

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest (and original issue discount) with respect to the Notes is not excluded from gross income for federal income tax purposes. In the further opinion of Note Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Note Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Notes. See “TAX MATTERS” herein.

\$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2015 SERIES A

Dated: Date of Delivery

Due: June 1, 2016

The City of Riverside, California (the “City”) is issuing its Taxable Pension Obligation Refunding Bond Anticipation Notes, 2015 Series A (the “Notes” or “2015 Notes”) pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2 of Title 5 of the Government Code of the State of California and a Ninth Supplemental Trust Agreement, dated as of May 1, 2015 (the “Ninth Supplemental Trust Agreement”) between Wells Fargo Bank, National Association, as trustee (the “Trustee”) and the City, supplementing and amending a Trust Agreement, dated as of June 1, 2004, between the Trustee and the City (the “Original Trust Agreement”) as previously supplemented by a First Supplemental Trust Agreement dated as of June 1, 2005, a Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011, a Sixth Supplemental Trust Agreement dated as of May 1, 2012, a Seventh Supplemental Trust Agreement dated as of May 1, 2013 and an Eighth Supplemental Trust Agreement dated as of May 1, 2014 (as supplemented and amended, the “Trust Agreement”).

The Notes are delivered in book-entry form without coupons, and will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Notes. Purchasers of the Notes will not receive instruments representing their interests in the Notes purchased. The Notes will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Notes will bear interest at the rate set forth on the inside cover hereof.

Interest on the Notes will be payable on December 1, 2015, and on their maturity date of June 1, 2016.

Proceeds of the Notes will be used to refund the City’s outstanding \$30,940,000 aggregate principal amount Taxable Pension Obligation Notes 2014 Series A (the “2014 Notes”) issued under the Eighth Supplemental Trust Agreement. The City has covenanted in the Ninth Supplemental Trust Agreement to issue a series of its pension obligation refunding bonds on or prior to the stated maturity of the Notes to refund and pay the Notes in full.

Pursuant to the Retirement Law (as defined herein), the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability which is evidenced by the Notes. The Notes are payable from legally available funds of the City. The Notes are being issued to refund the 2014 Notes, which were issued to refund other outstanding pension obligation bonds originally issued to pay unamortized, unfunded accrued actuarial liability with respect to certain pension benefits of certain City employees under the Retirement Law (the “Unfunded Liability”) to California Public Employees’ Retirement System (“PERS”).

The Notes are not subject to optional redemption prior to maturity.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The purchase of the Notes involves various investment risks discussed throughout this Official Statement, including the risks discussed in “RISK FACTORS” herein. The Notes do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. The Notes do not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Nossaman, LLP, Irvine, California. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about May 27, 2015.

STIFEL

Dated: May 7, 2015

\$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2015 SERIES A

MATURITY SCHEDULE

\$30,940,000 0.75% Notes Due June 1, 2016; Price – 100.00% (CUSIP[†]: 769036 AV6)

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No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of any offer to buy or sale of such securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Notes. This Official Statement is submitted in connection with the sale of the Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City or the Underwriter. The information and expression of opinions contained in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the City since the date of this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes.

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CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Rusty Bailey, Mayor
Mike Gardner, Councilmember
Andy Melendrez, Councilmember
Mike Soubirous, Councilmember
Paul Davis, Councilmember
Chris Mac Arthur, Councilmember
Jim Perry, Councilmember
Steve Adams, Councilmember

CITY STAFF

John A. Russo, City Manager
Deanna Lorson, Assistant City Manager
Al Zelinka, Assistant City Manager
Alexander T. Nguyen, Assistant City Manager
Colleen J. Nicol, City Clerk
Brent A. Mason, Finance Director
Gary Geuss, City Attorney

SPECIAL SERVICES

Note Counsel and Disclosure Counsel

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

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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\$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2015 SERIES A

INTRODUCTION

General

This Official Statement, including the cover and the appendices attached hereto (the “Official Statement”), provides certain information concerning the Taxable Pension Obligation Refunding Bond Anticipation Notes, 2015 Series A (the “Notes”), in the principal amount of \$30,940,000 issued by the City of Riverside, California (the “City”). The Notes will be issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2 of Title 5 of the Government Code of the State of California and a Ninth Supplemental Trust Agreement, dated as of May 1, 2015 (the “Ninth Supplemental Trust Agreement”) between Wells Fargo Bank, National Association, as trustee (the “Trustee”) and the City, supplementing and amending a Trust Agreement, dated as of June 1, 2004, between the Trustee and the City (the “Original Trust Agreement”), as supplemented by a First Supplemental Trust Agreement dated as of June 1, 2005, a Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011, a Sixth Supplemental Trust Agreement dated as of May 1, 2012, a Seventh Supplemental Trust Agreement dated as of May 1, 2013 and an Eighth Supplemental Trust Agreement dated as of May 1, 2014 (as supplemented and amended, the “Trust Agreement”).

Purpose

The City is a member of the California Public Employees’ Retirement System (“PERS”) and, as such, is obligated by the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”), and the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945 and amended on January 1, 1952, June 1, 1953, October 1, 1954, July 1, 1959, September 20, 1963, November 13, 1964, September 17, 1965, September 13, 1968, December 29, 1972, August 16, 1973, November 1, 1974, June 27, 1975, December 12, 1975, November 21, 1980, January 1, 1983, January 13, 1984, September 19, 1986, April 1, 1988, September 21, 1990, May 20, 1994, July 14, 1998, May 15, 1999, September 28, 2001, May 10, 2002, August 30, 2002, December 17, 2004, June 2, 2006, June 11, 2011, and December 16, 2011 (the “PERS Contract”), to make contributions to PERS to (a) fund pension benefits for City employees who are members of PERS, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability which is evidenced by the Notes, which are being issued to redeem at maturity the City’s \$30,940,000 outstanding aggregate principal amount of Taxable Pension Obligation Notes 2014 Series A (the “2014 Notes”). The 2014 Notes were issued under an Eighth Supplemental Trust Agreement dated as of May 1, 2014 between the City and the Trustee (the “Eighth Supplemental Trust Agreement”) and were issued to refund a series of debt obligations which were incurred for the purpose of paying unamortized, unfunded accrued actuarial liability with respect to certain pension benefits for certain City employees under the Retirement Law (the “Unfunded Liability”) to PERS. See “SECURITY FOR THE NOTES” herein.

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and

transactions relating to the issuance of the 2004 Bonds, additional bonds (such as the Notes) and obligations issued to refund such Bonds (such as the Notes) and certain other matters. On May 3, 2004, the court entered a default judgment (the “Validation Judgment”) to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. See the section entitled “VALIDATION” herein for additional information regarding the legal effects of the Validation Judgment.

The City

The City was incorporated in 1883 and operates under a charter adopted in 1953. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by wards with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council. The City encompasses approximately 81.5 square miles in the western portion of Riverside County (the “County”), about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City is approximately 314,034. For other selected information concerning the City, see APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION” hereto.

The Notes

The Notes will bear interest from their date of initial delivery until their stated maturity at the rates of interest set forth on the inside cover page hereof. Interest on the Notes will be payable on December 1, 2015 and on their maturity date of June 1, 2016 (each, an Interest Payment Date”).

The Notes, when delivered, will be in book-entry form and registered in the name of CEDE & CO., as nominee of The Depository Trust Company (“DTC”). The Notes will be delivered initially in denominations of \$5,000 and any integral multiple thereof. See APPENDIX E—“BOOK ENTRY PROVISIONS”.

Security for the Notes

The obligation of the City to make payments with respect to the Notes is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Validation Judgment, and payment of principal of and interest on the Notes is payable from any legally available funds in the City’s General Fund including certain interfund transfers. The Notes are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Notes. The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur which are payable from its General Fund. Payment of the Notes is on parity with the obligation of the City pursuant to its City of Riverside Taxable Pension Obligation Bonds, 2004 Series A (the “2004 Bonds”), originally issued pursuant to the Trust Agreement in the principal amount of \$89,540,000, of which \$66,320,000 currently remains outstanding and the City of Riverside Taxable Pension Obligation Bonds 2005 Series A, (the “2005 Series A Bonds”) originally issued pursuant to the First Supplemental Trust Agreement in the aggregate principal amount of \$30,000,000, of which \$18,515,000 currently remains outstanding. The Trust Agreement provides that in order to meet its obligations thereunder, the City shall deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Notes and any parity obligations thereto, including the 2004 Bonds and the 2005 Series A Bonds, payable during such fiscal year. For purposes of calculating debt service to be paid in a fiscal year on the Notes, only the interest due on the Notes in such fiscal year is included, as the City has covenanted in the Ninth Supplemental Trust Agreement to pay the Notes on or prior to their maturity from the proceeds of a future issue of pension obligation refunding bonds or notes of the City. The Ninth Supplemental Trust Agreement further provides that in the event the City fails to timely issue refunding pension obligation bonds to refund the Notes, the interest rate on the Notes shall be adjusted to 12%

per annum as of the maturity date of the Notes until repaid. See “RISK FACTORS—Refinancing and Market Access” herein. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” herein.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY’S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The assets of PERS will not secure or be available to pay principal of or interest on the Notes.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words (collectively, the “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement regarding the financial position, capital resources and status of the City are Forward-Looking Statements. Although the City believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the City (collectively, the “Cautionary Statements”) are disclosed in this Official Statement. All Forward-Looking Statements attributable to the City are expressly qualified in their entirety by the Cautionary Statements.

Summaries Not Definitive

Brief descriptions and summaries of the Notes, the Trust Agreement and Validation Judgment (as defined herein) are contained in this Official Statement and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Trustee and, during the offering period, from Stifel, Nicolaus & Company, Incorporated. Copies of the documents described herein will also be available at the office of the Finance Director, City of Riverside, 3900 Main St. 6th Floor, Riverside, California 92501. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for certain of such definitions.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the Notes will be applied as estimated in the following table:

Sources:

Principal Amount of Notes	\$ 30,940,000.00
Plus Interest Deposit for 2014 Notes and other amounts held by 2014 Trustee	93,789.24
City deposit for Costs of Issuance	<u>181,001.40</u>
TOTAL SOURCES:	<u>\$ 31,214,790.64</u>

Uses:

Deposit to Escrow Fund for Refunding of 2014 Notes	\$ 31,032,820.00
Costs of Issuance Fund ⁽¹⁾	<u>181,970.64</u>
TOTAL USES:	<u>\$ 31,214,790.64</u>

⁽¹⁾ Includes Underwriter's fee, legal, printing, trustee, consultant rating and other miscellaneous fees, and other costs associated with the issuance and delivery of the Notes.

REFUNDING PLAN

All of the proceeds of the Notes will be used to refund and defease the 2014 Notes by deposit into an escrow account established under an Escrow Agreement dated as of May 1, 2015 by and between the City and Wells Fargo Bank, National Association, as escrow bank. Additionally, the City will direct the Trustee to deposit with the escrow bank from moneys held by the Trustee in connection with the 2014 Notes the amount of \$92,820, representing interest on the 2014 Notes for deposit to the Escrow Fund for payment of interest on the 2014 Notes on June 1, 2015. Amounts so deposited will be sufficient to pay the principal and interest due at maturity of the 2014 Notes on June 1, 2015.

THE NOTES

General

The Notes will be dated the date of delivery thereof and delivered as fully registered notes. The Notes will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Notes will be transferable and exchangeable as set forth in the Trust Agreement and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Ownership interests in the Notes may be purchased in book entry form only, in the denominations set forth above.

The Notes will bear interest from the Closing Date, at the rates and mature in the amounts and years as set forth on the inside cover page hereof. Interest on the Notes, computed on the basis of a 360-day year consisting of twelve (12) 30-day months, will be paid on December 1, 2015 and at maturity of the Notes on June 1, 2016. Interest on the Notes shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month next preceding such Interest Payment Date regardless of whether or not such day is a Business Day (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from their dated date; provided, however, that if at the time of authentication of a Note, interest is in default thereon, such Note shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Notes (including the final interest payment upon maturity), is payable by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest

Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Notes delivered to the Trustee prior to the applicable Record Date. The principal of the Notes is payable in lawful money of the United States of America upon surrender of the Notes at the principal office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee.

No Optional Redemption

The Notes are not subject to optional redemption prior to maturity.

Book Entry System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E—"BOOK ENTRY PROVISIONS" herein.

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Notes paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement or the Trust Agreement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

SECURITY FOR THE NOTES

General

Pursuant to the Retirement Law and the PERS Contract, the City is obligated to appropriate and make payments to PERS for certain amounts arising as a result of retirement benefits accruing to members of PERS. Pursuant to the Retirement Law, the Validation Judgment and PERS Contract, the City is obligated to make appropriations to pay (i) the normal annual contributions to fund pension and other retirement benefits for City employees who are members of PERS, and (ii) the Unfunded Liability (over a period not to exceed thirty (30) years).

The obligation of the City to make payments with respect to the Notes (and the Bonds issued under the Trust Agreement) is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Validation Judgment, and payment of principal of and interest on the Notes and the Bonds is payable from any legally available funds in the City's General Fund including certain interfund transfers. The Notes are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Notes. The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur which are payable from its General Fund. The Trust Agreement provides that in order to meet its obligations thereunder (including with respect to the 2004 Bonds and the 2005 Series A Bonds and the Notes), the City shall deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Notes, the 2004 Bonds and the 2005 Series A Bonds and any parity obligations thereto payable during such fiscal year. For purposes of calculating debt service to be paid in a fiscal year on the Notes, only the interest due on the Notes in such fiscal year is included, as the City has covenanted in the Ninth Supplemental Trust Agreement to pay the Notes on or prior to their maturity from the proceeds of a future issue of pension obligation refunding bonds of the City. See "RISK FACTORS—Refinancing and Market Access" herein. For other selected information concerning the City, see APPENDIX A—"CITY OF

RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION” hereto. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” hereto for a description of the flow of funds under the Trust Agreement.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY’S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALDIATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW AND THE VALIDATION ACTION, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Issuance of Additional Bonds

Under the Trust Agreement, the City may at any time issue Additional Bonds on a parity with the Notes, the 2004 Bonds and the 2005 Series A Bonds, but only subject to the following conditions:

(i) The City shall be in compliance with all agreements and covenants contained in the Trust Agreement; and

(ii) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify, among other requirements set forth in the Trust Agreement, the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the City to make payments to PERS relating to pension benefits accruing to PERS pursuant to the Retirement Law members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds or Additional Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) Whether such Additional Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(3) The authorized principal amount and designation of such Additional Bonds;

(4) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The interest payment dates for such Additional Bonds; and

(6) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

At any time after the sale of any Additional Bonds in accordance with the Act, the City shall execute such Additional Bonds for issuance pursuant to the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the City, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(i) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(ii) A Written Request of the City as to the delivery of such Additional Bonds;

(iii) An Opinion of Counsel to the effect that (1) the City has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the City, and (2) such Additional Bonds are valid and binding obligations of the City;

(iv) A Certificate of the City stating that all requirements of the provisions related to Additional Bonds under the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(v) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

PERS PENSION PLANS

This caption contains certain information relating to the California Public Employees Retirement System (“PERS”). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

General

The City contributes to PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All permanent and temporary employees who work more than 1,000 hours are eligible to participate in PERS. Benefits vest after 5 years of service and vary based upon final yearly compensation, pension plan, length of service, pension tier, and age at retirement. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans (each, a “PERS Plan”) for the City based on type of employee (i.e., a PERS Plan for “Safety Employees” and a separate PERS Plan for “Miscellaneous Employees”). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

PERS is not obligated in any manner for payment of debt service on the Notes and Bonds issued under the Trust Agreement, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Sacramento, California 95811 or (888) 225-7377, www.calpers.ca.gov for other information, including information relating to its financial position and investments.

Actuarial Valuations

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared. PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which include two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. The assumed rate of investment return utilized in the actuarial valuation is established by PERS and the City has no ability to predict the assumed rate of return, currently 7.5%, from time to time. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under their respective PERS Plans.

PERS Actuarial Assumptions and Policies

In the aftermath of the economic downturn in 2008, the PERS Board has on several occasions adopted policies aimed at properly funding the pension system, while also attempting to lessen the resulting negative impacts on member agencies in the form of higher rates. These policies are used to set employer contribution rates for each city. While investment returns in the years since the economic downturn have largely reversed previous losses, the changes are designed to limit the possibility of the pension system becoming significantly underfunded in the future.

On April 17, 2013, the PERS Board adopted staff recommendations to modify both smoothing and amortization policies in response to concerns about future funded levels and increases in employer contribution rates. The changes adopted by the PERS Board modify the smoothing approach used by PERS and shorten smoothing and amortization periods. The PERS staff report states that over time, these methods are designed to improve funding levels and help reduce the overall funding level risk. Under the proposed changes, PERS will no longer use an actuarial value of assets, using instead the market value of assets, and will employ an amortization and smoothing policy that will spread rate increases and decreases over a five-year period and will amortize experience gains and losses over a fixed 30-year period. These changes will impact employer contribution rates for the City starting with Fiscal Year 2015-16. Further information on this PERS Board action is set forth in Circular Letter #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy changes), dated April 26, 2013.

On February 18, 2014, the PERS Board adopted staff recommendations to modify the demographic and mortality assumptions included in PERS' actuarial valuations. The demographic assumptions include adjustments to the retirement, disability, and salary projections that will cause minor increases in contribution rates in the future. Also included were changes to the PERS asset allocation strategy that will reduce the expected volatility of future investment returns and cause minor increases in contribution rates in the future. The significant component of the approved changes is the revision to the mortality assumptions previously employed in the actuarial valuations, which did not take into account prospective increases in life expectancy. The new assumptions project improved mortality over a 20-year period, which results in a significant increase in required employer contribution rates. As was the case with the smoothing and amortization changes approved in 2013, the PERS Board approved a 5-year phase in of the resulting contribution rate increases beginning in fiscal year 2016-17. The City is taking steps to plan for these increases and to incorporate the required additional funding in to future budgets. Further information on this PERS Board action is set form in Circular Letter #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions), dated March 10, 2014.

Included within the City's June 30, 2013, actuarial valuation report, which sets the contribution rates for fiscal year 2015-16, is a five year forecast of anticipated contribution rates for the City. This forecast takes into account the impact of the smoothing, amortization, demographic, asset allocation and mortality changes and assumes that PERS earns an 18.0% investment return for fiscal year 2013-14 and a 7.5% investment return every fiscal year thereafter. It also assumes that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur prior to the beginning of fiscal year 2016-17. Over the five year period it is projected that the employer rates for the City's miscellaneous plan will increase from 21.012% of payroll to 27.800% percent of payroll and that the employer rates for the City's safety plan will increase from 31.549% of payroll to 40.300% of payroll. The City is taking steps to plan for these increases and to incorporate the required additional funding into future budgets.

Except as otherwise described herein, the City is not aware of any measures similar to those provided in Circular Letters #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy Changes) and #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions) that will result in increases in the required contribution rates in the future.

For complete updated inflation and actuarial assumptions, please contact PERS at the above-referenced address.

PERS Discount Rate Adjustment

On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.50%. As a result of such discount rate decrease, among other things, the amount of the City's required contributions to PERS increased beginning in Fiscal Year 2013-14, subject to other factors that also negatively or positively impact the City's required contributions.

A further decrease in the discount rate to 7.25% or 7.00% has previously been discussed by the PERS actuarial staff. However, no item is currently before the PERS board to adjust the discount rate and no timeline has been given for when or if the discount rate may be revisited in the future.

2012 Legislation Relating to Pension Reform: AB 340

On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 ("PEPRA") and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from

paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. If AB 340 is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Local government employee associations, including all of the City's represented employees, will have a five-year window to negotiate compliance with the cost-sharing provisions of PEPRA through collective bargaining. Under PEPRA, if no deal is reached by January 1, 2018 which meets the terms set forth in PEPRA, a city, public agency or school district may force employees who entered the pension system prior to January 1, 2013 to pay one half of the normal costs of PERS pension benefits, but not to exceed 8% of pay for miscellaneous workers and 12% for public safety workers. To date, the City has negotiated a phase-in of employee contributions totaling 6% for the SEIU General and SEIU Refuse bargaining units. For a further discussion of the City's bargaining units, see APPENDIX A—CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Employee Relations and Collective Bargaining.”

Provisions in AB 340 will not likely have a material effect on the City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's unfunded actuarial accrued liability and potentially reduce City contribution levels in the long term.

Funding Status

As of June 30, 2013, the date of the most recent PERS valuation report, the market value of assets in the Safety Plan was approximately \$618,807,277 and the accrued liability was approximately \$800,762,531. The Safety Plan was approximately 77.3% funded on a market value of assets basis as of June 30, 2013, with an Unfunded Liability of approximately \$181,955,254. As of June 30, 2013, the date of the most recent actuarial valuation report, the market value of assets in the Miscellaneous Plan was approximately \$847,232,156, and the accrued liability was approximately \$1,086,925,211. The Miscellaneous Plan was approximately 77.9% funded on a market value of assets basis as of June 30, 2013, with an Unfunded Liability of approximately \$239,693,055.

The following tables, for the Safety Plan and the Miscellaneous Plan respectively, set forth the market value of the plans' assets, the market value of the plans' assets and funded status as of the valuation dates from June 30, 2009 through June 30, 2013 and the total employer contributions made by the City for Fiscal Year 2011-12 through Fiscal Year 2015-16. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability⁽¹⁾</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>City Contribution Amount⁽²⁾</i>	<i>UAL as a Percentage of Payroll</i>
2009	\$ 921,349,334	\$590,044,979	\$110,420,503	64.0%	2011-12	\$110,317,579	\$22,388,660	100.1%
2010	952,499,597	660,844,061	106,131,476	69.4	2012-13	106,590,492	21,443,082	99.6
2011	998,216,259	786,080,314	110,359,245	78.7	2013-14	108,106,192	21,634,175	102.1
2012	1,046,199,578	766,804,452	126,627,922	73.3	2014-15	110,037,157	22,838,012	115.1
2013	1,086,925,211	847,232,156	239,693,055	77.9	2015-16	110,552,014	25,382,919	216.8

⁽¹⁾ Prior to fiscal year 2012-13, unfunded liability was based on the actuarial value of assets. As a result of the PERS Board's adoption of modifications to smoothing and amortization policies, beginning in fiscal year 2012-13 and continuing thereafter, the unfunded liability will be based on the market value of assets. See "—PERS Actuarial Assumptions and Policies."

⁽²⁾ Amounts are the actuarially required employer contribution amounts from the CalPERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013.

**HISTORICAL FUNDING STATUS
(Safety Plan)**

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability⁽¹⁾</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>City Contribution Amount⁽²⁾</i>	<i>UAL as a Percentage of Payroll</i>
2009	\$660,741,891	\$432,337,915	\$ 65,723,731	65.4%	2011-12	\$63,924,022	\$17,803,503	102.8%
2010	685,213,243	483,775,810	64,106,342	70.6	2012-13	61,777,656	17,061,368	103.8
2011	731,074,004	575,005,790	80,120,090	78.7	2013-14	62,538,051	18,378,574	128.1
2012	766,405,422	561,733,859	92,467,753	73.3	2014-15	63,114,831	20,029,006	146.5
2013	800,762,531	618,807,277	181,955,254	77.3	2015-16	62,829,727	21,660,507	289.6

⁽¹⁾ Prior to fiscal year 2012-13, unfunded liability was based on the actuarial value of assets. As a result of the PERS Board's adoption of modifications to smoothing and amortization policies, beginning in fiscal year 2012-13 and continuing thereafter, the unfunded liability will be based on the market value of assets. See "—PERS Actuarial Assumptions and Policies."

⁽²⁾ Amounts are the actuarially required employer contribution amounts from the CalPERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013.

Five-year trend information for PERS funding is set forth in the following tables:

MISCELLANEOUS PLAN

<i>Fiscal Year Ending June 30</i>	<i>Actual Pension Cost (APC) (in thousands)</i>	<i>Percentage of APC Contributed⁽¹⁾</i>	<i>Net Pension Obligation (Asset) (in thousands)</i>
2010	\$16,463	93.8%	\$(56,529)
2011	16,888	92.4	(55,253)
2012	21,661	92.8	(53,694)
2013	21,907	91.5	(51,825)
2014	22,361	90.1	(49,615)

SAFETY PLAN

<i>Fiscal Year Ending June 30</i>	<i>Actual Pension Cost (APC) (in thousands)</i>	<i>Percentage of APC Contributed⁽¹⁾</i>	<i>Net Pension Obligation (Asset) (in thousands)</i>
2010	\$13,949	89.0%	\$(84,369)
2011	14,956	86.7	(82,379)
2012	18,542	86.6	(79,890)
2013	18,945	83.9	(76,846)
2014	20,861	82.5	(73,191)

⁽¹⁾ Because of the issuance of pension obligation bonds by the City in 2004 and 2005, accounting rules require that the city amortize the prepayment associated with the lump sum contribution to CalPERS from the bond proceeds over the life of the debt. As a result, the percentage of the APC contributed is less than 100%, with the remainder being accounted for by the amortization of the net pension asset. In each year shown in the table, the City has contributed 100% of the amount required by CalPERS as required by state law.

Source: City's audited annual financial reports for fiscal years ending June 30, 2010 through 2014.

Contribution Rates and Pension Tiers

The following table shows the minimum percentage of salary which the City was responsible for contributing as the employer rate to PERS from Fiscal Year 2010-11 through Fiscal Year 2014-15 to satisfy its retirement funding obligations.

SCHEDULE OF MINIMUM EMPLOYER CONTRIBUTION RATES

<i>Valuation Date June 30</i>	<i>Affects Contribution Rate for Fiscal Year</i>	<i>Safety Plan⁽¹⁾</i>	<i>Miscellaneous Plan⁽¹⁾</i>
2009	2011-12	25.303%	18.438%
2010	2012-13	25.091	18.277
2011	2013-14	26.894	18.314
2012	2014-15	29.041	18.994
2013	2015-16	31.549	21.012

⁽¹⁾ Represents a blended rate for all three tiers of employees.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013.

City employees' contribution rates in pension tiers 1 and 2 are 9% for public safety employees and 8% for miscellaneous employees, calculated as a percentage of their monthly earnings. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees in pension tier 1 hired before specific dates as outlined in the following table. For any employee hired on or after those dates, the employee pays their full share. This second tier of pension benefits also included a change in the number of

years' salary utilized to compute the retirement benefit and, for certain bargaining units, a change to the formula used to calculate the benefit amount. For tier three employees, their contribution is set at 50% of the normal cost, not to exceed 8% for miscellaneous employees and 12% for safety employees, as required by PEPRA.

Cost sharing beyond what is outlined in existing MOUs is not permitted until the expiration of those contracts. All employee bargaining units' MOUs have expired since PEPRA became effective and all of their tier three members are therefore now paying 50% of the normal cost as required by PEPRA.

The following table details the three pension tiers applicable to the City's active employees.

<i>Pension Plan</i>	<i>Pension Formula</i>	<i>Benefit Calculation⁽³⁾</i>	<i>Effective Date – Formula and Benefit Calculation</i>	<i>Effective Date – Employees Paying Employee Share of Contribution</i>
Safety – Fire	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	--
	Tier 2: 3.0% @ 55	Tier 2: 3 Years	June 11, 2011	June 11, 2011
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
Safety – Police ⁽¹⁾	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	--
	Tier 2: 3.0% @ 50	Tier 2: 3 Years	February 17, 2012	February 17, 2012
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
Miscellaneous	Tier 1: 2.7% @ 55	Tier 1: 1 Year	--	--
	Tier 2: 2.7% @ 55	Tier 2: 3 Years	December 16, 2011	October 19, 2011
	Tier 3: 2.5% @ 67 ⁽²⁾	Tier 3: 3 Years	January 1, 2013	January 1, 2013

⁽¹⁾ The dates shown apply to the Police Officer, Police Pilot, and Police Detective classifications. The Police Sergeants and Riverside Police Administrators Association (ranks of Lieutenant and above) negotiated separately at a subsequent date, but are now also subject to the provisions of the second tier.

⁽²⁾ The Miscellaneous plan mandated by PEPRA is commonly known as the "2.0% @ 62 Plan", however the maximum benefit that can be earned under the plan is 2.5% at age 67.

⁽³⁾ The Benefit Calculation refers to the number of years of salary included in the calculation of the amount to which the retirement benefit is applied. In the case of one year, the highest year of salary is utilized. In the case of three years, the highest consecutive three years is utilized.

Source: City of Riverside.

For a further discussion of the City's other post-employment benefits, see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Retirement Programs and Other Post-Employment Benefits."

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Notes. However, the following does not purport to be an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Notes. Additionally, there can be no assurance that other risk factors will not become evident at any future time.

No Tax Pledge

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALDIATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations which would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Notes may be decreased.

Refinancing and Market Access

The City intends to refinance the Notes on or prior to their maturity on June 1, 2016, either with a long-term bond issue or another short-term note issue. It is possible that the City would be unable to refinance the Notes at that time because of higher interest rates, a change in market conditions, a change in law or changes in the City's credit ratings or its financial condition. Moreover, bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to Pension Obligation Bonds. Specifically, in the Stockton bankruptcy the Court found that PERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. The City's financing plan with respect to the Notes relies upon market access. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect access to the municipal securities market. If the City was unable to refinance the Notes, it would be obligated to pay off the full amount of the Notes at that time. The Ninth Supplemental Trust Agreement further provides that in the event the City fails to timely issue refunding pension obligation bonds to refund the Notes, the interest rate on the Notes shall be adjusted to 12% per annum as of the maturity date of the Notes until repaid.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of the City's pension system. Any of these factors could give rise to additional liability of the City to its pension system as a result of which the City would be obligated to make additional payments to its pension system over the amortization schedule for full funding of its obligation to its pension system. See "PERS PENSION PLANS" above.

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes

Property taxes account for a significant portion of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, ongoing drought, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced recently. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the implementation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Notes.

See "– Seismic, Topographic and Climatic Conditions" and "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – Ad Valorem Property Taxes."

Impact of State Budget

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

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior years. Following the submission of the Governor's Budget, the California Legislature takes up the proposal.

Under the California State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

2014-15 Governor's Budget. On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget. The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.4 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State's general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

2015-16 Proposed Budget. On January 9, 2015, the State Governor released his proposed budget for State fiscal year 2015-16 (the "Proposed Budget"). The following information is taken from the LAO's overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for State fiscal year 2014-15, total general fund revenues and transfers of approximately \$108 billion and authorizes total expenditures of approximately \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of approximately \$2.1 billion, composed of a balance of approximately \$452 million in the State's traditional budget reserve and balance of approximately \$1.6 billion in the Budget Stabilization Account (the "BSA"), the State basic reserve fund. For State fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of approximately \$113.4 billion and authorizes expenditures of approximately \$113.3 billion. The State is projected to end State fiscal year 2015-16 fiscal year with general fund surplus of approximately \$3.4 billion, composed of a balance of approximately \$534 million in the budget reserve and an approximately \$2.8 billion in the BSA. The balance in the BSA includes a deposit of approximately \$1.2 billion mandated by the provisions of the State Constitution.

As a result of projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for schools for State fiscal years 2013-14 and 2014-15. The Proposed Budget revises the State fiscal year 2013-14 minimum funding guarantee upward to approximately \$58.7 billion (an increase of approximately \$371 million from the estimate included in the State fiscal year 2014-15 budget) and revises the State fiscal year 2014-15 minimum

funding guarantee upward to approximately \$63.2 billion (approximately \$2.3 billion higher than that included in the State fiscal year 2014-15 budget).

