,455	2,151	2,574	8,454	10,029
Landfill Capping	-	-	7,380	7,512	7,380	7,512
Arbitrage Liability	-	-	27	502	27	502
Compensated Absences	20,101	20,494	-	-	20,101	20,494
Claims liability	25,541	24,958	-	-	25,541	24,958
Net OPEB Obligation	5,790	3,722	4,063	2,470	9,853	6,192
Water Acquisition Rights	-	-	949	949	949	949
Total	<u>\$710,688</u>	<u>\$701,392</u>	<u>\$990,212</u>	<u>\$692,434</u>	<u>\$1,700,900</u>	<u>\$1,393,826</u>

The City's total debt increased by \$307,074 (22 percent) during the current fiscal year primarily due to the issuance of \$240,910 of Sewer Revenue Bonds.

The City's Water Utility maintains "AA+" and "AA" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA-" and "AA", respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$631,522 at June 30, 2010, which applies only to general obligation debt. At June 30, 2010, the City had \$17,533 of general obligation debt, resulting in available legal debt capacity of \$613,989.

Additional information on the City's long-term debt can be found in note 6 beginning on page 43 of this report.

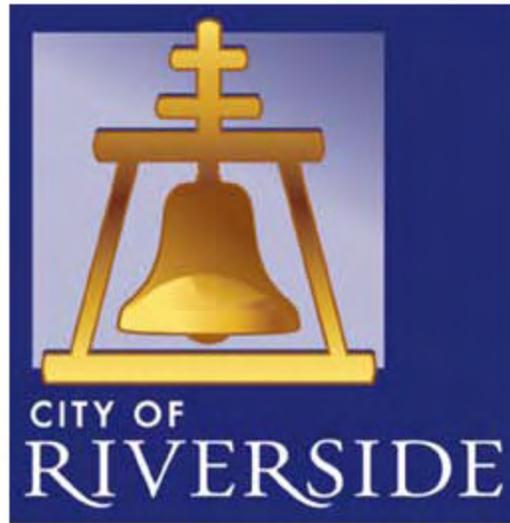
Economic Factors and Next Year's Budget and Rates

- ❑ Unemployment in Riverside County is 14.6% as compared to 14.1% for 2009.
- ❑ 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, 2010 as follows:
 - Miscellaneous Plan – 22.219% to 22.507%
 - Safety Plan – 29.323% to 29.756%

At the time of budget preparation for fiscal year 2011, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2011 of approximately \$195 million was adopted as balanced, not having to utilize any reserves. It represents a reduction from the prior year of approximately 1.5%, principally as a result of a projected reduction in utilities users' tax revenue.

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, 2010
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 136,095	\$ 212,598	\$ 348,693
Receivables, net	98,530	48,077	146,607
Inventory	6,015	1,151	7,166
Nuclear material inventory	-	1,825	1,825
Prepaid items	4,849	10,774	15,623
Deferred charges - other	125,523	43,142	168,665
Deferred charges - derivative instruments	12,937	24,859	37,796
Derivative instruments	-	19,009	19,009
Internal balances	11,774	(11,774)	-
Land and improvements held for resale	97,978	-	97,978
Restricted assets:			
Cash and cash equivalents	-	39,361	39,361
Cash and investments at fiscal agent	127,316	477,868	605,184
Other	-	725	725
Capital leases receivable	24,220	-	24,220
Land and other capital assets not being depreciated	325,652	210,600	536,252
Capital assets (net of accumulated depreciation)	<u>843,180</u>	<u>1,009,588</u>	<u>1,852,768</u>
Total assets	<u>1,814,069</u>	<u>2,087,803</u>	<u>3,901,872</u>
Liabilities			
Accounts payable and other current liabilities	43,881	22,966	66,847
Accrued interest payable	9,110	12,985	22,095
Deferred revenue	185	1,733	1,918
Deposits	26,953	3,503	30,456
Current liabilities payable from restricted assets	-	4,438	4,438
Deferred charges - derivative instruments	-	19,009	19,009
Derivative instruments	18,653	29,203	47,856
Decommissioning liability	-	63,552	63,552
Noncurrent liabilities:			
Due within one year	69,290	28,925	98,215
Due in more than one year	641,398	961,287	1,602,685
Total liabilities	<u>809,470</u>	<u>1,147,601</u>	<u>1,957,071</u>
Net Assets			
Invested in capital assets, net of related debt	976,614	660,619	1,637,233
Restricted for:			
Expendable:			
Capital projects	52,387	-	52,387
Debt service	-	47,842	47,842
Economic development	12,778	-	12,778
Landfill capping	-	2,466	2,466
Public works	11,848	-	11,848
Housing	30,298	-	30,298
Programs	-	9,555	9,555
Nonexpendable	1,621	-	1,621
Unrestricted	<u>(80,947)</u>	<u>219,720</u>	<u>138,773</u>
Total net assets	<u>\$ 1,004,599</u>	<u>\$ 940,202</u>	<u>\$ 1,944,801</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, 2010
(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	\$ 119,676	\$ (44,732)	\$ 12,933	\$ 7,944	\$ 1,195	\$ (52,872)		\$ (52,872)	
Public safety	118,868	23,902	8,177	4,953	2	(129,638)		(129,638)	
Highways and streets	22,036	12,237	17,847	11,941	22,198	17,713		17,713	
Culture and recreation	37,679	8,593	2,367	8,015	-	(35,890)		(35,890)	
Interest on long-term debt	32,049	-	-	-	-	(32,049)		(32,049)	
Total governmental activities	330,308	-	41,324	32,853	23,395	(232,736)		(232,736)	
Business type activities:									
Electric	256,860		309,910	-	3,477		\$ 56,527	56,527	
Water	55,402		57,534	-	2,052		4,184	4,184	
Sewer	41,248		27,342	-	-		(13,906)	(13,906)	
Refuse	20,527		18,712	-	-		(1,815)	(1,815)	
Airport	2,206		1,315	-	108		(783)	(783)	
Transportation	3,368		328	2,487	1,193		640	640	
Public parking	4,024		4,876	-	8		860	860	
Total business type activities	383,635		420,017	2,487	6,838		45,707	45,707	
Total	\$ 713,943		\$ 461,341	\$ 35,340	\$ 30,233		(232,736)	45,707	(187,029)
General revenues:									
Taxes:									
Sales									
Property						39,645	-	39,645	
Utility users						104,087	-	104,087	
Franchise						25,975	-	25,975	
Other						4,477	-	4,477	
						2,488	-	2,488	
Intergovernmental, unrestricted									
Investment income						1,339	-	1,339	
Miscellaneous						11,405	21,271	32,676	
Subtotal						228	7,447	7,675	
Transfers, net									
Total general revenues and transfers						189,644	28,718	218,362	
Change in net assets						40,153	(40,153)	-	
Net assets - beginning						229,797	(11,435)	218,362	
Net assets - ending						(2,939)	34,272	31,333	
						1,007,538	905,930	1,913,468	
						\$ 1,004,599	\$ 940,202	\$ 1,944,801	

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2010
 (amounts expressed in thousands)

Assets	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 47,835	\$ 13,221	\$ 229	\$ 292	\$ 32,167	\$ 36,962	\$ 130,706
Cash and investments at fiscal agent	8,630	7,458	31,749	2,451	73,013	4,015	127,316
Receivables (net of allowance for uncollectibles)							
Interest	260	127	-	108	143	219	857
Property taxes	5,685	-	-	-	-	716	6,401
Sales tax	8,496	-	-	-	-	-	8,496
Utility billed	767	-	-	-	-	-	767
Accounts	3,981	114	-	700	8	3,962	8,765
Intergovernmental	2,610	-	-	38,597	1,646	6,846	49,699
Notes	180	-	-	-	4,474	18,753	23,407
Capital lease receivable	-	24,220	-	-	-	-	24,220
Prepaid items	373	-	8	-	1	-	382
Deposits	76	-	-	176	4,215	-	4,467
Due from other funds	23,846	-	-	-	3	-	23,849
Advances to other funds	26,884	-	931	-	-	17,062	44,877
Land & improvements held for resale	-	-	-	-	83,742	14,236	97,978
Total assets:	<u>\$ 129,623</u>	<u>\$ 45,140</u>	<u>\$ 32,917</u>	<u>\$ 42,324</u>	<u>\$ 199,412</u>	<u>\$ 102,771</u>	<u>\$ 552,187</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 5,666	\$ 2	\$ 37	\$ 4,770	\$ 14,179	\$ 1,678	\$ 26,332
Accrued payroll	13,484	-	-	-	64	49	13,597
Retainage payable	12	-	-	-	318	2,626	2,956
Intergovernmental	136	-	-	-	-	-	136
Deferred revenue	4,093	24,220	-	186	3,335	23,816	55,650
Deposits	26,927	-	-	-	-	26	26,953
Due to other funds	-	3	-	16,477	-	4,599	21,079
Advances from other funds	115	-	-	-	44,022	589	44,726
Total liabilities:	<u>50,433</u>	<u>24,225</u>	<u>37</u>	<u>21,433</u>	<u>61,918</u>	<u>33,383</u>	<u>191,429</u>
Fund balances:							
Reserved	40,734	20,915	32,880	37,056	97,398	33,866	262,849
Unreserved, designated for economic contingencies	30,000	-	-	-	-	-	30,000
Unreserved, designated for future operations							
General fund	6,433	-	-	-	-	-	6,433
Special revenue	-	-	-	-	-	22,879	22,879
Capital project funds	-	-	-	-	30,433	4,396	34,829
Unreserved, undesignated							
General fund	2,023	-	-	-	-	-	2,023
Special revenue	-	-	-	-	-	1,441	1,441
Capital project funds	-	-	-	(16,165)	9,663	6,806	304
Total fund balances	<u>79,190</u>	<u>20,915</u>	<u>32,880</u>	<u>20,891</u>	<u>137,494</u>	<u>69,388</u>	<u>360,758</u>
Total liabilities and fund balances	<u>\$ 129,623</u>	<u>\$ 45,140</u>	<u>\$ 32,917</u>	<u>\$ 42,324</u>	<u>\$ 199,412</u>	<u>\$ 102,771</u>	<u>\$ 552,187</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, 2010
(amounts expressed in thousands)**

Total fund balances - governmental funds \$360,758

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 1,166,001

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. 14,307

Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalization and amortization in the Statement of Net Assets. 114,717

Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds. 55,465

Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds. (9,110)

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	\$ (426,025)	
Certificates of participation payable	(215,520)	
Notes payable	(8,191)	
Capital leases payable	(6,303)	
Commercial loan	(1,100)	
Bond premiums	(7,194)	
Net OPEB obligation	(5,529)	
Compensated absences	(19,653)	
	(689,515)	(689,515)

The City uses derivative instruments to hedge its exposure to changing interest rate: through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Assets.

Fair value of interest rate swap	\$ (18,653)	
Deferred amount related to the hedgeable portion of the derivative instrumen	12,937	
	(5,716)	(5,716)

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. (2,308)

Net assets of governmental activities \$1,004,599

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 119,299	\$ 46,364	\$ -	\$ -	\$ -	\$ 11,592	\$ 177,255
Licenses and permits	6,166	-	-	-	-	733	6,899
Intergovernmental	8,391	200	-	28,507	1,513	21,939	60,550
Charges for services	9,521	-	-	-	-	49	9,570
Fines and forfeitures	4,503	-	-	-	-	3,009	7,512
Special assessments	4,039	-	690	77	-	658	5,464
Rental and investment income	3,162	2,398	753	966	2,475	1,419	11,173
Miscellaneous	1,451	211	-	7	4,501	912	7,082
Total revenues	<u>156,532</u>	<u>49,173</u>	<u>1,443</u>	<u>29,557</u>	<u>8,489</u>	<u>40,311</u>	<u>285,505</u>
Expenditures							
Current:							
General government	8,174	699	10	-	8,885	6,067	23,835
Public safety	137,331	-	-	-	-	1,263	138,594
Highways and streets	14,987	-	-	-	-	-	14,987
Culture and recreation	23,182	-	-	-	17,062	129	40,373
Capital outlay	1,609	-	-	57,200	47,158	25,941	131,908
Debt service:							
Principal	38,849	7,184	2,045	-	-	-	48,078
Interest	7,536	15,452	8,279	-	-	-	31,267
Bond issuance costs	231	-	-	-	-	-	231
Total expenditures	<u>231,899</u>	<u>23,335</u>	<u>10,334</u>	<u>57,200</u>	<u>73,105</u>	<u>33,400</u>	<u>429,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,367)</u>	<u>25,838</u>	<u>(8,891)</u>	<u>(27,643)</u>	<u>(64,616)</u>	<u>6,911</u>	<u>(143,768)</u>
Other financing sources (uses):							
Transfers in	45,256	3,177	6,143	349	31,108	2,270	88,303
Transfers out	(2,679)	(31,353)	(349)	(31)	(3,982)	(9,756)	(48,150)
Issuance of long term debt	30,600	-	20,660	-	-	1,100	52,360
Other financing use - bond discount	-	-	(539)	-	-	-	(539)
Capital lease proceeds	3,116	-	-	-	-	-	3,116
Sales of capital assets	885	-	-	3	246	(605)	529
Total other financing sources and uses	<u>77,178</u>	<u>(28,176)</u>	<u>25,915</u>	<u>321</u>	<u>27,372</u>	<u>(6,991)</u>	<u>95,619</u>
Net change in fund balances	1,811	(2,338)	17,024	(27,322)	(37,244)	(80)	(48,149)
Fund balances - beginning	77,379	23,253	15,856	48,213	174,738	69,468	408,907
Fund balances - ending	<u>\$ 79,190</u>	<u>\$ 20,915</u>	<u>\$ 32,880</u>	<u>\$ 20,891</u>	<u>\$ 137,494</u>	<u>\$ 69,388</u>	<u>\$ 360,758</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, 2010
(amounts expressed in thousands)

Net change in fund balances-total governmental funds (\$48,149)

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	\$ 87,428	
Depreciation Expense	<u>(32,660)</u>	54,768

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. 5,661

The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (2,092)

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	48,078	
Other post-employment benefit liabilities	(1,971)	
Compensated absences	353	
Interest	(100)	
Premiums on the issuance of LTD	510	
Proceeds from LTD	(52,360)	
Capital lease proceeds	<u>(3,116)</u>	(8,606)

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. (4,521)

Change in net assets of governmental activities \$ (2,939)