For State fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at approximately \$65.7 billion, including approximately \$47 billion from the State general fund, and reflects an increase of approximately \$2.6 billion (or 4%) from the revised level for State fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only approximately \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "Triple Flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset.

The City is aware of no material impacts on its operations or revenues resulting from either the 2014-15 Budget or the Proposed Budget. City staff closely monitors these issues, and any identified impacts are quickly incorporated into the City's budgetary planning.

Future Updates and State Budgets. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future States budgets will be affected by national and State economic conditions and other factors, including the current economic downturn over which the City has no control.

The Governor may release additional details of the proposals through subsequent revisions or updates to the State budget. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An analysis of the budget is posted by the California Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated hereby by these references.

Redevelopment Agency Dissolution

City of Riverside Redevelopment Agency Dissolution. The Redevelopment Agency of the City of Riverside ("Redevelopment Agency") was established in 1967 to provide affordable housing, revitalize communities, eliminate blight and fuel economic growth through focused reinvestment of local funds back into local projects and programs that supported job growth and private investment.

There are six Redevelopment Project Areas throughout the City including Arlington, Casa Blanca, merged Downtown/Airport/Industrial/HunterPark/Northside, La Sierra/Arlanza, Magnolia Center, and University Corridor/Sycamore Canyon. Over the years, the Redevelopment Agency was active in implementing housing programs, business incentive programs, commercial improvement programs, planning and development of projects, capital improvement projects, and property acquisition in the Project Areas.

On June 29, 2011, Governor Brown signed Assembly Bill 1X 26 (AB 1X 26) eliminating redevelopment agencies throughout the State. On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a lawsuit against the State of California in response to the passage of AB 1X 26. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26. The bill provided that upon dissolution of the Redevelopment Agency, either the City or another unit of local

government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government.

Pursuant to City Council actions taken by the City on March 15, 2011 and January 10, 2012 the City elected to serve as the Successor Agency to the Redevelopment Agency (the “Successor Agency”). The Successor Agency is a separate legal entity, which serves as a custodian for the assets and liabilities of the dissolved Redevelopment Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities on January 31, 2012.

Impact on City. The Redevelopment Agency’s operating budget for 2011-12 was \$4.5 million, which included allocated costs for City staff, related non-personnel expenses, and internal service costs related to the operations of the Agency. Previously, the Redevelopment Agency’s practice was to reimburse the City for these amounts annually with tax increment funds. The City historically loaned funds to the Redevelopment Agency for various capital projects and land acquisitions. Several of these loans remain outstanding and the City believes them to be enforceable obligations as each has a valid loan agreement executed prior to the enactment of AB1X 26.

As of the date of this Official Statement, approximately \$16 million in loans between the City and the Agency remain in dispute between the City, as Successor Agency, and the State, as to whether they are enforceable obligations. On February 27, 2013, the City, as Successor Agency, filed a lawsuit against the California Department of Finance (“DOF”) seeking to validate the principal and interest due from the Agency as enforceable obligations. On June 21, 2013, the trial court ruled in the City’s favor that the loans were enforceable obligations, however the State has appealed that ruling and the appeal is pending. In the event that the State’s appeal is successful, under AB 1484, the “clean up” legislation approved to clarify certain provisions of AB 1X 26, the City would still receive 80% of the principal due on the outstanding loans. In such a circumstance, the City’s General Fund would step in to make the lending funds whole for the remaining 20% of the loan balances. This amount is not material to the General Fund, and the repayment would likely be amortized over a period of years so as to further lessen the budgetary impact on the General Fund.

Under AB1X 26, the City is receiving additional property tax revenues to offset the costs of administering the Successor Agency. Additionally, as the City is a taxing entity within the jurisdiction of the former Redevelopment Agency, a portion of any former redevelopment tax increment that is not required by the Successor Agency to pay enforceable obligations is received by the City once distributed by the County.

No Successor Agency monies or payments received by the City from the Successor Agency are pledged to the Notes. The Redevelopment Agency does contribute a small amount to the City annually to pay a portion of the debt service on the Notes related to former employees of the Agency, which has thus far been deemed an enforceable obligation by the State; however this amount is not material and represents only 1.3% of the debt service payment. The City believes that the potential impact on the availability of redevelopment funds under AB1X 26 will not materially adversely affect the City’s ability to make payments on the Notes when due.

Water General Fund Transfer

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS OF TAXES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution—*Water Utility Revenue Transfer under the City Charter*” herein for a discussion of certain transfers from the City’s water enterprise to the General Fund and related litigation and ballot resolution.

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see Appendix A for further information), the City cannot predict what types of liabilities may arise in the future. See also “LITIGATION.”

Limitations on Remedies Available; Bankruptcy

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

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Notes; and (iv) the possibility of the adoption of a plan (the “Plan”) for the adjustment of the City’s debt without the consent of the Trustee or all of the Owners of the Notes, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

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

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the State Constitution" below.

Change in Law

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

Secondary Market Risk

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

Seismic, Topographic and Climatic Conditions

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

The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active faults. The San Jacinto Fault, the Glen Helen Fault, the San Andreas Fault and the Lytle Creek Fault are all located within the vicinity of the City. Although the City believes that no active or inactive fault lines pass through the City, if there were to be an occurrence of severe seismic activity in or around the City, there could be an adverse impact on the City's ability to pay the Bonds. Portions of the City are also located in a 100-year flood plain.

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

general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of any hazardous substance that would limit the beneficial use of a property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the operations and finances of the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property

owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

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

Article XIII B of the State Constitution

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

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

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

For Fiscal Year 2013-14 the City’s appropriations limit was \$270,378,217, and its actual appropriations in Fiscal Year 2013-14 totaled approximately \$172,978,158. The City’s appropriations limit for Fiscal Year 2014-15 is \$271,554,458. The City is subject to and is operating in conformity with Article XIII B.

Articles XIII C and XIII D of the State Constitution

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

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

“(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

...

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

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

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

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

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

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

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

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

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

Risks Relating to Certain Special Assessments. With the exception of assessments levied in Street Lighting District No.1 of the City (see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION"), none of the property-related fees or assessments currently collected by the City are deposited in the General Fund.

Water Utility Revenue Transfer Under the City Charter. In *Citizens for Fair REU Rates v. City of Redding* (2015) 233 Cal.App.4th 402, a California appellate court found that inter-city transfers from a utility fund to the general fund required voter approval under Proposition 218.

Section 1204 of the Riverside City Charter requires the City's water enterprise (the "Water Utility") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility ("Water Revenue Transfer"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. Prior to 1968, the Water Utility was obligated to transfer, after all required expenditures had been made at the end of each fiscal year, all excess funds. In 1968, the electorate approved a change requiring a transfer of 11.5% of gross operating revenues. In 1977, the electorate approved a change to an amount "not to exceed" 11.5% of gross operating revenues.

On July 6, 2012, a writ of mandate lawsuit entitled *Javier Moreno, et al v. City of Riverside* was filed against the City asserting that the Water Revenue Transfer was a violation of Proposition 218. On March 5, 2013, the City Council unanimously voted to place a ballot resolution before the voters on June 4, 2013 entitled “Riverside Local Services and Clean Water Measure” (the “Measure”) to allow the voters to decide upon the continuance of the Water Revenue Transfer, which had been previously approved by voters in 1907, 1968 and 1977. The Measure was approved by the voters and the Water Revenue Transfer was affirmed. On April 15, 2013, the City entered into a settlement agreement and release in the Moreno case. Under the terms of that agreement, the City agreed to cease any future Water Revenue Transfers until the voters approved the Measure. Following the approval of the Measure, the City was also required to return, over a three year period, the sum of \$10 million to the Water Fund. The City has identified sufficient revenues to fully cover the required payments totaling \$10 million; approximately three-fourths of this amount has been appropriated to date with approximately one-third paid to date. The remaining funds will be appropriated in fiscal year 2015-16 and the remaining two payments made on June 30, 2015 and June 30, 2016.

In Fiscal Year 2013-14, the Water Revenue Transfer was in the amount of \$6,990,700, and the City has budgeted for a Fiscal Year 2014-15 Water Revenue Transfer of \$7,098,400.

Because the Water Revenue Transfers were approved by the City’s voters in 1907, 1968, 1977 and 2013, the City does not believe that it is prohibited from making Water Revenue Transfers in the future.

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

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund.

Revenue Transfer from Electric Utility

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

The transfers to the General Fund of the City for the Fiscal Year ending June 30, 2014 were \$38,703,800, equal to approximately 11.5% of the prior fiscal year’s Gross Operating Revenues. The budgeted transfer to the General Fund of the City for the Fiscal Year ending June 30, 2015 is projected to be \$38,173,400, equal to approximately 11.5% of the prior fiscal year’s Gross Operating Revenues.

In general, California law (Government Code §50076) provides that any fee that exceeds the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is levied for general revenue purposes is a special tax. To the City’s knowledge, no California appellate court has considered whether payments like the transfer to the General Fund are a cost of providing the related service. As of the date of this Official Statement, no claim has been filed with the City regarding the legality of including the General Fund transfer as a cost of providing the related services and no litigation has been threatened.

The statute of limitations for filing a claim is one year from the date that the City collected an electric service charge that was used to make the revenue transfer payments from the Electric Utility. The California Supreme Court held in *Ardon v. Los Angeles* 52 Cal4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

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

Proposition 1A

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

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

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

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

See the section entitled "RISK FACTORS—Impact of State Budget" for information about the State's Fiscal Year 2013-14 budget and proposed Fiscal Year 2014-15 budget.

Proposition 22

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (2010) 267 P.3d 580, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Unitary Property

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

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

Future Initiatives

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

VALIDATION

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds, additional bonds (such as the Notes) and obligations issued to refund such Bonds (such as the Notes) and certain other matters. On May 3, 2004, the court entered a default judgment to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. Pursuant to Section 870 of the California Code of Civil Procedure, the period during which a notice of appeal to this judgment could have been timely filed has expired and the judgment is

binding and conclusive in accordance with California law. As with any judgment, there can be no assurance that this judgment will not be challenged. No such challenge has been filed, and the City is unaware of any pending challenge to this judgment. In issuing the opinion as to the validity of the Notes, Note Counsel will rely upon the entry of the foregoing default judgment.

THE CITY

For certain financial, demographic and statistical information on the City and the surrounding area, see APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION” attached hereto.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City’s ability to issue and pay the Notes.

On February 27, 2013, the City, as Successor Agency, filed an action against the California Department of Finance, seeking to validate approximately \$16 million in loans between the City and the Agency as enforceable obligations. On June 21, 2013, the trial court ruled in the City’s favor that the loans were enforceable obligations, however the State has appealed that ruling and the appeal is pending. In the event that State’s appeal is successful, the City would still receive 80% of the principal due on the outstanding loans. In such a circumstance, the City’s general fund would make the lending funds whole for the remaining 20% of loan balances. See “RISK FACTORS—Redevelopment Agency Dissolution—*Impact on City.*”

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2014, included in Appendix B to this Official Statement, have been audited by Macias Gini & O’Connell LLP, Newport Beach, California, independent certified public accountants, as stated in their report appearing in Appendix B.

Copies of the audited financial statements for the City’s other fiscal years can be obtained at the office of the Finance Director at City Hall located at 3900 Main Street, Riverside, California 92522.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Notes to provide notices of the occurrence of certain enumerated events. The notices of material events will be filed, or cause to be filed, by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the notices of material events by the City is contained in APPENDIX F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertaking – have previously entered into numerous disclosure undertakings under Rule 15c2-12 in connection with the issuance of long-term obligations.

To assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings under Rule 15c2-12. Specifically, in some instances an annual report or a material event notice was not filed on a timely basis and, in some instances, an annual report

or a material event notice was not properly filed with the applicable information repository. The City believes that each failure to file an annual report on a timely basis was the result of dissemination agent error; the City had prepared compliant annual reports and submitted them to the dissemination agent on or before the applicable deadline. As discussed in the final paragraph under this caption, the City no longer employs dissemination agents with respect to their respective continuing disclosure obligations.

The City failed to make a filing in 2012 and in 2013 with respect to an issue of pension obligation bond anticipation notes delivered by the City in 2011 and 2012 (the “2011/2012 Notes”) due to a discrepancy in the continuing disclosure certificate. Though the continuing disclosure certificates for the City’s pension obligation bond anticipation notes issued in prior years and issued subsequently included no requirement for an annual report to be filed, the continuing disclosure certificate related to the 2011/2012 Notes erroneously included an annual report filing requirement. The City and its bond counsel did not identify this error at the time of issuance of the 2011/2012 Notes, and therefore the City did not timely file an annual report for the 2011/2012 Notes. Upon realizing this oversight, the City immediately filed the required annual reports as soon as it had notice of the error in order to fully comply with the continuing disclosure certificate, although the annual reporting requirement was included in the certificate in error as the 2011/2012 Notes matured not later than one year after their issuance. The City has added a requirement to its continuing disclosure policy to review the final continuing disclosure certificate of each new bond issue at the time of closing to avoid a reoccurrence of this situation. In addition, in 2014 the City failed to timely file a material event notice within 10 business days in connection with the upgrade in rating of Assured Guaranty Municipal Corp., which insures certain of the City’s bond issues. The City filed such notice on the 16th business day following such event and is currently compliant in all material respects with its continuing disclosure obligations.

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years prior to the marketing of the Bonds. The City believes that it has established internal processes, including a written continuing disclosure policy, that will ensure that the City and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities’ continuing disclosure obligations internally, and no longer uses third-party dissemination agents for such purpose. Additionally, the City has engaged a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel, under existing statutes, regulation, rulings and judicial decisions, interest due with respect to the Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

The federal tax and State of California personal income tax discussion set forth above with respect to the Notes is included for general information only and may not be applicable depending upon a Beneficial Owner’s particular situation. The ownership and disposal of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Note Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE NOTES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE NOTES AND THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Note Counsel is attached hereto as Appendix D.

ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 4975 of the Internal Revenue Code (the “Code”), prohibit employee benefit plans (“Plans”) subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving “plan assets” with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code (collectively, “Parties in Interest”) with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these “prohibited transaction” rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriter, as a result of its own activities or because of the activities of an affiliate, may be considered Parties in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Notes are acquired by a Plan with respect to which the Underwriter or any of their affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by “qualified professional asset managers,” and transactions affected by certain “in-house asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Bond, or (ii) the acquisition of such Note is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Notes should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable, and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio.

APPROVAL OF LEGALITY

Certain legal matters incident to the execution and delivery of the Bonds are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Note Counsel. Except with respect to certain legal matters, Note Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Note Counsel’s fee for delivery of its opinion is contingent on successful execution and delivery of the Notes.

RATINGS

Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”) has assigned their municipal bond short-term rating of “SP-1+” and Fitch Ratings Group has assigned a short-term rating of “F1+” to the Notes.

The rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from Standard & Poor's or Fitch Ratings Group. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Notes are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") at a price of \$30,940,000.00 (the principal amount of the Notes). The Underwriter is being paid an underwriting fee of \$100,701.40 by the City in connection with the sale of the Notes. The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Notes if any such Notes are purchased. The public offering prices of the Notes may be changed from time to time by the Underwriter without notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

MISCELLANEOUS

The summaries or descriptions of provisions of the Notes, the Trust Agreement, the Validation Action, the PERS Contract, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Trust Agreement may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee.

This Official Statement does not constitute a contract with the purchasers of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF RIVERSIDE

By: _____
/s/ Brent A. Mason
Finance Director

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APPENDIX A

CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

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

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. As of July 1, 2014, Riverside County had a population estimated at 2,295,298 and San Bernardino County had a population estimated at 2,091,618. With a population of over 4.3 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas (“MSAs”) in the United States. Riverside County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties’ population.

Municipal Government

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

Functions of the City government are carried out by approximately 2,380 personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs 357 sworn officers and the Fire Department employs 215 sworn fire fighters operating out of 14 fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

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

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

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

Population

As of January 1, 2014 the population of the City was estimated to be 314,034, an increase of approximately 0.7% percent over the estimated population of the City in 2014. The following table presents population data for both the City and County.

**Table 1
POPULATION**

<i>Year</i>	<i>City of Riverside</i>	<i>Riverside County</i>
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2010	302,597	2,179,692
2011	306,069	2,205,731
2012	308,511	2,227,577
2013	312,035	2,255,653
2014	314,034	2,279,967

Sources: 1950- 2010 U.S. Census; 2011-2014 California Department of Finance (Demographic Research Unit).

Accounting Policies and Financial Reporting

The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City’s general fund and other governmental fund types use the modified accrual basis of accounting. All of the City’s other funds, including proprietary fund types and fiduciary fund types, use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the “Notes to the Basic Financial Statements” contained in APPENDIX B—“COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014.”

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

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

City Financial Data

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

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

	<i>Fiscal Year 2009-10</i>	<i>Fiscal Year 2010-11</i>	<i>Fiscal Year 2011-12</i>	<i>Fiscal Year 2012-13</i>	<i>Fiscal Year 2013-14</i>
ASSETS:					
Cash and Investments	\$ 47,835 ⁽⁴⁾	\$ 42,944 ⁽⁴⁾	\$ 47,677 ⁽⁴⁾⁽⁷⁾	\$ 26,980 ⁽⁴⁾⁽⁷⁾	\$ 31,017 ⁽⁴⁾
Cash and investments at fiscal agent	8,630	5,349	1,405	4,116	4,564
Receivables (net)					
Interest	260	416	214	49	1
Property taxes	5,685	6,203	6,851	6,909	5,027
Sales taxes	8,496	9,641	11,140	12,065	13,106
Utilities billed	767	736	1,171	1,173	1,182
Accounts	3,981	9,187	10,034	9,965	8,014
Intergovernmental	2,610	3,032	3,375	4,647	4,445
Notes	180	35	1	--	--
Prepaid items	373	411	320	1,491	241
Deposits	--	--	--	--	300
Due from other funds	23,846 ⁽⁴⁾	31,980 ⁽⁴⁾	16,287 ⁽⁴⁾	21,879 ⁽⁴⁾	18,116 ⁽⁴⁾
Advances to other funds	26,884	26,200	24,706	24,250	23,226
Advances to Successor Agency	--	--	693	680	652
Land & Improvements held for resale	--	76,334 ⁽⁵⁾	118	--	--
Total Assets	<u>\$ 129,623</u>	<u>\$ 212,468</u>	<u>\$ 123,992</u>	<u>\$ 114,204</u>	<u>\$ 109,891</u>
LIABILITIES:					
Accounts Payable	\$ 5,666	\$ 5,319	\$ 5,454	\$ 7,710	\$ 7,531
Accrued payroll	13,484	15,013	11,036	10,878	8,635
Retainage payable	12	362	799	114	10
Intergovernmental	136	169	182	195	159
Deferred revenue	4,093	6,455	7,118	313 ⁽⁶⁾	387
Deposits	26,927	23,872	24,804	10,841 ⁽⁷⁾	9,226
Due to other funds	--	--	--	--	--
Advances from other funds	115	435	349	258	166
Total Liabilities	<u>\$ 50,433</u>	<u>\$ 51,625</u>	<u>\$ 49,742</u>	<u>\$ 30,309</u>	<u>\$ 26,114</u>
DEFERRED INFLOWS OF REVENUE					
Unavailable revenue	\$ --	\$ --	\$ --	\$ 6,804 ⁽⁶⁾	\$ 4,917
Total Deferred Inflow of Revenue	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,804</u>	<u>\$ 4,917</u>
FUND BALANCE:⁽³⁾					
Nonspendable	--	\$ 26,646	\$ 25,720	\$ 26,421	\$ 24,419
Restricted	--	82,249 ⁽⁵⁾	2,803	2,196	2,204
Assigned	--	15,589	6,380	10,711	14,505
Unassigned	--	36,359	39,347	37,763	37,732
Reserved ⁽¹⁾	\$ 33,234	--	--	--	--
Reserved for Debt Service	7,500	--	--	--	--
Unreserved, designated for economic contingencies ⁽²⁾	30,000	--	--	--	--
Unreserved, designated for future operations	6,433	--	--	--	--
Unreserved, undesignated	2,023	--	--	--	--
Total fund balances	<u>\$ 79,190</u>	<u>\$ 160,843</u>	<u>\$ 74,250</u>	<u>\$ 77,091</u>	<u>\$ 78,860</u>
Total Liabilities and Fund Balances	<u>\$ 129,623</u>	<u>\$ 212,468</u>	<u>\$ 123,992</u>	<u>\$ 114,204</u>	<u>\$ 109,891</u>

(1) Reserved for encumbrances, long-term receivables and advances to other funds.

(2) The City's policy is to maintain this fund in an amount equal to a minimum of 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion. Beginning in Fiscal Year 2010-11, under GASB Statement No. 54 as more specifically described in Note #7 (see APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014"), the City is no longer permitted to segregate the contingency reserve as a separate component of fund balance. The amount is now shown as a component of unassigned fund balance.

(3) GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund.

(4) Amount includes a decrease in cash and increase due from other funds related to short term borrowing by other funds to address negative cash positions in those funds.

(5) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the Fiscal Year 2010-11 financial statements, these properties were transferred back to the Redevelopment Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

(6) A change in accounting standards in Fiscal Year 2012-13 required certain revenue previously reflected as deferred revenue to be classified as unavailable revenue.

(7) The decrease in deposits in Fiscal Year 2012-13 is the result of a reduction in former Redevelopment Agency pass-through funds on hand due to these payments now being made by Riverside County per the terms of the redevelopment dissolution legislation. The decrease in deposits also results in a reduction in the cash and investments balance.

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

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

	<i>Fiscal Year</i> <i>2009-10</i>	<i>Fiscal Year</i> <i>2010-11</i>	<i>Fiscal Year</i> <i>2011-12</i>	<i>Fiscal Year</i> <i>2012-13</i>	<i>Fiscal Year</i> <i>2013-14</i>
Revenues:					
Taxes	\$ 119,299	\$ 123,505	\$ 129,303	\$ 139,994	\$ 143,748
Licenses and permits	6,166	6,717	7,119	7,395	7,694
Intergovernmental ⁽¹⁾	8,391	11,104	9,168	8,632	12,915
Charges for services	9,521	10,687	11,770	12,062	15,734
Fines and forfeitures	4,503	5,244	6,293	6,234	7,283
Special assessments	4,039	3,954	4,509	4,406	4,219
Rental and Investment Income	3,162	2,964	2,662	2,148	1,857
Miscellaneous	<u>1,451</u>	<u>6,731</u>	<u>4,725</u>	<u>6,143</u>	<u>3,402</u>
Total Revenues	\$ 156,532	\$ 170,906	\$ 175,549	\$ 187,014	\$ 196,852
Expenditures					
Current:					
General Government	\$ 8,174	\$ 9,347	\$ 11,717	\$ 11,841	\$ 10,351
Public safety	137,331	138,620	147,086	145,545	149,450
Highways and streets	14,987	14,587	16,651	16,294	16,944
Culture and recreation	23,182	25,360	28,814	32,450	34,165
Capital Outlay	1,609	1,617	1,140	2,942	8,589
Debt service; principal	8,424	6,244	6,845	10,511	9,262
Debt service; interest	7,536	7,207	7,015	6,781	6,259
Bond issuance costs	<u>231</u>	<u>174</u>	<u>169</u>	<u>94</u>	<u>103</u>
Total Expenditures	\$ 201,474	\$ 203,156	\$ 219,437	\$ 226,458	\$ 234,123
Revenues over (under) expenditures	\$ (44,942)	\$ (32,250)	\$ (43,888)	\$ (39,444)	\$ (38,271)
Other Financing Sources (Uses)					
Transfers in	\$ 45,256	\$ 121,348 ⁽²⁾	\$ 40,266	\$ 44,115	\$ 45,695
Transfers out	(2,679)	(9,539)	(83,292) ⁽²⁾	(8,897)	(13,184)
Proceeds from issuance of long-term debt	33,716	32,775	30,940	30,940	30,940
Payment to escrow account for advance refunding	(30,425)	(30,600)	(30,775)	(30,940)	(30,940)
Capital Lease Proceeds	--	--	--	6,985	6,625
Sales of capital assets	<u>885</u>	<u>(81)</u>	<u>156</u>	<u>82</u>	<u>904</u>
Total other financing sources (uses)	\$ 46,753	\$ 113,903	\$ (42,705)	\$ 42,285	\$ 40,040
Net change in fund balances	<u>1,811</u>	<u>81,653</u>	<u>(86,593)</u>	<u>2,841</u>	<u>1,769</u>
Fund balances, July 1	<u>77,379</u>	<u>79,190</u>	<u>160,843</u>	<u>74,250</u>	<u>77,091</u>
Fund balances, June 30	\$ 79,190	\$ 160,843	\$ 74,250	\$ 77,091	\$ 78,860

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

⁽²⁾ Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the Fiscal Year 2010-11 financial statements, these properties were transferred back to the Redevelopment Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: Annual City Audits (except as noted).

Budgetary Process and Administration

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

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

Table 4 summarizes the final budget and audited actual results of the General Fund of the City for Fiscal Year 2013-14.

Table 4
CITY OF RIVERSIDE
GENERAL FUND BUDGET
(Fiscal Year 2013-14)
(000's Omitted)

	<i>2013-14</i> <i>Final Budget</i>	<i>2013-14</i> <i>Actual</i>	<i>Variance</i>
Revenues			
Taxes	\$ 140,868	\$ 143,748	\$ 2,880
Licenses and permits	7,736	7,694	(42)
Intergovernmental ⁽¹⁾	16,185	12,915	(3,270)
Charges for services	15,739	15,734	(5)
Fines and forfeitures	5,516	7,283	1,767
Special assessments	4,401	4,219	(182)
Rental and investment income	1,318	1,857	539
Miscellaneous	<u>5,838</u>	<u>3,402</u>	<u>(2,436)</u>
Total revenues	\$ 197,601	\$ 196,852	\$ (749)
Expenditures			
General government	\$ 59,160	\$ 52,305	\$ 6,859
Allocated expenditures	(43,738)	(41,954)	(1,784)
Public Safety	149,851	149,450	401
Highways and streets	20,213	16,944	3,269
Culture and recreation	36,165	34,165	2,000
Capital Outlay	13,039	8,589	4,450
Debt service: Principal	3,319	9,262	57
Debt service: Interest	6,424	6,259	165
Bond issuance costs	<u>103</u>	<u>103</u>	<u>--</u>
Total expenditures	\$ 250,536	\$ 235,123	\$ 15,413
Deficiency of revenue under expenditures	\$ (52,935)	\$ (38,271)	\$ 14,664
Other financing sources (uses):			
Transfers in	\$ 45,695	\$ 45,695	\$ --
Transfers out	(15,251)	(13,184)	2,067
Proceeds from issuance of long-term debt ⁽²⁾	30,940	30,940	--
Payment to Escrow for Advance Refunding ⁽³⁾	(30,940)	(30,940)	--
Capital Lease Proceeds	6,625	6,625	--
Sales of capital assets	<u>297</u>	<u>904</u>	<u>607</u>
Total other financing sources (uses)	\$ 37,366	\$ 40,090	\$ 2,674
Net change in fund balance	\$ (15,569)	\$ (1,769)	\$ 17,338
Fund balance, beginning	\$ 77,091	\$ 77,091	--
Fund balance, ending	\$ 61,522	\$ 78,860	\$ 17,338

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

⁽²⁾ \$30,940,000 reflects Proceeds of the 2014 Notes, the proceeds of which were used to refund outstanding 2013 Notes.

⁽³⁾ Reflects refunding of the City's 2013 Notes.

Source: City of Riverside.

Fiscal Year 2014-15 Budget. The adopted Fiscal Year 2014-15 budget included General Fund revenues of \$240.1 million. The year-end forecast of General Fund revenue as of January 31, 2015 is \$245.3 million as a result of the following major variances: (i) Tax revenues are \$2.5 million above the amount originally forecasted primarily due to higher than anticipated sales tax collections; (ii) charges for services revenues are \$4.6 million above the amount originally forecasted primarily due to an accounting adjustment

related to the Convention Center management contract; (iii) other and one-time revenues are \$1.6 million lower than anticipated primarily due to a projected shortfall of \$1.5 million in one-time revenue; and (iv) fines and forfeits revenues are \$1.3 million lower primarily due to the elimination of the photo enforcement program.

In Fiscal Year 2014-15, the adopted General Fund expenditure budget was \$240.1 million. The year-end forecast of General Fund expenditures as of January 31, 2015 is \$245.1 million as a result of the following major variances: (i) mid-year appropriations of \$5.0 million were approved by the City Council for a variety of purposes, including \$4.0 million related to the accounting adjustment for the Convention Center management contract; and (ii) expenditures increased by \$1.7 million as a result of departmental variances, primarily related to additional backfill costs in the Fire Department associated with mutual aid fire events and lower than anticipated General Fund-wide managed savings. With its action to approve the Fiscal Year 2014-15 budget, it is anticipated that the City Council will authorize supplemental appropriations to cover any remaining minor over-budget amounts.

If the revenue and expenditure forecast described above is realized, the General Fund reserve balance would decrease to approximately \$37.0 million at the end of Fiscal Year 2014-15. However, City staff continually works to identify new revenue sources and reduce expenditures throughout each fiscal year, both of which could result in a higher General Fund reserve balance at year end as has been the case in recent years.

The following table summarizes the Fiscal Year 2014-15 adopted budget and the Fiscal Year 2014-15 projected actual results as of January 31, 2015.

Table 5
CITY OF RIVERSIDE
SUMMARY OF GENERAL FUND BUDGETS
(Fiscal Year 2014-15)

	<i>Adopted Budget 2014-15</i>	<i>Projected Actuals 2014-15⁽¹⁾</i>	<i>Projected Variance</i>
Revenues:			
Sales & Use Taxes	\$ 57,455,000	\$ 59,430,000	\$ 1,975,000
Property Taxes	50,736,173	50,799,483	63,310
Utilities Users Tax	28,153,000	28,268,000	115,000
Charges for Services	17,575,434	22,183,479	4,608,045
Licenses and Permits	8,421,200	8,144,200	(277,000)
Other	6,622,863	6,487,863	(135,000)
Fines and Forfeitures	5,005,800	3,660,800	(1,345,000)
Franchises	4,840,000	5,115,000	275,000
Special Assessments	4,570,430	4,645,430	75,000
Transient Occupancy Tax	4,470,000	4,800,000	330,000
Property Transfer Tax	2,376,000	2,172,500	(203,500)
Intergovernmental Revenues	1,418,400	2,046,000	627,600
One-Time Revenues ⁽²⁾	3,000,000	1,500,000	(1,500,000)
Set-Aside Prior Year Revenue ⁽³⁾	--	764,510	764,510
Interfund Transfers ⁽⁴⁾	<u>45,412,500</u>	<u>45,276,800</u>	<u>(135,700)</u>
Total Revenues	\$ 240,056,800	\$ 245,294,065	\$ 5,237,265
Expenditures:			
City Attorney ⁽⁵⁾	\$ 3,923,080	\$ 3,587,080	\$ (336,000)
City Clerk ⁽⁵⁾	945,802	935,802	(10,000)
City Council ⁽⁵⁾	1,142,728	1,062,728	(80,000)
City Manager ⁽⁵⁾	4,986,456	4,986,456	--
Community Development ⁽⁵⁾	9,535,123	8,686,123	(849,000)
Finance ⁽⁵⁾	7,462,538	6,910,538	(552,000)
Fire	44,482,241	45,896,241	1,414,000
General Services ⁽⁵⁾	4,546,653	4,221,653	(325,000)
Human Resources ⁽⁵⁾	2,500,699	2,159,699	(341,000)
Innovation & Technology ⁽⁵⁾	10,815,540	10,433,540	(382,000)
Library	5,877,233	5,601,233	(276,000)
Mayor ⁽⁵⁾	813,097	808,097	(5,000)
Museum	3,151,933	2,883,933	(268,000)
Non-Departmental ⁽⁵⁾	21,134,388	20,215,388	(919,000)
Parks, Recreation & Comm Svcs	14,555,537	13,971,537	(584,000)
Police	86,606,288	86,602,288	(4,000)
Public Works	11,900,890	10,792,890	(1,108,000)
Mid-Year Appropriations ⁽⁶⁾	--	5,027,186	5,027,186
Net Debt Allocation ⁽⁸⁾	30,080,878	30,080,878	--
Managed Savings ⁽⁷⁾	(6,301,000)	--	6,301,000
Net Cost Allocation ⁽⁹⁾	<u>(18,103,303)</u>	<u>(18,103,303)</u>	<u>--</u>
Total Expenditures	\$ 240,056,800	\$ 246,759,986	\$ 6,703,186
Opening Reserves	\$ 36,036,272	\$ 38,438,826	\$ 2,402,554
Revenue	240,056,800	245,294,065	5,237,265
Expenditures	<u>(240,056,800)</u>	<u>(246,759,986)</u>	<u>(6,703,186)</u>
Ending Reserves	\$ 36,036,272	\$ 36,972,905	\$ 936,633

(1) As of January 31, 2015, adjusted to include mid-year supplemental appropriations by the City Council since that date.

(2) Reflects \$3,000,000 of projected one-time revenues that will be identified during the course of the fiscal year, which is a normal occurrence.

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

(4) Interfund Transfers are composed of the transfers to the General Fund from the Water Utility and the Electric Utility.

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

(6) Reflects mid-year appropriations made by the City Council.

(7) Reflects projected savings that will be realized across the entire General Fund budget during the course of the year. In the "Projected Actuals 2014-15" column, this amount is spread across all departments.

(8) Debt service is budgeted in the Office of the City Manager and is allocated to other General Fund departments based on the use of the debt proceeds. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.

(9) Costs associated with the internal service departments are allocated through the City's cost allocation plan. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the general fund reserves of the City for Fiscal Years 2005-06 through 2014-15, with projected figures for Fiscal Year 2014-15. The City's policy is to maintain its general fund reserves in an amount equal to 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion.

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

<i>Fiscal Year</i>	<i>(000's Omitted) Ending Reserves</i>	<i>Percent Change</i>	<i>% of Following Fiscal Year Expenditures</i>
2005-06	46,626	(16.2)	N/A ⁽³⁾
2006-07	46,239	(0.8)	20.4
2007-08	44,671	(3.4)	20.7
2008-09	39,921	(10.6)	20.1
2009-10	44,062	10.4	22.6
2010-11	40,369	(8.4)	19.1
2011-12	40,014	(0.9)	18.1
2012-13	39,463	(1.4)	17.7
2013-14	38,439 ⁽¹⁾	(2.6)	16.0
2014-15	36,973 ⁽²⁾	(3.8)	--

⁽¹⁾ The available reserve balance of \$38,439,000 at June 30, 2014 includes "Unassigned" fund balance (\$37,732,000) as well as other budgetary adjustments to the fund balance found in the City's CAFR. The General Fund Reserves are available at the City Council's discretion.

⁽²⁾ Projected. If the revenue and expenditure forecast described above is realized, the General Fund reserve balance would decrease to approximately \$37.0 million at the end of Fiscal Year 2014-15. However, City staff continually works to identify new revenue sources and reduce expenditures throughout each fiscal year, both of which could result in a higher General Fund reserve balance at year-end, as has been the case in recent years.

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

Source: City of Riverside annual budgets.

Taxes and Other Revenue

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

Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE
(000's omitted)

	<i>Fiscal Year</i>				
	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Property Taxes ⁽¹⁾	\$ 46,714	\$ 44,989	\$ 46,385	\$ 52,904	\$ 51,323
Sales & Use Tax	39,645	44,157	47,701	50,222	55,096
Utility Users Tax	25,831	26,691	27,319	28,206	28,092
Other Taxes ⁽²⁾	<u>6,964</u>	<u>7,670</u>	<u>7,879</u>	<u>8,662</u>	<u>9,235</u>
Total Taxes	\$ 119,154	\$ 123,507	\$ 129,285	\$ 139,994	\$ 143,746

⁽¹⁾ Property Taxes include Property Transfer Tax and Library Operations Tax as well as the property tax received in lieu of vehicle license fees.

⁽²⁾ Sales & Use Tax includes the sales tax in lieu related to Proposition 57 (the "Triple Flip").

⁽³⁾ Other Taxes includes Transient Occupancy Tax and Franchise Fees.

Source: City of Riverside Annual Financial Reports.

Sales Taxes

Sales and use taxes represent the second largest source of general fund revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State.

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

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the "Triple Flip." The State issued \$11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax moneys were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur by Fiscal Year 2017.

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

Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective April 1, 2015

State General Fund	6.50%
City	1.00
Riverside County Transportation Commission	<u>0.50</u>
Total	8.00%

Source: California State Board of Equalization.

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

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

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

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

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

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

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

showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

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

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

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

History of Taxable Transactions. Total taxable sales during calendar year 2013 in the City were reported to be approximately \$4,612,948,000, an 8.1% increase over the total taxable sales of approximately \$4,238,975,000 reported during calendar year 2013.

Table 9
CITY OF RIVERSIDE
TAXABLE TRANSACTIONS
For Calendar Years 2009 Through 2013
(Dollars in thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2009	5,033	2,734,550	7,202	3,500,514
2010	5,690	2,889,292	7,907	3,692,302
2011	5,764	3,144,537	8,066	4,019,127
2012	6,196	3,348,220	8,484	4,238,975
2013	5,537	3,580,926	7,773	4,612,948

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Ad Valorem Property Taxes

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

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

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

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

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

The County of Riverside adopted this method of distributing taxes; however, the City had elected not to participate in the Teeter Plan until entering the plan at the end of Fiscal Year 2012-13. Consequently, property tax collections allocated to the City reflect actual collections for the years prior to the City's entrance into the Teeter Plan.

The following table illustrates the secured property tax revenues of the City for Fiscal Years 2004-05 through 2013-14:

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

<i>Fiscal Year</i>	<i>Total Tax Levy for Fiscal Year</i>	<i>Current Tax Collections⁽²⁾</i>	<i>% of Current Taxes Collected</i>	<i>Collections in Subsequent Years</i>	<i>Total Tax Collections as of 6/30/2013</i>	<i>Ratio of Total Tax Collections to Total Tax Levy⁽⁴⁾</i>
2004-05	\$36,825	\$36,332	98.66%	\$ 476	\$36,825	100.00%
2005-06	52,532	51,815	98.64	700	52,532	100.00
2006-07	69,246	67,046	96.82	2,174	69,246	100.00
2007-08	83,996	82,345	98.03	1,608	83,996	100.00
2008-09	86,251	84,134	97.55	2,048	86,251	100.00
2009-10	77,228	74,491	96.46	2,607	77,228	100.00
2010-11	74,608	72,327	96.94	2,090	74,608	100.00
2011-12 ⁽³⁾	41,020	40,340	98.34	680	41,020	100.00
2012-13	43,333	42,447	97.96	886	43,333	100.00
2013-14	45,138	44,684	98.99	--	44,684	98.99

⁽¹⁾ Includes collection of property tax revenue allocated to the City's Redevelopment Agency through Fiscal Year 2010-11. The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside

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

⁽³⁾ Decrease is the result of the dissolution of the City's Redevelopment Agency.

⁽⁴⁾ The City elected to participate in the County's Teeter Plan beginning July 1, 2013. As a result, from and after that date, the County is responsible for the collection of delinquent property taxes and the City will receive 100% of its share of the tax levy.

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

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

Table 11
CITY OF RIVERSIDE GENERAL FUND⁽¹⁾
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in thousands)

<i>Fiscal Year</i>	<i>Secured</i>	<i>Unsecured</i>	<i>Less Exemptions⁽²⁾</i>	<i>Total</i>
2005-06	\$17,557,341	\$1,058,995	\$(4,002,177)	\$14,614,159
2006-07	20,672,126	1,140,891	(5,417,388)	16,395,629
2007-08	23,618,776	1,291,972	(6,960,666)	17,950,082
2008-09	24,428,633	1,330,053	(7,515,667)	18,243,019
2009-10	22,644,262	1,299,353	(7,103,040)	16,840,575
2010-11	22,056,793	1,260,923	(6,920,720)	16,396,996
2011-12	22,031,328	1,264,151	(6,952,649)	16,342,830
2012-13	22,313,664	1,244,448	(7,142,401)	16,415,711
2013-14	23,045,134	1,201,634	(7,394,982)	16,851,786
2014-15	24,482,621	1,329,391	(7,945,000)	17,867,012

⁽¹⁾ Does not include property tax revenues received by the City's former Redevelopment Agency.

⁽²⁾ Includes incremental assessed value of the former Redevelopment Agency's project areas.

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

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

<i>January 1</i>	<i>Gross Assessed Value</i>	<i>Homeowners' and Other Exemptions⁽¹⁾</i>	<i>Redevelopment Agency Incremental Value</i>	<i>Net Value</i>
2006	18,616,336	(929,544)	(3,072,633)	14,614,159
2007	21,813,017	(954,324)	(4,463,064)	16,395,629
2008	24,910,748	(1,036,591)	(5,924,075)	17,950,082
2009	25,758,686	(1,158,981)	(6,356,686)	18,243,019
2010	23,943,615	(1,205,988)	(5,897,052)	16,840,575
2011	23,317,716	(1,247,918)	(5,672,802)	16,396,996
2012	23,295,479	(1,255,177)	(5,697,472)	16,342,830
2013	23,558,113	(1,347,437)	(5,794,964)	16,415,712
2014	24,246,768	(1,382,210)	(6,012,772)	16,851,786
2015	25,818,012	(1,426,575)	(6,518,425)	17,867,012

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

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

Proposition 8 Reductions. Beginning in fiscal year 2008-09, the assessed values of numerous properties in the City were reduced resulting in a gradual decline in the City's assessed valuation. Most recently, for the 2014-15 tax year, the Assessor's office reduced the value of 11,137 properties by a total of approximately \$1.55 billion; however the overall assessed valuation for the City increased by 6.46%. The City anticipates that assessed values in fiscal year 2015-16 will continue to increase; accordingly, further Proposition 8 Reductions, if any, are not anticipated to result in a decline in property tax revenue.

Largest Taxpayers. The 10 largest secured property taxpayers for Fiscal Year 2013-14 are as follows:

Table 13
CITY OF RIVERSIDE
LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2013-14
(in thousands)

<i>Taxpayer</i>	<i>Assessed Valuation</i>	<i>Percent of Total</i>
Tyler Mall	\$ 194,241	0.8%
La Sierra University	136,505	0.6
Riverside Healthcare System	110,756	0.5
Rohr Inc	108,703	0.5
Cole ID	93,330	0.4
State Street Bank & Trust Co of Calif	91,636	0.4
Vestar Riverside Plaza	84,860	0.4
Corona Pointe Apartments	77,450	0.3
7450 Northrop Drive Apartments	73,297	0.3
Canyon Springs Marketplace Corp	<u>70,030</u>	<u>0.3</u>
Total	\$1,040,808	4.5%

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

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

Other Taxes

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

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

Transient Occupancy Taxes. The City levies a 13% transient occupancy tax on hotel and motel bills.

Utility Users Taxes. The City levies a tax equal to 6.5% of utility bills, which is collected by the companies providing the services and remitted monthly to the City. This tax was adopted by the City Council on July 7, 1970, and the approving ordinance has no sunset provision.

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

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

Utility Payments

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIIC and XIID of the State Constitution” for a description of certain transfers to the General Fund from the City’s water utility (in the amount of \$6,990,700 in Fiscal Year 2013-14) and the City’s electric utility (in the amount of \$38,703,800 in Fiscal Year 2013-14).

Special Assessments

On an annual basis, the City deposits into the General Fund approximately \$3.5 million of assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction and maintenance of public lighting and related facilities. The City uses the assessments to pay for a portion of the costs incurred by the City for the authorized public lighting and related facilities.

Short-Term Obligations

2014 Pension Obligation Notes. In Fiscal Year 2013-14, the City issued Taxable Pension Obligation Refunding Bond Anticipation Notes 2014 Series A (the “2014 Notes”) in the amount of \$30,940,000 to redeem at maturity the City’s \$30,940,000 outstanding aggregate principal amount of Taxable Pension Notes 2013 Series A. The 2014 Notes are due on June 1, 2015. The 2014 Notes are payable from any legally available funds in the City’s General Fund, including interfund transfers, and are expected to be refunded from proceeds of the 2015 Notes. Ultimately the City’s intent is to take out the 2015 Notes (or future notes) with long-term financing consistent with the original Series 2005-B Pension Obligation Bonds’ amortization, which did not

begin principal payments until after the Series 2005-A debt has been retired in 2020. (See “Pension Obligation Bonds” below).

Long-Term Obligations

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

General Obligation Debt. On November 4, 2003, the voters in the City approved the issuance of up to \$20 million principal amount of general obligation bonds to finance fire facilities. As of June 30, 2014, the outstanding obligation with respect to the general obligation bonds was \$14,460,000 (including \$165,000 of unamortized initial issue premium).

Pension Obligation Bonds. In Fiscal Year 2003-04, the City issued Pension Obligation Bonds (the “2004 Pension Obligation Bonds”) in the amount of \$89,540,000 to fund a portion of the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Pension Obligation Bonds were deposited with CalPERS and are reflected as a net pension asset of \$76,846,000 for governmental activities in the Government-wide Statement of Net Position in the City’s audited financial statements (see APPENDIX B—“COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014”). As of June 30, 2014, the City had \$66,320,000 principal amount of 2004 Pension Obligation Bonds outstanding.

In Fiscal Year 2004-05, the City issued Pension Obligation Bonds (the “2005 Pension Obligation Bonds”) in the amount of \$60,000,000 to fund a portion of the unfunded actuarial accrued liability for miscellaneous employees. Proceeds from the 2005 Pension Obligation Bonds in the amount of \$59,434,000 were deposited with CalPERS and are reflected as a net pension asset of \$49,615,000 in the Government-wide Statement of Net Position in the City’s audited financial statements. As of June 30, 2014, \$18,515,000 principal amount of the 2005-A Pension Obligation bonds was outstanding. The 2005-B Pension Obligation Bonds (Auction Rate Securities) were refunded by a series of successively issued pension obligation notes, most recently, the 2014 Notes.

As of June 30, 2014, a total of \$115,775,000 of net pension assets (including the 2004 Pension Obligation Bonds, the 2005 Pension Obligation Bonds and the 2014 Notes) are included as a deferred charge in the Government-wide Statement of Net Position. The deferred charge relating to the net pension assets is being amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses. See Note 15 of the Fiscal Year 2013-14 audited financial statements for additional information.

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

As of June 30, 2014, the outstanding certificates of participation and lease revenue bonds and their outstanding principal balance were as set forth in the following table:

Table 14
CITY OF RIVERSIDE
SUMMARY OF LONG-TERM GENERAL FUND COP AND LRB OBLIGATIONS

	<i>Original Issue</i>	<i>Outstanding Principal⁽¹⁾</i>
2006 Certificates of Participation	\$ 19,945,000	\$ 18,585,000
2008 Certificates of Participation ⁽²⁾	128,300,000	116,100,000
2010 Certificates of Participation	20,660,000	20,660,000
2012 Lease Revenue Bonds	<u>41,240,000</u>	<u>35,235,000</u>
Subtotal	\$ 210,145,000	\$ 190,580,000
Plus unamortized Premium		<u>866,000</u>
Total		\$ 191,446,000

⁽¹⁾ As of June 30, 2014.

⁽²⁾ The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 10 (Derivative Instruments) to the City's Fiscal Year 2013-14 audited financial statements.

Bank Loan Financings. The City entered into a loan with City National Bank in 2011 to finance the construction of the Fox Entertainment Plaza, a mixed-use project adjacent to the Fox Performing Arts Center in downtown Riverside that contains a parking garage, museum exhibit space, restaurant/retail space, and a small black box theater. While the debt is recorded in the City's Parking Fund (an enterprise fund) and the debt is to be primarily serviced by Parking Fund revenues, the debt is secured by the General Fund. As of June 30, 2014, the total amount outstanding was \$22,092,000.

On April 5, 2012, the City entered into a lease/leaseback financing arrangement with Pinnacle Public Finance in the principal amount of \$4,000,000. Proceeds of this financing arrangement were used to finance a portion of the construction cost of a new City park. The City's general fund secures the lease/lease back arrangement. As of June 30, 2014, the total amount outstanding was \$3,294,000.

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

The Lease and Option to Purchase Agreement establishes a LIBOR-based variable rate interest rate. During the 21-month construction period, the City paid interest-only payments from proceeds of the lease financing. At the end of the 21-month construction period, an interest rate swap agreement with Compass Bank commenced and the variable interest rate under the Lease and Option to Purchase Agreement was "swapped" to fixed for the remaining 20-year amortization, resulting in equal payments each year of approximately \$2,850,000. The total approved loan amount is \$41,650,000; however under the terms of the loan agreement the City was only required to pay interest on the portion of the proceeds spent as of each monthly interest payment date. The City therefore recorded the balance drawn as of June 30, 2014, of \$25,000,000 in its 2013-14 financial statements. Currently, the full \$41,650,000 has been utilized.

On February 25, 2014, the City Council approved an increase in the loan amount of \$3,000,000, increasing the total amount of the loan to \$44,650,000. The additional funding is not included in the interest rate swap and will remain subject to the variable interest rate. All other terms of the additional financing are comparable to the original transaction including the term and interest rate. The additional principal will amortize proportionally to the amortization schedule of the original loan.

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

Payment of the loan commenced on May 1, 2014, and as of June 30, 2014, the total amount outstanding was approximately \$44,317,000.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2014 are identified in Note 6 to the City's June 30, 2014 audited financial statements. See Appendix B.

Direct and Overlapping Bonded Debt

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

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc. as of April 1, 2015. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Table 15
Direct and Overlapping Bonded Debt
CITY OF RIVERSIDE

2014-15 Assessed Valuation: \$24,614,768,393

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District	1.062%	\$ 1,172,660
Riverside City Community College District	29.434	66,843,826
Alvord Unified School District	71.075	159,424,944
Riverside Unified School District	86.833	117,372,166
Corona-Norco Unified School District	0.001	2,522
Jurupa Unified School District	0.002	895
Moreno Valley Unified School District	10.606	3,562,399
City of Riverside	100.000	13,395,000
Alvord Unified School District Community Facilities District No. 2006-1	82.333	6,389,041
Riverside Unified School District Community Facilities Districts	89.479 -100.	79,214,269
City of Riverside Community Facilities Districts	100.000	13,655,000
City of Riverside 1915 Act Bonds	100.000	<u>25,615,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$486,647,722
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	10.903%	\$ 71,648,718
Riverside County Pension Obligation Bonds	10.903	34,940,844
Riverside County Board of Education Certificates of Participation	10.903	200,070
Alvord Unified School District Certificates of Participation	71.075	1,440,734
Corona Norco Unified School District Certificates of Participation	0.001	279
Jurupa Unified School District Certificates of Participation	0.002	291
Moreno Valley Unified School District Certificates of Participation	10.606	1,323,099
Riverside Unified School District General Fund Obligations	86.833	9,677,538
City of Riverside General Fund Obligations	100.000	235,791,641
City of Riverside Pension Obligations	100.000	<u>115,775,000</u> ⁽¹⁾
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$470,798,214
Less: Riverside County supported obligations		<u>920,023</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$469,878,191
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$242,753,868
GROSS COMBINED TOTAL DEBT		\$1,200,199,804 ⁽²⁾
NET COMBINED TOTAL DEBT		\$1,199,279,781

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$13,395,000)	0.05%
Total Direct and Overlapping Tax and Assessment Debt	1.98%
Combined Direct Debt (\$364,961,641)	1.48%
Gross Combined Total Debt	4.88%
Net Combined Total Debt	4.87%

Ratios to Redevelopment Incremental Valuation (\$6,515,885,535):

Total Overlapping Tax Increment Debt	3.73%
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⁽¹⁾ Excludes issue to be sold.

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

Source: California Municipal Statistics, Inc.

Retirement Programs and Other Post-Employment Benefits

See “PERS PENSION PLANS” for a description of the City’s retirement programs.

Other Post-Employment Benefits. The City contributes to two single-employer defined benefit healthcare plans: a Stipend Plan and the Implied Subsidy Plan. The plans provide other post-employment health care benefits (“OPEB”) for eligible retirees and beneficiaries. For a description of each employee association and applicable benefits – see APPENDIX B—“COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014—Notes to Basic Financial Statements—Note 16: Other Post-Employment Benefits.”

The Stipend Plan is available to eligible retirees and beneficiaries pursuant to their collective bargaining agreements. The City has historically contributed to seven bargaining units through their associations. These seven associations are responsible for the administration of their individual plans. In concert with the implementation of the City’s second pension tier, these contributions by the City ceased for the SEIU, IBEW, and Fire bargaining units. They remained in place for Police bargaining units and were reinstated for the IBEW and Fire bargaining units on May 20, 2014, and July 1, 2014, respectively. As a result of the discontinuation of the stipend plan for the majority of the City’s employees, this information has not been reported in the Comprehensive Annual Financial Report since Fiscal Year 2010-11 due to the lack of materiality of the remaining Stipend Plan OPEB costs. The City will be conducting an actuarial evaluation of the Stipend Plan as of June 30, 2015, and may reinstate reporting related to the Stipend Plan in the Comprehensive Annual Financial Report at that time. The contribution requirements of the City for the Stipend Plan are established and may be amended through the MOU between the City and the unions. The City’s contribution is paid on a “pay-as-you-go-basis,” which is currently less than the annual required contribution.

The 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. The contribution requirements of the City’s Implied Subsidy Plan are established by the City Council.

The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries. Therefore, though the liability is reported in the City’s financial statements in compliance with GASB Statement 45, there is no actual related future cash outlay by the City required absent further action by the City Council.

The City’s annual OPEB cost (expense) for the Implied Subsidy 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 (“UAAL”) (or funding excess) over a period not to exceed thirty years. The City’s annual OPEB costs as reported in its most recent actuarial valuation as of June 30, 2013 were as follows (amounts in thousands).

Table 16
CITY OF RIVERSIDE⁽¹⁾
RESULTS – IMPLIED SUBSIDY
Discount Rate and Amortization Sensitivity
(amounts in 000’s)

<i>Valuation Date</i>	<i>6/30/11</i>	<i>6/30/13</i>
Discount Rate	4.5%	4.3%
Amortization Period	30 Years	30 Years
Funded Status⁽²⁾		
AAL (Accrued Actuarial Liability)	56,060	47,195
Assets	---	---
UAAL	56,060	47,195
Annual Required Contribution		
Normal Cost	3,276	2,553 ⁽³⁾
UAAL Amortization	2,545	2,360 ⁽³⁾
ARC	5,821	4,913 ⁽³⁾
ARC as % of payroll	4%	3.2%

⁽¹⁾ Based on most recent actuarial valuation performed as of June 30, 2013. Valuations are updated every two years and the valuation report as of June 30, 2015, is not available yet.

⁽²⁾ 30-year amortization.

⁽³⁾ As of June 30, 2014, as outlined in Note 16 to the City’s fiscal year 2013-14 audited financial statements.

The City’s annual OPEB cost (“AOC”), the contribution, and the net OPEB obligation (“NOO”) for the year ended June 30, 2013 is as follows (dollar amounts in thousands):

Table 17
CITY OF RIVERSIDE
RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation as of June 30, 2014⁽¹⁾
(amounts in 000’s)

Net OPEB Liability, Beginning of Year	\$22,317
Annual Required Contribution	4,913
Interest OPEB Obligation	960
Amortization of Net OPEB Obligation	(1,116)
Less Contributions Made ⁽²⁾	<u>(1,232)</u>
Net OPEB Obligation	<u>3,525</u>
Net OPEB Liability, End of Year	\$25,842

⁽¹⁾ Based on the most recent actuarial valuation report completed as of June 30, 2013 as set forth in City’s Fiscal Year 2013-14 audited financial statements.

⁽²⁾ Includes benefit payments.

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, 2013, the actuarial accrued liability for Implied Subsidy Plan benefits was \$56.0 million:

Three-year trend information for the Implied Subsidy Plan:

<i>Fiscal Year June 30</i>	<i>Annual OPEB Cost</i>	<i>% of OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
2012	\$5,789	25%	\$(17,796)
2013	6,147	26	(22,317)
2014	4,756	26	(25,892)

Employee Relations and Collective Bargaining

City employees are represented by nine labor union associations, the principal one being the Service Employees International Union, which represents approximately 39.6% of City full-time employees. Currently approximately 67.5% all City employees, including part-time employees, are covered by negotiated agreements. 78.6 of full-time employees are covered by these agreements, which have the following expiration dates:

**Table 18
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of March 19, 2015)**

<i>Bargaining Unit</i>	<i>Contract Expiration Date</i>	<i>Number of Employees</i>
Service Employees International Union – General	6/30/16	807
Riverside Police Officers Association ⁽¹⁾	12/1/14	280
Riverside Police Officers Association - Supervisory ⁽¹⁾	12/1/14	49
Riverside Police Administrators Association	3/14/16	24
International Brotherhood of Electrical Workers	9/30/16	173
International Brotherhood of Electrical Workers - Supervisory	9/30/16	24
Riverside City Firefighters Association	6/30/17	207
Riverside City Fire Management ⁽¹⁾	6/30/14	8
Service Employees International Union - Refuse	6/30/16	37

⁽¹⁾ Negotiations with the Riverside City Fire Management bargaining unit are ongoing and are about to commence with the two Riverside Police Officers Association bargaining units.

Source: City of Riverside.

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

Risk Management

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

Property insurance coverage has a limit of \$1 billion, with a \$100,000 deductible. Earthquake and flood insurance currently have a \$25 million limit, with a deductible of 5% for earthquake and \$100,000 for flood. Workers’ compensation insurance coverage has a limit of \$25 million with a deductible of \$3 million per occurrence. As of July 1, 2014, the City carried commercial insurance in the amount of \$20 million for

general and auto liability claims greater than \$3 million. There were no claims settled during Fiscal Years 2000 through 2014 above the self-insured amount.

The following tables summarize the working capital and cash balances in the Self-Insurance Fund for Fiscal Years 2009-10 through 2013-14. The decline in the cumulative balance in the self-insurance fund in recent years was initially the result of a gradual intentional reduction in cash on hand during the economic downturn. In Fiscal Year 2011-12 this trend was reversed with larger contributions budgeted in order to maintain the balance in the fund. Actual experience in Fiscal Year 2011-12 reflected a continued decline in the balance due to actual versus budgeted claims. In response, in Fiscal Year 2012-13 the City began contributing \$500,000 per year more than what was anticipated to fund claims for the fiscal year in an effort to begin to increase the cash balance on hand to pre-recession levels over a reasonable period of time. Unfortunately, significant and sustained negative claims experience in that year and after resulted in a continued decline in the balance. In Fiscal Year 2014-15, the \$500,000 contribution was increased to \$2,800,000. This adjustment is anticipated to fully reverse the trend and result in an increase in the cash balance by the end of fiscal year 2014-15 to approximately \$1,000,000. The additional funding contributions have been maintained in the draft Fiscal Year 2015-16 budget so that the cash balance in the fund can continue to increase. Due to the long-term nature of the majority of the liabilities of these funds, there is no expectation that cash would ever need to equal the total booked liabilities of the funds.

Table 19
CITY OF RIVERSIDE
SELF-INSURANCE FUND
(in thousands)

<i>Fund</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Self-Insurance Fund Balance ⁽¹⁾	\$ (9,503)	\$ (13,573)	\$ (14,853)	\$ (21,739)	(25,953)
Self-Insurance Fund Cash ⁽²⁾	16,318	13,185	12,957	10,080	9,516

⁽¹⁾ Reflects the consolidated obligations of the Liability Workers Compensation, and Unemployment Liability trust funds, less current resources available to pay those obligations shown as “Self-Insurance Fund Cash” in the table.

⁽²⁾ Reflects the consolidated cash balances for the liability, workers compensation, and unemployment insurance trust funds, including interfund advances receivable, which are considered liquid by the City due to their ability to be moved to other funds when cash is needed for other purposes.

Source: City of Riverside.

City Investment Policy and Portfolio

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

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

The City's pooled investment portfolio as of January 31, 2015, had a market value of \$467,995,777. The following table illustrates the investments as of January 31, 2015:

Table 20
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of January 31, 2015)

<i>Type</i>	<i>Market Value</i>	<i>Cost Basis</i>	<i>% of Portfolio⁽¹⁾</i>
Certificates of Deposit	\$ 17,550,124	\$17,577,419	3.77%
Local Agency Investment Fund (LAIF)	99,435,982	99,435,982	21.33
Money Market Accounts	61,337,710	61,336,117	13.15
Medium Term Corporate Notes	59,792,240	59,515,426	12.76
U.S. Government Agency	59,531,645	59,376,596	12.73
U.S. Treasury Notes/Bonds	170,268,076	168,944,301	36.23
Cash	<u>80,000</u>	<u>80,000</u>	<u>0.02</u>
Total	<u>\$467,995,777</u>	<u>\$466,265,842</u>	<u>100.00%</u>

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

As of January 31, 2015, the average life of the City's investment portfolio was 1.41 years.

Personal Income

The following table is based on personal income, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance.

Between 2011 and 2013 the County's per capita personal income increased approximately 6.7%. Between 2011 and 2013, the per capita personal income increased by approximately 8.2% in the State and by approximately 9.8% in the United States. The table below summarizes the total for the County, State and the United States for 2011 through 2013.

Table 21
PERSONAL INCOME
For Calendar Years 2011 Through 2013

<i>Year</i>	<i>Area</i>	<i>Total Personal Income (in Thousands)</i>	<i>Per Capita Personal Income</i>
2011	Riverside County	\$ 69,757,415	\$ 31,196
	California	1,685,635,498	44,749
	United States	13,189,935,000	42,332
2012	Riverside County	\$ 73,685,111	\$ 32,534
	California	1,805,193,769	47,505
	United States	13,873,161,000	44,200
2013	Riverside County	\$ 76,289,477	\$ 33,278
	California	1,856,614,186	48,434
	United States	14,151,427,000	44,765

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Education

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

Employment

The City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 7.2% in December 2014, down from a revised 8.0% in November 2014, and below the year-ago estimate of 10.2%. This compares with an unadjusted unemployment rate of 6.7% for California and 5.6% for the nation during the same period. The unemployment rate was 7.4% in Riverside County, and 7.0% in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

Table 22
RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Civilian Labor Force ⁽¹⁾	1,798,200	1,799,000	1,804,800	1,818,300	1,922,900
Employment	1,540,500	1,557,800	1,587,600	1,633,400	1,766,300
Unemployment	257,700	241,200	217,200	184,900	156,600
Unemployment Rate	14.3%	13.4%	12.0%	10.2%	8.1%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	15,000	14,900	15,000	14,500	14,300
Mining and Logging	1,000	1,000	1,100	1,200	1,300
Construction	59,700	58,700	58,400	70,000	77,000
Manufacturing	85,100	85,800	86,900	87,300	90,200
Wholesale Trade	48,600	49,400	52,800	56,400	59,000
Retail Trade	155,500	157,200	156,500	164,800	168,700
Transportation, Warehousing and Utilities	66,600	68,500	70,300	79,400	87,300
Information	15,800	15,000	14,900	11,500	11,200
Finance and Insurance	25,500	25,000	25,000	26,500	26,500
Real Estate and Rental and Leasing	15,500	14,200	13,800	15,600	16,200
Professional and Business Services	123,400	126,100	135,600	132,400	137,800
Educational and Health Services	133,800	137,900	141,100	184,500	193,600
Leisure and Hospitality	122,800	124,300	127,100	135,900	144,300
Other Services	38,200	39,300	38,800	41,400	43,200
Federal Government	22,700	21,200	20,500	20,300	20,200
State Government	29,300	29,100	28,400	27,800	28,200
Local Government	182,300	177,000	174,700	177,100	180,400
Total All Industries	1,140,900	1,144,600	1,160,600	1,246,600	1,299,400

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

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

Source: State of California Employment Development Department.