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, 2010
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final				Original	Final		
Revenues									
Taxes	\$ 123,979	\$ 123,979	\$ 119,299	\$ (4,680)	Public safety:				
Licenses and permits	6,959	6,959	6,166	(793)	Police	85,000	87,625	84,997	2,628
Intergovernmental	2,683	15,768	8,391	(7,377)	Fire	42,100	42,100	42,345	(245)
Charges for services	9,732	9,748	9,521	(227)	Animal regulation	2,441	3,300	3,244	56
Fines and forfeitures	3,837	4,820	4,503	(317)	Building and zoning inspection	2,565	2,574	2,243	331
Special assessments	4,127	4,127	4,039	(88)	Street lighting	4,378	4,378	4,502	(124)
Rental and investment income	2,123	3,116	3,162	46	Total public safety	136,484	139,977	137,331	2,646
Miscellaneous	3,685	3,685	1,451	(2,234)	Highways and streets	15,000	18,054	14,987	3,067
Total revenues	157,125	172,202	156,532	(15,670)	Culture and recreation	23,287	28,921	23,182	5,739
Expenditures					Capital Outlay	-	7,174	1,609	5,565
General government:					Debt service:				
Mayor	893	966	895	71	Principal	5,637	39,000	38,849	151
Council	1,030	1,030	1,012	18	Interest	8,265	8,493	7,536	957
Manager	8,964	12,396	10,894	1,502	Bond issuance costs	-	254	231	23
Attorney	3,838	4,009	3,916	93	Total debt service	13,902	47,747	46,616	1,131
Clerk	1,227	1,404	1,315	89	Total expenditures	195,092	255,988	231,899	24,089
Community Development	9,100	10,727	9,004	1,723	Deficiency of revenue under expenditures	(37,967)	(83,786)	(75,367)	8,419
Human Resources	2,600	3,051	2,581	470	Other financing sources (uses)				
General Services	6,000	7,183	5,985	1,198	Transfers in	38,411	45,200	45,256	56
Information System	10,600	10,846	10,589	257	Transfers out	(2,679)	(2,679)	(2,679)	-
Development	6,899	7,235	6,715	520	Issuance of long term debt	-	30,600	30,600	-
Subtotal	51,151	58,847	52,906	5,941	Capital Lease Proceeds	-	3,116	3,116	-
Allocated expenditures	(44,732)	(44,732)	(44,732)	-	Sale of capital assets	65	65	885	820
Total general government	6,419	14,115	8,174	5,941	Total other financing sources	35,797	76,302	77,178	876
				continued	Net change in fund balances	(2,170)	(7,484)	1,811	9,295
					Fund balance, beginning	77,379	77,379	77,379	-
					Fund balance, ending	\$ 75,209	\$ 69,895	\$ 79,190	\$ 9,295

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

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3010
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds							
Assets	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds	
Current assets:							
Cash and investments	\$ 170,292	\$ 29,370	\$ 7,711	\$ 5,225	\$ 212,598	\$ 5,389	
Receivables (net allowances for uncollectibles)							
Interest	913	185	45	47	1,190	54	
Utility billed	14,333	2,934	907	591	18,765	-	
Utility unbilled	12,920	3,074	968	647	17,609	-	
Accounts	4,231	3,419	1,679	515	9,844	45	
Intergovernmental	25	193	301	150	669	39	
Nuclear materials inventory	1,825	-	-	-	1,825	-	
Inventory	-	-	1,151	-	1,151	6,015	
Prepaid items	10,748	5	1	20	10,774	-	
Due from other funds	-	-	-	-	-	1,152	
Restricted assets:							
Cash and cash equivalents	28,383	8,512	-	2,466	39,361	-	
Cash and investments at fiscal agent	179,777	86,907	211,184	-	477,868	-	
Public benefit programs receivable	619	106	-	-	725	-	
Conservation & reclamation programs receivable	-	-	-	-	-	-	
Total current assets	424,066	134,705	223,947	9,661	792,379	12,694	
Non-current assets:							
Advances to other funds	650	-	20,554	-	21,204	13,602	
Deferred charges - other	19,874	7,681	4,760	10,827	43,142	1,576	
Deferred charges - derivative instruments	18,279	6,580	-	-	24,859	-	
Derivative instruments	19,009	-	-	-	19,009	-	
Capital assets:							
Land	7,612	17,116	2,698	13,701	41,127	-	
Buildings	19,747	15,442	185,076	16,015	236,280	1,488	
Accumulated depreciation - buildings	(4,670)	(3,697)	(79,218)	(3,921)	(91,506)	(181)	
Improvements other than buildings	753,122	453,223	64,597	22,593	1,293,535	-	
Accumulated depreciation - improvements other than buildings	(312,248)	(129,204)	(12,106)	(4,738)	(458,296)	-	
Machinery and equipment	26,160	13,056	9,140	18,049	66,405	9,277	
Accumulated depreciation - machinery and equipment	(14,297)	(8,266)	(5,163)	(9,104)	(36,830)	(7,754)	
Construction in progress	131,351	15,122	14,560	8,440	169,473	1	
Total non-current assets	664,589	387,053	204,898	71,862	1,328,402	18,009	
Total assets	1,088,655	521,758	428,845	81,523	2,120,781	30,703	

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2010
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds

Liabilities	Business-type Activities - Enterprise Funds					Governmental
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Activities-Internal Service Funds
Current liabilities:						
Accounts payable	13,050	1,673	3,006	684	18,413	803
Accrued payroll	4,771	1,723	1,076	805	8,375	505
Retainage payable	82	154	25	-	261	-
Intergovernmental	7	-	-	-	7	-
Claims and judgements	-	-	-	-	-	-
Unearned revenue	-	-	-	1,733	1,733	-
Deposits	2,888	614	-	1	3,503	-
Due to other funds	-	-	-	222	222	3,700
Capital leases - current	374	-	-	57	431	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	300	300	-
Notes payable - current	-	-	679	-	679	-
Claims and judgements - current	-	-	-	-	-	11,000
Current liabilities payable from restricted assets:						
Revenue bonds	22,705	4,660	-	-	27,365	-
Accrued interest	4,085	1,899	7,001	-	12,985	-
Other payables	2,431	880	587	540	4,438	261
Total current liabilities	50,393	11,753	12,374	4,342	78,862	16,269
Non-current liabilities:						
Revenue bonds	479,173	218,616	243,239	-	941,028	-
Notes payable	-	-	6,570	-	6,570	-
Capital leases	1,699	-	-	21	1,720	-
Advances from other funds	12,705	5,466	3,497	11,088	32,756	2,201
Decommissioning liability	63,552	-	-	-	63,552	-
Deferred charges - derivative instruments	19,009	-	-	-	19,009	-
Derivative instruments	22,073	7,130	-	-	29,203	-
Claims and judgements	-	-	-	-	-	14,541
Water stock acquisitions	-	799	-	-	799	-
Landfill capping	-	-	-	7,080	7,080	-
Total non-current liabilities	598,211	232,011	253,306	18,189	1,101,717	16,742
Total liabilities	648,604	243,764	265,680	22,531	1,180,579	33,011
Net Assets						
Invested in capital assets, net of related debt	222,016	237,366	140,280	60,957	660,619	2,831
Restricted for debt service	21,215	6,433	20,194	-	47,842	-
Restricted for landfill capping	-	-	-	2,466	2,466	-
Restricted for programs	7,389	2,166	-	-	9,555	-
Unrestricted	189,431	32,029	2,691	(4,431)	219,720	(5,139)
Total net assets	\$ 440,051	\$ 277,994	\$ 163,165	\$ 58,992	\$ 940,202	\$ (2,308)

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, 2010
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds						
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for services	\$ 309,910	\$ 57,534	\$ 27,342	\$ 25,231	\$ 420,017	\$ 15,226
Operating expenses:						
Personnel services	32,847	10,686	9,321	7,748	60,602	3,824
Contractual services	6,642	2,211	772	5,110	14,735	99
Maintenance and operation	158,198	8,652	8,876	6,578	182,304	1,713
General	12,311	13,889	4,726	4,628	35,554	1,458
Materials and supplies	750	882	2,577	1,030	5,239	166
Insurance	1,148	536	593	437	2,714	11,808
Depreciation and amortization	25,375	10,660	6,284	3,643	45,962	807
Total operating expenses	<u>237,271</u>	<u>47,516</u>	<u>33,149</u>	<u>29,174</u>	<u>347,110</u>	<u>19,875</u>
Operating income (loss)	<u>72,639</u>	<u>10,018</u>	<u>(5,807)</u>	<u>(3,943)</u>	<u>72,907</u>	<u>(4,649)</u>
Non-operating revenues (expenses):						
Operating grants	-	-	-	2,487	2,487	-
Interest income	16,009	1,815	3,237	210	21,271	232
Other	2,362	667	359	903	4,291	24
Gain (loss) on retirement of capital assets	543	1,842	3	(396)	1,992	3
Capital improvement fees	-	-	758	-	758	-
Interest expense and fiscal charges	(19,589)	(7,886)	(8,099)	(545)	(36,119)	(131)
Total non-operating revenues (expenses)	<u>(675)</u>	<u>(3,562)</u>	<u>(3,742)</u>	<u>2,659</u>	<u>(5,320)</u>	<u>128</u>
Income before capital contributions and transfers	71,964	6,456	(9,549)	(1,284)	67,587	(4,521)
Cash capital contributions	1,610	1,308	-	1,309	4,227	-
Noncash capital contributions	1,867	744	-	-	2,611	-
Transfers out	(33,656)	(5,657)	-	(840)	(40,153)	-
Change in net assets	41,785	2,851	(9,549)	(815)	34,272	(4,521)
Total net assets - beginning	398,266	275,143	172,714	59,807	905,930	2,213
Total net assets - ending	<u>\$ 440,051</u>	<u>\$ 277,994</u>	<u>\$ 163,165</u>	<u>\$ 58,992</u>	<u>\$ 940,202</u>	<u>\$ (2,308)</u>

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2010
(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	\$ 315,305	\$ 58,459	\$ 26,925	\$ 25,388	\$ 426,077	\$ 14,027
Cash paid to employees for services	(31,433)	(9,970)	(9,019)	(7,411)	(57,833)	(3,727)
Cash paid to other suppliers of goods or services	(176,411)	(30,132)	(16,471)	(18,231)	(241,245)	(13,995)
Other receipts	2,362	667	359	903	4,291	24
Net cash provided (used) by operating activities	109,823	19,024	1,794	649	131,290	(3,671)
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	-	-	-
Transfers out	(33,656)	(5,657)	-	(840)	(40,153)	-
Operating grants	-	-	-	2,570	2,570	-
Advances from interfund receivables	5,269	-	171	6,544	11,984	-
Payments on interfund receivables	(274)	(118)	(75)	(4,738)	(5,205)	(34)
Advances to other funds	-	-	(10,707)	-	(10,707)	(986)
Net cash provided (used) by noncapital financing activities	(28,661)	(5,775)	(10,611)	3,536	(41,511)	(1,020)
Cash flows from capital and related financing activities:						
Proceeds from the sale of revenue bonds, including premium	37,124	102,659	243,239	-	383,022	-
Deposit to escrow account for advance refunding	(36,800)	(21,765)	-	-	(58,565)	-
Issuance costs	(348)	(695)	(1,174)	-	(2,217)	-
Purchase of capital assets	(59,990)	(26,021)	(18,732)	(6,005)	(110,748)	(57)
Purchase of nuclear fuel	(1,854)	-	-	-	(1,854)	-
Proceeds from the sale of capital assets	559	1,901	19	11	2,490	3
Proceeds from the long-term obligations	-	-	-	29	29	-
Principal paid on long-term obligations	(21,674)	(4,415)	(708)	(48)	(26,845)	-
Interest paid on long-term obligations	(23,404)	(7,348)	(1,098)	(545)	(32,395)	(131)
Capital improvement fees	-	-	758	-	758	-
Capital contributions	1,610	1,127	-	1,411	4,148	-
Net cash provided (used) for capital and related financing activities	(104,777)	45,443	222,304	(5,147)	157,823	(185)
Cash flows from investing activities:						
Sale (purchase) of investments	(5,822)	82	-	-	(5,740)	-
Income from investments	15,841	1,776	3,370	246	21,233	309
Net cash provided by investing activities	10,019	1,858	3,370	246	15,493	309
Net change in cash and cash equivalents	(13,596)	60,550	216,857	(716)	263,095	(4,567)
Cash and cash equivalents, ending (including \$159,100 for Electric and \$26,877 for Water and \$2,975 for Other Enterprise Funds in restricted accounts)						
	293,983	56,556	2,038	8,407	360,984	9,956
Cash and cash equivalents, ending (including \$110,095 for Electric, \$87,736 for Water, \$211,184 for Sewer and \$2,466 for Other Enterprise Funds in restricted accounts)						
	\$ 280,387	\$ 117,106	\$ 218,895	\$ 7,691	\$ 624,079	\$ 5,389

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2010
(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)	\$ 72,639	\$ 10,018	\$ (5,807)	\$ (3,943)	\$ 72,907	\$ (4,649)
Other receipts	2,362	667	359	903	4,291	24
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	25,375	10,660	6,284	3,643	45,962	807
Amortization of pension costs	232	100	64	43	439	28
Amortization (burn) of nuclear fuel	2,717	-	-	-	2,717	-
(Increase) decrease in utility billed receivables	199	(91)	(219)	6	(105)	-
(Increase) in utility unbilled receivables	(311)	(337)	(200)	(10)	(858)	-
(Increase) decrease in accounts receivable	6,593	1,212	253	(113)	7,945	(23)
(Increase) decrease in intergovernmental receivables	87	88	(251)	274	198	(24)
(Increase) in due from other funds	-	-	-	-	-	(1,152)
(Increase) decrease in prepaid items	(4,524)	2	4	(8)	(4,526)	8
(Increase) in nuclear materials inventory	(75)	-	-	-	(75)	-
(Increase) in inventory	-	-	(85)	-	(85)	(180)
Increase (decrease) in accounts payable	(763)	(2,915)	1,129	(484)	(3,033)	(62)
Increase (decrease) in accrued payroll	407	262	6	85	760	(28)
Increase (decrease) in retainage payable	7	(1,049)	25	(1)	(1,018)	-
Increase in other payable	283	354	232	209	1,078	97
Increase in intergovernmental receivables	7	-	-	-	7	-
(Decrease) in deferred revenue	-	-	-	(45)	(45)	-
Increase in deposits	108	53	-	-	161	-
Increase in due to other funds	-	-	-	222	222	901
Increase in claims and judgments	-	-	-	-	-	582
Increase in decommissioning liability	4,480	-	-	-	4,480	-
(Decrease) in landfill capping	-	-	-	(132)	(132)	-
Net cash provided by operating activities	<u>\$ 109,823</u>	<u>\$ 19,024</u>	<u>\$ 1,794</u>	<u>\$ 649</u>	<u>\$ 131,290</u>	<u>\$ (3,671)</u>
Schedule of noncash financing and investing activities:						
Contribution in aid	<u>\$ 1,867</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,611</u>	<u>\$ -</u>

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, 2010
 (amounts expressed in thousands)

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 11,119
Cash and investments at fiscal agent	8,930
Interest receivable	52
Property tax receivables	<u>267</u>
Total assets	<u><u>\$ 20,368</u></u>
Liabilities:	
Accounts payable	\$ 5
Held for bond holders	<u>20,363</u>
Total liabilities	<u><u>\$ 20,368</u></u>

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

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

These financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In 2004, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but is currently estimated not to exceed eight (8) years. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes, which are paid monthly, three months in arrears. The vast majority of the in-lieu amount will be paid during the applicable fiscal year; however, the final payment of the in-lieu sales taxes will not be paid until the January following the end of the applicable fiscal year. The City has budgeted this final payment in the current fiscal year and will continue this practice during this temporary period, effectively extending the availability period to seven (7) months for the in-lieu sales taxes and thus provide consistency in the reporting of sales tax revenue.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible

to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency.