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

Table 23
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of June 30, 2014)

<i>Employer</i>	<i>Number of Employees</i>	<i>% of Total City-wide Employment</i>
County of Riverside	11,187	7.6%
University of California	7,218	4.9
Riverside Unified School District	3,461	2.4
Kaiser	3,156	2.1
City of Riverside	2,476	1.7
Riverside Community Hospital	1,880	1.3
Riverside County Office of Education	1,765	1.2
Alvord Unified School District	1,445	1.0
Parkview Community Hospital	1,350	0.9
Riverside Community College District	<u>1,061</u>	<u>0.7</u>
Total	34,999	23.8%

Source: City of Riverside (as presented in the City's 2014 Comprehensive Annual Financial Report).

The 25 largest employers in the County, listed in alphabetical order, are shown below.

Table 24
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of February 2014)

<i>Employer Name</i>	<i>Location</i>	<i>Industry</i>
Boston Scientific Corp.	Temecula	Physicians & Surgeons Equipment & Suppls - Whls
Corrections Dept	Norco	State Govt-Correctional Institutions
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Hemet Valley Medical Ctr	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
Inland Valley Medical Ctr	Wildomar	Hospitals
J W Marriott	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Inn	La Quinta	Resorts
Morongo Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Ent.	Banning	Business Management Consultants
Pechanga Resort	Temecula	Hotels & Motels
Pechanga Resort & Casino	Temecula	Casinos
Restoration Technologies Inc.	Corona	Electronic Equipment & Supplies-Repair
Riverside Community Hospital	Riverside	Hospitals
Riverside Community Regional Med.	Moreno Valley	Hospitals
Robertson's Ready Mix	Corona	Concrete-Ready Mixed
Roupe's Renovations	Wildomar	Remodeling & Repairing Bldg. Contractors
Startcrest of California	Perris	Internet & Catalog Shopping
Strarcrest Products	Perris	Gift Shops
Sun World Intl. LLC	Coachella	Fruits & Vegetables-Wholesale
Universal Protection Svc	Palm Desert	Security Guard & Patrol Services
US Air Force Dept.	March Air Reserve Base	Military Bases

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2015 1st Edition.

Construction Activity

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

Table 25
CITY OF RIVERSIDE BUILDING PERMIT ACTIVITY
For Calendar Years 2010 Through 2014
(Valuation in Thousands of Dollars)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
<u>Permit Valuation</u>					
New Single-family	\$27,882.4	\$ 8,311	\$ 15,590	\$ 50,863	\$ 61,311
New Multi-family	23,278.4	26,764	24,644	19,861	9,418
Res. Alterations/Additions	<u>7,603.4</u>	<u>8,298</u>	<u>7,565</u>	<u>8,710</u>	<u>10,291</u>
Total Residential	\$58,764.2	\$43,372	\$ 47,800	\$ 79,434	\$ 81,020
New Commercial/Industrial	\$42,753.6	\$30,952	\$ 31,720	\$ 41,505	\$ 14,206
New Other	9,051.8	5,703	63,098	11,677	2,914
Com. Alterations/Additions	<u>35,463.3</u>	<u>56,555</u>	<u>50,458</u>	<u>74,249</u>	<u>45,548</u>
Total Nonresidential	\$87,268.7	\$93,210	\$145,276	\$127,433	\$ 62,668
<u>New Dwelling Units</u>					
Single Family	107	43	62	200	144
Multiple Family	<u>266</u>	<u>236</u>	<u>216</u>	<u>219</u>	<u>155</u>
TOTAL	373	279	278	419	299

Source: City of Riverside Community Development Department.

Transportation

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

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

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

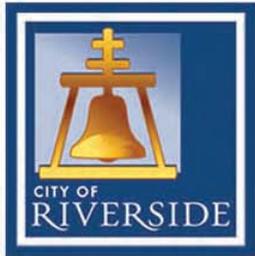
The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate \$4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

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APPENDIX B
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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Comprehensive Annual Financial Report Year Ended June 30, 2014

Seizing Our Destiny: The Movement for Riverside's Prosperous Future



**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

**Prepared by the Finance Department
Brent A. Mason, Finance Director/Treasurer**

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock

**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2014**

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**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2014**

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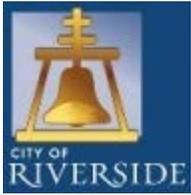
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December 8, 2014

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County, about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 23 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 68.

Local economy: The City is located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.2 million is larger than 24 states. The City leads the Inland Empire in most

measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 314,034, which places it as the sixth largest in Southern California.

Unemployment in the MSA is currently at 8.4% down from 9.7% for the same period last year with modest improvements in the real estate and home building sectors. The Citywide budget for the fiscal year 2014/2015 remains relatively flat and is balanced.

The MSA is projected to grow in future years because land values continue to remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Goals and Vision: Seizing Our Destiny is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2014/15 - 2018/19 total approximately \$505 million. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; bond proceeds, user fees, special tax revenues, and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to Parks, Recreation and Community Services projects; railroad-related projects; and municipal buildings and facilities, such as library, police and fire facilities.

Financial policies. A portion of fund balance within the General Fund is set aside and designated for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-sixth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, particularly the leadership of Jason Al-Imam, Controller. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Handwritten signature of Scott C. Barber in black ink.

Scott C. Barber
City Manager

Handwritten signature of Brent A. Mason in blue ink.

Brent A. Mason
Finance Director/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Riverside
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emen', written in a cursive style.

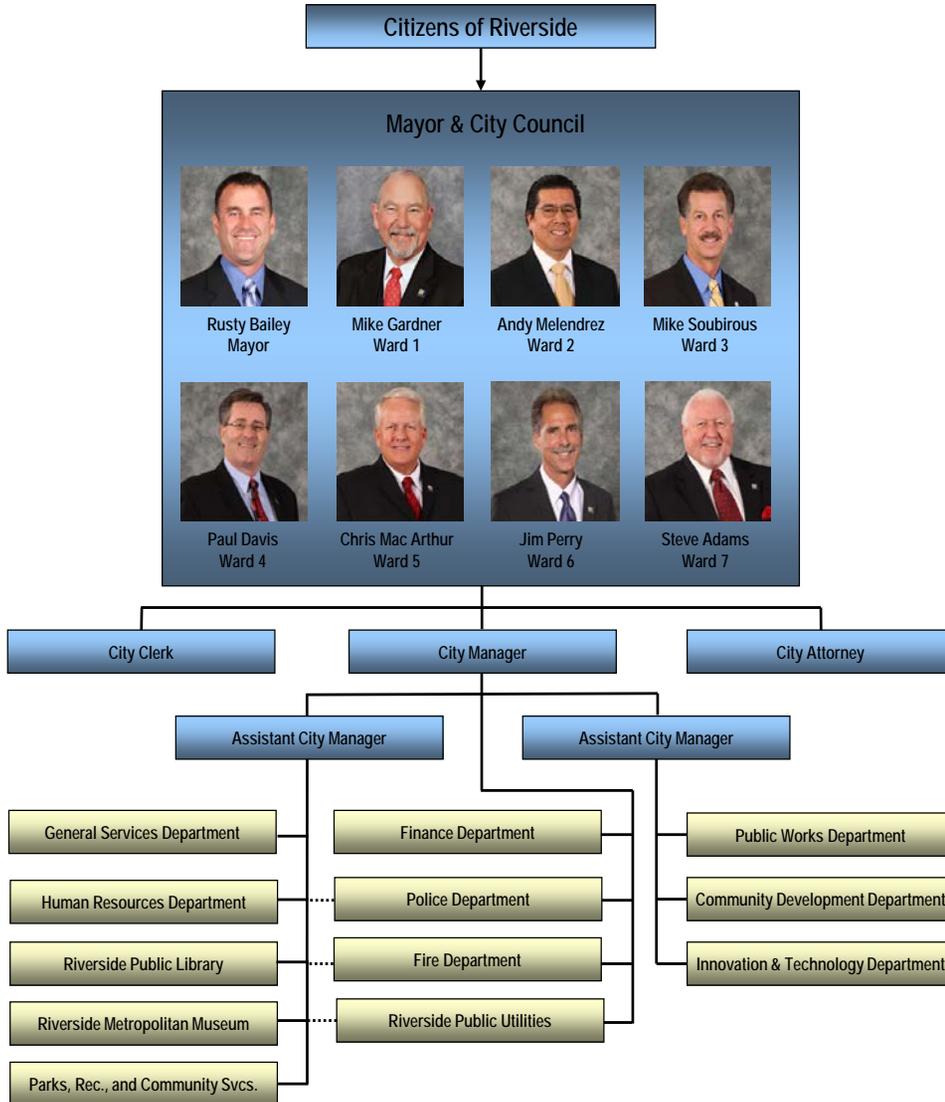
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

Rusty Bailey Mayor
 Mike Gardner Councilmember – Ward 1
 Andy Melendrez Councilmember – Ward 2
 Mike Soubiros Councilmember – Ward 3
 Paul Davis Councilmember – Ward 4
 Chris Mac Arthur Councilmember – Ward 5
 Jim Perry Councilmember – Ward 6
 Steve Adams Councilmember – Ward 7

CITY OFFICIALS

Scott C. Barber City Manager*
 Belinda Graham Assistant City Manager
 Deanna Lorson Assistant City Manager

Colleen J. Nicol City Clerk*
 Cristina Talley Interim City Attorney*
 Sergio G. Diaz Chief of Police
 Lea Deesing Chief Innovation Officer
 Al Zelinka Community Development Director
 Brent A. Mason Finance Director/Treasurer
 Michael Moore Fire Chief
 Kris Martinez General Services Director
 Brenda Diederichs Human Resources Director
 Tonya Kennon Library Director
 Sarah Mundy Museum & Cultural Affairs Director
 Adolfo Cruz Parks, Recreation & Community Svcs. Director
 Girish Balachandran General Manager - Public Utilities
 Tom Boyd Public Works Director/City Engineer

*Appointed by City Council

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

Independent Auditor's Report

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

Report on the Financial Statements

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 fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefits schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Newport Beach, California
December 8, 2014

Management's Discussion and Analysis (Unaudited)

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. 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 position* presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position 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 position changed during the most recent fiscal year. All changes in net position 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 activities of the City and three blended component units, which consist of the 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. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

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 19-20 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 unrestricted 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 thirteen 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 and Capital Outlay Fund, which are major funds. Data from the other eleven 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 65-69 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 21-25 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 73-81 in this report.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 31-32 of this report, and the combining statement for the agency fund can be found on page 84.

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 33 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities, deferred inflows and outflows, and net position for its governmental and business type activities. As noted earlier, a government's net position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 391,053	\$ 368,905	\$ 740,238	\$ 814,367	\$1,131,291	\$1,183,272
Capital assets, net	1,359,060	1,318,614	1,587,102	1,454,228	2,946,162	2,772,842
Total assets	1,750,113	1,687,519	2,327,340	2,268,595	4,077,453	3,956,114
Deferred Outflows of Resources	19,880	19,763	40,444	40,453	60,324	60,216
Current liabilities	65,949	71,349	154,937	159,173	220,886	230,522
Long-term liabilities	503,073	452,721	1,159,042	1,130,283	1,662,115	1,583,004
Total liabilities	569,022	524,070	1,313,979	1,289,456	1,883,001	1,813,526
Deferred Inflows of Resources	49	1,026	8,756	10,000	8,805	11,026
Net position:						
Net investment in capital assets	1,106,384	1,083,485	616,844	609,691	1,723,228	1,693,176
Restricted	96,587	80,712	68,506	69,068	165,093	149,780
Unrestricted	(2,049)	17,989	359,699	330,833	357,650	348,822
Total net position	\$ 1,200,922	\$ 1,182,186	\$ 1,045,049	\$ 1,009,592	\$2,245,971	\$2,191,778

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,245,971 at June 30, 2014, an increase of \$54,193 from June 30, 2013.

By far the largest portion of the City's net position (77 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 position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$359,699 is held by the business type activities and \$(2,049) net deficit is held by the governmental activities.

The City's total net position increased by \$54,193 during the current fiscal year, which reflects growth in governmental activities of \$18,736 as well as an increase of \$35,457 in business type activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 12.

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, 2014 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.

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(Amount presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charge for services	\$ 46,112	\$ 42,193	\$ 485,462	\$ 487,540	\$ 531,574	\$ 529,733
Operating Grants and Contributions	14,341	21,485	2,524	2,718	16,865	24,203
Capital Grants and Contributions	48,433	32,202	11,486	11,734	59,919	43,936
General Revenues:						
Sales taxes	55,096	50,222	-	-	55,096	50,222
Property taxes	51,323	52,904	-	-	51,323	52,904
Other taxes and fees	37,327	37,205	-	-	37,327	37,205
Investment income	2,759	2,786	8,005	4,744	10,764	7,530
Other	5,688	9,208	7,081	5,767	12,769	14,975
Total Revenues	<u>261,079</u>	<u>248,205</u>	<u>514,558</u>	<u>512,503</u>	<u>775,637</u>	<u>760,708</u>
Expenses:						
General government	39,331	54,808	-	-	39,331	54,808
Public safety	149,555	147,652	-	-	149,555	147,652
Highways and streets	36,564	35,072	-	-	36,564	35,072
Culture and recreation	42,252	40,077	-	-	42,252	40,077
Interest on long-term debt	17,741	16,627	-	-	17,741	16,627
Electric	-	-	304,416	292,175	304,416	292,175
Water	-	-	60,030	58,768	60,030	58,768
Sewer	-	-	40,385	43,945	40,385	43,945
Refuse	-	-	20,831	20,581	20,831	20,581
Airport	-	-	1,662	2,029	1,662	2,029
Transportation	-	-	4,067	3,745	4,067	3,745
Public parking	-	-	4,610	5,051	4,610	5,051
Total expenses	<u>285,443</u>	<u>294,236</u>	<u>436,001</u>	<u>426,294</u>	<u>721,444</u>	<u>720,530</u>
Increase (decrease) in net position before transfers and extraordinary items	(24,364)	(46,031)	78,557	86,209	54,193	40,178
Transfers, net	43,100	42,262	(43,100)	(42,262)	-	-
Extraordinary items:						
Power Plant Closure	-	-	-	(41,259)	-	(41,259)
Total changes in net position	<u>18,736</u>	<u>(3,769)</u>	<u>35,457</u>	<u>2,688</u>	<u>54,193</u>	<u>(1,081)</u>
Net position - beginning	<u>1,182,186</u>	<u>1,185,955</u>	<u>1,009,592</u>	<u>1,006,904</u>	<u>2,191,778</u>	<u>2,192,859</u>
Net position - ending	<u>\$ 1,200,922</u>	<u>\$ 1,182,186</u>	<u>\$ 1,045,049</u>	<u>\$ 1,009,592</u>	<u>\$ 2,245,971</u>	<u>\$ 2,191,778</u>

Governmental activities. Total net position for governmental activities increased by \$18,736 or 2% over prior year. Governmental net position in the prior fiscal year decreased by \$3,769. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

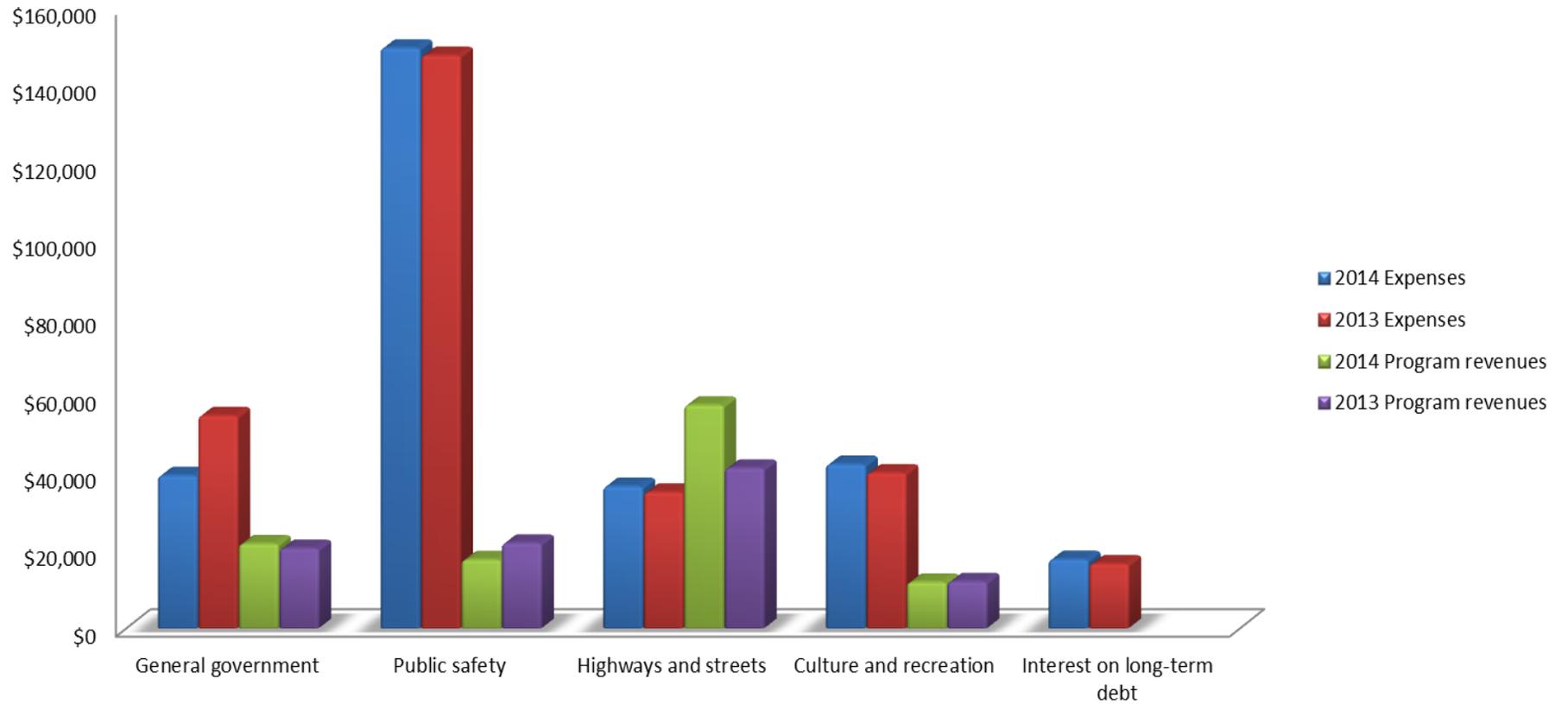
- While variances between years exist for the various revenue categories, the total net increase was approximately \$15 million, which is largely attributable to an increase in grant revenue and sales tax revenue. Overall grants and contributions increased by \$9 million or 17% and sales tax revenue increased by \$4.9 million or 10%. The increase in grants and contributions was primarily attributable to a \$5 million increase in grant revenue associated with the construction of the Streeter grade separation project which began construction in December 2012. The increase in sales tax revenue relates to an increase in general sales and use tax resulting from increased consumer spending.

Expenses:

- While variances between years exist for the various expense functions, the total net decrease was approximately \$8.8 million or less than 3%. This is primarily related to the \$10 million judgment recorded in the prior year related to the water settlement.

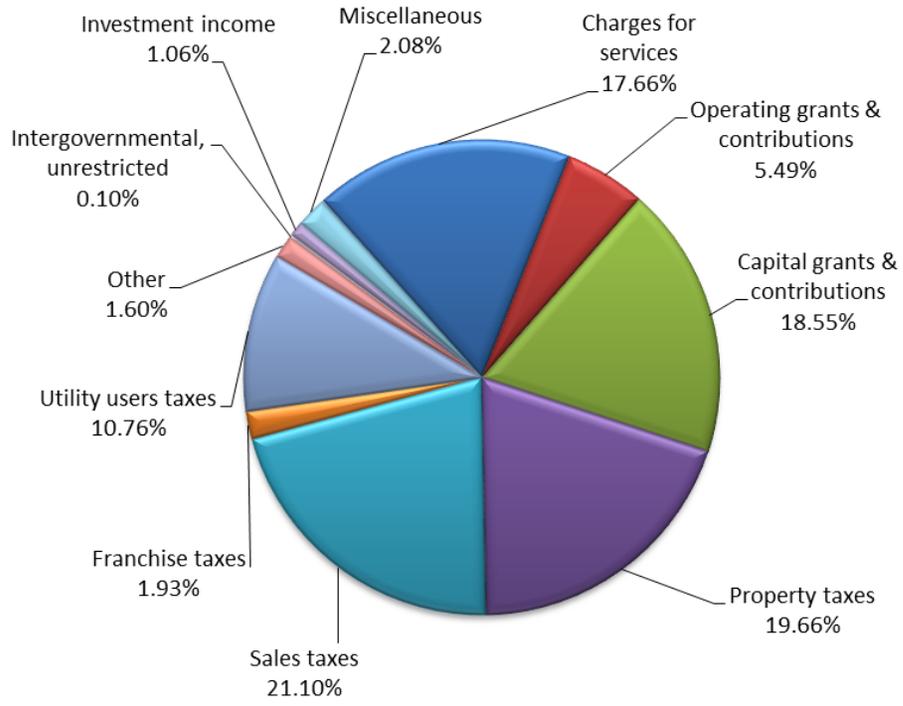
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Expenses and Program Revenues – Governmental Activities – Fiscal Year Comparison 2014 vs. 2013

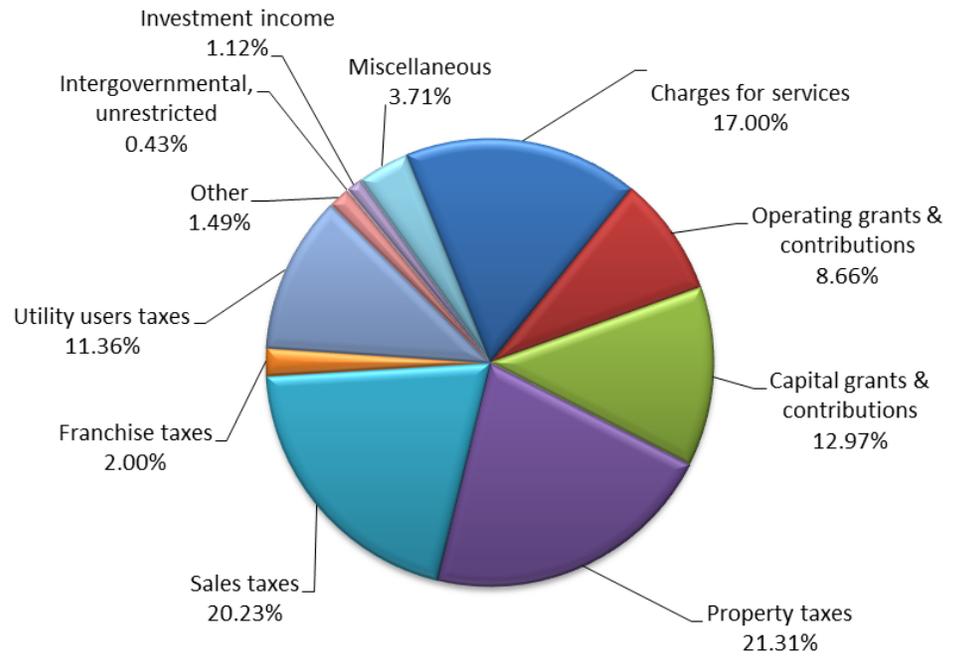


Revenues by Source – Governmental Activities – Fiscal Year Comparison 2014 vs. 2013

2014



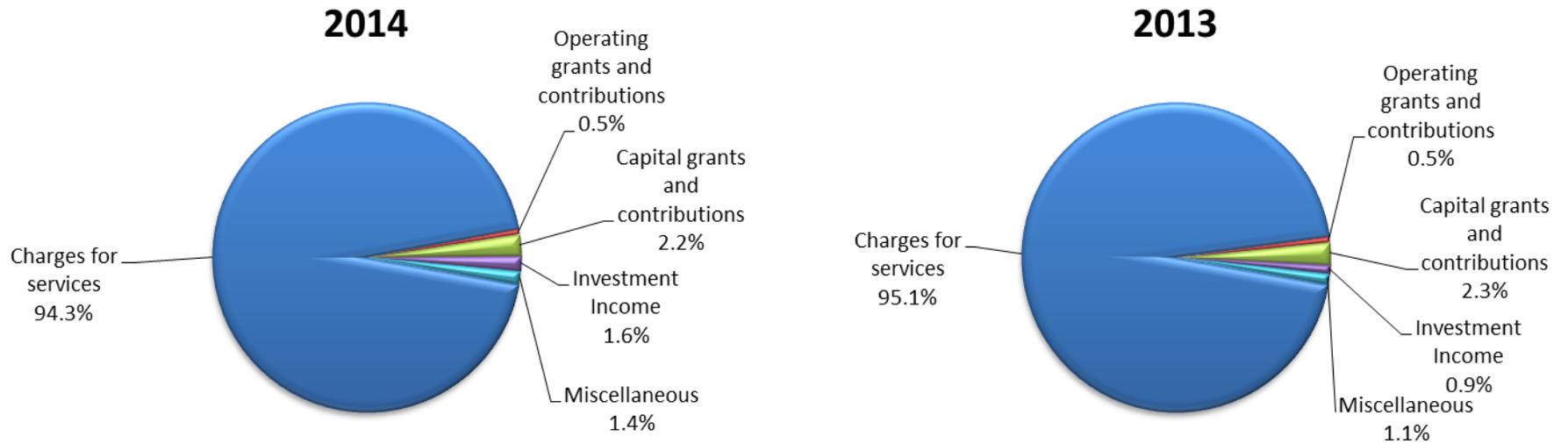
2013



Business-type activities. The net position of business type activities increased by \$35,457, accounting for a 3.5% increase in total net position. The net position of business type activities increased by \$2,688 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- The increase primarily related to a one-time non-recurring expense of \$41,000 incurred in the prior year as a result of the San Onofre Power Plant closure, which was partially offset by the following:
 - Charges for services remained relatively flat along service lines resulting in an overall decrease of \$2,078.
 - Overall expenses increased by \$9,707 primarily in Electric due to production and purchased power expense increase of \$7,361 related to increased energy prices.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Capital Outlay, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Capital Outlay		Other Governmental Funds		Total Governmental Funds	
	2014	2013	2014	2013	2014	2013	2014	2013
Total assets	\$ 109,891	\$ 114,204	\$ 71,633	\$ 42,321	\$ 121,524	\$ 120,689	\$ 303,048	\$ 277,214
Total liabilities	\$ 26,114	\$ 30,309	\$ 29,406	\$ 34,353	\$ 15,312	\$ 15,525	\$ 70,832	\$ 80,187
Deferred inflows of resources								
Unavailable revenue	4,917	6,804	4,860	6,536	34,522	34,371	44,299	47,711
Fund balances								
Nonspendable	24,419	26,421	-	-	1,460	1,441	25,879	27,862
Restricted	2,204	2,196	37,367	1,432	71,963	69,352	111,534	72,980
Assigned	14,505	10,711	-	-	-	-	14,505	10,711
Unassigned	37,732	37,763	-	-	(1,733)	-	35,999	37,763
Total fund balance	78,860	77,091	37,367	1,432	71,690	70,793	187,917	149,316
Total liabilities, deferred inflows and fund balances	\$ 109,891	\$ 114,204	\$ 71,633	\$ 42,321	\$ 121,524	\$ 120,689	\$ 303,048	\$ 277,214

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$187,917 an increase of \$38,601 compared to the prior year. Additionally, 14% of the fund balance (\$25,879) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$111,534 or 59% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. \$14,505 or 8% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$36,000 has been set aside for future economic contingencies at June 30, 2014 whereas \$34,000 had been set aside in the previous year. The City's governmental funds reported combined total assets of \$303,048 at June 30, 2014, an increase of \$25,834 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$115,131, a decrease of \$12,767. This primary reason for the increase in total assets and related fund balances is due to unspent bond proceeds in the Capital Outlay Fund associated with the 2013 Certificates of Participation.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$78,860 in comparison to \$77,091 in the prior year. The portion of fund balance classified as unassigned was \$37,732, most of which was set aside for future economic contingencies.

Fund balance for the Capital Outlay Fund increased by \$35,935. As mentioned previously, the primary reason for the increase is due to unspent bond proceeds in the Capital Outlay Fund associated with the 2013 Certificates of Participation.

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 position of the Electric, Water and Sewer Funds at the end of the year amounted to \$258,514, \$78,570, and \$19,066 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$241,696, \$69,996, and \$18,651, respectively. The increase in unrestricted net position for the Electric, Water and Sewer Funds is primarily a result of operating activities as described below.

The Electric Fund operating results experienced a decrease in charges for services of \$3,896 or 1.2%, primarily from the effects of a decrease in retail load as a result of cooler than normal temperatures. Retail sales (residential, commercial, industrial, and other sales) represent 85.9% of total revenues. Retail sales, net of reserve/recovery were \$295,214 and \$300,238 for years ended June 30, 2014 and 2013, respectively. Operating expenses increased \$12,400 or 4.6%, which primarily relates to an increase in purchased power and distribution costs.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 91.5% of total revenues. Retail sales, net of reserve/recovery were \$62,762 and \$61,837

for the years ended June 30, 2014 and 2013, respectively. The increase in sales was primarily due to a 1.7% increase in commercial consumption.

Net position of the Sewer Fund increased by \$10,993 and \$2,173 for the years ended June 30, 2014 and 2013, respectively. Operating revenues increased by \$2,390 or 5.5% primarily as a result of a rate increase and an increase in capital improvement fee revenue coupled with a reduction in interest expense and overall operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$179,955</u>	<u>\$197,601</u>	<u>\$196,852</u>	<u>(\$749)</u>
Expenditures:				
General Government	10,636	15,422	10,351	5,071
Public Safety	136,974	149,851	149,450	401
Highways & Streets	18,369	20,213	16,944	3,269
Culture & Recreation	30,331	36,165	34,165	2,000
Capital Outlay	156	13,039	8,589	4,450
Debt Service	15,846	46,786	46,564	222
Total Expenditures	<u>212,312</u>	<u>281,476</u>	<u>266,063</u>	<u>15,413</u>
Deficiency of Revenue Under Expenditures	(32,357)	(83,875)	(69,211)	14,664
Other Financing Sources	<u>32,357</u>	<u>68,306</u>	<u>70,980</u>	<u>2,674</u>
Net Change in Fund Balances	-	(15,569)	1,769	17,338
Beginning Fund Balance	<u>77,091</u>	<u>77,091</u>	<u>77,091</u>	<u>-</u>
Ending Fund Balance	<u><u>77,091</u></u>	<u><u>\$61,522</u></u>	<u><u>\$78,860</u></u>	<u><u>\$17,338</u></u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

- Approximately \$3.3 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred, which was offset by property tax revenue and sales tax revenue coming in higher than what was budgeted.

- Actual expenditures were less than budgeted amounts by approximately \$15 million. This is primarily associated with unspent appropriations for grants, capital projects and other special programs that were not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business type activities as of June 30, 2014 amounted to \$2,946,162 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City’s net investment in capital assets for the current fiscal year was \$173,320 (\$40,446 for governmental activities including internal service funds and \$132,874 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements of \$46 million and \$104 million in Sewer capital improvements primarily related to the plant expansion project.

Construction in progress totaled \$293,892 at June 30, 2014. Some of the major projects in process are various Sewer system improvements including phase 1 of the Sewer plant expansion project, the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Riverside Public Utility’s Sub-Transmission System. Depreciation expense during the fiscal year was \$42,278 for governmental activities and \$50,526 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$333,799	\$325,215	\$51,115	\$42,636	\$384,914	\$367,851
Intangibles	-	-	21,964	21,890	21,964	21,890
Buildings	125,869	130,051	153,917	158,428	279,786	288,479
Improvements other than Buildings	220,184	182,249	1,072,578	1,052,832	1,292,762	1,235,081
Machinery and equipment	21,016	19,612	26,647	29,057	47,663	48,669
Infrastructure	625,181	622,972	-	-	625,181	622,972
Construction in progress	33,011	38,515	260,881	149,385	293,892	187,900
Total	\$1,359,060	\$1,318,614	\$1,587,102	\$1,454,228	\$2,946,162	\$2,772,842

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 \$1,662,115 which includes bonded debt of \$1,588,315.

City of Riverside’s Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ -	\$ -	\$1,094,290	\$1,031,839	\$1,094,290	\$1,031,839
General Obligation Bonds	14,460	15,314	-	-	14,460	15,314
Pension Obligation Bonds	115,775	122,005	-	-	115,775	122,005
Certificates of Participation	191,446	158,697	-	-	191,446	158,697
Notes Payable	-	-	36,030	28,137	36,030	28,137
Loans Payable	47,611	28,652	-	42,661	47,611	71,313
Capital Leases	13,168	8,424	2,266	2,558	15,434	10,982
Lease Revenue Bonds	42,344	43,762	-	-	42,344	43,762
Landfill Capping	-	-	6,172	6,457	6,172	6,457
Arbitrage Liability	-	-	14	269	14	269
Compensated Absences	21,996	21,761	7,925	7,638	29,921	29,399
Judgment	6,667	10,000	-	-	6,667	10,000
Claims liability	35,167	31,569	-	-	35,167	31,569
Net OPEB Obligation	14,439	12,537	11,403	9,780	25,842	22,317
Water Acquisition Rights	-	-	942	944	942	944
Total	<u>\$503,073</u>	<u>\$452,721</u>	<u>\$1,159,042</u>	<u>\$1,130,283</u>	<u>\$1,662,115</u>	<u>\$1,583,004</u>

The City’s total debt increased by \$79,111 or 5.0% during the current fiscal year. The net increase primarily resulted from the issuance of the 2014A Sewer Bonds and 2013 Certificates of Participation as well as normal scheduled principal maturities, debt refundings, and an increase in claims payable.

The City’s Water Utility maintains “AAA” 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 \$631,942 at June 30, 2014, which applies only to general obligation debt. At June 30, 2014, the City had \$14,460 of general obligation debt, resulting in available legal debt capacity of \$617,482.

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

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 8.4% as compared to 9.7% for the prior year.
- The required employer contribution rates as a percentage of payroll for the City's retirement program will be changing effective July 1, 2014 as follows:
 - Miscellaneous Plan – 18.314% to 18.994%.
 - Safety Plan – 26.894% to 29.041%.

At the time of budget preparation for fiscal year 2015, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2015 of approximately \$240 million was adopted as balanced. It represents an increase from the prior year of approximately 8%, largely related to an increase in pension costs and debt service for the Convention Center renovation and expansion project and several capital leases.

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 Finance Department, 3900 Main Street City of Riverside, CA 92522.

City of Riverside
Statement of Net Position
June 30, 2014
(amounts expressed in thousands)

	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments	\$ 62,599	\$ 322,169	\$ 384,768
Receivables, net	113,868	62,962	176,830
Inventory	5,819	2,530	8,349
Prepaid items	241	25,520	25,761
Deposits	300	854	1,154
Derivative instruments	49	-	49
Internal balances	13,328	(13,328)	-
Restricted assets:			
Cash and cash equivalents	-	46,506	46,506
Cash and investments at fiscal agent	43,118	234,179	277,297
Other	-	1,067	1,067
Advances to Successor Agency	46,025	10,236	56,261
Land and improvements held for resale	4,522	-	4,522
Regulatory assets	-	25,921	25,921
Net pension asset	101,184	21,622	122,806
Land and other capital assets not being depreciated	366,810	333,488	700,298
Capital assets (net of accumulated depreciation)	992,250	1,253,614	2,245,864
Total assets	1,750,113	2,327,340	4,077,453
Deferred Outflows of Resources			
Deferred changes in derivative values	14,784	19,277	34,061
Deferred charge on refunding	5,096	21,167	26,263
Total deferred outflows of resources	19,880	40,444	60,324
Liabilities			
Accounts payable and other current liabilities	26,399	30,429	56,828
Accrued interest payable	3,519	12,010	15,529
Unearned revenue	7,317	2,229	9,546
Deposits	9,229	4,779	14,008
Derivative instruments	19,485	30,191	49,676
Decommissioning liability	-	75,299	75,299
Noncurrent liabilities:			
Due within one year	76,147	86,427	162,574
Due in more than one year	426,926	1,072,615	1,499,541
Total liabilities	569,022	1,313,979	1,883,001
Deferred Inflows of Resources			
Deferred changes in derivative values	49	-	49
Deferred regulatory charges	-	8,756	8,756
Total deferred inflows of resources	49	8,756	8,805
Net Position			
Net investment in capital assets	1,106,384	616,844	1,723,228
Restricted for:			
Expendable:			
Capital projects	16,943	-	16,943
Debt service	-	51,240	51,240
Economic development	15,328	-	15,328
Landfill capping	-	901	901
Public works	17,439	-	17,439
Housing	45,417	-	45,417
Programs and regulatory requirements	-	16,365	16,365
Nonexpendable	1,460	-	1,460
Unrestricted	(2,049)	359,699	357,650
Total net position	\$ 1,200,922	\$ 1,045,049	\$ 2,245,971

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, 2014
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total	
Governmental activities:									
General government	\$ 39,331	\$ (12,357)	\$ 13,775	\$ 4,114	\$ 3,893	\$ (5,192)		\$ (5,192)	
Public safety	149,555	6,279	7,444	8,444	1,778	(138,168)		(138,168)	
Highways and streets	36,564	3,369	17,487	680	39,370	17,604		17,604	
Culture and recreation	42,252	2,709	7,406	1,103	3,392	(33,060)		(33,060)	
Interest on long-term debt	17,741	-	-	-	-	(17,741)		(17,741)	
Total governmental activities	285,443	-	46,112	14,341	48,433	(176,557)		(176,557)	
Business type activities:									
Electric	304,416		344,037	-	4,008		\$ 43,629	43,629	
Water	60,030		68,691	-	3,534		12,195	12,195	
Sewer	40,385		46,162	-	2,698		8,475	8,475	
Refuse	20,831		20,677	-	-		(154)	(154)	
Airport	1,662		1,100	-	296		(266)	(266)	
Transportation	4,067		413	2,524	950		(180)	(180)	
Public parking	4,610		4,382	-	-		(228)	(228)	
Total business type activities	436,001		485,462	2,524	11,486		63,471	63,471	
Total	\$ 721,444		\$ 531,574	\$ 16,865	\$ 59,919		(176,557)	63,471	(113,086)

General revenues:				
Taxes:				
Sales		55,096	-	55,096
Property		51,323	-	51,323
Utility users		28,092	-	28,092
Franchise		5,046	-	5,046
Transient occupancy tax		4,189	-	4,189
Intergovernmental, unrestricted		263	-	263
Investment income		2,759	8,005	10,764
Miscellaneous		5,425	7,081	12,506
Subtotal		152,193	15,086	167,279
Transfers, net		43,100	(43,100)	-
Total general revenues and transfers		195,293	(28,014)	167,279
Change in net position		18,736	35,457	54,193
Net position - beginning		1,182,186	1,009,592	2,191,778
Net position - ending		\$ 1,200,922	\$ 1,045,049	\$ 2,245,971

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

City of Riverside
 Balance Sheet
 Governmental Funds
 June 30, 2014
 (amounts expressed in thousands)

Assets	General Fund	Capital Outlay	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 31,017	\$ -	\$ 28,399	\$ 59,416
Cash and investments at fiscal agent	4,564	25,675	12,879	43,118
Receivables (net of allowance for uncollectibles)				
Interest	1	84	134	219
Property taxes	5,027	-	-	5,027
Sales tax	13,106	-	-	13,106
Utility billed	1,182	-	-	1,182
Accounts	8,014	1,700	2	9,716
Intergovernmental	4,445	44,174	2,582	51,201
Notes	-	-	33,267	33,267
Prepaid items	241	-	-	241
Deposits	300	-	-	300
Due from other funds	18,116	-	-	18,116
Advances to other funds	23,226	-	-	23,226
Advances to Successor Agency	652	-	39,739	40,391
Land & improvements held for resale	-	-	4,522	4,522
Total assets	\$ 109,891	\$ 71,633	\$ 121,524	\$ 303,048
Liabilities				
Accounts payable	\$ 7,531	\$ 4,961	\$ 1,564	\$ 14,056
Accrued payroll	8,635	-	30	8,665
Retainage payable	10	134	1,396	1,540
Intergovernmental	159	-	-	159
Unearned revenue	387	6,930	-	7,317
Deposits	9,226	-	3	9,229
Due to other funds	-	17,381	602	17,983
Advances from other funds	166	-	11,717	11,883
Total liabilities	26,114	29,406	15,312	70,832
Deferred Inflows of Resources				
Unavailable revenue	4,917	4,860	34,522	44,299
Total deferred inflows of resources	4,917	4,860	34,522	44,299
Fund Balances				
Nonspendable:				
Inventories, prepaids and noncurrent receivables	541	-	-	541
Advances	23,878	-	-	23,878
Permanent fund principal	-	-	1,460	1,460
Restricted for:				
Housing and redevelopment	-	-	26,223	26,223
Debt service	1,819	-	26,177	27,996
Transportation and public works	-	37,367	17,509	54,876
Other purposes	385	-	2,054	2,439
General government	1,422	-	-	1,422
Public safety	834	-	-	834
Highways and streets	819	-	-	819
Culture and recreation	1,004	-	-	1,004
Continuing projects	10,426	-	-	10,426
Unassigned	37,732	-	(1,733)	35,999
Total fund balances	78,860	37,367	71,690	187,917
Total liabilities, deferred inflows of resources, and fund balances	\$ 109,891	\$ 71,633	\$ 121,524	\$ 303,048

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 POSITION
June 30, 2014
(amounts expressed in thousands)**

Total fund balances - governmental funds \$187,917

Amounts reported for governmental activities in the Statement of Net Position 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. 1,352,707

The net pension asset is not an available resource and, therefore, is not reported in the funds. 99,800

Deferred refunding charges are not available resources and, therefore, are not reported in the funds. 5,096

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 44,299

Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds. (3,519)

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	\$	(170,015)	
Certificates of participation payable		(190,580)	
Capital leases payable		(13,168)	
Loan payable		(47,611)	
Bond premiums		(3,430)	
Net OPEB obligation		(13,767)	
Compensated absences		(21,437)	
Judgment payable		(6,667)	
		(466,675)	(466,675)

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

Net fair value of interest rate swaps	\$	(19,436)	
Deferred amount related to the hedgeable portion of the derivative instrument		14,735	
		(4,701)	(4,701)

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 Position.

(14,002)

Net position of governmental activities

\$1,200,922

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	<u>General Fund</u>	<u>Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 143,748	\$ -	\$ -	\$ 143,748
Licenses and permits	7,694	-	1,550	9,244
Intergovernmental	12,915	28,719	17,714	59,348
Charges for services	15,734	-	-	15,734
Fines and forfeitures	7,283	-	-	7,283
Special assessments	4,219	288	1,765	6,272
Rental and investment income	1,857	307	2,151	4,315
Miscellaneous	3,402	1,780	1,775	6,957
Total revenues	<u>196,852</u>	<u>31,094</u>	<u>24,955</u>	<u>252,901</u>
Expenditures				
Current:				
General government	10,351	-	3,207	13,558
Public safety	149,450	-	2,271	151,721
Highways and streets	16,944	-	-	16,944
Culture and recreation	34,165	-	110	34,275
Capital outlay	8,589	48,333	15,443	72,365
Debt service:				
Principal	40,202	-	5,298	45,500
Interest	6,259	-	10,528	16,787
Bond issuance costs	103	738	2	843
Total expenditures	<u>266,063</u>	<u>49,071</u>	<u>36,859</u>	<u>351,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,211)</u>	<u>(17,977)</u>	<u>(11,904)</u>	<u>(99,092)</u>
Other financing sources (uses)				
Transfers in	45,695	-	12,774	58,469
Transfers out	(13,184)	(2,185)	-	(15,369)
Issuance of long term debt	30,940	56,097	-	87,037
Capital lease financings	6,625	-	-	6,625
Sales of capital assets	904	-	27	931
Total other financing sources and uses	<u>70,980</u>	<u>53,912</u>	<u>12,801</u>	<u>137,693</u>
Net change in fund balances	1,769	35,935	897	38,601
Fund balances - beginning	77,091	1,432	70,793	149,316
Fund balances - ending	<u>\$ 78,860</u>	<u>\$ 37,367</u>	<u>\$ 71,690</u>	<u>\$ 187,917</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, 2014
(amounts expressed in thousands)**

Net change in fund balances-total governmental funds \$38,601

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	\$ 66,315	
Depreciation expense	<u>(41,706)</u>	24,609

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. 12,697

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. (3,412)

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. (4,851)

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 position. Also, governmental funds immediately report the effect of 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	\$ 45,500	
Payment of judgment	3,333	
Other post-employment benefit liabilities	(1,810)	
Compensated absences	(168)	
Interest	79	
Premiums on the issuance of long-term debt	(1,211)	
Issuance of long-term debt	<u>(92,451)</u>	(46,728)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. (2,180)

Change in net position of governmental activities \$ 18,736

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, 2014
(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	\$ 140,868	\$ 140,868	\$ 143,748	\$ 2,880	Public safety:				
Licenses and permits	7,736	7,736	7,694	(42)	Police	82,023	91,303	91,208	95
Intergovernmental	1,195	16,185	12,915	(3,270)	Fire	44,809	48,384	48,019	365
Charges for services	13,087	15,739	15,734	(5)	Animal regulation	3,487	3,501	3,483	18
Fines and forfeitures	5,516	5,516	7,283	1,767	Building and zoning inspection	2,152	2,152	2,195	(43)
Special assessments	4,401	4,401	4,219	(182)	Street lighting	4,503	4,511	4,545	(34)
Rental and investment income	1,318	1,318	1,857	539	Total public safety	136,974	149,851	149,450	401
Miscellaneous	5,834	5,838	3,402	(2,436)	Highways and streets	18,369	20,213	16,944	3,269
Total revenues	179,955	197,601	196,852	(749)	Culture and recreation				
					Library	6,630	7,461	6,882	579
					Museum & cultural affairs	7,990	9,775	9,698	77
					Parks, recreation & community services	15,711	18,929	17,585	1,344
					Total culture and recreation	30,331	36,165	34,165	2,000
					Capital outlay	156	13,039	8,589	4,450
Expenditures					Debt service:				
General government:					Principal	9,319	40,259	40,202	57
Mayor	888	935	855	80	Interest	6,527	6,424	6,259	165
Council	1,278	1,278	1,215	63	Bond issuance costs	-	103	103	-
Manager	7,176	7,517	6,912	605	Total debt service	15,846	46,786	46,564	222
Attorney	3,917	4,375	4,226	149	Total expenditures	212,312	281,476	266,063	15,413
Clerk	1,342	1,485	1,369	116	Deficiency of revenue under expenditures	(32,357)	(83,875)	(69,211)	14,664
Community development	9,634	10,421	9,200	1,221	Other financing sources (uses)				
Human resources	2,942	3,244	2,952	292	Transfers in	42,493	45,695	45,695	-
General services	8,492	9,713	7,694	2,019	Transfers out	(10,226)	(15,251)	(13,184)	2,067
Finance	8,254	8,612	8,236	376	Issuance of long term debt	-	30,940	30,940	-
Innovation & technology	10,451	11,580	9,646	1,934	Capital lease proceeds	-	6,625	6,625	-
Subtotal	54,374	59,160	52,305	6,855	Sale of capital assets	90	297	904	607
Allocated expenditures	(43,738)	(43,738)	(41,954)	(1,784)	Total other financing sources	32,357	68,306	70,980	2,674
Total general government	10,636	15,422	10,351	5,071	Net change in fund balances	-	(15,569)	1,769	17,338
				continued	Fund balance, beginning	77,091	77,091	77,091	-
					Fund balance, ending	\$ 77,091	\$ 61,522	\$ 78,860	\$ 17,338

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

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 3014
(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	\$ 210,929	\$ 86,181	\$ 18,794	\$ 6,265	\$ 322,169	\$ 3,183
Receivables (net allowances for uncollectibles)						
Interest	1,127	429	53	40	1,649	44
Utility billed	17,634	4,475	2,675	1,041	25,825	-
Utility unbilled	14,731	3,347	1,722	723	20,523	-
Accounts	3,930	1,601	134	1,217	6,882	54
Intergovernmental	385	241	706	85	1,417	52
Other	-	3,333	-	-	3,333	-
Inventory	1,202	-	1,328	-	2,530	5,819
Prepaid items	22,345	17	15	-	22,377	-
Deposits	854	-	-	-	854	-
Due from other funds	914	392	-	-	1,306	-
Restricted assets:						
Cash and cash equivalents:						
Rate stabilization cash and cash equivalents	-	-	9,360	-	9,360	-
Other restricted cash and cash equivalents	27,878	8,367	-	901	37,146	-
Public benefit programs receivable	939	128	-	-	1,067	-
Total current assets	302,868	108,511	34,787	10,272	456,438	9,152
Non-current assets:						
Restricted assets:						
Cash and investments at fiscal agent	176,349	10,554	47,276	-	234,179	-
Regulatory assets	17,451	943	1,028	6,499	25,921	-
Prepaid items - non-current	3,143	-	-	-	3,143	-
Other receivables	-	3,333	-	-	3,333	-
Advances to other funds	-	-	7,283	-	7,283	6,224
Advances to Successor Agency	5,800	-	4,436	-	10,236	5,634
Net pension asset	11,450	4,926	3,151	2,095	21,622	1,384
Capital assets:						
Land	8,717	20,484	2,734	19,180	51,115	458
Intangible assets, non-depreciable	10,651	10,841	-	-	21,492	-
Intangible assets, depreciable	325	385	120	-	830	-
Accumulated depreciation - intangible assets, depreciable	(123)	(228)	(7)	-	(358)	-
Buildings	23,093	18,340	191,696	35,881	269,010	1,488
Accumulated depreciation - buildings	(6,448)	(5,058)	(97,903)	(5,684)	(115,093)	(300)
Improvements other than buildings	857,377	543,755	100,179	28,084	1,529,395	726
Accumulated depreciation - improvements other than buildings	(267,734)	(163,605)	(17,233)	(8,245)	(456,817)	(83)
Machinery and equipment	31,626	13,306	11,215	19,993	76,140	10,809
Accumulated depreciation - machinery and equipment	(17,173)	(11,203)	(6,876)	(14,241)	(49,493)	(8,227)
Construction in progress	51,105	15,828	193,913	35	260,881	1,482
Total non-current assets	905,609	462,601	441,012	83,597	1,892,819	19,595
Total assets	1,208,477	571,112	475,799	93,869	2,349,257	28,747
Deferred Outflows of Resources						
Deferred changes in derivative values	16,336	2,941	-	-	19,277	-
Deferred charge on refunding	12,952	8,215	-	-	21,167	-
Total deferred outflows of resources	29,288	11,156	-	-	40,444	-

Continued

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2014
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds

Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current liabilities:						
Accounts payable	11,401	3,224	1,303	1,032	16,960	1,808
Accrued payroll	1,292	465	305	196	2,258	100
Retainage payable	283	410	-	20	713	71
Unearned revenue	-	-	-	2,229	2,229	-
Deposits	3,844	935	-	-	4,779	-
Due to other funds	-	-	-	133	133	1,306
Capital leases - current	700	-	-	-	700	-
Water stock acquisitions - current	-	150	-	-	150	-
Notes payable - current	-	-	731	906	1,637	-
Landfill capping - current	-	-	-	200	200	-
Claims and judgments - current	-	-	-	-	-	11,122
Compensated absences - current	3,613	1,348	995	524	6,480	267
Current liabilities payable from restricted assets:						
Revenue bonds	14,920	5,015	57,325	-	77,260	-
Accrued interest	5,770	1,801	4,439	-	12,010	-
Accounts payable	2,023	1,356	7,119	-	10,498	-
Total current liabilities	43,846	14,704	72,217	5,240	136,007	14,674
Non-current liabilities:						
Revenue bonds	593,094	202,176	221,760	-	1,017,030	-
Notes payable	-	9,482	3,725	21,186	34,393	-
Capital leases	1,566	-	-	-	1,566	-
Advances from other funds	11,284	4,855	3,106	2,539	21,784	3,066
Decommissioning liability	75,299	-	-	-	75,299	-
Derivative instruments	22,108	8,083	-	-	30,191	-
Claims and judgments	-	-	-	-	-	24,045
Water stock acquisitions	-	792	-	-	792	-
Landfill capping	-	-	-	5,972	5,972	-
Compensated absences	830	333	185	97	1,445	292
Other postemployment benefits	5,749	2,446	1,734	1,474	11,403	672
Other payables	14	-	-	-	14	-
Total non-current liabilities	709,944	228,167	230,510	31,268	1,199,889	28,075
Total liabilities	753,790	242,871	302,727	36,508	1,335,896	42,749
Deferred Inflows of Resources						
Deferred regulatory charges	-	6,667	2,089	-	8,756	-
Total deferred inflows of resources	-	6,667	2,089	-	8,756	-
Net Position						
Net investment in capital assets	196,771	245,731	121,431	52,911	616,844	6,353
Restricted for debt service	15,808	5,930	29,502	-	51,240	-
Restricted for landfill capping	-	-	-	901	901	-
Restricted for programs and regulatory requirements	12,882	2,499	984	-	16,365	-
Unrestricted	258,514	78,570	19,066	3,549	359,699	(20,355)
Total net position	\$ 483,975	\$ 332,730	\$ 170,983	\$ 57,361	\$ 1,045,049	\$ (14,002)

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

City of Riverside
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:						
Charges for services	\$ 344,037	\$ 68,691	\$ 46,162	\$ 26,572	\$ 485,462	\$ 21,772
Operating expenses:						
Personnel services	37,572	12,847	9,916	8,169	68,504	4,164
Contractual services	7,394	2,326	1,470	5,545	16,735	141
Maintenance and operation	190,510	9,236	7,486	7,238	214,470	2,176
General	12,083	12,871	6,119	4,119	35,192	2,151
Materials and supplies	756	761	3,440	1,373	6,330	222
Claims/Insurance	1,342	591	499	300	2,732	14,628
Depreciation and amortization	27,260	12,799	6,861	4,013	50,933	572
Total operating expenses	276,917	51,431	35,791	30,757	394,896	24,054
Operating income (loss)	67,120	17,260	10,371	(4,185)	90,566	(2,282)
Non-operating revenues (expenses):						
Operating grants	-	-	-	2,524	2,524	-
Interest income	6,041	1,049	827	88	8,005	229
Other	3,444	698	1,691	1,204	7,037	(4)
Gain (loss) on retirement of capital assets	293	(253)	(11)	536	565	(4)
Capital improvement fees	-	-	2,684	-	2,684	-
Interest expense and fiscal charges	(27,499)	(8,599)	(4,583)	(945)	(41,626)	(119)
Total non-operating revenues (expenses)	(17,721)	(7,105)	608	3,407	(20,811)	102
Income (loss) before capital contributions and transfers	49,399	10,155	10,979	(778)	69,755	(2,180)
Cash capital contributions	2,890	2,278	-	1,246	6,414	-
Noncash capital contributions	1,118	1,256	14	-	2,388	-
Transfers in	-	3,333	-	-	3,333	-
Transfers out	(38,704)	(6,991)	-	(738)	(46,433)	-
Change in net position	14,703	10,031	10,993	(270)	35,457	(2,180)
Total net position - beginning	469,272	322,699	159,990	57,631	1,009,592	(11,822)
Total net position - ending	\$ 483,975	\$ 332,730	\$ 170,983	\$ 57,361	\$ 1,045,049	\$ (14,002)

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2014
(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	\$ 348,296	\$ 69,567	\$ 45,787	\$ 27,841	\$ 491,491	\$ 22,585
Cash paid to employees for services	(34,466)	(12,591)	(10,419)	(7,911)	(65,387)	(3,863)
Cash paid to other suppliers of goods or services	(221,460)	(22,331)	(19,941)	(19,701)	(283,433)	(14,781)
Other receipts	3,444	698	3,779	1,201	9,122	1
Net cash provided (used) by operating activities	<u>95,814</u>	<u>35,343</u>	<u>19,206</u>	<u>1,430</u>	<u>151,793</u>	<u>3,942</u>
Cash flows from noncapital financing activities:						
Transfers in	-	3,333	-	-	3,333	-
Transfers out	(38,704)	(6,991)	-	(738)	(46,433)	-
Receipts on interfund advances	793	364	254	-	1,411	5,366
Outflows on interfund advances	(497)	(214)	(137)	(1,401)	(2,249)	(6,675)
Advances to other funds	-	-	-	-	-	-
Net cash (used) provided by noncapital financing activities	<u>(38,408)</u>	<u>(3,508)</u>	<u>117</u>	<u>(2,139)</u>	<u>(43,938)</u>	<u>(1,309)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(36,349)	(22,648)	(104,392)	(1,787)	(165,176)	(3,716)
Proceeds from the sale of capital assets	341	2	-	2,642	2,985	-
Proceeds from long-term obligations	2,315	-	50,000	-	52,315	-
Principal paid on long-term obligations	(21,827)	(4,363)	(7,841)	(878)	(34,909)	-
Interest paid on long-term obligations	(29,400)	(8,848)	(10,913)	(944)	(50,105)	(104)
Capital improvement fees	-	-	2,684	-	2,684	-
Grant Proceeds	-	-	-	2,633	2,633	-
Capital contributions	2,890	2,278	-	1,246	6,414	-
Bond issuance costs	(454)	(19)	(103)	-	(576)	-
Net cash (used) for capital and related financing activities	<u>(82,484)</u>	<u>(33,598)</u>	<u>(70,565)</u>	<u>2,912</u>	<u>(183,735)</u>	<u>(3,820)</u>
Cash flows from investing activities:						
Purchase of investments	5,301	-	-	-	5,301	-
Income from investments	5,748	1,004	861	73	7,686	161
Net cash provided by investing activities	<u>11,049</u>	<u>1,004</u>	<u>861</u>	<u>73</u>	<u>12,987</u>	<u>161</u>
Net change in cash and cash equivalents	(14,029)	(759)	(50,381)	2,276	(62,893)	(1,026)
Cash and cash equivalents, beginning (including \$137,262 for Electric, \$32,780 for Water, \$113,614 for Sewer and \$1,185 for Other Enterprise Funds in restricted accounts.)						
	<u>335,085</u>	<u>105,861</u>	<u>125,811</u>	<u>4,890</u>	<u>571,647</u>	<u>4,209</u>
Cash and cash equivalents, ending (including \$110,127 for Electric, \$18,921 for Water, \$56,636 for Sewer and \$901 for Other Enterprise Funds in restricted accounts.)						
	<u>\$ 321,056</u>	<u>\$ 105,102</u>	<u>\$ 75,430</u>	<u>\$ 7,166</u>	<u>\$ 508,754</u>	<u>\$ 3,183</u>

Continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

Continued

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 67,120	\$ 17,260	\$ 10,371	\$ (4,185)	\$ 90,566	\$ (2,282)
Other receipts	3,444	698	1,690	1,201	7,033	1
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	27,260	12,799	6,861	4,013	50,933	572
Amortization of pension costs	504	217	139	93	953	61
(Increase) Decrease in utility billed receivable	(681)	4	(219)	-	(896)	-
(Increase) Decrease in utility unbilled receivable	186	129	(125)	-	190	-
(Increase) Decrease in accounts receivable	4,869	565	16	1,275	6,725	(3)
(Increase) in intergovernmental receivable	-	-	(47)	(6)	(53)	-
(Increase) Decrease in prepaid items	(5,168)	2	-	-	(5,166)	-
Decrease in inventory	-	-	22	-	22	872
(Decrease) Increase in accounts payable	(1,725)	3,025	(941)	(840)	(481)	885
Increase (Decrease) in accrued payroll	-	-	8	488	496	80
Increase (Decrease) in retainage payable	-	-	(966)	-	(966)	-
Increase (Decrease) in other payable	400	467	316	(323)	860	159
Increase in deferred regulatory charges	-	-	2,089	-	2,089	-
Increase (Decrease) in deposits	473	177	(8)	-	642	-
(Decrease) in decommissioning liability	(868)	-	-	-	(868)	-
(Decrease) in landfill capping	-	-	-	(286)	(286)	-
Increase in claims and judgments	-	-	-	-	-	3,597
Net cash provided by operating activities	<u>\$ 95,814</u>	<u>\$ 35,343</u>	<u>\$ 19,206</u>	<u>\$ 1,430</u>	<u>\$ 151,793</u>	<u>\$ 3,942</u>
Schedule of noncash financing and investing activities:						
Capital Contributions - capital assets	\$ 1,118	\$ 1,256	\$ -	\$ -	\$ 2,374	\$ -
Land purchase with note payable	-	9,482	-	-	9,482	-
Proceeds of refunding debt	80,236	-	-	-	80,236	-

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

City of Riverside
Statement of Net Position/(Deficit)
Fiduciary Funds
June 30, 2014
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 26,105	\$ 5,666
Cash and investments at fiscal agent	25,974	6,740
Receivables:		
Interest	97	26
Accounts	22	-
Notes	22,235	-
Direct financing lease receivable	20,510	-
Deposits	2	-
Property tax receivables	-	114
Land & improvements held for resale	15,799	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	110,929	12,546
Liabilities		
Accounts payable	1,155	-
Retainage payable	229	-
Accrued interest	4,940	-
Advances from City of Riverside	56,261	-
Bonds payable	248,040	-
Notes payable	5,607	-
Held for bond holders	-	12,546
Total liabilities	316,232	12,546
Deferred Inflows of Resources		
Deferred charge on refunding	301	-
Total deferred inflows of resources	301	-
Net Position/(Deficit)		
Held by Successor Agency	(205,604)	-
Total net position/(deficit)	\$ (205,604)	\$ -

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

City of Riverside
Statement of Changes in Net Position/(Deficit)
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
Additions	
Property tax revenue	\$ 26,460
Rental and investment income	2,624
Miscellaneous	1,240
Total additions	<u>30,324</u>
Deductions	
Professional services and other deductions	2,613
Redevelopment projects	8,129
Interest expense	13,680
Total deductions	<u>24,422</u>
Change in Net Position/(Deficit)	5,902
Net position/(deficit) - beginning	(211,506)
Net position/(deficit) - ending	<u>\$ (205,604)</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 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. The Housing Authority's activity has been combined with that of the primary government because City Council members serve as the Housing Authority's commissioners and because the City is financially accountable and operationally responsible for all matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. Pursuant to Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies were dissolved effective February 1, 2012. Subsequently, the City became the Successor Agency to the Redevelopment Agency. The Parking Authority of the City of Riverside was added as an additional member of the Public Financing Authority on August 14, 2012. The Public Financing Authority's activity has been combined with that of the primary government because City Council members serve as the Public Financing Authority's board members and because the Public Financing Authority exclusively provides financing assistance to the primary government. The City is also financially accountable and operationally responsible for all 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. The activity of the Municipal Improvements Corporation has been combined with that of the primary government because three members of the City Council serve as the Municipal Improvements Corporation's directors and because the Municipal Improvements Corporation exists to serve exclusively the primary government. The City is financially accountable and operationally responsible for all matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements 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 net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and 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. Revenues are considered to be available if they are generally collected within 60 days after year end, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursement received from

Transportation Uniform Mitigation Fees, which is six (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 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 the bonds are currently estimated to retire in 2016. 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. Since 2004, the final "true-up" payment has been reported in the fiscal year that the revenue was earned and thus provides 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 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 government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

Internal service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust. The agency 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 position on the Statement of Net Position includes \$1 million of permanent fund principal which are considered nonexpendable.