The Certificates of Participation (COPS) debt service fund accounts for the resources accumulated and payments made for principal, interest and trustee fees on certificates of participation.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for 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. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost. Donated intangible assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method.

Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one dollar per megawatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

J. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Redevelopment Agency

Capital Projects Housing and Community Development Special Revenue, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap was included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net assets. See Note 9 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The Utility has determined that all of its contracts (except for congestion revenue rights) fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

Congestion revenue rights (CRRs) are financial instruments that allow holders of such instruments to manage variability in transmission congestion costs. These CRRs are determined to be hedge effective under the consistent critical terms method, and as a result the positive fair value has been recorded and deferred on the Statement of Net Assets. See Note 9 for further discussion related to CRRs.

L. Long-Term Obligations

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are classified as deferred charges and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant.

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$63,552 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2050. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not

reported at year end, are recorded as liabilities in the appropriate internal service fund.

N. Fund Equity

In the fund financial statements, 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.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

P. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest, which has been offset by deferred revenue.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Q. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The majority of the City's governmental fund unearned revenue for June 30, 2010 relates to unearned revenue on a capital lease. See Note 4.

R. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' uncollected tax levies, adjusted for uncollectable amounts.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

T. Implementation of new accounting principles

GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which is required to be implemented by the City in the following fiscal period and will impact future financial presentations. Management has currently determined that GASB Statement No. 54 applies to the City, and is currently evaluating the impacts of implementing the pronouncement.

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	\$ 378,372
Investments at fiscal agent	<u>634,273</u>
	1,012,645
Cash on hand and deposits with financial institutions	<u>642</u>
	<u><u>\$1,013,287</u></u>

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(amounts expressed in thousands)

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

Cash and investments	\$ 348,693
Restricted cash and cash equivalents	39,361
Restricted cash and investments at fiscal agent	<u>605,184</u>
Total per statement of net assets	993,238
Fiduciary fund cash and investments	<u>20,049</u>
	<u>\$1,013,287</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first \$250 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	<u>Max Maturity</u>	<u>Max % of Portfolio</u>
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%
Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%

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:

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(amounts expressed in thousands)

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 25,700	\$ 25,700	\$ -	\$ -	\$ -
Federal Agency Securities	187,554	20,320	38,075	129,159	-
Corp Medium Term Notes	46,903	10,117	10,330	26,456	-
State Investment Pool	118,215	118,215	-	-	-
Held by Fiscal Agent					
Money Market Funds	10,549	10,549	-	-	-
State Investment Pool	60,055	60,055	-	-	-
Investment Contracts	450,317	105,233	188,366	131,806	24,912
Commercial Paper	16,425	16,425	-	-	-
Fed Agency Securities	55,711	8,178	4,953	18,859	23,721
Negotiable CDs	16,160	2,796	1,759	11,605	-
Corp Med Term Notes	25,056	999	1,265	8,796	13,996
Total	<u>\$1,012,645</u>	<u>\$378,587</u>	<u>\$244,748</u>	<u>\$326,681</u>	<u>\$62,629</u>

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	\$ 25,700	\$ 15,269	\$ 10,431	\$ -	\$ -
Federal Agency Securities	187,554	187,554	-	-	-
Corp Medium Term Notes	46,903	46,903	-	-	-
State Investment Pool	118,215	-	-	-	118,215
Held by Fiscal Agent					
Money Market Funds	10,549	10,142	-	-	407
State Investment Pool	60,055	-	-	-	60,055
Investment Contracts	450,317	-	-	-	450,317
Commercial Paper	16,425	16,425	-	-	-
Fed Agency Securities	55,711	55,711	-	-	-
Negotiable CDs	16,160	-	13,364	2,796	-
Corp Med Term Notes	25,056	-	25,056	-	-
Total	<u>\$1,012,645</u>	<u>\$332,004</u>	<u>\$48,851</u>	<u>\$2,796</u>	<u>\$628,994</u>

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	\$403,495

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

CITY OF RIVERSIDE
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revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2010	\$ 2,381
2011	2,413
2012	2,443
2013	2,473
2014	2,507
Thereafter	<u>26,760</u>
Total Due	<u>38,977</u>
Less: amount applicable to interest	<u>(14,757)</u>
Total capital lease receivable	<u>\$24,220</u>

5. Capital Assets

Below and on the following page is a summary of changes in the capital assets during the fiscal year ended June 30, 2010.

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 270,580	\$ 9,866	\$ -	\$ 280,446
Construction in progress	<u>112,742</u>	<u>15,379</u>	<u>(82,915)</u>	<u>45,206</u>
Total capital assets not depreciated	<u>383,322</u>	<u>25,245</u>	<u>(82,915)</u>	<u>325,652</u>
Capital assets being depreciated:				
Buildings	122,731	43,566	(1,280)	165,017
Improvements other than Buildings	115,720	44,331	(550)	159,501
Machinery and Equipment	73,245	5,854	(3,657)	75,442
Infrastructure	<u>747,818</u>	<u>52,936</u>	<u>-</u>	<u>800,754</u>
Total capital assets being depreciated	<u>1,059,514</u>	<u>146,687</u>	<u>(5,487)</u>	<u>1,200,714</u>
Less accumulated depreciation for:				
Buildings	(34,364)	(3,356)	124	(37,596)
Improvements other than Buildings	(36,226)	(4,997)	55	(41,168)
Machinery and Equipment	(47,581)	(6,856)	3,422	(51,015)
Infrastructure	<u>(209,851)</u>	<u>(17,904)</u>	<u>-</u>	<u>(227,755)</u>
Total accumulated depreciation	<u>(328,022)</u>	<u>(33,113)</u>	<u>3,601</u>	<u>(357,534)</u>
Total capital assets being depreciated, net	<u>731,492</u>	<u>113,574</u>	<u>(1,886)</u>	<u>843,180</u>
Governmental activities capital assets, net	<u>\$1,114,814</u>	<u>\$138,819</u>	<u>\$(84,801)</u>	<u>\$1,168,832</u>

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business type activities:				
Capital assets, not depreciated:				
Land	\$ 40,835	\$ 301	\$ (9)	\$ 41,127
Construction in progress	<u>135,258</u>	<u>122,464</u>	<u>(88,249)</u>	<u>169,473</u>
Total capital assets not depreciated	<u>176,093</u>	<u>122,765</u>	<u>(88,258)</u>	<u>210,600</u>
Capital assets being depreciated:				
Buildings	238,436	2,166	(4,322)	236,280
Improvements other than Buildings	1,216,030	78,543	(1,038)	1,293,535
Machinery and Equipment	<u>64,277</u>	<u>7,551</u>	<u>(5,423)</u>	<u>66,405</u>
Total capital assets being depreciated	<u>1,518,743</u>	<u>88,260</u>	<u>(10,783)</u>	<u>1,596,220</u>
Less accumulated depreciation for:				
Buildings	(86,120)	(5,708)	322	(91,506)
Improvements other than Buildings	(425,455)	(33,881)	1040	(458,296)
Machinery and Equipment	<u>(35,468)</u>	<u>(5,949)</u>	<u>4,587</u>	<u>(36,830)</u>
Total accumulated depreciation	<u>(547,043)</u>	<u>(45,538)</u>	<u>5,949</u>	<u>(586,632)</u>
Total capital assets being depreciated, net	<u>971,700</u>	<u>42,722</u>	<u>(4,834)</u>	<u>1,009,588</u>
Business type activities capital assets, net	<u>\$1,147,793</u>	<u>\$165,487</u>	<u>\$(93,092)</u>	<u>\$1,220,188</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	\$ 3,752
Public safety	4,176
Highways and streets, including depreciation of general infrastructure assets	19,286
Culture and recreation	<u>5,899</u>
Total depreciation expense – governmental activities	<u>\$33,113</u>

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Business type activities:	
Electric	\$25,375
Water	10,660
Sewer	6,284
Refuse	1,437
Special Transportation	406
Airport	616
Public Parking	<u>760</u>
Total depreciation expense – business type activities	<u>\$45,538</u>

6. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	\$285,743	\$ -	\$ 6,876	\$278,867	\$ 6,925
General Obligation Bonds	18,171	-	638	17,533	675
Pension Obligation Bonds	139,410	30,600	33,960	136,050	34,730
Certificates of Participation	192,690	20,121	1,599	211,212	4,175
Capital leases	7,455	3,116	4,268	6,303	1,656
Notes Payable	8,749	-	558	8,191	629
Commercial Loan	-	1,100	-	1,100	-
Compensated Absences	20,494	9,328	9,721	20,101	9,500
Claims liability	24,958	11,047	10,464	25,541	11,000
Net OPEB Obligation	<u>3,722</u>	<u>2,881</u>	<u>813</u>	<u>5,790</u>	-
Total	<u>\$701,392</u>	<u>\$78,193</u>	<u>\$68,897</u>	<u>\$710,688</u>	<u>\$69,290</u>

Business-type activities:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$670,512	\$375,717	\$ 77,836	\$968,393	\$27,365
Notes Payable	7,915	-	666	7,249	679
Capital Leases	2,574	-	423	2,151	431
Landfill Capping	7,512	-	132	7,380	300
Arbitrage Liability	502	-	475	27	-
Water Stock Acquisition Rights	949	-	-	949	150
Net OPEB Obligation	<u>2,470</u>	<u>2,220</u>	<u>627</u>	<u>4,063</u>	-
Total	<u>\$692,434</u>	<u>\$377,937</u>	<u>\$ 80,159</u>	<u>\$990,212</u>	<u>\$28,925</u>

*Beginning balances have been restated to reflect the unamortized balances of deferred refunding costs associated with the fair value of interest rate swaps that were hedged against debt which was refunded in 2008.

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects. The Redevelopment Agency does issue debt for the above purposes as well as for redevelopment related purposes such as housing and blight removal.

Long-Term Obligations at June 30, 2010:

Revenue Bonds:	Principal Outstanding
<u>Electric</u>	
\$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from \$2,855 to \$4,280 through October 1, 2016 (partially advance refunded in 2005 and 2009, with final maturity in 2013).	\$11,030
\$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.	31,625

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\$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. 16,295

\$199,115 2008 Electric Refunding/Revenue Bonds; Series A, B, and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the Series B and C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from \$1,800 to \$9,285 through October 1, 2035. 197,990

\$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from \$125 to \$24,960 through October 1, 2038. 209,740

\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from \$450 to \$6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series. The refunding was undertaken to reduce total debt service payments over the next 9 years by \$4,012 and resulted in an economic gain of \$3,729. 34,920

Subtotal 501,600
 Add: Unamortized bond premium 11,424
 Less: Unamortized deferred bond refunding costs (11,146)
\$501,878

Water

\$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) \$ 3,235

\$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from \$345 to \$585 through October 1, 2031 (partially advance refunded in 2005 and 2009, with final maturity in 2014). 1,920

\$60,300 2008 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreement see note 9. Bonds are due in annual installments from \$425 to \$3,950 through October 1, 2035. 59,450

\$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,210 to \$7,505 through October 1, 2038. 58,235

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from \$500 to \$3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series. The refunding was undertaken to reduce total debt service payments over the next 9 years by \$2,885 and resulted in an economic gain of \$2,593. 31,895

\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.33% to 4.13%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039. 67,790

Subtotal 222,525
 Add: Unamortized bond premium 4,877
 Less: Unamortized deferred bond refunding costs (4,126)
\$223,276

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A and B fixed rate bonds, 3.65% to 5.0%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039. \$240,910
 Add: Unamortized bond premium 2,329
\$243,239

Total Revenue Bonds \$968,393

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer Enterprise funds. Annual debt service requirements to maturity are as follows:

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Fiscal Year	Electric Utility Fund			Water Utility Fund		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 22,705	\$ 20,284	\$ 42,989	\$ 4,660	\$ 10,354	\$ 15,014
2012	20,940	19,385	40,325	4,545	10,255	14,800
2013	21,905	18,415	40,320	4,695	10,093	14,788
2014	20,685	17,415	38,100	4,870	9,903	14,773
2015	14,480	16,629	31,109	5,015	9,693	14,708
2016-2020	62,050	75,954	138,004	27,355	45,011	72,366
2021-2025	66,245	65,238	131,483	32,755	38,800	71,555
2026-2030	80,170	50,931	131,101	39,555	30,379	69,934
2031-2035	97,870	32,800	130,670	48,035	19,852	67,887
2036-2040	94,550	9,549	104,099	51,040	6,588	57,628
Premium (Discount) Refunding Costs	11,424	-	11,424	4,877	-	4,877
Total	<u>(11,146)</u>	<u>-</u>	<u>(11,146)</u>	<u>(4,126)</u>	<u>-</u>	<u>(4,126)</u>
	<u>\$501,878</u>	<u>\$326,600</u>	<u>\$828,478</u>	<u>\$ 223,276</u>	<u>\$190,928</u>	<u>\$414,204</u>

Fiscal Year	Sewer Utility Fund		
	Principal	Interest	Total
2011	\$ -	\$ 15,810	\$ 15,810
2012	-	15,810	15,810
2013	6,760	15,675	22,435
2014	7,035	15,399	22,434
2015	7,325	15,112	22,437
2016-2020	41,915	69,493	111,408
2021-2025	30,480	58,208	88,688
2026-2030	38,265	46,226	84,491
2031-2035	48,210	30,933	79,143
2036-2040	60,920	11,376	72,296
Premium	<u>2,329</u>	<u>-</u>	<u>2,329</u>
Total	<u>\$243,239</u>	<u>\$294,042</u>	<u>\$537,281</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). \$ 145

\$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. 13,430

\$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. 4,870

\$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. 15,050

\$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. 4,350

\$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. 2,500

\$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. 21,545

\$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. 3,715

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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. 32,685