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 to report certain investments at fair value in the statement of net position/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 except for investments in investment contracts which are recorded at contract 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 long-term indebtedness, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted cash and investments also include cash set aside for nuclear decommissioning, public benefit programs, regulatory requirements and rate stabilization because their use is legally restricted to a specific purpose. 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 were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2014

(amounts expressed in thousands)

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

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 activities and business-type activities of the government-wide financial statements and in the proprietary funds and the fiduciary private-purpose trust fund statements of net position. 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.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2014, business-type activities capitalized net interest costs of \$8,608 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was \$50,234.

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. Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciable	3-15 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

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, 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 position.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with 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 position. In 2012, the City also entered into an additional interest rate swap agreement, which has a positive fair value and is recorded

and deferred on the statement of net position. See Note 10 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 City has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

L. Long-Term Obligations

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns in the government-wide financial statements and in the proprietary funds and fiduciary private-purpose trust fund statements of net position. Bond premiums and discounts are deferred 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 has established trust accounts to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Based on the most recent site specific cost estimate as of July 2013, prepared by ABZ Incorporated, the Electric Utility has fully funded the San Onofre Nuclear Generating Station ("SONGS") decommissioning liability. With the recent retirement of SONGS units 2 and 3, there is much uncertainty as to future unknown costs to decommission SONGS. Although management believes the current cost estimate is the upper bound of decommissioning obligations, the Electric Utility has conservatively decided to continue to set aside \$1,581 per year in an

internally restricted cash reserve for unexpected costs not contemplated in the current estimates.

Increases to the funds held for the decommission liability are from amounts set aside and investment earnings. The investment earnings are included in investment income. These earnings, as well as amounts set aside, are reflected as decommissioning expense which is reflected as a component of maintenance and operation expense in the statement of revenues, expenses and changes in net position. To date, the Electric Utility has set aside \$77,897 in cash investments with the trustee and \$1,725 in an internally restricted decommissioning reserve as the Electric Utility's estimated share of the decommissioning cost of San Onofre, and these amounts are reflected as restricted assets and unrestricted cash and cash equivalents, respectively, on the Statements of Net Position. The Electric Utility's decommissioning liability is equivalent to the total funds accumulated less \$4,323 paid as decommissioning costs for the fiscal year ended June 30, 2014 and is reflected as a non-current liability. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the self-insurance internal service fund. As of June 30, 2014, the City had an obligation related to a judgment, which is reflected as a liability on the government-wide statements and is more fully described in Note 8.

N. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, and notes receivable, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

- Committed fund balance is the portion of fund balance that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. No amounts have been reported within this category of fund balance.
- Assigned fund balance reflects the City's intended use of resources. Intent can be expressed by the City Council or by an official to which the City Council delegates the authority. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer, which authorized the assignment of fund balance for specific programs or purposes in accordance with City Council directives. The City also uses budget and finance policy to authorize the assignment of fund balance, which is done through the adoption of the budget and subsequent budget amendments throughout the year.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

O. Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the related acquisition, construction or improvement of those assets excluding unspent debt proceeds. Restricted net position represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded 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 advances and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable is not in spendable form.

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

Q. Unearned Revenue

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.

R. Unavailable Revenue

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

S. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

CITY OF RIVERSIDE
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(amounts expressed in thousands)

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

T. Regulatory Assets and Deferred Regulatory Charges

In accordance with GASB Statement No. 62, enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the City is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges have been recorded in the Electric, Water, Sewer and Refuse funds.

U. 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 after December 10. The second installment is due February 1 and is delinquent after April 10. The City generally accrues only those taxes, which are received within sixty days after the year-end. Under the Teeter plan, the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

V. 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.

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	\$ 391,630
Investments at fiscal agent	<u>305,464</u>
	697,094
Cash on hand and deposits with financial institutions	74,962
Non-negotiable certificates of deposit	<u>1,000</u>
	<u>\$ 773,056</u>

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The amounts are reflected in the statements of net position of the government-wide and fiduciary fund financial statements:

Cash and investments	\$ 384,768
Restricted cash and cash equivalents	46,506
Restricted cash and investments at fiscal agent	<u>277,297</u>
Total per statement of net position	708,571
Fiduciary fund cash and investments	<u>64,485</u>
	<u>\$ 773,056</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:

	Max <u>Maturity</u>	Max % of <u>Portfolio</u>
Money Market Funds	N/A	20%
Securities of the U.S. Government and its sponsored agencies	5 Years	N/A
Corporate Medium-Term Notes	5 Years	30%
Local Agency Investment Fund (State Pool)	N/A	100%
Negotiable Certificates of Deposit	5 Years	30%
Repurchase Agreements	1 Year	N/A
Reverse Repurchase Agreements	90 Days	20%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Bonds	N/A	N/A

Investments in Corporate Medium Term 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 AA or higher at the time of purchase
- Investments in money market funds rated in the single highest classification, except for certain debt proceeds which have no minimum rating requirement
- 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

**CITY OF RIVERSIDE
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fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Money Market Funds	\$ 7,398	\$ 7,398	\$ -	\$ -	\$ -
Federal Agency Securities	79,715	-	53,445	26,270	-
U.S. Treasury Notes/Bonds	138,374	-	23,306	115,068	-
Corp. Medium Term Notes	54,569	12,317	20,480	21,772	-
State Investment Pool	99,435	99,435	-	-	-
Negotiable CDs	12,139	3,967	5,437	2,735	-
Held by Fiscal Agent					
Money Market Funds	40,607	40,607	-	-	-
State Investment Pool	19,332	19,332	-	-	-
Investment Contracts	150,332	24,173	25,726	89,672	10,761
Commercial Paper	12,877	12,877	-	-	-
Fed. Agency Securities	61,634	1,193	10,323	50,118	-
Corp. Med. Term Notes	20,682	-	2,057	18,625	-
Total	\$697,094	\$221,299	\$140,774	\$324,260	\$10,761

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:

<u>Investment Type</u>	<u>Total</u>	<u>Ratings as of Year End</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Money Market Funds	\$ 7,398	\$ 1,062	\$ 1,290	\$ 5,046	\$ -
Federal Agency Securities	79,715	79,715	-	-	-
U.S. Treasury Notes/Bonds	138,374	138,374	-	-	-
Corporate Medium Term Notes	54,569	-	44,301	10,268	-
State Investment Pool	99,435	-	-	-	99,435
Negotiable CDs	12,139	-	-	-	12,139
Held by Fiscal Agent					
Money Market Funds	40,607	9,232	-	29,650	1,725
State Investment Pool	19,332	-	-	-	19,332
Investment Contracts	150,332	-	-	-	150,332
Commercial Paper	12,877	-	-	12,877	-
Federal Agency Securities	61,634	61,634	-	-	-
Corporate Medium Term Notes	20,682	-	10,338	10,344	-
Total	\$697,094	\$290,017	\$55,929	\$68,185	\$282,963

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Deutsche Bank Securities Inc.	Investment Contract	\$82,249

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. Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term.

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The lease calls for semi-annual payments not less than the debt service owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2015	\$ 2,507
2016	2,533
2017	2,561
2018	2,598
2019	2,626
Thereafter	<u>16,443</u>
Total Due	29,268
Less: amount applicable to interest	<u>(8,758)</u>
Total direct financing lease receivable	<u>\$20,510</u>

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2014.

	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 325,215	\$ 8,628	\$ (44)	\$ 333,799
Construction in progress	<u>38,515</u>	<u>23,656</u>	<u>(29,160)</u>	<u>33,011</u>
Total capital assets not depreciated	<u>363,730</u>	<u>32,284</u>	<u>(29,204)</u>	<u>366,810</u>
Capital assets being depreciated:				
Buildings	180,337	469	(152)	180,654
Improvements				
other than buildings	250,021	49,324	-	299,345
Machinery and equipment	79,782	6,449	(3,669)	82,562
Infrastructure	<u>910,700</u>	<u>24,244</u>	<u>(331)</u>	<u>934,613</u>
Total capital assets being depreciated	<u>1,420,840</u>	<u>80,486</u>	<u>(4,152)</u>	<u>1,497,174</u>
Less accumulated depreciation for:				
Buildings	(50,286)	(4,618)	119	(54,785)
Improvements				
other than buildings	(67,772)	(11,389)	-	(79,161)
Machinery and equipment	(60,170)	(4,567)	3,191	(61,546)
Infrastructure	<u>(287,728)</u>	<u>(21,704)</u>	<u>-</u>	<u>(309,432)</u>
Total accumulated depreciation	<u>(465,956)</u>	<u>(42,278)</u>	<u>3,310</u>	<u>(504,924)</u>
Total capital assets being depreciated, net	<u>954,884</u>	<u>38,208</u>	<u>(842)</u>	<u>992,250</u>
Governmental activities capital assets, net	<u>\$1,318,614</u>	<u>\$70,492</u>	<u>\$(30,046)</u>	<u>\$1,359,060</u>

	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Ending Balance
Business type activities:				
Capital assets, not depreciated:				
Land	\$ 42,636	\$ 10,558	\$ (2,079)	\$51,115
Intangibles, non-depreciable	21,492	-	-	21,492
Construction in progress	<u>149,385</u>	<u>174,847</u>	<u>(63,351)</u>	<u>260,881</u>
Total capital assets not depreciated	<u>213,513</u>	<u>185,405</u>	<u>(65,430)</u>	<u>333,488</u>
Capital assets being depreciated:				
Buildings	267,232	1,778	-	269,010
Improvements				
other than buildings	1,475,267	58,011	(3,883)	1,529,395
Intangibles, depreciable	645	185	-	830
Machinery and equipment	<u>74,526</u>	<u>3,405</u>	<u>(1,791)</u>	<u>76,140</u>
Total capital assets being depreciated	<u>1,817,670</u>	<u>63,379</u>	<u>(5,674)</u>	<u>1,875,375</u>
Less accumulated depreciation for:				
Buildings	(108,804)	(6,289)	-	(115,093)
Improvements				
other than buildings	(422,435)	(38,404)	4,022	(456,817)
Intangibles, depreciable	(247)	(111)	-	(358)
Machinery and equipment	<u>(45,469)</u>	<u>(5,722)</u>	<u>1,698</u>	<u>(49,493)</u>
Total accumulated depreciation	<u>(576,955)</u>	<u>(50,526)</u>	<u>5,720</u>	<u>(621,761)</u>
Total capital assets being depreciated, net	<u>1,240,715</u>	<u>12,853</u>	<u>46</u>	<u>1,253,614</u>
Business type activities capital assets, net	<u>\$1,454,228</u>	<u>\$198,258</u>	<u>\$(65,384)</u>	<u>\$1,587,102</u>

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	\$ 4,490
Public safety	4,113
Highways and streets, including depreciation of general infrastructure assets	22,989
Culture and recreation	<u>10,686</u>
Total depreciation expense – governmental activities	<u>\$42,278</u>
Business type activities:	
Electric	\$27,260
Water	12,799
Sewer	6,861
Refuse	1,223
Special Transportation	612
Airport	698
Public Parking	<u>1,073</u>
Total depreciation expense – business type activities	<u>\$50,526</u>

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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
General Obligation Bonds	\$15,314	\$ -	\$ 854	\$14,460	\$ 900
Pension Obligation Bonds	122,005	30,940	37,170	115,775	37,990
Certificates of Participation	158,697	36,446	3,697	191,446	4,210
Capital Leases	8,424	6,625	1,881	13,168	2,635
Lease Revenue Bonds	43,762	-	1,418	42,344	1,330
Loan Payable	28,652	19,650	691	47,611	2,036
Compensated Absences	21,761	12,480	12,245	21,996	12,372
Claims Liability	31,569	13,582	9,984	35,167	11,122
Judgment	10,000	-	3,333	6,667	3,333
Net OPEB Obligation	<u>12,537</u>	<u>2,566</u>	<u>664</u>	<u>14,439</u>	<u>-</u>
Total	<u>\$452,721</u>	<u>\$122,289</u>	<u>\$71,937</u>	<u>\$503,073</u>	<u>\$75,928</u>

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$1,031,839	\$ 134,841	\$72,390	\$1,094,290	\$77,260
Loan Payable	42,661	-	42,661	-	-
Notes Payable	28,137	9,482	1,589	36,030	1,637
Capital Leases	2,558	353	645	2,266	700
Landfill Capping	6,457	-	285	6,172	200
Arbitrage Liability	269	-	255	14	-
Water Stock Acquisition Rights	944	-	2	942	150
Compensated Absences	7,638	6,536	6,249	7,925	6,480
Net OPEB Obligation	<u>9,780</u>	<u>2,190</u>	<u>567</u>	<u>11,403</u>	<u>-</u>
Total	<u>\$1,130,283</u>	<u>\$153,402</u>	<u>\$124,643</u>	<u>\$1,159,042</u>	<u>\$86,427</u>

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

Long-Term Obligations at June 30, 2014:

Revenue Bonds:	Principal Outstanding
<u>Electric</u>	
\$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, due in a final principal installment of \$2,645 on October 1, 2014, interest of 5.0%.	\$ 2,645
\$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 10. Bonds are due in annual installments from \$700 to \$7,835 through October 1, 2035.	112,515
\$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from \$3,460 to \$25,345 through October 1, 2038.	209,740
\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,150 to \$7,035 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	13,815
\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 5.0%, due in annual installments from \$95 to \$33,725 through October 1, 2040.	140,380
\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 10. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035.	41,925

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(amounts expressed in thousands)

\$79,080 2013 Electric Revenue Refunding Bonds; Series A fixed rate bonds, 3% to 5.25%, due in annual installments from \$795 to \$12,685 through October 1, 2043.	<u>76,560</u>
Subtotal	597,580
Add: Unamortized bond premium	<u>10,434</u>
	<u>\$608,014</u>

Water

\$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
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\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 3.0% to 5.0%, due in annual installments from \$2,360 to \$4,335 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.	21,205
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\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.3% to 4.1%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039.	67,790
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\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 10. Bonds are due in annual installments from \$600 to \$3,950 through October 1, 2035.	<u>56,525</u>
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Subtotal	203,755
Add: Unamortized bond premium	<u>3,436</u>
	<u>\$207,191</u>

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039.	\$227,115
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\$50,000 2014 Sewer Revenue Bonds; variable rate financing with Wells Fargo due June 1, 2015. The interest rate is 70% of the LIBOR one-month index plus 50 basis points.	<u>50,000</u>
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Subtotal	277,115
Add: Unamortized bond premium	<u>1,970</u>
	<u>\$279,085</u>

Total Revenue Bonds \$1,094,290

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

Fiscal Year	Electric Utility Fund			Water Utility Fund		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$14,920	\$ 26,194	\$ 41,114	\$ 5,015	\$ 8,276	\$ 13,291
2016	15,825	25,519	41,344	5,260	8,046	13,306
2017	13,320	24,863	38,183	5,180	7,814	12,994
2018	13,795	24,279	38,074	5,415	7,577	12,992
2019	14,445	23,636	38,081	5,635	7,352	12,987
2020-2024	80,575	109,462	190,037	31,580	33,265	64,845
2025-2029	97,715	91,628	189,343	38,055	26,563	64,618
2030-2034	120,155	68,298	188,453	46,200	18,174	64,374
2035-2039	149,040	38,047	187,087	56,430	7,625	64,055
2040-2041	77,790	4,844	82,634	4,985	103	5,088
Premium	<u>10,434</u>	-	<u>10,434</u>	<u>3,436</u>	-	<u>3,436</u>
Total	<u>\$608,014</u>	<u>\$436,770</u>	<u>\$1,044,784</u>	<u>\$ 207,191</u>	<u>\$124,795</u>	<u>\$331,986</u>

Fiscal Year	Sewer Utility Fund		
	Principal	Interest	Total
2015	\$ 57,325	\$ 10,435	\$ 67,760
2016	7,660	9,811	17,471
2017	8,055	9,418	17,473
2018	8,410	9,063	17,473
2019	8,725	8,747	17,472
2020-2024	32,885	39,244	72,129
2025-2029	36,560	31,749	68,309
2030-2034	46,010	22,306	68,316
2035-2039	58,135	10,180	68,315
2040	13,350	312	13,662
Premium	<u>1,970</u>	-	<u>1,970</u>
Total	<u>\$279,085</u>	<u>\$151,265</u>	<u>\$430,350</u>

CITY OF RIVERSIDE
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(amounts expressed in thousands)

General Obligation Bonds:	<u>Principal Outstanding</u>
\$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.	\$14,295
Add: Unamortized bond premium	<u>165</u>
Total General Obligation Bonds	<u>\$14,460</u>

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>
2015	\$ 900	\$ 671	\$ 1,571
2016	965	634	1,599
2017	1,040	592	1,632
2018	1,110	544	1,654
2019	1,195	492	1,687
2020-2024	7,345	1,485	8,830
2025	1,740	48	1,788
Premium	<u>165</u>	<u>-</u>	<u>165</u>
Total	<u>\$14,460</u>	<u>\$4,466</u>	<u>\$18,926</u>

Pension Obligation Bonds:	<u>Principal Outstanding</u>
\$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.	\$ 66,320
\$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.	18,515
\$30,940 2014 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2014 was 0.60%, \$30,940 due June 1, 2015.	<u>30,940</u>
Total Pension Obligation Bonds	<u>\$115,775</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>
2015	\$ 37,990	\$ 4,950	\$ 42,940
2016	7,930	4,391	12,321
2017	8,880	3,971	12,851
2018	9,920	3,482	13,402
2019	11,035	2,936	13,971
2020-2023	<u>40,020</u>	<u>5,891</u>	<u>45,911</u>
Total	<u>\$115,775</u>	<u>\$25,621</u>	<u>\$141,396</u>

Certificates of Participation:	<u>Principal Outstanding</u>
\$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from \$435 to \$1,270 through September 1, 2036.	\$18,585
\$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 10. Due in annual installments from \$2,900 to \$7,200 through March 1, 2037.	116,100
\$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.	20,660
\$35,235 2013 Pavement Rehab Certificates of Participation; 4.0% to 5.0%, due in annual installments from \$1,285 to \$2,855 through June 1, 2034	<u>35,235</u>
Subtotal	190,580
Plus: Unamortized bond premium	<u>866</u>
Total Certificates of Participation	<u>\$191,446</u>

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Remaining certificates of participation debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,210	7,495	11,705
2016	5,730	7,345	13,075
2017	5,920	7,137	13,057
2018	6,110	6,922	13,032
2019	6,310	6,700	13,010
2020-2024	35,955	29,521	65,476
2025-2029	43,720	21,734	65,454
2030-2034	50,650	12,141	62,791
2035-2039	30,565	2,943	33,508
2040	1,410	78	1,488
Premium	866	-	866
Total	<u>\$191,446</u>	<u>\$102,016</u>	<u>\$293,462</u>

Lease Revenue Bonds – Governmental Activities:

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of \$41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033. The refunding transaction resulted in an economic gain of \$2,455 and a reduction of \$3,034 in future debt service payments.

Add: Unamortized bond premium	<u>2,399</u>
Total Lease Revenue Bonds – Governmental Activities	<u>\$42,344</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$1,330	\$ 1,743	\$ 3,073
2016	1,370	1,702	3,072
2017	1,420	1,653	3,073
2018	1,485	1,588	3,073
2019	1,560	1,511	3,071
2020-2024	9,080	6,271	15,351
2025-2029	10,540	4,058	14,598
2030-2034	13,160	1,370	14,530
Premium	<u>2,399</u>	-	<u>2,399</u>
Total	<u>\$42,344</u>	<u>\$19,896</u>	<u>\$62,240</u>

Loans Payable – Governmental Activities:

In March 2012 the City entered into a financing arrangement in the amount of \$4,000 with Pinnacle Public Finance, Inc. for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately \$468 per year over a 10 year period, which includes interest at an annualized rate of 3.05%.

Principal
Outstanding

\$ 3,294

On July 19, 2012, the City secured financing in the amount of \$41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. In March 2014, the financing arrangement with BBVA was increased to \$44,650. The financing consists of an initial 21-month variable rate interest only period during construction that has a swap transaction layered over the remaining 20-year amortization resulting in a “synthetic fixed” rate of 3.24% for 20 of the 22 years. For information on the swap agreement see note 10. At the end of the construction period, principal and interest are due on the first of each month, with equal payments each year of approximately \$2,850.

44,317

Total Loans Payable – Governmental Activities

\$47,611

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(amounts expressed in thousands)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,036	\$ 1,467	\$ 3,503
2016	2,094	1,409	3,503
2017	2,157	1,346	3,503
2018	2,222	1,281	3,503
2019	2,283	1,220	3,503
2020-2024	11,579	5,004	16,583
2025-2029	11,921	3,261	15,182
2030-2034	<u>13,319</u>	<u>1,293</u>	<u>14,612</u>
Total	<u>\$47,611</u>	<u>\$16,281</u>	<u>\$63,892</u>

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:

<u>Fiscal Year</u>	<u>Sewer Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 731	\$ 85	\$ 816
2016	745	72	817
2017	759	58	817
2018	774	43	817
2019	788	29	817
2020-2021	<u>659</u>	<u>20</u>	<u>679</u>
Total	<u>\$4,456</u>	<u>\$307</u>	<u>\$4,763</u>

Notes Payable – Enterprise Funds:

Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of \$339, beginning January 29, 2003 through January 29, 2021

<u>Principal Outstanding</u>
\$ 2,191

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

2,265

Public parking fund loan from City National Bank for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of \$1,747, beginning June 16, 2011 through December 16, 2031

22,092

In 2014, the Water fund purchased property from Hillwood Enterprises, L.P. (Hillwood). The property was subsequently leased back to Hillwood, which is to be developed into a logistics center. In consideration of the costs to purchase the property the Water fund will make payments to Hillwood in the form of a credit equal to Hillwood's rental payments to the Water fund for the first 15 years of the lease. Rent will commence the earlier of when Hillwood starts construction of the logistic center or May 20, 2016.

9,482

Total notes payable – Enterprise Funds

\$36,030

Public Parking Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 906	\$ 841	\$ 1,747
2016	940	807	1,747
2017	977	770	1,747
2018	1,014	733	1,747
2019	1,054	693	1,747
2020-2024	5,917	2,817	8,734
2025-2029	7,160	1,574	8,734
2030-2032	<u>4,124</u>	<u>241</u>	<u>4,365</u>
Total	<u>\$22,092</u>	<u>\$8,476</u>	<u>\$30,568</u>

Water Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ -	\$ -
2016	40	156	196
2017	483	152	635
2018	492	144	636
2019	512	136	648
2020-2024	2,900	543	3,443
2025-2029	3,522	279	3,801
2030-2031	<u>1,533</u>	<u>26</u>	<u>1,559</u>
Total	<u>\$ 9,482</u>	<u>\$ 1,436</u>	<u>\$10,918</u>

CITY OF RIVERSIDE
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For the year ended June 30, 2014

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Contracts – Enterprise Funds: Principal
Outstanding

Water stock acquisition rights payable on demand to various water companies \$941

Current Year Refunding:

On July 25, 2013 the City issued \$79,080 of 2013A Electric Revenue Refunding Bonds, which refunded previously outstanding debt. The refunding resulted in an increase in debt service payments of \$10,962 over the next 30 years and an economic gain of \$2,961.

Letters of Credit:

The City's 2008 Certificates of Participation and 2008 Electric Revenue Bonds (Series A and C) require an additional layer of security between the City and the purchaser of the bonds. The City has entered into the following letters of credit ("LOC") in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

<u>Debt Issue</u>	<u>LOC Provider</u>	<u>LOC Expiration Date</u>	<u>Annual Commitment Fee</u>
2008 Certificates of Participation	Bank of America, N.A.	2015	0.450%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2017	0.275%
2008C Electric Revenue Bonds	Bank of America, N.A.	2017	0.390%

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOC that are not repaid will be converted to an installment loan over a 5-year period. The City would be required to pay \$63,420 a year for 5 years (assuming a 12 percent interest rate) if \$116,100 of 2008 Certificates of Participation and \$112,515 of 2008 Electric Revenue Bonds (Series A and C) were "put" and not resold. No amounts have ever been drawn against the three letters of credit due to a failed remarketing.

The various indentures allow the City to convert the mode of the debt in the case of a failed remarketing.

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:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings and improvements	\$1,103	\$ -
Equipment	<u>9,722</u>	<u>4,830</u>
Subtotal	10,825	4,830
Less: Accumulated depreciation	<u>(3,315)</u>	<u>(1,738)</u>
Total	<u>\$7,510</u>	<u>\$3,092</u>

The future minimum lease obligations as of June 30, 2014 were as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2015	\$2,854	\$ 751
2016	2,854	387
2017	2,232	322
2018	2,232	322
2019	1,927	322
Thereafter	1,771	309
Copiers	<u>20</u>	<u>1</u>
Total Minimum lease payments	13,890	2,414
Less: Amount representing interest (rates ranging from 1.2% to 9%)	<u>(722)</u>	<u>(148)</u>
Total capital lease payable	<u>\$13,168</u>	<u>\$2,266</u>

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

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, 2014:

Governmental long-term obligations:

Certificates of Participation	<u>\$10,281</u>
Total	<u>\$10,281</u>

Enterprise funds:

Electric	<u>\$14,833</u>
Sewer	<u>20,142</u>
Total	<u>\$34,975</u>

The City has 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.

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 6/30/14
Electric revenues	\$106,405	\$49,207	2.16
Water revenues	36,761	13,110	2.80
Sewer revenues	23,168*	18,534	1.25

* Includes \$2,425 of cash set-aside in a rate stabilization account in accordance with applicable bond covenants.

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.

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, 2014 was 100%. The remaining post closure period is currently 19 years.

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. However, there is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. The City is recovering such costs in rates charged to its customers. The portion of costs to be recovered through future rates is classified as a regulatory asset and will be amortized over future periods.

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 \$100. 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.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
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Changes in the self-insurance fund's claims liability amounts are:

Unpaid Claims, June 30, 2012	\$27,542
Incurred claims (including IBNR's)	20,897
Claim payments and adjustments	<u>(16,870)</u>
Unpaid Claims, June 30, 2013	31,569
Incurred claims (including IBNR's)	13,582
Claim payments and adjustments	<u>(9,984)</u>
Unpaid Claims, June 30, 2014	<u>\$35,167</u>

\$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 Aug. 1, 2014; \$4,810 term bonds at 4.75% due Aug. 1, 2021; and \$6,010 term bonds at 5.0% due Aug. 1, 2027. 11,390

8. Judgment

In April 2013, the City settled a lawsuit challenging its century-old practice of transferring Water Fund monies to the General Fund. Under the settlement agreement, the General Fund agreed to pay \$10 million over a three year period beginning in fiscal year 2013/14. In fiscal year 2013/14, the General Fund paid the first installment of \$3,333. The remaining obligation is \$6,667, which has been reflected as a liability in the government-wide statements.

\$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 Sep. 1, 2013; \$1,135 term bonds at 5.5% due Sep. 1, 2018; and \$3,020 term bonds at 5.625% due Sep. 1, 2027. 4,155

9. Other Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):

Successor Agency Trust:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	\$ 256,222	\$ -	\$ 8,182	\$248,040	\$ 8,310
Notes Payable	<u>6,257</u>	<u>-</u>	<u>650</u>	<u>5,607</u>	<u>733</u>
Total	<u>\$ 262,479</u>	<u>\$ -</u>	<u>\$ 8,832</u>	<u>\$253,647</u>	<u>\$9,043</u>

\$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 Aug. 1, 2014; \$2,565 term bonds at 4.75% due Aug. 1, 2017; \$4,035 term bonds at 4.75% due Aug. 1, 2021; and \$4,870 term bonds at 5% due Aug. 1, 2025. 12,250

\$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; \$420 term bonds at 3.8% due Aug. 1, 2014; \$615 term bonds at 4.6% due Aug. 1, 2024; \$3,515 term bonds at 4.7% due Aug. 1, 2034. 4,175

\$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from \$85 to \$235 through Aug. 1, 2024. 2,010

Redevelopment Agency Bonds:

Principal Outstanding

\$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 Feb. 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through Feb. 1, 2018 (portion not refunded).

\$ 85

\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from \$545 to \$2,230 through Oct. 1, 2024. 17,790

\$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; \$310 serial bonds 1.20% to 1.42% through Oct. 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. 2,975

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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 Aug. 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through Aug. 2034. 26,780

\$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 Aug. 1, 2025; \$2,425 term bonds at 5.0% due Aug. 1, 2028; and \$4,665 term bonds at 4.85% due Aug. 1, 2034. 18,415

\$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 Aug. 1, 2025; \$4,980 term bonds at 4.5% due Aug. 1, 2029; \$410 term bonds at 4.375% due Aug. 1, 2037. 8,220

\$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 Aug. 1, 2015. 180

\$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 Aug. 1, 2017; \$10,800 term bonds at 5.8% due Aug. 1, 2028. 12,520

\$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 Aug. 1, 2025; \$17,955 term bonds at 4.5% due Aug. 1, 2030; \$47,775 term bonds at 5.0% due Aug. 1, 2037. 87,110

\$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 at 5.24% due Aug. 1, 2017; \$28,135 term bonds at 5.89% due Aug. 1, 2032. 34,785
 Subtotal 242,840
 Add: Unamortized bond premium 5,200
 Total Redevelopment Agency Bonds 248,040

Remaining debt service will be paid by the Successor Agency Trust 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>
2015	\$ 8,310	\$ 12,047	\$ 20,357
2016	8,520	11,665	20,185
2017	8,905	11,256	20,161
2018	9,660	10,799	20,459
2019	10,125	10,299	20,424
2020-2024	61,015	42,744	103,759
2025-2029	58,175	26,736	84,911
2030-2034	45,205	13,826	59,031
2035-2038	32,925	3,110	36,035
Premium	5,200	-	5,200
Total	<u>\$248,040</u>	<u>\$142,482</u>	<u>\$390,522</u>

Notes Payable – Successor Agency: Principal Outstanding

These notes payable have been issued to promote development and expansion within the City's redevelopment areas. \$2,987

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion. 775

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HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning Aug. 1, 1996 of \$272 to \$425 through Aug. 1, 2015	
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning Aug. 1, 1999 of \$110 to \$420 through Aug. 1, 2018	
	<u>1,845</u>
Total notes payable – Successor Agency	<u>\$ 5,607</u>

Remaining debt service will be paid by the Successor Agency Trust 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>
2015	\$ 733	\$ 383	\$ 1,116
2016	771	357	1,128
2017	399	337	736
2018	428	323	751
2019	462	306	768
2020-2024	286	1,423	1,709
2025-2029	471	1,238	1,709
2030-2034	777	933	1,710
2035-2038	<u>1,280</u>	<u>430</u>	<u>1,710</u>
Total	<u>\$ 5,607</u>	<u>\$5,730</u>	<u>\$11,337</u>

As a result of action by the State of California to dissolve all redevelopment agencies in the state, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the California Department of Finance.