\$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. 21,215

\$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. 8,300

\$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. 970

\$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. 14,185

\$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. 89,105

\$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. 40,595

Subtotal 272,660
Add: Unamortized bond premium 6,207
Total Redevelopment Agency Bonds \$278,867

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>
2011	\$ 6,925	\$ 13,380	\$ 20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,318
2014	7,920	12,410	20,330
2015	8,305	12,050	20,355
2016-2020	48,065	53,791	101,856
2021-2025	64,250	39,533	103,783
2026-2030	54,660	23,866	78,526
2031-2035	43,795	11,559	55,354
2036-2040	23,940	1,690	25,630
Premium	<u>6,207</u>	-	<u>6,207</u>
Total	<u>\$278,867</u>	<u>\$194,104</u>	<u>\$472,971</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. \$17,315
Add: Unamortized bond premium 218
Total General Obligation Bonds \$17,533

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(amounts expressed in thousands)

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 675	\$ 794	\$ 1,469
2012	725	766	1,491
2013	780	737	1,517
2014	840	706	1,546
2015	900	671	1,571
2016-2020	5,600	2,699	8,299
2021-2025	7,795	1,097	8,892
Premium	218	-	218
Total	<u>\$17,533</u>	<u>\$7,470</u>	<u>\$25,003</u>

Pension Obligation Bonds:

\$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.	\$ 79,765
\$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.	25,685
\$30,600 2010 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2010 was 1.25%, \$30,600 due June 1, 2011.	<u>30,600</u>
Total Pension Obligation Bonds	<u>\$136,050</u>

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 34,730	\$ 6,175	\$ 40,905
2012	4,780	5,593	10,373
2013	5,475	5,357	10,832
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016-2020	48,525	17,108	65,633
2021-2025	<u>29,260</u>	<u>3,562</u>	<u>32,822</u>
Total	<u>\$136,050</u>	<u>\$47,634</u>	<u>\$183,684</u>

Certificates of Participation:

\$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.	\$46,615
\$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; issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see note 9. Due in annual installments from \$2,900 to \$7,200 through March 1, 2037.	128,300
\$20,660 2010 Recovery Zone Facility Hotel Project Certificates of Participation; 4.0% to 5.5%, due in annual installments from \$415 to \$1,410 through March 1, 2040.	<u>20,660</u>
Subtotal	215,520
Add: Unamortized bond premium	769
Less: Unamortized deferred bond refunding costs	<u>(5,077)</u>
Total Certificates of Participation	<u>\$211,212</u>

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:

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(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,175	\$ 8,393	\$ 12,568
2012	4,750	8,326	13,076
2013	4,920	8,156	13,076
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016-2020	32,180	35,429	67,609
2021-2025	38,720	28,480	67,200
2026-2030	44,815	20,276	65,091
2031-2035	52,155	10,332	62,487
2036-2040	23,040	1,812	24,852
Premium	769	-	769
Refunding Costs	<u>(5,077)</u>	<u>-</u>	<u>(5,077)</u>
Total	<u>\$211,212</u>	<u>\$136,968</u>	<u>\$348,180</u>

Contracts – Enterprise Funds:

Water stock acquisition rights payable on demand to various water companies

\$949

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, subject to recording of completion.

\$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

2,010

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

2,945

Principal
Outstanding

Principal
Outstanding

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

249

Total notes payable – Redevelopment Agency

\$ 8,191

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>	
2011	\$ 628	\$ 577	\$ 1,205
2012	674	546	1,220
2013	725	512	1,237
2014	688	475	1,163
2015	747	436	1,183
2016-2020	2,201	1,643	3,844
2021-2025	471	1,238	1,709
2026-2030	777	932	1,709
2031-2035	<u>1,280</u>	<u>430</u>	<u>1,710</u>
Total	<u>\$ 8,191</u>	<u>\$6,789</u>	<u>\$14,980</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

\$3,308

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

3,941

Total notes payable – Sewer Fund

\$7,249

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:

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Fiscal Year	Sewer Fund		Total
	Principal	Interest	
2011	\$ 679	\$138	\$ 817
2012	691	125	816
2013	705	112	817
2014	718	99	817
2015	731	86	817
2016-2020	3,392	214	3,606
2021-2025	<u>333</u>	<u>7</u>	<u>340</u>
Total	<u>\$7,249</u>	<u>\$781</u>	<u>\$8,030</u>

Commercial Loan:

The City has a \$20,000 commercial loan with City National Bank, which is being used to purchase, rehabilitate and resell foreclosed homes. As of June 30, 2010, the City had borrowed \$1,100 and had \$18,900 available for future borrowing. The interest rate is based on "prime" less 75 basis points, which was 2.5% as of June 30, 2010. Interest is paid monthly. Principal is due in full on July 1, 2012.

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	6,215	2,763
Subtotal	12,284	3,251
Less: Accumulated depreciation	(2,895)	(448)
Total	<u>\$9,389</u>	<u>\$2,803</u>

The future minimum lease obligations as of June 30, 2010 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2011	\$1,656	\$ 431
2012	1,139	446
2013	995	446
2014	761	446
2015	670	433
Thereafter	1,413	159
Copiers	<u>575</u>	<u>-</u>
Total Minimum lease payments	7,209	2,361
Less: Amount representing interest (rates ranging from 2.5% to 9%)	<u>(906)</u>	<u>(210)</u>
Total capital lease payable	<u>\$6,303</u>	<u>\$2,151</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, 2010:

General long-term obligations:

Redevelopment Agency	\$ 7,079
Certificates of Participation	<u>13,869</u>
Total	<u>\$20,948</u>

Enterprise funds:

Electric	\$21,215
Water	6,433
Sewer	<u>20,194</u>
Total	<u>\$47,842</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:

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(amounts expressed in thousands)

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 6/30/10
Tax increment:			
Non-Housing	\$41,262	\$16,127	2.56
Housing	7,581	2,864	2.65
Electric revenues	121,520	44,146	2.75
Water revenues	26,032	12,540	2.08
Sewer revenues	4,605	817	5.64

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, 2010, the following amounts are considered defeased:

2001 Electric Revenue Bonds	\$17,600
2001 Water Revenue Bonds	14,995
1993 Sewer Revenue Bonds	13,570

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, 2010 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.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of \$1,000,000, with a deductible of \$50. Earthquake and flood insurance coverage has a limit of \$25,000, with a deductible of 5% for earthquake and \$100 for flood. Workers' compensation insurance coverage has a limit of \$25,000, with a self-insured retention of \$3,000 per occurrence. The City carries commercial insurance in the amount of \$20,000 for general and auto liability claims greater than \$3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

Changes in the funds' claims liability amounts are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
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	14,602	221	10,135	24,958
Incurred claims (including IBNR's)	1,759	38	9,250	11,047
Claim payments and adjustments	<u>(2,660)</u>	<u>-</u>	<u>(7,804)</u>	<u>(10,464)</u>
Unpaid Claims, June 30, 2010	<u>\$13,701</u>	<u>\$ 259</u>	<u>\$ 11,581</u>	<u>\$25,541</u>

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2010, the City has several series of Assessment District Bonds outstanding in the amount of \$58,642. 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 \$9,535 and Industrial Development Revenue Bonds of \$11,275 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Derivative Instruments

Interest Rate Swaps

The City has five cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective.

On the following page is a summary of the derivative activity for the year ended June 30, 2010:

	<u>Notional Amount</u>	<u>Fair Value as of 6/30/10</u>	<u>Change in Fair Value for Fiscal Year</u>
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(18,653)	(5,914)
Business-Type Activities			
2008 Water Refunding/Revenue Bonds Series A	60,300	(7,130)	(2,865)
2008 Electric Refunding/Revenue Bonds Series A	84,515	(8,747)	(4,062)
2008 Electric Refunding/Revenue Bonds Series B	57,275	(6,649)	(2,569)
2008 Electric Refunding/Revenue Bonds Series C	57,325	(6,677)	(2,577)

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 \$199,115 2008 Electric Revenue Bonds (Series A, B, and C) and \$60,300 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.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City again pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The swaps have notional amounts equal to the principal amounts stated above. Starting in fiscal year 2009, the notional value of the swaps and the principal amounts of the associated debt decline by \$975 to \$7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029 and the 2008B and C Electric and 2008 Water Revenue/Refunding Bonds both mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

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

As of June 30, 2010 rates were as follows:

	<u>Terms</u>	<u>Rates</u>	<u>Rates</u>
		2008 Water Refunding/ Revenue Bonds Series A	2008 Electric Refunding/ Revenue Bonds Series B
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
	62.68 LIBOR		
Variable payment from counterparty	+ 12 bps	<u>(0.73298%)</u>	<u>(0.73344%)</u>
Net interest rate swap payments		2.46702%	2.46756%
Variable-rate bond coupon payments		<u>0.71791%</u>	<u>0.74848%</u>
Synthetic interest rate on bonds		<u>3.18493%</u>	<u>3.21604%</u>
		2008 Electric Refunding/ Revenue Bonds Series C	2008 Electric Refunding/ Revenue Bonds Series A
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
	62.68 LIBOR		
Variable payment from counterparty	+ 12 bps	<u>(0.69612%)</u>	<u>(0.73298%)</u>
Net interest rate swap payments		2.50788%	2.37802%
Variable-rate bond coupon payments		<u>0.69642%</u>	<u>0.74922%</u>
Synthetic interest rate on bonds		<u>3.20430%</u>	<u>3.12724%</u>
		COP 2008 Bonds	
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.36200%	
	63.00 LIBOR		
Variable payment from counterparty	+ 7 bps	<u>(0.73053%)</u>	
Net interest rate swap payments		2.63147%	
Variable-rate bond coupon payments		<u>0.80022%</u>	
Synthetic interest rate on bonds		<u>3.43169%</u>	

Fair Value: As of June 30, 2010, in connection with all swap arrangements, the transactions had a total negative fair value of <\$37,751>. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This

method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2010, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase Bank and Merrill Lynch were rated A+, A+ and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2010, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the City to basis risk should the relationship between LIBOR and the variable interest rate, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2010, 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.

CITY OF RIVERSIDE
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Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2011	\$ 3,925	\$ 2,900	\$ 9,650	\$ 16,475
2012	6,450	2,851	9,489	18,790
2013	6,675	2,801	9,320	18,796
2014	6,900	2,750	9,147	18,797
2015	8,975	2,682	8,923	20,580
2016-2020	70,275	12,080	40,167	122,522
2021-2025	76,325	9,424	31,395	117,144
2026-2030	82,665	6,554	21,972	111,191
2031-2035	95,025	3,294	11,052	109,371
2036-2037	<u>28,525</u>	<u>228</u>	<u>748</u>	<u>29,501</u>
Total	<u>\$385,740</u>	<u>\$45,564</u>	<u>\$ 151,863</u>	<u>\$583,167</u>

Other Utility Derivative Instruments

The Utility continually strives to optimize its resource portfolio using the selection of available energy and/or gas resources to serve the Utility's load obligations to capture the lowest economic value. The Utility makes frequent load projections at various points in time based on, among other factors, estimates of customer usage, weather, historical data, and contract terms. The Utility also frequently projects resource availability at various points in time based on variables such as availability of generating units, historic and forward market information, contract terms, and experience. The Utility uses these projections to purchase and sell quantities of wholesale electric capacity and energy at specified time(s) in the future, to match expected resources to projected load requirements.

The Utility is exposed to various market risks associated with its resource portfolio management and uses derivative and non-derivative instruments, as appropriate, to manage these risks. To help limit the Utility's exposures and risks to a tolerable level, the Utility has an approved Power Resources Risk Management Policies governing the types of transactions and delegations of authority deemed appropriate. The volumes of forward transactions for the Utility's short and long positions require Risk Management Committee approvals.

Commodity Price Risk: The Utility is exposed to commodity price risk due to the potential fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Commodity price risk may also be influenced by the number of active, creditworthy market participants,

and the extent that nonperformance by market participants of their contractual obligations and commitments impacts the supply of, or demand for, the commodity.

The Utility's price exposure relates to the quantities of energy purchased and sold in the CAISO's Market Redesign and Technology Upgrade (MRTU) market as a result of differences between the Utility's load requirements versus the amount of energy delivered from its ownership or entitlement interest in generating facilities and bilateral contracts.

The Utility's hedging program reduces ratepayer exposure to variability in market prices related to its power and gas activities. The Utility's Power Resources Risk Management Policies govern the types of allowable hedging transactions (which include transactions considered derivatives as defined by GASB 53) and these include commodity options, swaps, forward arrangements, and congestion revenue rights (CRRs). The Risk Management Committee meets regularly to among other things, review and evaluate commodity positions, and approve hedging strategies, and the types of authorized transactions.

Credit Risk: The Utility's credit risk relates to potential losses incurred due to nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. The Utility has an approved Wholesale Counterparty Risk Management Policy and seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default; applying credit limits and duration criteria to existing and prospective counterparties; and actively monitoring current credit and default exposures. The Utility contracts with renewable power producers that are typically below investment grade, and limits exposure through take-and-pay contracts in which the Utility only pays for the renewable energy delivered. The Utility also seeks performance assurance through collateral requirements in the form of letters of credit, parental guarantees or prepayments.

The Utility has concentrations of suppliers including: electric and gas utilities, electric generators and transmission providers, financial institutions and energy marketing and trading companies. In addition, the Utility has geographic concentrations of credit risk due to operations in the western United States. These concentrations may impact the Utility's overall exposure to credit risk, either positively or negatively, because counterparties may be singularly affected by changes in conditions.

The Utility transacts within the CAISO, which has its own credit and collateral posting requirements for entities participating in its markets. If a CAISO market participant defaults on its payment obligations, the CAISO first accesses the defaulting entity's credit enhancements with the CAISO. Under the currently effective MRTU tariff in effect as of June 30, 2010, any deficiency above those credit enhancements would be shared by all CAISO participants that are net creditors. The relevant portions of the MRTU tariff relating to credit and credit enhancements are currently under review at the FERC and may be subsequently amended or modified.

Contingent Features/Credit Related Exposure: Certain derivative contracts contain collateral requirements, which vary depending on the level of unsecured credit expended by the counterparties, changes in market prices relative to contractual commitments, and other factors. If the Utility's credit rating falls below investment grade, the Utility may be required to pay the derivative liability or post additional collateral. The Utility's rating is AA- by both Fitch Ratings and Standard & Poor's, and the Utility has not posted any collateral relating to its derivative activities.

Certain power or gas contracts contain a provision for early termination at fair market value if either party determines that the counterparty is no longer creditworthy. Early termination of these contracts may require a payment by the Utility, or entitle the Utility to receive payment, for the difference between the contract and current market prices.

Other Operational and Event Risk: There are other operational and event risks that can affect the supply of the commodity and the Utility's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, seasonal periods of extreme high or low temperatures, and overall economic trends.

CAISO Wholesale Energy Markets: California's wholesale electricity market is operated by the CAISO. In 2006, the CAISO began its MRTU program to redesign and upgrade the wholesale energy markets across its controlled grid. The MRTU allows scheduling power in hourly increments with hourly prices through a day-ahead and real-time market that combines energy, ancillary services, unit commitment, and congestion management. MRTU became effective in March 2009 (for trade date April 1, 2009) and the Utility began participating in the day-ahead and real-time markets for the sale of its generation and purchases of its load requirements.

The MRTU structure uses a nodal locational pricing model, which sets wholesale electricity prices at 3,000 different system points (nodes) that reflect local generation and delivery costs, as opposed to the previous system of three broad zonal prices. Generally, the Utility schedules its electricity generation assets to serve its load. However, when it has excess generation or when the market price of power is more economic than its own generation, the Utility may sell power from utility owned generation assets and existing power procurement contracts into, or buy generation and/or ancillary services to meet its load requirements from, the Integrated Forward Markets.

Although to date the markets in general have been stable and prices remain relatively low, if the new market mechanisms created by MRTU result in any significant price/market flaws that are not promptly and effectively corrected by the market mechanisms, the CAISO or the FERC, or if the Utility's CRRs are not sufficient to hedge the financial risk associated with the CAISO's congestion costs under MRTU, or if either the CAISO's or the Utility's MRTU-related business systems and software do not perform as intended, the Utility's financial conditions, results of operations, and cash flows could be materially and adversely affected.

Congestion Risk: The Utility will offer to buy its generation at nodes near the source of the generation, but will take delivery at the Utility's Metered Subsystem Load Aggregation Point (MLAP). Congestion may occur when available energy cannot be delivered to all loads due to transmission capacity constraints, which results in transmission congestion charges and differences in prices at various nodes. To help mitigate the variability of congestion costs, the CAISO offers CRRs--a financial commodity that entitles the holder to receive (or pay) the value of transmission congestion between specific nodes, acting as an economic hedge against transmission congestion charges. CRRs are offered by the CAISO through its allocation and auction processes.

The only Utility derivative commodity activity not meeting the normal purchase and normal sales exception criteria of GASB 53 relates to the Utility's CRRs. The Utility has been allocated long-term CRRs through 2019 related to its load and long-term resource entitlements, has acquired via auction certain CRRs as of June 30, 2010 and 2009, and anticipates acquiring additional CRRs through the allocation and auction phases. These are considered derivative instruments and were determined to be hedge-effective under the consistent critical terms method. The following is a summary of the derivative activity for the year ended June 30, 2010.

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<u>Cash Flow Hedges</u>	<u>Notional (in thousands)</u>	<u>Fair Value as of 6/30/10</u>	<u>Change in Fair Value for Fiscal Year</u>
Congestion Revenue Rights	13,813 MWhs	\$19,009	\$15,787

Terms: The CAISO releases CRRs through an annual and monthly process, each of which includes: 1) an Allocation phase, in which Load-Serving Entities (LSE) are allocated CRRs at no cost based on retail customer load demand, and 2) an Auction phase, in which CRRs are purchased at closing bid price. The CAISO also allocates long-term CRRs based on a combination of an LSE's retail load and the location of its long-term resource entitlements. CRRs are allocated by time of use (on- or off-peak). Annual and long-term CRRs are allocated by season. Annual CRRs are for one calendar year, with long-term CRRs having a term of 10 years. As of June 30, 2010, the Utility has monthly, annual, and long term CRRs for the period July 2010 through December 2019.

Fair Value: As of June 30, 2010 and 2009, the CRRs had a total fair value of \$19,009 and \$3,222, respectively. Due to the lack of a robust market for CRRs, the fair value was based on historical results using the CAISO Locational Marginal Price (LMP)-Marginal Congestion Cost (MCC) pricing information.

For each CRR, the Utility identified the historical MCC for the source (injection) CAISO node and the Utility's MLAP. This historical cost information was used to determine the average heavy-load (HL) and light-load (LL) MCC price difference for July 1, 2009 through June 30, 2010. Although the MRTU markets were launched in March 2009, a July 1st date was used to avoid unstable price effects immediately after the MRTU start-up. Historical prices were used to conservatively project the future value of the CRRs, present valued back to June 30, 2010 or 2009, respectively. As more pricing data becomes available, the Utility intends to use a rolling-3 year average of monthly congestion costs to project the value of its CRRs.

Termination risk: The CAISO's CRR allocation methodology is established in the MRTU tariff. Early termination would require tariff modifications and the Utility would participate in this regulatory process to help ensure that its interests in hedging future congestions costs are protected.

Rollover risk: The Utility's long term CRRs are effective through 2019. As the first year expires, the CAISO will undertake a new allocation process in which a portion of CRRs will be freely allocated based on an entity's load and long-term contracted resources. The Utility anticipates that it will receive a similar

allocation assuming it continues to maintain long-term resources in the geographic proximity to those currently existing.

Realized gains and losses on effective derivative instruments related to power supply activities are included in either transmission or production and purchased power expense on the Statement of Revenues, Expenses and Changes in Equity.

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2010 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	\$ 49,667
Interfund receivable	27,815
Debt service	52,852
Prepaid items	382
Notes receivable	4,654
Fire bond	9,871
Land & improvements held for resale	<u>83,742</u>
Total reserved fund balance	<u>\$228,983</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, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 4,599
	Capital Outlay Fund	16,477
	Nonmajor Enterprise Funds	222
	Central Stores*	<u>2,548</u>
		<u>23,846</u>
RDA Capital Projects	RDA Debt Service	<u>3</u>
Workers' Compensation*	Unemployment Compensation*	369
	Public Liability*	783
		<u>1,152</u>
Total		<u>\$25,001</u>

* Internal service funds

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Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$12,705
	Redevelopment Capital Projects	727
	Water	5,466
	Sewer	3,497
	Nonmajor Governmental Funds	589
	Nonmajor Enterprise Funds	2,349
	Workers' Compensation *	229
	Central Stores *	240
	Central Garage *	<u>1,082</u>
		<u>26,884</u>
COPS Debt Service Fund	Redevelopment Capital Projects	931
Nonmajor Governmental	Redevelopment Capital Projects	17,062
Workers' Compensation	Nonmajor Enterprise Funds	8,739
	General	115
	Redevelopment Capital Projects	<u>4,748</u>
		13,602
Sewer	Redevelopment Capital Projects	20,554
Electric	Central Stores*	<u>650</u>
Total		<u>\$79,683</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) 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, 2010:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$33,656
	Water	5,657
	Redevelopment Capital Project	3,776
	Nonmajor Governmental Funds	<u>2,167</u>
		<u>45,256</u>
Redevelopment Debt Service	Nonmajor Governmental Funds	<u>3,177</u>
		<u>3,177</u>
COPS Debt Service Fund	General Fund	2,679
	Redevelopment Capital Project	206
	Redevelopment Debt Service	245
	Capital Outlay	2
	Nonmajor Governmental Funds	2,171
	Nonmajor Enterprise Funds	<u>840</u>
		<u>6,143</u>
Capital Outlay	COPS Debt Service Fund	<u>349</u>
		<u>349</u>
Redevelopment Capital Projects	Redevelopment Debt Service	<u>31,108</u>
		<u>31,108</u>
Nonmajor Governmental Funds	Capital Outlay	29
	Nonmajor Governmental Funds	<u>2,241</u>
		<u>2,270</u>
Total		<u>\$88,303</u>

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12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Housing & Community Development Special Revenue Fund (\$394), Unemployment Compensation Internal Service Fund (\$630), and the Public Liability Internal Service Fund (\$12,611) 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 Electric and Water Utilities are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

The Water Utility is also a plaintiff in a lawsuit against the manufacturers and distributors of methyl tertiary-butyl ether (MTBE) and its by-products, and of fuel containing these chemicals, arising out of the threat to the Water Utility wells of contamination with those chemicals from leaking underground storage tanks.

The defendants removed this lawsuit to federal court and then transferred the case to the Judicial Panel on Multidistrict Litigation, New York, where it was consolidated with all other pending MTBE water contamination litigation cases in the country. Although the City has tentatively settled with a number of the defendants, the settlement has not been approved by the court and no trial date for the remainder of the case.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment

and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown 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, 2007 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)
2008	Misc	\$12,457	97.5%	(58,334)
2008	Safety	11,134	95.0%	(87,043)
2009	Misc	14,735	94.7%	(57,548)
2009	Safety	12,543	91.0%	(85,909)
2010	Misc	16,463	93.8%	(56,529)
2010	Safety	13,949	89.0%	(84,369)

A total of \$140,898 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.

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Determination of Net Pension Asset as of June 30, 2010:

	<u>Misc</u>	<u>Safety</u>
Annual required contribution	\$ 15,444	12,409
Interest on net pension asset	(4,460)	(6,658)
Adjustment to annual required contribution	<u>5,479</u>	<u>8,198</u>
Annual pension cost	16,463	13,949
Less contributions made	<u>(15,444)</u>	<u>(12,409)</u>
Decrease (Increase) in net pension asset	1,019	1,540
Net pension asset, beginning of year	<u>(57,548)</u>	<u>(85,909)</u>
Net pension asset, end of year	<u>\$(56,529)</u>	<u>(84,369)</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</u>
							<u>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.

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The benefit summary information is as followed:

BENEFIT SUMMARY¹			
<u>Eligibility & 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	• 300 effective 7/1/09 • \$200 prior
	• 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

BENEFIT SUMMARY			
▪ 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.

Assets	
Trust Amounts	
As of Most Recent Actuarial Valuation	
IBEW General Retiree Health Trust	\$ 408
RPOA 1991 Trust	484
RPOA 2006 Trust	758
SEIU General Retiree Health	1,861
SEIU Refuse Retiree Health	19
Total	<u>\$3,530</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

¹ Chart information obtained from the Bartel Associates, LLC Stipend and Implied Subsidy Plans - June 30, 2009 GASB 45 Actuarial Valuation dated October 5, 2010.

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(amounts expressed in thousands)

amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City's annual OPEB cost (expense) for each plan is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years.

The City's annual OPEB costs 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% 2009/10 Fiscal Year (amounts in 000's)					
	IBEW	RPOA 1991 Trust	RPOA 2006 Trust	SEIU General	SEIU Refuse
▪ ARC \$					
• Normal Cost ²	\$25	\$31	\$373	\$204	\$10
• UAAL Amortization ³	2	67	269	159	13
• Total	27	98	642	363	23
▪ 2009/10 Payroll	14,690	6,062	22,230	41,376	1,580
▪ ARC as % of payroll					
• Normal Cost	0.2%	0.5%	1.7%	0.5%	0.6%
• UAAL Amortization	0.0%	1.1%	1.2%	0.4%	0.8%
• Total	0.2%	1.6%	2.9%	0.9%	1.4%
▪ Current Contribution					
• \$	\$118	-	\$329	\$103	4
• % of payroll	0.8%	-	1.48%	0.25%	0.25%

² Level \$

³ Amortized as a level percent of payroll over 30 years

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

▪ Valuation Date	6/30/07	6/30/09
▪ Discount Rate	4.5%	4.5%
▪ Amortization Period	30 Years	30 Years
▪ Present Value of Benefits⁴	\$75,665	\$82,217
▪ Funded Status⁵		
• AAL (Accrued Actuarial Liability)	50,430	54,869
• Assets	-	-
• UAAL	50,430	54,869
▪ Annual Required Contribution⁵		
• Normal Cost	2,306	2,762
• UAAL Amortization	2,080	2,529
• ARC	4,386	5,291
• ARC as % of payroll	3%	4%

The City's annual OPEB cost (AOC), the contribution, and the net OPEB obligation (NOO) for the year ended June 30, 2010 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 TRUST	RPOA 2006 TRUST	SEIU GENERAL	SEIU REFUSE	Total
▪ NOO 6/30/08	\$ (82)	\$ 138	\$ 131	\$ 187	\$ 11	\$ 385
o AOC ⁵	23	138	453	300	15	929
o Contribution	(123)	-	(424)	(113)	(4)	(657)
▪ NOO 6/30/09	\$(182)	\$ 276	\$ 160	\$ 374	\$ 22	\$ 657
o ARC	27	98	642	363	23	1,153
o Interest on NOO	(8)	12	7	17	1	29
o Amortization	15	(21)	(12)	(28)	(2)	(48)
o Contribution	(118)	-	(329)	(103)	(4)	(558)
▪ NOO 6/30/10	\$(266)	\$ 365	\$ 468	\$ 623	\$ 40	\$ 1,230

⁴ Based on most recent actuarial valuation performed as of 6/30/09.

⁵ 30 year amortization. Level \$ for IBEW, RPOA 1991 & RPOA 2006. Level % of payroll for SEIU General and SEIU Refuse.

RESULTS – IMPLIED SUBSIDY	
Estimated Net OPEB Obligation	
(amounts in 000's)	
	No Pre-Funding 4.5%
▪ NOO 6/30/2008	\$ 3,096
○ 2008/09 AOC ⁶	4,386
○ 2008/09 Contributions ⁷	(1,290)
▪ NOO 6/30/2009	\$ 6,192
○ 2009/10 ARC ⁸	5,291
○ 2009/10 Interest on NOO	279
○ 2009/10 Amortization of NOO	(469)
○ 2009/10 Contributions ⁸	(1,440)
▪ NOO 6/30/2010	\$ 9,853

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, 2009, the actuarial accrued liability for benefits was \$54.9 million. The funded status of the Stipend Plan was as follows (amounts in thousands):

⁶ UAAL amortized as a level percent of payroll over 30 years and is based on an actuarial valuation performed as of 6/30/07.

⁷ Includes benefit payments.

⁸ UAAL amortized as a level percent of payroll over 30 years and is based on an actuarial valuation performed as of 6/30/09.