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 for the Successor Agency also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)*</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service Coverage Ratio for FYE 6/30/14</u>
Property Taxes:			
Non-Housing	\$41,335	\$15,298	2.70
Housing	8,667	2,765	3.13

* The computations above are based on the total tax increment generated for the year ended June 30, 2014 for each project area that had been pledged as collateral for the Bonds. As discussed above, only a portion of tax increment has been actually remitted to the Successor Agency and reported as revenue in the accompanying financial statements.

Assessment Districts and Community Facilities Districts Bonds
(Not obligations of the City)

As of June 30, 2014, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of \$45,350. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. 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 \$5,385 and Industrial Development Revenue Bonds of \$1,700 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 loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

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10. Derivative Instruments

Interest Rate Swaps

The City has six cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011 and against debt issued in 2012. At the time of the refundings, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with 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. Hedge accounting was also applied to the swap associated with the debt issued in 2012, which was also determined to be effective.

The following is a summary of the derivative activity for the year ended June 30, 2014:

	Notional Amount	Fair Value as of 6/30/14	Change in Fair Value for Fiscal Year
Governmental Activities			
2008 Renaissance Certificates of Participation	\$116,100	(19,485)	(146)
2012 Convention Center Financing	41,406	49	(977)
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	68,525	(8,845)	800
2008 Electric Refunding/Revenue Bonds Series C	41,975	(6,646)	410
2011 Electric Refunding/Revenue Bonds Series A	41,925	(6,617)	411
2011 Water Refunding/Revenue Bonds Series A	56,525	(8,083)	(199)

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its \$141,840 2008 Electric Revenue Bonds (Series A and C), \$56,450 2011 Electric Revenue Bonds, \$59,000 2011 Water Revenue Bonds and \$128,300 2008 Certificates of Participation ("COP"). Also, in 2012, the City entered into an additional interest rate swap agreement in connection with the Convention Center financing with BBVA Compass Bank.

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 pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The Convention Center financing consists of an initial 21-month variable rate interest only period

during construction, which swaps to a fixed rate for the remaining 20-year amortization whereby the City will pay a fixed payment and will receive a variable payment computed at 65.01% of the LIBOR one month index plus 150 basis points. The lease interest rate on the Convention Center has a cap at the lesser of 12% or the highest rate permitted by applicable law whereas the related swap does not have a cap. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by \$975 to \$7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. The loan with BBVA Compass Bank will be paid in full on April 1, 2034.

As of June 30, 2014 rates were as follows:

	2008 Electric Refunding/ Revenue Bonds Series A	2008 Electric Refunding/ Revenue Bonds Series C	2011 Electric Refunding/ Revenue Bonds Series A
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	<u>(0.42414%)</u>	<u>(0.42543%)</u>	<u>(0.24925%)</u>
Net interest rate swap payments	2.68686%	2.77857%	2.95175%
Variable-rate bond coupon payments	<u>0.35041%</u>	<u>0.34837%</u>	<u>0.14338%</u>
Synthetic interest rate on bonds	<u>3.03727%</u>	<u>3.12694%</u>	<u>3.09513%</u>
	2011 Water Refunding/ Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.24000%
Variable payment from counterparty	<u>(0.24900%)</u>	<u>(0.39595%)</u>	<u>(1.59857%)</u>
Net interest rate swap payments	2.95100%	2.96605%	1.64143%
Variable-rate bond coupon payments	<u>0.16488%</u>	<u>0.38032%</u>	<u>1.59857%</u>
Synthetic interest rate on bonds	<u>3.11588%</u>	<u>3.34637%</u>	<u>3.24000%</u>

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Fair Value: As of June 30, 2014, in connection with all swap arrangements, the transactions had a combined net negative fair value of <\$49,627>. 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: The City is exposed to credit risk on one of its derivative instruments that has a positive fair value. The counterparty for this swap is BBVA/Compass Bank. To mitigate credit risk, the City has the ability to offset swap payments due to it from BBVA/Compass pursuant to the swap, against current and future rental payments required to be made by the City to Compass Mortgage Corporation under the lease agreement. The City is not exposed to credit risk on the remaining swaps because those swaps have a negative fair value. The swap counterparties, Bank of America, N.A., Bank of America Corp. and J.P. Morgan Chase & Co. were rated A, A- and A respectively by Standard & Poor's. To mitigate the potential for credit risk for these swaps, 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, 2014, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: The city is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the city on these hedging derivative instruments are based on a rate or index other than interest rates the city pays on its hedged variable-rate debt. 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, 2014, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds			
	Principal	Interest	Interest Rate Swaps, Net	Total
2015	\$ 5,842	\$ 1,692	\$ 10,540	\$ 18,074
2016	6,138	1,654	10,389	18,181
2017	5,964	1,614	10,235	17,813
2018	7,217	1,571	10,058	18,846
2019	13,516	1,514	9,736	24,766
2020-2024	86,525	6,418	41,555	134,498
2025-2029	91,151	4,369	29,403	124,923
2030-2034	105,979	2,050	15,391	123,420
2035-2039	49,050	194	1,790	51,034
Total	<u>\$371,382</u>	<u>\$21,076</u>	<u>\$139,097</u>	<u>\$531,555</u>

11. Economic Contingency

A portion of unassigned fund balance within the General Fund is set aside for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

12. 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, 2014:

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<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 602
	Capital Outlay Fund	17,381
	Nonmajor Enterprise Funds	<u>133</u>
		18,116
Electric	Central Stores *	<u>914</u>
Water	Central Stores *	<u>392</u>
Total		<u>\$19,422</u>

* Internal service fund

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, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$11,284
	Water	4,855
	Sewer	3,106
	Nonmajor Governmental Funds	516
	Nonmajor Enterprise Funds	2,087
	Self-Insurance Trust *	204
	Central Stores *	213
	Central Garage *	<u>961</u>
		<u>23,226</u>
Self-Insurance Trust *	Nonmajor Enterprise Funds	452
	General Fund	166
	Nonmajor Governmental Funds	458
	Central Garage *	<u>1,688</u>
		2,764
Central Garage *	Nonmajor Governmental Funds	3,460
Sewer	Nonmajor Governmental Funds	<u>7,283</u>
Total		<u>\$36,733</u>

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

<u>Receivable Fund</u>	<u>Amount</u>
General	\$ 652
Nonmajor Governmental Funds	39,739
Electric	5,800
Sewer	4,436
Self-Insurance Trust *	<u>5,634</u>
Total	<u>\$56,261</u>

Transfers In/Out: Transfers are primarily used to (1) move revenues to the fund that statute or budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The following table shows amounts transferred to/from funds within the City as of June 30, 2014:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$38,704
	Water	<u>6,991</u>
		<u>45,695</u>
Nonmajor Governmental Funds	General Fund	9,851
	Capital Outlay Fund	2,185
	Nonmajor Enterprise Funds	<u>738</u>
		<u>12,774</u>
Water	General Fund	<u>3,333</u>
Total		<u>\$61,802</u>

13. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund (\$25,953). In order to begin funding a portion of the deficit in the internal service fund, self-insurance rates were increased in the current year. However, this was offset by unusually large losses incurred during the year combined with an adjustment for the increase in the amount estimated for claims and judgments. Management believes that there are sufficient funds on hand to cover current payment obligations and plans to continue to control

costs and increase rates over the next few years as needed to match expected long-term payment requirements.

Deficit net position exists in the Special Capital Improvement Fund (\$1,733). The deficit relates to short-term borrowings, which will be repaid over the next six years as park development fees are expected to increase as the local economy continues to recover

Deficit net position also exists in the Successor Agency Private-Purpose Trust Fund (\$205,604). The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

14. Litigation

The City is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the City 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 a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009, and no trial date has been set.

15. 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. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA) - The retirement formula is 3% at age 50 for employees hired before February 16, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 2012 pay their share (9%) of contributions.
- 3rd Tier (RPOA, RPOA Supervisory & RPAA) – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.
- 3rd Tier – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account except for general SEIU employees, which contributed 2% in fiscal year 2013/14, with the City paying the remaining 6% of the employee share.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:

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- SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
- All other miscellaneous employees hired on or after October 19, 2011 pay their share (8%) of contributions.
- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the employee share ranging from 7-8% based on bargaining group classification. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

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, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% per year compounded annually, attributable to inflation, and (c) 2.75% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

Three-year trend information for CalPERS:

Fiscal Year	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2012	Misc	\$21,661	92.8%	\$(53,694)
2012	Safety	18,542	86.6%	(79,890)
2013	Misc	21,907	91.5%	(51,825)
2013	Safety	18,945	83.9%	(76,846)
2014	Misc	22,361	90.1%	(49,615)
2014	Safety	20,861	82.5%	(73,191)

In 2004 and 2005, the City issued pension obligation bonds to fund the unfunded actuarial accrued liability for safety and miscellaneous employees. The asset related to the net pension asset will be amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period. A total of \$122,806 of net pension assets is included in the Government-wide Statement of Net Position and in the proprietary fund statements.

Determination of Net Pension Asset as of June 30, 2014:

	Misc	Safety
Annual required contribution	\$ 20,151	\$ 17,206
Interest on net pension asset	(3,887)	(5,763)
Adjustment to annual required contribution	<u>6,097</u>	<u>9,418</u>
Annual pension cost	22,361	20,861
Less contributions made	<u>(20,151)</u>	<u>(17,206)</u>
Decrease in net pension asset	2,210	3,655
Net pension asset, beginning of year	<u>(51,825)</u>	<u>(76,846)</u>
Net pension asset, end of year	<u>\$(49,615)</u>	<u>(73,191)</u>

Schedule of funding for CalPERS:

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/11	\$998,216	887,857	110,359	88.9	108,106	102.1
Safety	6/30/11	\$731,074	650,954	80,120	89.0	62,538	128.1

16. Other Post-Employment Benefits

The City provides healthcare benefits to retirees in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees receive the benefit of a lower rate. The difference between these amounts is the implied rate subsidy, which is considered an other post-employment benefit (OPEB) under GASB 45.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2014

(amounts expressed in thousands)

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. However, the retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

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

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2014 was \$4,913, which consisted of normal cost of \$2,553 and UAAL amortization of \$2,360. The ARC as a percentage of payroll was 3.2% for the year ended June 30, 2014.

As of June 30, 2013, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$47 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$47 million.

Determination of the Net OPEB Obligation as of June 30, 2014:

Annual required contribution	\$ 4,913
Interest on net OPEB obligation	960
Amortization of net OPEB obligation	<u>(1,116)</u>
Annual benefit pension cost	4,757
Less contributions made	<u>(1,232)</u>
Increase in net OPEB obligation	3,525
Net OPEB liability, beginning of year	<u>22,317</u>
Net OPEB liability, end of year	<u>\$25,842</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual

results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.30%, (b) 2.75% inflation, (c) projected salary increases of 3.00% annually and (d) healthcare cost trend rates ranging from 5.0% to 7.0%.

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

Three-year trend information:

Fiscal Year <u>June 30,</u>	<u>ARC</u>	<u>Actual Contributions</u>	<u>% of ARC Contributed</u>
2012	\$5,821	\$1,426	25%
2013	6,011	1,626	27%
2014	4,913	1,232	25%

Fiscal Year <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$5,789	25%	\$17,796
2013	6,147	26%	22,317
2014	4,756	26%	25,842

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

Actuarial Valuation <u>Date</u>	Actuarial Accrued Liability <u>Liability</u>	Actuarial Value of Assets <u>Assets</u>	Unfunded Actuarial Liability (UL) <u>(UL)</u>	Funded <u>Ratio</u>	Annual Covered Payroll <u>Payroll</u>	UL as a % of Covered Payroll <u>Payroll</u>
6/30/13	\$47,195	\$ -	\$47,195	0%	\$153,077	31%

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2014

(amounts expressed in thousands)

17. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of production.

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2013-14 and 2012-13 fiscal years, the Electric Utility paid approximately \$17,440 and \$16,171, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of maintenance and operation 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)	5.4%	12.3MW
Southern Transmission System (STS)	10.2%	244.0MW
Hoover Dam Upgrading (Hoover)	31.9%	30.0MW
Mead – Phoenix Transmission (MPP)	4.0%	18.0MW
Mead – Adelanto Transmission (MAT)	13.5%	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.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and the remaining projects have fixed interest rates which range from 0.35 percent to 6.13 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>Total</u>
	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>Hoover</u>	<u>MPP</u>	<u>MAT</u>	
2015	\$ 14,786	\$ 669	\$ 8,310	\$ 703	\$ 269	\$ 3,087	\$ 27,824
2016	22,127	672	8,364	701	269	3,013	35,146
2017	11,650	675	8,182	701	262	2,952	24,422
2018	16,935	679	8,020	699	258	2,910	29,501
2019	18,827	-	7,927	-	257	2,882	29,893
Thereafter	<u>55,421</u>	<u>-</u>	<u>54,497</u>	<u>-</u>	<u>443</u>	<u>4,995</u>	<u>115,356</u>
Total	<u>\$139,746</u>	<u>\$ 2,695</u>	<u>\$95,300</u>	<u>\$ 2,804</u>	<u>\$ 1,758</u>	<u>\$19,839</u>	<u>\$262,142</u>

Final maturities of outstanding debt associated with take-or-pay obligations and related contract expirations are as follows:

<u>Project</u>	<u>Final Maturity</u>	<u>Contract Expiration</u>
Palo Verde Nuclear Generating Station	2017	2030
Southern Transmission System	2027	2027
Hoover Dam Upgrading	2017	2017
Mead – Phoenix Transmission	2020	2030
Mead – Adelanto Transmission	2020	2030

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

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2014

(amounts expressed in thousands)

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, 2014 and 2013, are as follows (in thousands):

<u>Fiscal Year</u>	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>Hoover</u>	<u>MPT</u>	<u>MAT</u>	<u>Total</u>
2014	\$24,466	\$2,416	\$3,296	\$ 104	\$ 50	\$ 312	\$30,644
2013	\$26,445	\$2,528	\$2,405	\$ 97	\$ 41	\$ 338	\$31,854

These costs are reflected as a component of maintenance and operation expense on the statement of revenues, expenses and changes in net position.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility has a firm power purchase agreement with Bonneville Power Administration (BPA) for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement. On January 29, 2013, Riverside revised the delivery and return portion of the agreement to allow for a flat 40 MW of delivery during May and June through calendar year 2013, 2014 and 2015. The Agreement with BPA will terminate on May 1, 2016.

On April 12, 2011, the California Renewable Energy Resources Act (SB 2 (1X)) was passed by the State Legislative and signed by the Governor. SB 2 (1X) revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33% by December 31, 2020 in three stages: average of 20% of retail sales during 2011-2013; 25% of retail sales by December 31, 2016; and 33% of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SB 2 (1X) on November 18, 2011 and December 13, 2011, respectively, and further approved the City's RPS Procurement plan implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. It is expected that the City will be able to meet the new mandates with new resource procurement actions as outlined in the City's RPS Procurement Plan. For

Calendar year 2013, renewable resources provided 24% of retail sales requirements.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements with various entities described below on a "take-and-pay" basis. The contracts in the following table were executed as part of compliance with this standard.

Long-term renewable power purchase agreements:

<u>Supplier</u>	<u>Type</u>	<u>Maximum Contract</u>	<u>Contract Expiration</u>	<u>Estimated Annual Cost for 2015</u>
Salton Sea Power LLC	Geothermal	46.0MW	5/31/20	\$ 23,675
Wintec	Wind	1.3MW	12/30/18	211
WKN Wagner	Wind	6.0MW	12/22/32	1,113
		<u>53.3MW</u>		

<u>Supplier</u>	<u>Type</u>	<u>Maximum Contract¹</u>	<u>Expected Delivery</u>	<u>Energy Delivery No Later Than</u>	<u>Contract Term In Years</u>
CalEnergy	Geothermal	86.0MW	2/11/16	2/11/16	25
AP North Lake	Photovoltaic	20.0MW	6/30/15	12/31/15	25
FTP Solar					
Summer Solar	Photovoltaic	10.0MW	6/30/16	12/31/16	25
Antelope Big Sky Ranch	Photovoltaic	10.0MW	6/30/16	12/31/16	25
First Solar	Photovoltaic	14.0MW	12/31/15	6/30/16	20
Recurrent Clearwater	Photovoltaic	14.9MW	Delayed	12/31/15	20
Dominion Columbia II	Photovoltaic	11.1MW	12/31/14	12/31/15	20
Cabazon Wind	Wind	39.0MW	1/1/15	12/31/15	10
Solar Star	Photovoltaic	7.3MW	9/30/15	12/31/15	25
		<u>212.3MW</u>			

¹Contracts 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.

Construction Commitments:

As of June 30, 2014, the Sewer and Electric Utilities had approximately \$86 million and \$11 million, respectively, in major construction commitments related to unfinished capital projects. These construction commitments are expected to be funded primarily with current and future bond proceeds.

C. Jointly-Owned Utility Project - SONGS

The City has a 1.79% undivided ownership interest in Units 2 and 3 of SONGS, located south of the City of San Clemente in northern San Diego County; however, on June 7, 2013, Southern California Edison (SCE) announced in a press release its plan to retire Units 2 and 3 of SONGS permanently. Consequently, the units are no longer a source of supply for the Electric Utility, but remain associated with certain of its costs, including those associated with the units' shutdown and decommissioning.

SONGS was operated and maintained by SCE, under an agreement with the City and San Diego Gas & Electric Company (SDG&E), which expires upon termination of the easement for the plant in 2024. The three-member SONGS Board of Review approved the budget for capital expenditures and operating expenses. The City and the two other owners each had one representative on that board. The participation agreement provided that each owner was entitled to its proportionate share of benefits of, and paid its proportionate share of costs and liabilities incurred by SCE for, construction, operation and maintenance of the project; each owner's obligation was several, and not joint or collective.

In 2005, the CPUC authorized a project to install four new steam generators in Units 2 and 3 at SONGS and remove and dispose of the predecessor generators. SCE completed the installation of these steam generators in 2010 and 2011 for Units 2 and 3, respectively. Replacement of the steam generators was expected to enable plant operations to continue through at least 2022, and perhaps beyond, subject to the approval of the Nuclear Regulatory Commission (NRC).

In January 2012, a water leak occurred in one of the heat transfer tubes of Unit 3's steam generators, causing it to be shut down. At that time, Unit 2 was off-line for a planned outage when unexpected wear in areas of tube-to-support structure were found. Units 2 and 3 remained off-line for extensive inspections, testing and analysis of their steam generators. On June 7, 2013, SCE unilaterally announced its plan to retire Units 2 and 3 permanently.

The current plant site easement for SONGS terminates on May 12, 2024 and would need to be extended in order for the plant to be decommissioned and the site restored.

As a result of SCE's decision to permanently retire SONGS Units 2 and 3, SCE has begun the decommissioning phase of the plant. The process of decommissioning a nuclear power plant is governed by NRC regulations.

The regulations categorize the decommissioning activities into three phases: initial activities, major decommissioning and storage activities, and license termination. Initial activities include providing notice of permanent cessation of operations (accomplished on June 12, 2013) and notice of permanent removal of fuel from the reactor vessels (provided by SCE to the NRC on June 28 and July 22, 2013 for Units 3 and 2, respectively). Within two years after the announcement of retirement, SCE, as the operating licensee must submit a post-shutdown decommissioning activities report, an irradiated fuel management plan and a site-specific decommissioning cost estimate. SCE currently estimates that it will provide the other initial activity phase plans and cost estimates to the NRC by the end of 2014.

SCE has prepared a draft decommissioning plan, an environmental evaluation and an updated cost estimate to decommission the San Onofre nuclear plant. The draft plan, called a Post-Shutdown Decommissioning Activities Report (PSDAR), spells out the timetable for major decommissioning work expected to begin in early 2016 and indicates adequate funds exist to pay for the work. SCE estimates that it will cost \$4.4 billion to safely complete the 20-year decommissioning of San Onofre.

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 will continue to set aside approximately \$1,600 per year to fund decommissioning costs. The Electric Utility's portion of current and long-term debt associated with the decommissioning of SONGS is included in the accompanying financial statements.

Replacement Power Costs

During the outage, the City has procured replacement power to serve its customers' requirements. These costs are in addition to the operating and maintenance expenses paid annually during normal operations. Replacement power costs incurred by the City as a result of the outage (commencing on January 31, 2012 for Unit 3 and March 5, 2012 for Unit 2) were approximately \$13.2 million and are reported as regulatory assets on the Statements of Net Position.

Contractual Matters

The replacement steam generators for Units 2 and 3 were designed and manufactured by Mitsubishi Heavy Industries (MHI) and were warranted for an initial period of 20 years from acceptance. MHI was contractually

obligated to repair or replace defective items and to pay specified damages for certain repairs. MHI's liability under the purchase agreement is limited to \$138 million and excludes consequential damages, defined to include "the cost of replacement power." The limitations are subject to certain exceptions.

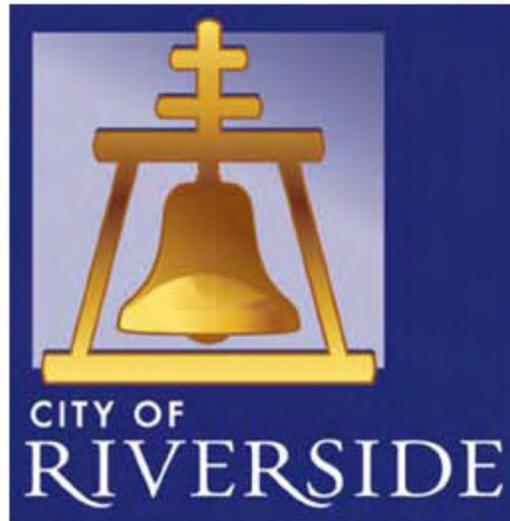
There are insurance policies for both property damage and accidental outage issued by Nuclear Electric Insurance Limited (NEIL), and SCE has notified NEIL of claims under the two policies. The City is a named insured on the SCE insurance policies covering SONGS and will assist SCE in pursuing claims recoveries from NEIL, but there is no assurance that the City will recover all or any of its applicable costs under these arrangements. To the extent that any third-party recoveries are made, they will reduce cost to the Electric Utility. In fiscal year 2014, the City continued to collect from customers, through its rates, which paid for the City's share of the ongoing operating costs and replacement power related to SONGS.

As a result of the decision by SCE to permanently retire Units 2 and 3 of SONGS prior to the expiration of the NRC licenses, the City expects to incur certain costs resulting from the early termination of long-term uranium fuel supply contracts. On November 12, 2013, Uranium One Inc. served a Demand for Arbitration on SCE, SDG&E and the City, seeking an award of damages in the approximate amount of \$12.5 million. Uranium One, Inc. asserts damages from a purchase agreement to deliver certain amounts of uranium concentrates in 2011, 2012 and 2013. On April 25, 2014, Energy Resources of Australia, Ltd. and Rossing Uranium Ltd. served a Demand for Arbitration on SCE, asserting similar claims as Uranium One Inc. and seeking an award of damages in the approximate amount of \$19.5 million. No arbitration dates have been set and the City cannot estimate the outcomes of these pending claims at this time.

18. Subsequent Events

2014 Subordinate Tax Allocation Refunding Bonds

On October 16 2014, the Successor Agency to the Redevelopment Agency of the City of Riverside issued 2014 Subordinate Tax Allocation Refunding Bonds (Series A and B) in the amount of \$62,980. The bonds were issued to refund certain obligations of the former Redevelopment Agency of the City of Riverside. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from \$160 to \$4,745 through September 1, 2034. The rate of interest varies from 0.6% to 5% per annum.



Required Supplementary Information

Consists of the following:

- Pension Plan Funding Progress
- Other Post-Employment Benefits (OPEB) Funding Progress

**CITY OF RIVERSIDE
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SUMMARY OF PENSION OBLIGATION AND OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS (THOUSANDS)**

Employee Retirement System - Schedule of Funding Progress

June 30, 2012 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 919,572	\$ 766,804	\$ 1,046,200	\$ 126,628	\$ 279,395	87.9%	73.3%	\$ 110,037	115.1%
Safety	673,938	561,734	766,405	92,468	204,672	87.9%	73.3%	63,115	146.5%
Total	<u>\$ 1,593,510</u>	<u>\$ 1,328,538</u>	<u>\$ 1,812,605</u>	<u>\$ 219,096</u>	<u>\$ 484,067</u>			<u>\$ 173,152</u>	

June 30, 2011 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 887,857	\$ 786,080	\$ 998,216	\$ 110,359	\$ 212,136	88.9%	78.7%	\$ 108,106	102.1%
Safety	650,954	575,006	731,074	80,120	156,068	89.0%	78.7%	62,538	128.1%
Total	<u>\$ 1,538,811</u>	<u>\$ 1,361,086</u>	<u>\$ 1,729,290</u>	<u>\$ 190,479</u>	<u>\$ 368,204</u>			<u>\$ 170,644</u>	

June 30, 2010 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 846,368	\$ 660,844	\$ 952,499	\$ 106,131	\$ 291,656	88.9%	69.4%	\$ 106,590	99.6%
Safety	621,107	483,776	685,213	621,107	201,437	90.6%	70.6%	61,778	103.8%
Total	<u>\$ 1,467,475</u>	<u>\$ 1,144,620</u>	<u>\$ 1,637,712</u>	<u>\$ 727,238</u>	<u>\$ 493,093</u>			<u>\$ 168,368</u>	

Other Post-Employment Benefits - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability AVA	Funded Ratios AVA	Annual Covered Payroll	UL as a % of Payroll
June 30, 2013	-	\$ 47,195	\$ 47,195	-	\$ 153,077	31%
June 30, 2011	-	56,060	56,060	-	149,321	38%
June 30, 2009	-	54,869	54,869	-	132,275	41%

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.

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

Housing & 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.

National Pollution Discharge Elimination System (NPDES) Storm Drain Fund – 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.

Housing Fund – To account for the 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 Improvement 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.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

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, 2014
(amounts expressed in thousands)

Special Revenue							
Assets	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	NPDES Storm Drain	Housing	Total
Cash and investments	\$ -	\$ 17,867	\$ 571	\$ 1,194	\$ -	\$ 1,383	\$ 21,015
Cash and investments at fiscal agent	-	-	-	-	-	163	163
Receivable (net of allowance for uncollectibles):							
Interest	-	86	2	6	-	8	102
Accounts	-	-	-	2	-	-	2
Intergovernmental	545	208	96	1,077	656	-	2,582
Notes	-	-	-	12,602	-	20,665	33,267
Advances to Successor Agency	-	-	-	-	-	20,571	20,571
Land & improvements held for resale	-	-	-	1,310	-	3,212	4,522
Total assets	<u>\$ 545</u>	<u>\$ 18,161</u>	<u>\$ 669</u>	<u>\$ 16,191</u>	<u>\$ 656</u>	<u>\$ 46,002</u>	<u>\$ 82,224</u>
Liabilities							
Accounts payable	\$ 298	\$ 306	\$ 22	\$ 331	\$ -	\$ 110	\$ 1,067
Accrued payroll	-	-	-	16	-	14	30
Retainage payable	-	1,364	-	-	-	-	1,364
Deposits	-	-	-	-	-	3	3
Due to other funds	247	-	-	-	355	-	602
Advance from other funds	-	-	-	516	-	458	974
Total liabilities	<u>545</u>	<u>1,670</u>	<u>22</u>	<u>863</u>	<u>355</u>	<u>585</u>	<u>4,040</u>
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	13,913	-	20,609	34,522
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,913</u>	<u>-</u>	<u>20,609</u>	<u>34,522</u>
Fund Balances (Deficits)							
Restricted for:							
Housing and redevelopment	-	-	-	1,415	-	24,808	26,223
Transportation and public works	-	16,491	647	-	301	-	17,439
Total fund balances (deficits)	<u>-</u>	<u>16,491</u>	<u>647</u>	<u>1,415</u>	<u>301</u>	<u>24,808</u>	<u>43,662</u>
Total liabilities deferred inflows of resources, and fund balances (deficits)	<u>\$ 545</u>	<u>\$ 18,161</u>	<u>\$ 669</u>	<u>\$ 16,191</u>	<u>\$ 656</u>	<u>\$ 46,002</u>	<u>\$ 82,224</u>

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
 (amounts expressed in thousands)

	Capital Projects				General Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total		Library Special	
Assets							
Cash and investments	\$ 3,053	\$ 2,043	\$ 70	\$ 5,166	\$ 758	\$ 1,460	\$ 28,399
Cash and investments at fiscal agent	2,418	-	-	2,418	10,298	-	12,879
Receivable (net of allowance for uncollectibles):							
Interest	15	11	-	26	6	-	134
Accounts	-	-	-	-	-	-	2
Intergovernmental	-	-	-	-	-	-	2,582
Notes	-	-	-	-	-	-	33,267
Advances to Successor Agency	-	-	-	-	19,168	-	39,739
Land & improvements held for resale	-	-	-	-	-	-	4,522
Total assets	<u>\$ 5,486</u>	<u>\$ 2,054</u>	<u>\$ 70</u>	<u>\$ 7,610</u>	<u>\$ 30,230</u>	<u>\$ 1,460</u>	<u>\$ 121,524</u>
Liabilities							
Accounts payable	\$ 326	\$ -	\$ -	\$ 326	\$ 171	\$ -	\$ 1,564
Accrued payroll	-	-	-	-	-	-	30
Retainage payable	32	-	-	32	-	-	1,396
Deposits	-	-	-	-	-	-	3
Due to other funds	-	-	-	-	-	-	602
Advance from other funds	6,861	-	-	6,861	3,882	-	11,717
Total liabilities	<u>7,219</u>	<u>-</u>	<u>-</u>	<u>7,219</u>	<u>4,053</u>	<u>-</u>	<u>15,312</u>
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	-	-	34,522
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,522</u>
Fund Balances (Deficits)							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	1,460	1,460
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	26,223
Debt service	-	-	-	-	26,177	-	26,177
Transportation and public works	-	-	70	70	-	-	17,509
Other purposes	-	2,054	-	2,054	-	-	2,054
Unassigned	(1,733)	-	-	(1,733)	-	-	(1,733)
Total fund balances (deficits)	<u>(1,733)</u>	<u>2,054</u>	<u>70</u>	<u>391</u>	<u>26,177</u>	<u>1,460</u>	<u>71,690</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 5,486</u>	<u>\$ 2,054</u>	<u>\$ 70</u>	<u>\$ 7,610</u>	<u>\$ 30,230</u>	<u>\$ 1,460</u>	<u>\$ 121,524</u>