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	06/30/07	24%	92,643	10%
\$ 3,530	\$ 12,378	\$8,847	06/30/09	29%	85,938	10%

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:

ACTUARIAL ASSUMPTIONS	
June 30, 2009 Valuation	
▪ Valuation Date	• June 30, 2009
▪ Discount Rate:	• 4.5% Assets invested conservatively • 7.75% Pre-funded with CalPERS CERBT – diversified and irrevocable trust
▪ General Inflation	• 3.0%
▪ Aggregate Payroll Increases	• 3.25%

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<ul style="list-style-type: none"> ▪ Retirement 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study <table border="1" style="margin-left: 20px;"> <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;">59</td> <td style="text-align: center;">55</td> <td style="text-align: center;">57</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	59	55	57
	<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	59	55	57														
<ul style="list-style-type: none"> ▪ Mortality, Termination, & Disability 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study 																
<ul style="list-style-type: none"> ▪ Medicare Eligibility for Retirees > 65 	<ul style="list-style-type: none"> • If unknown, assume 50% eligible and 50% in-eligible 																
<ul style="list-style-type: none"> ▪ Plan Assets 	<ul style="list-style-type: none"> ▪ Market value of assets ▪ No smoothing 																
<ul style="list-style-type: none"> ▪ Cost Method 	<ul style="list-style-type: none"> ▪ Entry Age Normal <ul style="list-style-type: none"> • As a level % of pay: <ul style="list-style-type: none"> ➢ SEIU General ➢ SEIU Refuse • As a level \$ amount: <ul style="list-style-type: none"> ➢ IBEW Trust ➢ RPOA 1991 Trust ➢ RPOA 2006 Trust ▪ Acceptable under GASB 27 																
<ul style="list-style-type: none"> ▪ Amortization Period 	<ul style="list-style-type: none"> ▪ Initial UAAL – 30-year fixed (closed) period (28 years remaining) ▪ Assumption Changes, Plan Changes, Experience Gains/Losses and Contribution Gains/Losses – 15-year fixed (closed) period ▪ Maximum 30-year combined period 																
<ul style="list-style-type: none"> ▪ Amortization Method 	<ul style="list-style-type: none"> ▪ Level Percent of Payroll (same as CalPERS) ▪ Level Dollar Amount 																
<ul style="list-style-type: none"> ▪ Future New Entrants 	<ul style="list-style-type: none"> ▪ None – Closed Group 																

Three-year trend information for the Stipend Plan:

<u>Fiscal Year</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>% of OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$929	59%	(385)
2009	929	71%	(657)
2010	1,134	49%	(1,230)

Three-year trend information for the Implied Subsidy Plan:

<u>Fiscal Year</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>% of OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$4,386	29%	(3,096)
2009	4,386	29%	(6,192)
2010	5,101	28%	(9,853)

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,

CITY OF RIVERSIDE
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(amounts expressed in thousands)

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 2009-10 and 2008-09 fiscal years, the Electric Utility paid approximately \$15,151 and \$17,792, 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 Uprating (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 3.5 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.

<u>Fiscal Year</u>	<u>SCPPA</u>						
	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>Hoover</u>	<u>MPP</u>	<u>MAT</u>	<u>Total</u>
2011	\$ 24,460	\$ 662	\$ 7,538	\$ 708	\$ 319	\$ 3,100	\$ 36,787
2012	23,070	666	7,936	706	318	3,090	35,786
2013	19,942	669	9,614	704	318	3,087	34,334
2014	22,708	672	8,764	705	318	3,092	36,259
2015	21,154	676	8,789	703	266	3,064	34,652
Thereafter	<u>142,480</u>	<u>2,050</u>	<u>93,442</u>	<u>2,101</u>	<u>1,560</u>	<u>17,590</u>	<u>259,223</u>
Total	<u>\$253,814</u>	<u>\$ 5,395</u>	<u>\$136,083</u>	<u>\$ 5,627</u>	<u>\$ 3,099</u>	<u>\$33,023</u>	<u>\$437,041</u>

Take-or-pay commitments expire upon final maturity of outstanding bonds for each project. Final fiscal year maturities are as follows:

<u>Project</u>	<u>Final Maturity Date</u>
Intermountain Power Project	2024
Palo Verde Nuclear Generating System	2017
Southern Transmission System	2027
Hoover Dam Upgrading	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2010 and 2009, are as follows (in thousands):

<u>Fiscal Year</u>	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>MAT</u>	<u>MPP</u>	<u>Hoover</u>	<u>Total</u>
2010	\$27,458	\$2,991	\$1,779	\$ 265	\$ 40	\$ 68	\$32,601
2009	28,010	3,044	1,975	243	121	81	\$33,474

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 two firm power purchase agreements with Bonneville Power Administration (BPA). The minimum annual obligation for fiscal year 2010-2011 is \$636. 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.

The Electric Utility had an agreement with Deseret for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated

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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.

There was no deferred purchased power for Deseret as of June 30, 2010 and \$1,670 in 2009 and the Electric Utility had recorded amortization of \$1,670 and \$3,341 in fiscal years ended June 30, 2010 and June 30, 2009, respectively.

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 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:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2011
Wintec	Wind	8.0MW	11/10/2021	\$ 198
Salton Sea Power	Geothermal	46.0MW	5/31/2020	21,139
Total		54.0MW		\$21,337

All contracts are contingent on energy production from specific related generating facilities. Riverside has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

On August 23, 2005, the City Council approved an amendment to the Power Purchase Agreement between Salton Sea and the City. The agreement increases the amount of renewable energy available to the City from the

current 20 MW to 46 MW effective June 1, 2009 through May 31, 2020, at the same price under the current contract until 2013, with escalation thereafter based on an inflationary type index. Similar to other renewable power purchase agreements, the City is only obligated for purchases of energy delivered to the City.

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with additional capacity available upon completion of Wintec's Facility II Wind Turbine Project. The developer is encountering challenges in finding suitable wind turbines to complete the project and the project is expected to continue to be delayed.

On June 19, 2008, and December 12, 2008, respectively the City entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC ("Renaissance"). The contract term for each agreement is 30 years, and provides a combined 96 megawatts of geothermal energy. Like the majority of renewable projects, Renaissance continues to experience difficulty securing financing due to the meltdown in the financial markets. The agreements were extended to March 2010, which have expired, to allow Renaissance additional time to secure financing and to begin constructing the projects. Riverside and Renaissance are currently renegotiating the agreements to provide a more realistic development schedule. The renegotiations are expected to be completed by September 2010. The expected commercial operational date for the first phase of the project is mid 2014 (delayed by two years) with reduced MW (from 64 MW to 46 MW). The timing of the second phase is uncertain at this time and will be dependent upon the successful completion of the first phase. Similar to other renewable power purchase agreements, Riverside's payment obligation is limited to the amount of energy delivered.

Construction Commitments:

As of June 30, 2010, the Electric Utility had major commitments of approximately \$18,748, with respect to unfinished capital projects, of which \$17,787 is expected to be funded by bonds and \$961 funded by rates.

As of June 30, 2010, the Water Utility had major commitments of approximately \$15,709 with respect to unfinished capital projects which is expected to be funded by bonds.

C. Jointly-Owned Utility Project

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042, although the City has not approved its participation in the project through the extended term.

During 2006, the FERC, Nuclear Regulatory Commission and the California Public Utility Commission (CPUC) approved the transfer of Anaheim's shares to SCE, and as a result, SCE's ownership was increased to 78.21 percent in SONGS units 2 and 3.

SCE, as operating agent, declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would have likely resulted in permanent shutdown of the plant in 2009-2010 timeframe. The estimated cost to replace the steam generators (SGs) is \$680,000, of which approximately \$12,200 would represent the City's share. Replacement of the SGs is expected to enable plant operations through at least 2022, and perhaps beyond if NRC approval is obtained. The City Council has approved participation in the replacement of the SGs. The SG replacement for SONGS Unit 2 was completed in April 2010 and the SG replacement for Unit 3 is expected to commence in September 2010 and to be completed in December 2010.

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 \$152,586 and \$146,027 for fiscal years ended June 30, 2010 and 2009, respectively.

All acquisitions or construction of capital assets are depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to \$126,837 and \$120,549 for the fiscal years ended June 30, 2010 and 2009, 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 \$2,898 and \$2,968 for fiscal years June 30, 2010 and June 30, 2009, respectively. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

16. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Riverside was \$4,592.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and

no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

17. Subsequent Event

The City entered into the Clearwater Power Plant Purchase and Sale Agreement dated March 3, 2010 with the City of Corona for the acquisition of Clearwater Cogeneration Facility ("Clearwater") from Corona. Clearwater is a combine-cycle, natural gas generating facility with a gross plant output of 29.5 MW. Following a "transition period" during which Riverside engaged in pre-closing activities and due diligence inspection, the transaction closed on September 1, 2010 and the City took ownership of the plant. The purchase also included construction of a substation and the 69,000 volt facilities necessary to transfer power from Clearwater Power Plant to the Southern California Edison Company's electrical distribution system to California's high voltage transmission grid. The useful life of Clearwater and the related transmission facilities is anticipated to be at least thirty years. The total purchase price for Clearwater is \$45.6 million, and will be funded through a series of semi-annual payments ranging from \$1 to \$2.7 through 2013, and \$0.2 through \$0.4 from 2014 through 2015. In addition, two payments of \$36.4 and \$7.4 are due 2013 and 2015, respectively, and will be funded primarily from bond proceeds.

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Special Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvement Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing and Community Development Fund – To account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

Redevelopment Agency Fund – To account for the portion of Redevelopment tax increment monies which California Redevelopment Law requires be set aside for the development of low and moderate income housing.

National Pollution Discharge Elimination System (NPDES) – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Neglected Property Abatement Fund – To account for revenues and expenditures associated with the neglected property abatement activities of the Code Enforcement Division of the Community Development Department.

Housing Authority Fund – To account for revenues and expenditures associated with housing activities for persons with low or moderate income.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvements Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System..

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(amounts expressed in thousands)

Assets	Special Revenue						
	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement
Cash and investments	\$ -	\$ 12,753	\$ 721	\$ -	\$ 12,773	\$ -	\$ 213
Cash and investments at fiscal agent	-	-	-	-	197	-	-
Receivable (net of allowance for uncollectibles):							
Interest	-	68	4	-	90	2	-
Property taxes	-	-	-	-	-	-	716
Accounts	-	-	-	2	-	-	3,682
Intergovernmental	1,274	761	-	4,164	-	557	-
Notes	-	-	-	6,128	12,625	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	17,062	-	-
Land & improvements held for resale	-	-	-	3,454	9,260	-	-
Total assets	<u>\$ 1,274</u>	<u>\$ 13,582</u>	<u>\$ 725</u>	<u>\$ 13,748</u>	<u>\$ 52,007</u>	<u>\$ 559</u>	<u>\$ 4,611</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 9	\$ 58	\$ 38	\$ 1,176	\$ 45	\$ 6	\$ 47
Accrued payroll	-	-	-	31	-	-	18
Retainage payable	-	2,370	-	-	-	-	-
Deferred revenue	-	-	-	9,604	12,577	-	1,624
Deposits	-	-	-	-	26	-	-
Due to other funds	1,265	-	-	2,742	1	553	-
Advance from other funds	-	-	-	589	-	-	-
Total liabilities	<u>1,274</u>	<u>2,428</u>	<u>38</u>	<u>14,142</u>	<u>12,649</u>	<u>559</u>	<u>1,689</u>
Fund balances							
Reserved:							
Reserved for noncurrent loans receivable	-	-	-	-	49	-	-
Reserved for encumbrances	92	193	49	2,470	236	-	-
Reserved for land & improvements held for resale	-	-	-	-	9,260	-	-
Reserved for advances	-	-	-	-	17,062	-	-
Reserved for library services	-	-	-	-	-	-	-
Unreserved, designated for future operations	-	10,961	469	-	8,527	-	2,922
Unreserved, undesignated	(92)	-	169	(2,864)	4,224	-	-
Total fund balances	<u>-</u>	<u>11,154</u>	<u>687</u>	<u>(394)</u>	<u>39,358</u>	<u>-</u>	<u>2,922</u>
Total liabilities and fund balances	<u>\$ 1,274</u>	<u>\$ 13,582</u>	<u>\$ 725</u>	<u>\$ 13,748</u>	<u>\$ 52,007</u>	<u>\$ 559</u>	<u>\$ 4,611</u>

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(amounts expressed in thousands)

	Special Revenue		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Housing Authority	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
Assets								
Cash and investments	\$ 3	\$ 26,463	\$ 4,025	\$ 4,804	\$ 49	\$ 8,878	\$ 1,621	\$ 36,962
Cash and investments at fiscal agent	-	197	3,818	-	-	3,818	-	4,015
Receivable (net of allowance for uncollectibles):								
Interest	-	164	30	25	-	55	-	219
Property taxes	-	716	-	-	-	-	-	716
Accounts	1	3,685	277	-	-	277	-	3,962
Intergovernmental	-	6,756	-	-	90	90	-	6,846
Notes	-	18,753	-	-	-	-	-	18,753
Prepaid items	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Advances to other funds	-	17,062	-	-	-	-	-	17,062
Land & improvements held for resale	1,522	14,236	-	-	-	-	-	14,236
Total assets	<u>\$ 1,526</u>	<u>\$ 88,032</u>	<u>\$ 8,150</u>	<u>\$ 4,829</u>	<u>\$ 139</u>	<u>\$ 13,118</u>	<u>\$ 1,621</u>	<u>\$ 102,771</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ -	\$ 1,379	\$ 273	\$ 26	\$ -	\$ 299	\$ -	\$ 1,678
Accrued payroll	-	49	-	-	-	-	-	49
Retainage payable	-	2,370	256	-	-	256	-	2,626
Deferred revenue	-	23,805	-	1	10	11	-	23,816
Deposits	-	26	-	-	-	-	-	26
Due to other funds	-	4,561	27	-	11	38	-	4,599
Advance from other funds	-	589	-	-	-	-	-	589
Total liabilities	<u>-</u>	<u>32,779</u>	<u>556</u>	<u>27</u>	<u>21</u>	<u>604</u>	<u>-</u>	<u>33,383</u>
Fund balances								
Reserved:								
Reserved for noncurrent loans receivable	-	49	-	-	-	-	-	49
Reserved for encumbrances	-	3,040	1,141	171	-	1,312	-	4,352
Reserved for land & improvements held for resale	1,522	10,782	-	-	-	-	-	10,782
Reserved for advances	-	17,062	-	-	-	-	-	17,062
Reserved for library services	-	-	-	-	-	-	1,621	1,621
Unreserved, designated for future operations	-	22,879	1,010	3,386	-	4,396	-	27,275
Unreserved, undesignated	4	1,441	5,443	1,245	118	6,806	-	8,247
Total fund balances	<u>1,526</u>	<u>55,253</u>	<u>7,594</u>	<u>4,802</u>	<u>118</u>	<u>12,514</u>	<u>1,621</u>	<u>69,388</u>
Total liabilities and fund balances	<u>\$ 1,526</u>	<u>\$ 88,032</u>	<u>\$ 8,150</u>	<u>\$ 4,829</u>	<u>\$ 139</u>	<u>\$ 13,118</u>	<u>\$ 1,621</u>	<u>\$ 102,771</u>

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,592	\$ -	\$ -
Intergovernmental	1,355	7,086	342	12,767	130	-	-
Charges for services	-	-	-	-	-	-	49
Fines and forfeitures	-	-	-	-	1	-	3,008
Special assessments	-	-	-	-	-	120	538
Rental and investment income	-	369	16	16	542	-	-
Miscellaneous	-	-	42	451	218	-	-
Total revenues	<u>1,355</u>	<u>7,455</u>	<u>400</u>	<u>13,234</u>	<u>12,483</u>	<u>120</u>	<u>3,595</u>
Expenditures							
Current:							
General government	-	-	407	1,347	2,069	-	1,911
Public Safety	1,263	-	-	-	-	-	-
Capital outlay	-	4,046	-	12,161	1,294	120	-
Total expenditures	<u>1,263</u>	<u>4,046</u>	<u>407</u>	<u>13,508</u>	<u>3,363</u>	<u>120</u>	<u>1,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>92</u>	<u>3,409</u>	<u>(7)</u>	<u>(274)</u>	<u>9,120</u>	<u>-</u>	<u>1,684</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(4,699)	-	-
Proceeds from Issuance of long-term debt	-	-	-	-	1,100	-	-
Sales of capital assets	-	-	-	-	(605)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,204)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	92	3,409	(7)	(274)	4,916	-	1,684
Fund balances - beginning	(92)	7,745	694	(120)	34,442	-	1,238
Fund balances - ending	<u>\$ -</u>	<u>\$ 11,154</u>	<u>\$ 687</u>	<u>\$ (394)</u>	<u>\$ 39,358</u>	<u>\$ -</u>	<u>\$ 2,922</u>

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	Special Revenue		Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Housing Authority	Total	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
Revenues								
Taxes	\$ -	\$ 11,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,592
Licenses and permits	-	-	576	157	-	733	-	733
Intergovernmental	-	21,680	150	-	109	259	-	21,939
Charges for services	-	49	-	-	-	-	-	49
Fines and forfeitures	-	3,009	-	-	-	-	-	3,009
Special assessments	-	658	-	-	-	-	-	658
Rental and investment income	4	947	100	96	-	196	276	1,419
Miscellaneous	-	711	-	-	-	-	201	912
Total revenues	4	38,646	826	253	109	1,188	477	40,311
Expenditures								
Current:								
General government	-	5,734	233	100	-	333	-	6,067
Public Safety	-	1,263	-	-	-	-	-	1,263
Culture and recreation	-	-	-	-	-	-	129	129
Capital outlay	-	17,621	7,195	1,125	-	8,320	-	25,941
Total expenditures	-	24,618	7,428	1,225	-	8,653	129	33,400
Excess (deficiency) of revenues over (under) expenditures	4	14,028	(6,602)	(972)	109	(7,465)	348	6,911
Other financing sources (uses)								
Transfers in	1,522	1,522	-	719	29	748	-	2,270
Transfers out	-	(4,699)	(5,057)	-	-	(5,057)	-	(9,756)
Proceeds from Issuance of long-term debt	-	1,100	-	-	-	-	-	1,100
Sales of capital assets	-	(605)	-	-	-	-	-	(605)
Total other financing sources (uses)	1,522	(2,682)	(5,057)	719	29	(4,309)	-	(6,991)
Net change in fund balances	1,526	11,346	(11,659)	(253)	138	(11,774)	348	(80)
Fund balances - beginning	-	43,907	19,253	5,055	(20)	24,288	1,273	69,468
Fund balances - ending	\$ 1,526	\$ 55,253	\$ 7,594	\$ 4,802	\$ 118	\$ 12,514	\$ 1,621	\$ 69,388

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, 2010
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,823	1,355	(5,468)	-	7,086	7,086	-	342	342
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	-	369	369	-	16	16
Miscellaneous	-	-	-	-	-	-	-	42	42
Total revenues	<u>6,823</u>	<u>1,355</u>	<u>(5,468)</u>	<u>-</u>	<u>7,455</u>	<u>7,455</u>	<u>-</u>	<u>400</u>	<u>400</u>
Expenditures									
Current:									
General government	6,819	1,263	5,556	-	-	-	573	407	166
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	7,252	4,046	3,206	-	-	-
Total expenditures	<u>6,819</u>	<u>1,263</u>	<u>5,556</u>	<u>7,252</u>	<u>4,046</u>	<u>3,206</u>	<u>573</u>	<u>407</u>	<u>166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4</u>	<u>92</u>	<u>88</u>	<u>(7,252)</u>	<u>3,409</u>	<u>10,661</u>	<u>(573)</u>	<u>(7)</u>	<u>566</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4	92	88	(7,252)	3,409	10,661	(573)	(7)	566
Fund balances (deficit), beginning	(92)	(92)	-	7,745	7,745	-	694	694	-
Fund balances (deficit), ending	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ 493</u>	<u>\$ 11,154</u>	<u>\$ 10,661</u>	<u>\$ 121</u>	<u>\$ 687</u>	<u>\$ 566</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, 2010
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			Redevelopment Agency			NPDES Storm Drain		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,592	\$ 11,592	\$ -	\$ -	\$ -
Intergovernmental	2,909	12,767	9,858	-	130	130	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	1	1	-	-	-
Special assessments	-	-	-	-	-	-	-	120	120
Rental and investment income	-	16	16	-	542	542	-	-	-
Miscellaneous	350	451	101	-	218	218	-	-	-
Total revenues	<u>3,259</u>	<u>13,234</u>	<u>9,975</u>	<u>-</u>	<u>12,483</u>	<u>12,483</u>	<u>-</u>	<u>120</u>	<u>120</u>
Expenditures									
Current:									
General government	1,400	1,347	53	11,158	2,069	9,089	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	18,491	12,161	6,330	26,161	1,294	24,867	2,590	120	2,470
Total expenditures	<u>19,891</u>	<u>13,508</u>	<u>6,383</u>	<u>37,319</u>	<u>3,363</u>	<u>33,956</u>	<u>2,590</u>	<u>120</u>	<u>2,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,632)</u>	<u>(274)</u>	<u>16,358</u>	<u>(37,319)</u>	<u>9,120</u>	<u>46,439</u>	<u>(2,590)</u>	<u>-</u>	<u>2,590</u>
Other financing sources (uses)									
Transfers out	-	-	-	(4,699)	(4,699)	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	1,100	1,100	-	-	-	-
Sale of capital assets	-	-	-	-	(605)	(605)	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,599)</u>	<u>(4,204)</u>	<u>(605)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(16,632)	(274)	16,358	(40,918)	4,916	45,834	(2,590)	-	2,590
Fund balances (deficit), beginning	(120)	(120)	-	34,442	34,442	-	-	-	-
Fund balances (deficit), ending	<u>\$ (16,752)</u>	<u>\$ (394)</u>	<u>\$ 16,358</u>	<u>\$ (6,476)</u>	<u>\$ 39,358</u>	<u>\$ 45,834</u>	<u>\$ (2,590)</u>	<u>\$ -</u>	<u>\$ 2,590</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, 2010
(amounts expressed in thousands)

	Special Revenue						Capital Projects					
	Neglected Property Abatement			Housing Authority			Capital Outlay			Redevelopment		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	90,074	28,507	(61,567)	-	1,513	1,513
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	49	49	-	-	-	-	-	-	-	-	-
Fines and forfeitures	250	3,008	2,758	-	-	-	-	-	-	-	-	-
Special assessments	-	538	538	-	-	-	-	77	77	-	-	-
Rental and investment income	-	-	-	-	4	4	-	966	966	-	2,475	2,475
Miscellaneous	-	-	-	114	-	(114)	2,100	7	(2,093)	-	4,501	4,501
Total revenues	250	3,595	3,345	114	4	(110)	92,174	29,557	(62,617)	-	8,489	8,489
Expenditures												
Current:												
General government	1,936	1,911	25	57	-	57	1,421	-	1,421	19,438	8,885	10,553
Culture and recreation	-	-	-	-	-	-	-	-	-	17,062	17,062	-
Capital outlay	-	-	-	5,410	-	5,410	57,885	57,200	685	130,909	47,158	83,751
Total expenditures	1,936	1,911	25	5,467	-	5,467	59,306	57,200	2,106	167,409	73,105	94,304
Excess (deficiency) of revenues over (under) expenditures	(1,686)	1,684	3,370	(5,353)	4	5,357	32,868	(27,643)	(60,511)	(167,409)	(64,616)	102,793
Other financing sources (uses)												
Transfers in	-	-	-	-	1,522	1,522	-	349	349	31,108	31,108	-
Transfers out	-	-	-	-	-	-	(31)	(31)	-	(3,982)	(3,982)	-
Sale of capital assets	-	-	-	-	-	-	-	3	3	850	246	(604)
Total other financing sources	-	-	-	-	1,522	1,522	(31)	321	352	27,976	27,372	(604)
Net change in fund balances	(1,686)	1,684	3,370	(5,353)	1,526	6,879	32,837	(27,322)	(60,159)	(139,433)	(37,244)	102,189
Fund balances (deficit), beginning	1,238	1,238	-	-	-	-	48,213	48,213	-	174,738	174,738	-
Fund balances (deficit), ending	<u>\$ (448)</u>	<u>\$ 2,922</u>	<u>\$ 3,370</u>	<u>\$ (5,353)</u>	<u>\$ 1,526</u>	<u>\$ 6,879</u>	<u>\$ 81,050</u>	<u>\$ 20,891</u>	<u>\$ (60,159)</u>	<u>\$ 35,305</u>	<u>\$ 137,494</u>	<u>\$ 102,189</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, 2010
(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	150	150	-	-	-	-	150	109	(41)
Licenses and permits	-	576	576	-	157	157	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	100	100	-	96	96	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>150</u>	<u>826</u>	<u>676</u>	<u>-</u>	<u>253</u>	<u>253</u>	<u>150</u>	<u>109</u>	<u>(41)</u>
Expenditures									
Current:									
General government	3,522	233	3,289	-	100	(100)	150	-	150
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	14,413	7,195	7,218	3,791	1,125	2,666	-	-	-
Total expenditures	<u>17,935</u>	<u>7,428</u>	<u>10,507</u>	<u>3,791</u>	<u>1,225</u>	<u>2,566</u>	<u>150</u>	<u>-</u>	<u>150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,785)</u>	<u>(6,602)</u>	<u>11,183</u>	<u>(3,791)</u>	<u>(972)</u>	<u>2,819</u>	<u>-</u>	<u>109</u>	<u>109</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	719	719	-	29	29
Transfers out	-	(5,057)	(5,057)	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>(5,057)</u>	<u>(5,057)</u>	<u>-</u>	<u>719</u>	<u>719</u>	<u>-</u>	<u>29</u>	<u>29</u>
Net change in fund balances	(17,785)	(11,659)	6,126	(3,791)	(253)	3,538	-	138	138
Fund balances (deficit), beginning	19,253	19,253	-	5,055	5,055	-	(20)	(20)	-
Fund balances (deficit), ending	<u>\$ 1,468</u>	<u>\$ 7,594</u>	<u>\$ 6,126</u>	<u>\$ 1,264</u>	<u>\$ 4,802</u>	<u>\$ 3,538</u>	<u>\$ (20)</u>	<u>\$ 118</u>	<u>\$ 138</u>

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010
(amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ 203	\$ 63	\$ 1,923	\$ 3,036	\$ 5,225
Receivables (net of allowance for uncollectibles)					
Interest	1	15	12	19	47
Utility billed	-	591	-	-	591
Utility unbilled	-	647	-	-	647
Accounts	98	249	3	165	515
Intergovernmental	99	-	-	51	150
Nuclear materials inventory	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	20	-	20
Due from other funds	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	2,466	-	-	2,466
Total current assets	401	4,031	1,958	3,271	9,661
Non-current assets:					
Deferred charges - other	244	9,766	638	179	10,827
Capital assets:					
Land	9,988	-	-	3,713	13,701
Buildings	2,114	-	22	13,879	16,015
Accumulated depreciation-buildings	(1,014)	-	(8)	(2,899)	(3,921)
Improvements other than buildings	16,631	-	47	5,915	22,593
Accumulated depreciation-improvements other than buildings	(4,242)	-	(1)	(495)	(4,738)
Machinery and equipment	412	12,465	3,499	1,673	18,049
Accumulated depreciation-machinery and equipment	(183)	(6,701)	(1,522)	(698)	(9,104)
Construction in progress	2,385	-	164	5,891	8,440
Total non-current assets:	26,335	15,530	2,839	27,158	71,862
Total assets	26,736	19,561	4,797	30,429	81,523

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010
(amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	37	582	20	45	684
Accrued payroll	49	575	109	72	805
Retainage payable	-	-	-	-	-
Unearned revenue	-	-	1,733	-	1,733
Deposits	1	-	-	-	1
Due to other funds	-	222	-	-	222
Capital leases-current	50	-	7	-	57
Landfill capping-current	-	300	-	-	300
Other payables	32	312	140	56	540
Total current liabilities	169	1,991	2,009	173	4,342
Non-current liabilities:					
Notes payables	-	-	-	-	-
Capital leases	-	-	21	-	21
Advances from other funds	239	1,306	628	8,915	11,088
Landfill capping	-	7,080	-	-	7,080
Total non-current liabilities	239	8,386	649	8,915	18,189
Total liabilities	408	10,377	2,658	9,088	22,531
Net Assets					
Invested in capital assets, net of related debt	26,041	5,764	2,173	26,979	60,957
Restricted for landfill capping	-	2,466	-	-	2,466
Unrestricted	287	954	(34)	(5,638)	(4,431)
Total net assets	\$ 26,328	\$ 9,184	\$ 2,139	\$ 21,341	\$ 58,992

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2010
(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	\$ 1,315	\$ 18,712	\$ 328	\$ 4,876	\$ 25,231
Operating expenses:					
Personnel services	624	4,350	1,834	940	7,748
Contractual services	52	3,922	85	1,051	5,110
Maintenance and operation	455	5,341	302	480	6,578
General	189	3,763	438	238	4,628
Materials and supplies	208	555	225	42	1,030
Insurance	37	262	46	92	437
Depreciation and amortization	616	1,861	406	760	3,643
Total operating expenses	<u>2,181</u>	<u>20,054</u>	<u>3,336</u>	<u>3,603</u>	<u>29,174</u>
Operating Income (loss)	<u>(866)</u>	<u>(1,342)</u>	<u>(3,008)</u>	<u>1,273</u>	<u>(3,943)</u>
Nonoperating revenues (expenses):					
Operating grants	-	-	2,487	-	2,487
Interest income	-	46	48	116	210
Other	51	180	-	672	903
Gain/loss on retirement of capital assets	1	(406)	9	-	(396)
Interest expense and fiscal charges	(25)	(67)	(32)	(421)	(545)
Total non-operating revenues	<u>27</u>	<u>(247)</u>	<u>2,512</u>	<u>367</u>	<u>2,659</u>
Income before capital contributions and transfers	(839)	(1,589)	(496)	1,640	(1,284)
Cash capital contributions	108	-	1,193	8	1,309
Transfers out	-	-	-	(840)	(840)
Change in net assets	<u>(731)</u>	<u>(1,589)</u>	<u>697</u>	<u>808</u>	<u>(815)</u>
Total net assets - beginning	<u>27,059</u>	<u>10,773</u>	<u>1,442</u>	<u>20,533</u>	<u>59,807</u>
Total net assets - ending	<u>\$ 26,328</u>	<u>\$ 9,184</u>	<u>\$ 2,139</u>	<u>\$ 21,341</u>	<u>\$ 58,992</u>

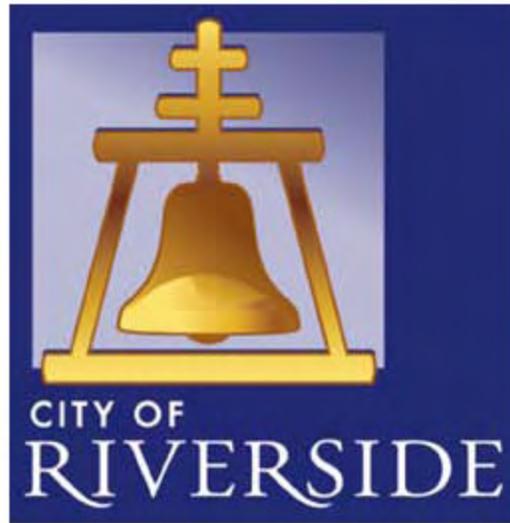
City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,295	\$ 18,920	\$ 325	\$ 4,848	\$ 25,388
Cash paid to employees for services	(605)	(4,163)	(1,751)	(892)	(7,411)
Cash paid to other suppliers of goods or services	(991)	(13,608)	(1,106)	(2,526)	(18,231)
Other receipts	51	180	-	672	903
Net cash provided (used) by operating activities	(250)	1,329	(2,532)	2,102	649
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(840)	(840)
Operating grants	-	-	2,570	-	2,570
Advances from interfund receivables	-	-	-	6,544	6,544
Payments on interfund receivables	(6)	(28)	(14)	(4,690)	(4,738)
Advances to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	(6)	(28)	2,556	1,014	3,536
Cash flows from capital and related financing activities:					
Purchase of capital assets	(472)	(1,820)	(1,151)	(2,562)	(6,005)
Proceeds from the sale of capital assets	2	-	9	-	11
Principal paid on long-term obligations	(48)	-	-	-	(48)
Proceeds from on long-term obligations	-	-	29	-	29
Interest paid on long-term obligations	(25)	(67)	(32)	(421)	(545)
Capital contributions	210	-	1,193	8	1,411
Net cash provided (used) for capital and related financing activities	(333)	(1,887)	48	(2,975)	(5,147)
Cash flows from investing activities:					
Income from investments	8	53	46	139	246
Net cash provided by investing activities	8	53	46	139	246
Net change in cash and cash equivalents	(581)	(533)	118	280	(716)
Cash and cash equivalents, beginning	784	3,062	1,805	2,756	8,407
Cash and cash equivalents, ending	\$ 203	\$ 2,529	\$ 1,923	\$ 3,036	\$ 7,691

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (866)	\$ (1,342)	\$ (3,008)	\$ 1,273	\$ (3,943)
Other receipts	51	180	-	672	903
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	616	1,861	406	760	3,643
Amortization of pension costs	4	24	12	3	43
Decrease in utility billed receivable	-	6	-	-	6
(Increase) in utility unbilled receivable	-	(10)	-	-	(10)
(Increase) in accounts receivable	(20)	(63)	(3)	(27)	(113)
(Increase) decrease in intergovernmental receivable	-	275	-	(1)	274
(Increase) in prepaid items	-	-	(8)	-	(8)
Increase (decrease) in accounts payable	(4)	145	(2)	(623)	(484)
Increase in accrued payroll	3	46	17	19	85
(decrease) in retainage payable	(1)	-	-	-	(1)
Increase in other payable	12	117	54	26	209
(Decrease) in deferred revenue	(45)	-	-	-	(45)
Increase in due to other funds	-	222	-	-	222
(Decrease) in landfill capping	-	(132)	-	-	(132)
Net cash provided (used) by operating activities	<u>\$ (250)</u>	<u>\$ 1,329</u>	<u>\$ (2,532)</u>	<u>\$ 2,102</u>	<u>\$ 649</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, 2010
(amounts expressed in thousands)

Assets	Self-Insurance					Totals
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	
Current assets:						
Cash and investments	\$ 2,785	\$ -	\$ 23	\$ -	\$ 2,581	\$ 5,389
Receivables (net of allowance for uncollectibles):						
Interest	41	-	-	-	13	54
Accounts	1	-	-	-	44	45
Intergovernmental	30	-	-	-	9	39
Inventory	-	-	-	5,441	574	6,015
Due from other funds	1,152	-	-	-	-	1,152
Prepaid items	-	-	-	-	-	-
Total current assets	<u>4,009</u>	<u>-</u>	<u>23</u>	<u>5,441</u>	<u>3,221</u>	<u>12,694</u>
Advances to other funds	13,602	-	-	-	-	13,602
Deferred charges	233	-	-	244	1,099	1,576
Capital assets:						
Buildings	-	-	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	-	-	(181)	(181)
Machinery and equipment	-	-	-	148	9,129	9,277
Accumulated depreciation-machinery and equipment	-	-	-	(138)	(7,616)	(7,754)
Construction in Progress	-	-	-	-	1	1
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>2,821</u>	<u>2,831</u>
Total noncurrent assets	<u>13,835</u>	<u>-</u>	<u>-</u>	<u>254</u>	<u>3,920</u>	<u>18,009</u>
Total assets	<u>17,844</u>	<u>-</u>	<u>23</u>	<u>5,695</u>	<u>7,141</u>	<u>30,703</u>
Liabilities						
Current liabilities:						
Accounts payable	82	2	270	287	162	803
Accrued payroll	29	-	-	86	390	505
Deposits	-	-	-	-	-	-
Due to other funds	-	369	783	2,548	-	3,700
Claims and judgements - current	5,900	112	4,988	-	-	11,000
Other payables	34	-	-	41	186	261
Total current liabilities	<u>6,045</u>	<u>483</u>	<u>6,041</u>	<u>2,962</u>	<u>738</u>	<u>16,269</u>
Noncurrent liabilities:						
Other payables	-	-	-	-	-	-
Advances from other funds	229	-	-	890	1,082	2,201
Claims and judgements	7,801	147	6,593	-	-	14,541
Total noncurrent liabilities	<u>8,030</u>	<u>147</u>	<u>6,593</u>	<u>890</u>	<u>1,082</u>	<u>16,742</u>
Total liabilities	<u>14,075</u>	<u>630</u>	<u>12,634</u>	<u>3,852</u>	<u>1,820</u>	<u>33,011</u>
Net Assets						
Invested in capital assets	-	-	-	10	2,821	2,831
Unrestricted	3,769	(630)	(12,611)	1,833	2,500	(5,139)
Total net assets	<u>\$ 3,769</u>	<u>\$ (630)</u>	<u>\$ (12,611)</u>	<u>\$ 1,843</u>	<u>\$ 5,321</u>	<u>\$ (2,308)</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	<u>Self-Insured</u>					<u>Totals</u>
	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>Public Liability</u>	<u>Central Stores</u>	<u>Central Garage</u>	
Operating revenues:						
Charges for services	\$ 3,392	\$ 83	\$ 3,741	\$ 1,196	\$ 6,814	\$ 15,226
Operating expenses:						
Personnel services	463	-	-	627	2,734	3,824
Contractual services	63	-	7	-	29	99
Maintenance and operation	2	-	-	24	1,687	1,713
General	372	10	434	315	327	1,458
Materials and supplies	1	-	-	12	153	166
Claims/Insurance	2,960	465	8,317	11	55	11,808
Depreciation and amortization	-	-	-	4	803	807
Total operating expenses	<u>3,861</u>	<u>475</u>	<u>8,758</u>	<u>993</u>	<u>5,788</u>	<u>19,875</u>
Operating income (loss)	<u>(469)</u>	<u>(392)</u>	<u>(5,017)</u>	<u>203</u>	<u>1,026</u>	<u>(4,649)</u>
Non-operating revenues (expenses):						
Interest income	186	-	-	-	46	232
Other	(2)	-	26	-	-	24
Gain on retirement of capital assets	-	-	-	-	3	3
Interest expense and fiscal charges	(12)	(9)	(40)	(14)	(56)	(131)
Total non-operating revenue (expenses)	<u>172</u>	<u>(9)</u>	<u>(14)</u>	<u>(14)</u>	<u>(7)</u>	<u>128</u>
Change in net assets	(297)	(401)	(5,031)	189	1,019	(4,521)
Total net assets - beginning	4,066	(229)	(7,580)	1,654	4,302	2,213
Total net assets - ending	<u>\$ 3,769</u>	<u>\$ (630)</u>	<u>\$ (12,611)</u>	<u>\$ 1,843</u>	<u>\$ 5,321</u>	<u>\$ (2,308)</u>

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

	Self Insured					Total
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	
Cash flows from operating activities:						
Cash received from customers and users	\$ 2,236	\$ 83	\$ 3,741	\$ 1,196	\$ 6,771	\$ 14,027
Cash paid to employees for services	(482)	-	-	(596)	(2,649)	(3,727)
Cash paid to other suppliers of goods or services	(4,210)	(78)	(6,505)	(580)	(2,622)	(13,995)
Other	(2)	-	26	-	-	24
Net cash provided (used) by operating activities	<u>(2,458)</u>	<u>5</u>	<u>(2,738)</u>	<u>20</u>	<u>1,500</u>	<u>(3,671)</u>
Cash flows from noncapital financing activities:						
Advances from interfund receivables		-	-	-	-	-
Payments on interfund payables	(5)			(6)	(23)	(34)
Advances to other funds	(986)	-	-	-	-	(986)
Net cash (used) by noncapital financing activities	<u>(991)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(23)</u>	<u>(1,020)</u>
Cash flows from capital and related financing activities:						
Interest paid on long-term obligation	(12)	(9)	(40)	(14)	(56)	(131)
Proceeds from the sale of capital assets	-	-	-	-	3	3
Purchase of capital assets	-	-	-	-	(57)	(57)
Net cash (used) for capital and related financing activities	<u>(12)</u>	<u>(9)</u>	<u>(40)</u>	<u>(14)</u>	<u>(110)</u>	<u>(185)</u>
Cash flows from investing activities:						
Income from investments	255	-	17	-	37	309
	<u>255</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>37</u>	<u>309</u>
Net increase (decrease) in cash and cash equivalents	(3,206)	(4)	(2,761)	-	1,404	(4,567)
Cash and cash equivalents, beginning	5,991	4	2,784	-	1,177	9,956
Cash and cash equivalents, ending	<u>\$ 2,785</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 2,581</u>	<u>\$ 5,389</u>

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2010
(amounts expressed in thousands)

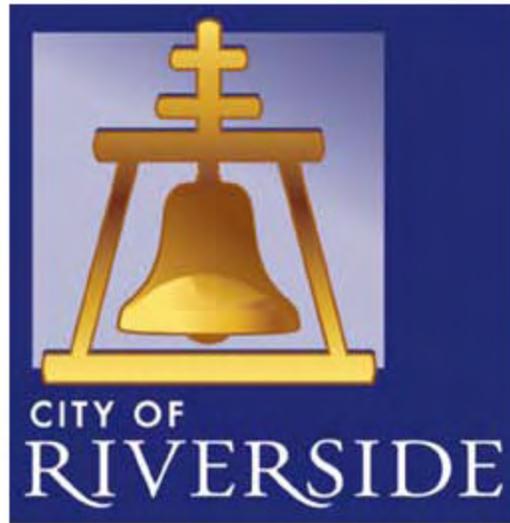
	Self Insured					Total
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (469)	\$ (392)	\$ (5,017)	\$ 203	\$ 1,026	\$ (4,649)
Other	(2)	-	26	-	-	24
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	-	-	-	4	803	807
Amortization of pension costs	4	-	-	5	19	28
(Increase) decrease in account receivable	12	-	-	-	(35)	(23)
(Increase) in intergovernmental receivable	(16)	-	-	-	(8)	(24)
(Increase) in due from other funds	(1,152)	-	-	-	-	(1,152)
Decrease in prepaid items	8	-	-	-	-	8
(Increase) decrease in inventory	-	-	-	29	(209)	(180)
Increase (decrease) in accounts payable	82	2	24	(8)	(162)	(62)
Increase in other payable	13	-	-	16	68	97
Increase (decrease) in accrued payroll	(36)	-	-	10	(2)	(28)
Increase (decrease) in due to other funds	-	357	783	(239)	-	901
Increase (decrease) in claims and judgments	(902)	38	1,446	-	-	582
Net cash provided (used) by operating activities	<u>\$ (2,458)</u>	<u>\$ 5</u>	<u>\$ (2,738)</u>	<u>\$ 20</u>	<u>\$ 1,500</u>	<u>\$ (3,671)</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, 2010
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2009	Additions	Deductions	June 30, 2010
Assets:				
Cash and investments	\$ 10,898	\$ 16,927	\$ 16,706	\$ 11,119
Cash and investments at fiscal agent	9,294	13,791	14,155	8,930
Interest receivable	61	605	614	52
Property taxes receivable	187	270	190	267
Total assets	\$ 20,440	\$ 31,593	\$ 31,665	\$ 20,368
Liabilities:				
Accounts payable	\$ 21	\$ 110	\$ 126	\$ 5
Held for bond holders	20,419	9,588	9,644	20,363
Total liabilities	\$ 20,440	\$ 9,698	\$ 9,770	\$ 20,368



City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2010
(amounts expressed in thousands)

Governmental funds capital assets:	
Land	\$ 280,446
Buildings	165,017
Improvements other than buildings	159,501
Machinery and equipment	75,442
Infrastructure	800,754
Construction in progress	45,206
Total governmental funds capital assets	<u>\$ 1,526,366</u>

Investments in governmental funds capital assets by source:	
Certificates of participation	\$ 143,735
Gifts	308,936
Operating revenue	362,126
General obligation bonds	4,483
Revenue bonds	21,104
County contracts and grants	397
State grants	1,026
Asset forfeiture - state	2,278
Asset forfeiture - federal	218
Housing and community development grants	33,612
Other federal grants	239
Community facilities bonds	2,073
Assessment district bonds	28,626
Capital leases	18,452
RDA tax increment bonds	8,624
Capital projects funds	590,437
Total governmental funds capital assets	<u>\$ 1,526,366</u>