City of Riverside
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	NPDES Storm Drain	Housing	Total
Revenues							
Intergovernmental	\$ 2,271	\$ 9,418	\$ 480	\$ 5,429	\$ -	\$ -	\$ 17,598
Special assessments	-	-	-	-	657	-	657
Rental and investment income	-	202	5	33	-	96	336
Miscellaneous	-	-	258	314	-	564	1,136
Total revenues	<u>2,271</u>	<u>9,620</u>	<u>743</u>	<u>5,776</u>	<u>657</u>	<u>660</u>	<u>19,727</u>
Expenditures							
Current:							
General government	-	-	556	423	-	1,472	2,451
Public safety	2,271	-	-	-	-	-	2,271
Capital outlay	-	7,479	-	4,736	532	-	12,747
Debt service:							
Interest	-	-	-	12	-	5	17
Bond issuance costs	-	-	-	2	-	-	2
Total expenditures	<u>2,271</u>	<u>7,479</u>	<u>556</u>	<u>5,173</u>	<u>532</u>	<u>1,477</u>	<u>17,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>2,141</u>	<u>187</u>	<u>603</u>	<u>125</u>	<u>(817)</u>	<u>2,239</u>
Other financing sources (uses)							
Sales of capital assets	-	-	-	-	-	27	27
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Net change in fund balances	<u>-</u>	<u>2,141</u>	<u>187</u>	<u>603</u>	<u>125</u>	<u>(790)</u>	<u>2,266</u>
Fund balances - beginning	-	14,350	460	812	176	25,598	41,396
Fund balances - ending	<u>\$ -</u>	<u>\$ 16,491</u>	<u>\$ 647</u>	<u>\$ 1,415</u>	<u>\$ 301</u>	<u>\$ 24,808</u>	<u>\$ 43,662</u>

City of Riverside
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	Capital Projects				General Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total		Library Special	
Revenues							
Licenses and permits	\$ 1,422	\$ 128	\$ -	\$ 1,550	\$ -	\$ -	1,550
Intergovernmental	-	116	-	116	-	-	17,714
Special assessments	-	-	-	-	1,108	-	1,765
Rental and investment income	30	22	1	53	1,748	14	2,151
Miscellaneous	105	-	-	105	419	115	1,775
Total revenues	<u>1,557</u>	<u>266</u>	<u>1</u>	<u>1,824</u>	<u>3,275</u>	<u>129</u>	<u>24,955</u>
Expenditures							
Current:							
General government	736	4	-	740	16	-	3,207
Public safety	-	-	-	-	-	-	2,271
Culture and recreation	-	-	-	-	-	110	110
Capital outlay	2,517	179	-	2,696	-	-	15,443
Debt service:							
Principal	-	-	-	-	5,298	-	5,298
Interest	69	-	-	69	10,442	-	10,528
Bond issuance costs	-	-	-	-	-	-	2
Total expenditures	<u>3,322</u>	<u>183</u>	<u>-</u>	<u>3,505</u>	<u>15,756</u>	<u>110</u>	<u>36,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,765)</u>	<u>83</u>	<u>1</u>	<u>(1,681)</u>	<u>(12,481)</u>	<u>19</u>	<u>(11,904)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	12,774	-	12,774
Sales of capital assets	-	-	-	-	-	-	27
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,774</u>	<u>-</u>	<u>12,801</u>
Net change in fund balances	<u>(1,765)</u>	<u>83</u>	<u>1</u>	<u>(1,681)</u>	<u>293</u>	<u>19</u>	<u>897</u>
Fund balances - beginning	32	1,971	69	2,072	25,884	1,441	70,793
Fund balances - ending	<u>\$ (1,733)</u>	<u>\$ 2,054</u>	<u>\$ 70</u>	<u>\$ 391</u>	<u>\$ 26,177</u>	<u>\$ 1,460</u>	<u>\$ 71,690</u>

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, 2014
(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									
Intergovernmental	\$ 3,171	\$ 2,271	\$ (900)	\$ 6,985	\$ 9,418	\$ 2,433	\$ 360	\$ 480	\$ 120
Rental and investment income	-	-	-	150	202	52	-	5	5
Miscellaneous	-	-	-	-	-	-	233	258	25
Total revenues	<u>3,171</u>	<u>2,271</u>	<u>(900)</u>	<u>7,135</u>	<u>9,620</u>	<u>2,485</u>	<u>593</u>	<u>743</u>	<u>150</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	922	556	366
Public safety	3,349	2,271	1,078	-	-	-	-	-	-
Capital outlay	-	-	-	19,267	7,479	11,788	-	-	-
Total expenditures	<u>3,349</u>	<u>2,271</u>	<u>1,078</u>	<u>19,267</u>	<u>7,479</u>	<u>11,788</u>	<u>922</u>	<u>556</u>	<u>366</u>
Net change in fund balances	(178)	-	178	(12,132)	2,141	14,273	(329)	187	516
Fund balances (deficit), beginning	-	-	-	14,350	14,350	-	460	460	-
Fund balances (deficit), ending	<u>\$ (178)</u>	<u>\$ -</u>	<u>\$ 178</u>	<u>\$ 2,218</u>	<u>\$ 16,491</u>	<u>\$ 14,273</u>	<u>\$ 131</u>	<u>\$ 647</u>	<u>\$ 516</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, 2014
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			NPDES Storm Drain			Housing		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Intergovernmental	\$ 6,473	\$ 5,429	\$ (1,044)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	604	657	53	-	-	-
Rental and investment income	28	33	5	-	-	-	-	96	96
Miscellaneous	404	314	(90)	-	-	-	-	564	564
Total revenues	<u>6,905</u>	<u>5,776</u>	<u>(1,129)</u>	<u>604</u>	<u>657</u>	<u>53</u>	<u>-</u>	<u>660</u>	<u>660</u>
Expenditures									
Current:									
General government	1,277	423	854	-	-	-	1,423	1,472	(49)
Capital outlay	16,900	4,736	12,164	747	532	215	-	-	-
Debt service:									
Principal	23	-	23	-	-	-	-	-	-
Interest	15	12	3	-	-	-	-	5	(5)
Bond issuance costs	-	2	(2)	-	-	-	-	-	-
Total expenditures	<u>18,215</u>	<u>5,173</u>	<u>13,042</u>	<u>747</u>	<u>532</u>	<u>215</u>	<u>1,423</u>	<u>1,477</u>	<u>(54)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,310)</u>	<u>603</u>	<u>11,913</u>	<u>(143)</u>	<u>125</u>	<u>268</u>	<u>(1,423)</u>	<u>(817)</u>	<u>606</u>
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	27	27
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Net change in fund balances	(11,310)	603	11,913	(143)	125	268	(1,423)	(790)	633
Fund balances (deficit), beginning	812	812	-	176	176	-	25,598	25,598	-
Fund balances (deficit), ending	<u>\$ (10,498)</u>	<u>\$ 1,415</u>	<u>\$ 11,913</u>	<u>\$ 33</u>	<u>\$ 301</u>	<u>\$ 268</u>	<u>\$ 24,175</u>	<u>\$ 24,808</u>	<u>\$ 633</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, 2014
(amounts expressed in thousands)

	Capital Projects											
	Capital Outlay			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	Final Budget	Actual	Variance to Final Budget
Revenues												
Licenses and permits	\$ -	\$ -	\$ -	\$ 3,120	\$ 1,422	\$ (1,698)	\$ 100	\$ 128	\$ 28	\$ -	\$ -	\$ -
Intergovernmental	84,092	28,719	(55,373)	-	-	-	3,345	116	(3,229)	-	-	-
Special assessments	125	288	163	-	-	-	-	-	-	-	-	-
Rental and investment income	170	307	137	-	30	30	25	22	(3)	-	1	1
Miscellaneous	3,599	1,780	(1,819)	-	105	105	-	-	-	-	-	-
Total revenues	<u>87,986</u>	<u>31,094</u>	<u>(56,892)</u>	<u>3,120</u>	<u>1,557</u>	<u>(1,563)</u>	<u>3,470</u>	<u>266</u>	<u>(3,204)</u>	<u>-</u>	<u>1</u>	<u>1</u>
Expenditures												
Current:												
General government	-	-	-	2,336	736	1,600	4	4	-	-	-	-
Capital outlay	138,244	48,333	89,911	4,634	2,517	2,117	4,857	179	4,678	-	-	-
Debt service:												
Interest	-	-	-	137	69	68	-	-	-	-	-	-
Bond issuance costs	738	738	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>138,982</u>	<u>49,071</u>	<u>89,911</u>	<u>7,107</u>	<u>3,322</u>	<u>3,785</u>	<u>4,861</u>	<u>183</u>	<u>4,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,996)</u>	<u>(17,977)</u>	<u>33,019</u>	<u>(3,987)</u>	<u>(1,765)</u>	<u>2,222</u>	<u>(1,391)</u>	<u>83</u>	<u>1,474</u>	<u>-</u>	<u>1</u>	<u>1</u>
Other financing sources (uses)												
Transfers out	(1,521)	(2,185)	664	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	54,886	54,886	-	-	-	-	-	-	-	-	-	-
Bond Premium	1,211	1,211	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>54,576</u>	<u>53,912</u>	<u>664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,580	35,935	33,683	(3,987)	(1,765)	2,222	(1,391)	83	1,474	-	1	1
Fund balances (deficit), beginning	1,432	1,432	-	32	32	-	1,971	1,971	-	69	69	-
Fund balances (deficit), ending	<u>\$ 5,012</u>	<u>\$ 37,367</u>	<u>\$ 33,683</u>	<u>\$ (3,955)</u>	<u>\$ (1,733)</u>	<u>\$ 2,222</u>	<u>\$ 580</u>	<u>\$ 2,054</u>	<u>\$ 1,474</u>	<u>\$ 69</u>	<u>\$ 70</u>	<u>\$ 1</u>

Nonmajor Enterprise Funds

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

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

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

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

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

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ -	\$ 3,444	\$ 2,477	\$ 344	\$ 6,265
Receivables (net of allowance for uncollectibles)					
Interest	-	23	12	5	40
Utility billed	-	1,041	-	-	1,041
Utility unbilled	-	723	-	-	723
Accounts	34	592	36	555	1,217
Intergovernmental	75	-	1	9	85
Restricted assets:					
Other restricted cash and cash equivalents	-	901	-	-	901
Total current assets	<u>109</u>	<u>6,724</u>	<u>2,526</u>	<u>913</u>	<u>10,272</u>
Non-current assets:					
Regulatory assets	-	6,499	-	-	6,499
Net pension asset	214	1,164	560	157	2,095
Capital assets:					
Land	9,988	-	-	9,192	19,180
Buildings	2,631	-	22	33,228	35,881
Accumulated depreciation-buildings	(1,245)	-	(10)	(4,429)	(5,684)
Improvements other than buildings	19,662	-	1,691	6,731	28,084
Accumulated depreciation-improvements other than buildings	(6,510)	-	(98)	(1,637)	(8,245)
Machinery and equipment	412	14,487	3,956	1,138	19,993
Accumulated depreciation-machinery and equipment	(307)	(9,978)	(2,948)	(1,008)	(14,241)
Construction in progress	-	-	35	-	35
Total non-current assets:	<u>24,845</u>	<u>12,172</u>	<u>3,208</u>	<u>43,372</u>	<u>83,597</u>
Total assets	<u>24,954</u>	<u>18,896</u>	<u>5,734</u>	<u>44,285</u>	<u>93,869</u>

Continued

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	7	853	24	148	1,032
Accrued payroll	12	105	50	29	196
Retainage payable	-	-	-	20	20
Unearned revenue	-	-	2,229	-	2,229
Due to other funds	133	-	-	-	133
Notes payable - current	-	-	-	906	906
Landfill capping - current	-	200	-	-	200
Compensated absences - current	22	393	70	39	524
Total current liabilities	<u>174</u>	<u>1,551</u>	<u>2,373</u>	<u>1,142</u>	<u>5,240</u>
Non-current liabilities:					
Notes payables	-	-	-	21,186	21,186
Advances from other funds	213	1,160	558	608	2,539
Landfill capping	-	5,972	-	-	5,972
Compensated absences	4	73	13	7	97
Other postemployment benefits	99	824	375	176	1,474
Total non-current liabilities	<u>316</u>	<u>8,029</u>	<u>946</u>	<u>21,977</u>	<u>31,268</u>
Total liabilities	<u>490</u>	<u>9,580</u>	<u>3,319</u>	<u>23,119</u>	<u>36,508</u>
Net Position					
Net investment in capital assets	24,631	4,509	2,648	21,123	52,911
Restricted for landfill capping	-	901	-	-	901
Unrestricted	(167)	3,906	(233)	43	3,549
Total net position	<u>\$ 24,464</u>	<u>\$ 9,316</u>	<u>\$ 2,415</u>	<u>\$ 21,166</u>	<u>\$ 57,361</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2014
(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	\$ 1,100	\$ 20,677	\$ 413	\$ 4,382	\$ 26,572
Operating expenses:					
Personnel services	544	4,472	2,106	1,047	8,169
Contractual services	51	3,960	20	1,514	5,545
Maintenance and operation	225	5,911	661	441	7,238
General	113	3,578	382	46	4,119
Materials and supplies	19	1,114	221	19	1,373
Insurance	28	115	49	108	300
Depreciation and amortization	698	1,630	612	1,073	4,013
Total operating expenses	<u>1,678</u>	<u>20,780</u>	<u>4,051</u>	<u>4,248</u>	<u>30,757</u>
Operating Income (loss)	<u>(578)</u>	<u>(103)</u>	<u>(3,638)</u>	<u>134</u>	<u>(4,185)</u>
Nonoperating revenues (expenses):					
Operating grants	-	-	2,524	-	2,524
Interest income	-	51	30	7	88
Other	84	413	8	699	1,204
Gain/loss on retirement of capital assets	27	(19)	4	524	536
Interest expense and fiscal charges	(11)	(32)	(16)	(886)	(945)
Total non-operating revenues	<u>100</u>	<u>413</u>	<u>2,550</u>	<u>344</u>	<u>3,407</u>
Income (loss) before capital contributions and transfers	<u>(478)</u>	<u>310</u>	<u>(1,088)</u>	<u>478</u>	<u>(778)</u>
Cash capital contributions	296	-	950	-	1,246
Transfers out	-	-	-	(738)	(738)
Change in net position	<u>(182)</u>	<u>310</u>	<u>(138)</u>	<u>(260)</u>	<u>(270)</u>
Total net position - beginning	24,646	9,006	2,553	21,426	57,631
Total net position - ending	<u>\$ 24,464</u>	<u>\$ 9,316</u>	<u>\$ 2,415</u>	<u>\$ 21,166</u>	<u>\$ 57,361</u>

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Transportation</u>	<u>Public Parking</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,120	\$ 20,785	\$ 1,006	\$ 4,930	\$ 27,841
Cash paid to employees for services	(537)	(4,363)	(1,999)	(1,012)	(7,911)
Cash paid to other suppliers of goods or services	(733)	(14,831)	(1,676)	(2,461)	(19,701)
Other receipts	<u>83</u>	<u>413</u>	<u>6</u>	<u>699</u>	<u>1,201</u>
Net cash provided (used) by operating activities	<u>(67)</u>	<u>2,004</u>	<u>(2,663)</u>	<u>2,156</u>	<u>1,430</u>
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(738)	(738)
Outflows on interfund advances	<u>(329)</u>	<u>(51)</u>	<u>(25)</u>	<u>(996)</u>	<u>(1,401)</u>
Net cash (used) by noncapital financing activities	<u>(329)</u>	<u>(51)</u>	<u>(25)</u>	<u>(1,734)</u>	<u>(2,139)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(25)	-	(834)	(928)	(1,787)
Proceeds from the sale of capital assets	27	9	4	2,602	2,642
Principal paid on long-term obligations	-	-	(7)	(871)	(878)
Interest paid on long-term obligations	(11)	(32)	(16)	(885)	(944)
Grant proceeds	109	-	2,524	-	2,633
Capital contributions	<u>296</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>1,246</u>
Net cash (used) provided for capital and related financing activities	<u>396</u>	<u>(23)</u>	<u>2,621</u>	<u>(82)</u>	<u>2,912</u>
Cash flows from investing activities:					
Income from investments	<u>-</u>	<u>42</u>	<u>28</u>	<u>3</u>	<u>73</u>
Net cash provided by investing activities	<u>-</u>	<u>42</u>	<u>28</u>	<u>3</u>	<u>73</u>
Net change in cash and cash equivalents	-	1,972	(39)	343	2,276
Cash and cash equivalents, beginning	<u>-</u>	<u>2,373</u>	<u>2,516</u>	<u>1</u>	<u>4,890</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 4,345</u>	<u>\$ 2,477</u>	<u>\$ 344</u>	<u>\$ 7,166</u>

Continued

City of Riverside
 Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the fiscal year ended June 30, 2014
 (amounts expressed in thousands)

Continued

	<u>Airport</u>	<u>Refuse</u>	<u>Transportation</u>	<u>Public Parking</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (578)	\$ (103)	\$ (3,638)	\$ 134	\$ (4,185)
Other receipts	83	413	6	699	1,201
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	698	1,630	612	1,073	4,013
Amortization of pension costs	9	52	25	7	93
Decrease in accounts receivable	20	108	593	554	1,275
(Increase) due from other governments	-	-	-	(6)	(6)
Increase (Decrease) in accounts payable	(297)	133	(343)	(333)	(840)
Increase (Decrease) in accrued payroll	(15)	471	30	2	488
Increase (Decrease) in other payable	13	(414)	52	26	(323)
(Decrease) in landfill capping	-	(286)	-	-	(286)
Net cash provided (used) by operating activities	<u>\$ (67)</u>	<u>\$ 2,004</u>	<u>\$ (2,663)</u>	<u>\$ 2,156</u>	<u>\$ 1,430</u>

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Total
Current assets:				
Cash and investments	\$ 1,118	\$ -	\$ 2,065	\$ 3,183
Receivables (net of allowance for uncollectibles)				
Interest	16	-	28	44
Accounts	-	-	54	54
Intergovernmental	46	-	6	52
Inventory	-	5,444	375	5,819
Total current assets	<u>1,180</u>	<u>5,444</u>	<u>2,528</u>	<u>9,152</u>
Non-current assets:				
Advances to other funds	2,764	-	3,460	6,224
Advances to Successor Agency	5,634	-	-	5,634
Net pension asset	205	215	964	1,384
Capital assets:				
Land	-	-	458	458
Buildings	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	(300)	(300)
Improvements other than buildings	-	-	726	726
Accumulated depreciation - improvements other than buildings	-	-	(83)	(83)
Machinery and equipment	5	139	10,665	10,809
Accumulated depreciation-machinery and equipment	-	(139)	(8,088)	(8,227)
Construction in progress	-	-	1,482	1,482
Total non-current assets:	<u>8,608</u>	<u>215</u>	<u>10,772</u>	<u>19,595</u>
Total assets	<u>9,788</u>	<u>5,659</u>	<u>13,300</u>	<u>28,747</u>
Liabilities				
Current liabilities:				
Accounts payable	233	212	1,363	1,808
Accrued payroll	13	16	71	100
Retainage payable	-	-	71	71
Due to other funds	-	1,306	-	1,306
Claims and judgments - current	11,122	-	-	11,122
Compensated absences - current	15	45	207	267
Total current liabilities	<u>11,383</u>	<u>1,579</u>	<u>1,712</u>	<u>14,674</u>
Non-current liabilities:				
Advances from other funds	204	213	2,649	3,066
Claims and judgments	24,045	-	-	24,045
Compensated absences	17	48	227	292
Other postemployment benefits	92	111	469	672
Total non-current liabilities	<u>24,358</u>	<u>372</u>	<u>3,345</u>	<u>28,075</u>
Total liabilities	<u>35,741</u>	<u>1,951</u>	<u>5,057</u>	<u>42,749</u>
Net Position				
Net investment in capital assets	5	-	6,348	6,353
Unrestricted	(25,958)	3,708	1,895	(20,355)
Total net position	<u>\$ (25,953)</u>	<u>\$ 3,708</u>	<u>\$ 8,243</u>	<u>\$ (14,002)</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	<u>Self-Insurance Trust</u>	<u>Central Stores</u>	<u>Central Garage</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 11,894	\$ 1,511	\$ 8,367	\$ 21,772
Operating expenses:				
Personnel services	511	662	2,991	4,164
Contractual services	68	-	73	141
Maintenance and operation	4	26	2,146	2,176
General	1,034	367	750	2,151
Materials and supplies	1	11	210	222
Claims/Insurance	14,572	9	47	14,628
Depreciation and amortization	-	-	572	572
Total operating expenses	<u>16,190</u>	<u>1,075</u>	<u>6,789</u>	<u>24,054</u>
Operating income (loss)	<u>(4,296)</u>	<u>436</u>	<u>1,578</u>	<u>(2,282)</u>
Non-operating revenues (expenses):				
Interest income	153	-	76	229
Other	1	-	(5)	(4)
Gain (loss) on retirement of capital assets	-	-	(4)	(4)
Interest expense and fiscal charges	<u>(72)</u>	<u>(6)</u>	<u>(41)</u>	<u>(119)</u>
Total non-operating revenue (expenses)	<u>82</u>	<u>(6)</u>	<u>26</u>	<u>102</u>
Change in net position	<u>(4,214)</u>	<u>430</u>	<u>1,604</u>	<u>(2,180)</u>
Total net position - beginning	<u>(21,739)</u>	<u>3,278</u>	<u>6,639</u>	<u>(11,822)</u>
Total net position - ending	<u>\$ (25,953)</u>	<u>\$ 3,708</u>	<u>\$ 8,243</u>	<u>\$ (14,002)</u>

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2014
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 11,902	\$ 2,322	\$ 8,361	\$ 22,585
Cash paid to employees for services	(487)	(631)	(2,745)	(3,863)
Cash paid to other suppliers of goods or services	(12,059)	(460)	(2,262)	(14,781)
Other receipts	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net cash provided (used) by operating activities	<u>(643)</u>	<u>1,231</u>	<u>3,354</u>	<u>3,942</u>
Cash flows from noncapital financing activities:				
Receipts on interfund advances	3,692	-	1,674	5,366
Outflows on interfund advances	<u>(1,948)</u>	<u>(1,225)</u>	<u>(3,502)</u>	<u>(6,675)</u>
Net cash provided (used) by noncapital financing activities	<u>1,744</u>	<u>(1,225)</u>	<u>(1,828)</u>	<u>(1,309)</u>
Cash flows from capital and related financing activities:				
Interest paid on long-term obligation	(72)	(6)	(26)	(104)
Purchase of capital assets	<u>(5)</u>	<u>-</u>	<u>(3,711)</u>	<u>(3,716)</u>
Net cash (used) for capital and related financing activities	<u>(77)</u>	<u>(6)</u>	<u>(3,737)</u>	<u>(3,820)</u>
Cash flows from investing activities:				
Income from investments	<u>94</u>	<u>-</u>	<u>67</u>	<u>161</u>
	<u>94</u>	<u>-</u>	<u>67</u>	<u>161</u>
Net increase (decrease) in cash and cash equivalents	1,118	-	(2,144)	(1,026)
Cash and cash equivalents, beginning	<u>-</u>	<u>-</u>	<u>4,209</u>	<u>4,209</u>
Cash and cash equivalents, ending	<u>\$ 1,118</u>	<u>\$ -</u>	<u>\$ 2,065</u>	<u>\$ 3,183</u>

Continued

City of Riverside
 Combining Statement of Cash Flows
 Internal Service Funds
 For the fiscal year ended June 30, 2014
 (amounts expressed in thousands)

Continued

	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating (loss) income	\$ (4,296)	\$ 436	\$ 1,578	\$ (2,282)
Other receipts	1	-	-	1
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	-	572	572
Amortization of pension costs	9	9	43	61
(Increase) Decrease in account receivable	8	-	(11)	(3)
Decrease in inventory	-	811	61	872
Increase (Decrease) in accounts payable	23	(46)	908	885
Increase in other payable	13	21	125	159
Increase in accrued payroll	2	-	78	80
Increase in claims and judgments	3,597	-	-	3,597
Net cash (used) provided by operating activities	<u>\$ (643)</u>	<u>\$ 1,231</u>	<u>\$ 3,354</u>	<u>\$ 3,942</u>

Agency Fund

The City's Agency Fund 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, 2014
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
Assets				
Cash and investments	\$ 6,688	\$ 4,908	\$ 5,930	\$ 5,666
Cash and investments at fiscal agent	6,778	5,938	5,976	6,740
Interest receivable	33	212	219	26
Accounts receivable	24	-	24	-
Property taxes receivable	124	114	124	114
Total assets	\$ 13,647	\$ 11,172	\$ 12,273	\$ 12,546
Liabilities				
Accounts payable	\$ -	\$ 82	\$ 82	-
Held for bond holders	13,647	11,090	12,191	12,546
Total liabilities	\$ 13,647	\$ 11,172	\$ 12,273	\$ 12,546

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2014
(amounts expressed in thousands)

Governmental funds capital assets:		
Land	\$	333,799
Buildings and improvements		180,653
Improvements other than buildings		299,345
Machinery and equipment		82,561
Infrastructure		934,614
Construction in progress		33,011
Total governmental funds capital assets	\$	<u>1,863,983</u>

Investments in governmental funds capital assets by source:		
Certificates of participation	\$	122,610
Gifts		322,300
Operating revenue		537,498
General obligation bonds		4,364
Revenue bonds		21,229
County contracts and grants		316
State grants		40,506
Asset forfeiture - state		994
Asset forfeiture - federal		2,870
Housing and community development grants		18,955
Other federal grants		35,248
Community facilities bonds		1,026
Assessment district bonds		397
Capital leases		10,825
RDA tax increment bonds		2,983
Capital projects funds		741,862
Total governmental funds capital assets	\$	<u>1,863,983</u>

**Statistical Section
(Unaudited)**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	88
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate property and sales taxes.	94
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	103
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	109
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	111

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012 ¹	2013	2014
Governmental activities										
Net investment in capital assets	\$ 515,354	\$ 622,336	\$ 712,801	\$ 850,740	\$ 950,496	\$ 976,614	\$ 1,019,892	\$ 1,076,485	\$ 1,083,485	\$ 1,106,384
Restricted	154,957	158,038	107,982	102,677	98,903	108,932	80,820	86,325	80,712	96,587
Unrestricted	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)	(80,947)	(90,159)	23,145	17,989	(2,049)
Total governmental activities net position	\$ 623,892	\$ 729,113	\$ 786,538	\$ 921,988	\$ 1,007,538	\$ 1,004,599	\$ 1,010,553	\$ 1,185,955	\$ 1,182,186	\$ 1,200,922
Business-type activities										
Net investment in capital assets	\$ 402,377	\$ 425,285	\$ 520,059	\$ 601,999	\$ 659,904	\$ 660,619	\$ 654,974	\$ 666,919	\$ 609,691	\$ 616,844
Restricted	54,540	71,386	57,613	43,341	38,621	59,863	56,397	54,923	69,068	68,507
Unrestricted	229,462	250,041	242,966	225,281	207,405	219,720	256,038	285,062	330,833	359,698
Total business-type activities net position	\$ 686,379	\$ 746,712	\$ 820,638	\$ 870,621	\$ 905,930	\$ 940,202	\$ 967,409	\$ 1,006,904	\$ 1,009,592	\$ 1,045,049
Primary government										
Net investment in capital assets	\$ 917,731	\$ 1,047,621	\$ 1,232,860	\$ 1,452,739	\$ 1,610,400	\$ 1,637,233	\$ 1,674,866	\$ 1,743,404	\$ 1,693,176	\$ 1,723,228
Restricted	209,497	229,424	165,595	146,018	137,524	168,795	137,217	141,248	149,780	165,094
Unrestricted	183,043	198,780	208,721	193,852	165,544	138,773	165,879	308,207	348,822	357,649
Total primary government net position	\$ 1,310,271	\$ 1,475,825	\$ 1,607,176	\$ 1,792,609	\$ 1,913,468	\$ 1,944,801	\$ 1,977,962	\$ 2,192,859	\$ 2,191,778	\$ 2,245,971

¹ The increase in total governmental activities net position (and related unrestricted net position) is primarily due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 58,460	\$ 74,458	\$ 105,486	\$ 113,897	\$ 71,391	\$ 85,110	\$ 72,606	\$ 48,731	\$ 54,808	\$ 42,664
Public safety	110,969	120,470	114,312	122,783	142,353	137,338	139,364	148,605	147,652	149,555
Highways and streets	20,364	20,757	22,556	26,986	29,700	31,492	32,131	35,342	35,072	36,564
Culture and recreation	26,353	32,602	28,016	31,659	29,423	44,319	50,017	54,594	40,077	42,252
Interest on long-term debt	15,885	16,358	26,378	34,075	34,361	32,049	33,638	25,087	16,627	17,741
Total governmental activities expenses	232,031	264,645	296,748	329,400	307,228	330,308	327,756	312,359	294,236	288,776
Business-type activities:										
Electric	200,030	226,186	232,346	271,412	269,209	256,860	275,922	288,799	292,175	304,416
Water	36,709	39,486	42,108	47,570	53,931	55,402	56,390	56,715	58,768	60,030
Sewer	26,108	27,299	29,510	31,209	34,853	41,248	42,276	43,702	43,945	40,385
Refuse	12,841	14,546	16,490	18,430	18,425	20,527	20,046	19,979	20,581	20,831
Airport	1,185	1,004	1,201	1,418	1,734	2,206	2,320	2,646	2,029	1,662
Transportation	2,557	2,917	2,831	3,190	3,194	3,368	3,493	3,667	3,745	4,067
Public parking	824	2,701	3,762	4,093	5,095	4,024	4,401	4,984	5,051	4,610
Total business-type activities expenses	280,254	314,139	328,248	377,322	386,441	383,635	404,848	420,492	426,294	436,001
Total primary government expenses	\$ 512,285	\$ 578,784	\$ 624,996	\$ 706,722	\$ 693,669	\$ 713,943	\$ 732,604	\$ 732,851	\$ 720,530	\$ 724,777
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 25,995	\$ 24,683	\$ 10,245	\$ 23,969	\$ 13,691	\$ 12,933	\$ 14,241	\$ 14,662	\$ 13,338	\$ 13,775
Public safety	6,982	5,845	12,410	9,924	8,414	8,177	8,075	7,837	7,793	7,444
Highways and streets	23,108	25,412	30,563	19,695	14,391	17,847	16,985	16,532	15,825	17,487
Culture and recreation	7,002	7,716	8,302	4,370	3,168	2,367	3,180	4,622	5,237	7,406
Operating grants and contributions	16,140	13,150	12,101	15,024	23,313	32,853	21,127	31,581	21,485	14,341
Capital grants and contributions	5,292	18,618	10,557	115,982	69,745	23,395	38,138	54,476	32,202	48,433
Total governmental activities program revenues	84,519	95,424	84,178	188,964	132,722	97,572	101,746	129,710	95,880	108,886
Business-type activities:										
Charges for services:										
Electric	252,322	259,572	278,888	305,299	314,164	309,910	313,703	333,029	347,933	344,037
Water	34,002	37,613	47,080	49,855	54,923	57,534	62,084	65,206	68,489	68,691
Sewer	21,967	21,510	24,057	22,525	23,247	27,342	32,769	37,747	43,772	46,162
Refuse	14,492	15,160	15,833	16,289	18,394	18,712	19,134	19,588	20,829	20,677
Airport	1,088	1,162	1,263	1,423	1,232	1,315	1,342	1,524	1,396	1,100
Transportation	200	238	302	313	336	328	344	352	344	413
Public parking	2,961	2,837	3,431	3,717	4,332	4,876	5,205	4,803	4,777	4,382
Operating grants and contributions	2,261	2,704	1,939	3,308	1,929	2,487	2,159	2,738	2,718	2,524
Capital grants and contributions	32,317	29,293	40,066	29,215	17,288	6,838	7,337	21,164	11,734	11,486
Total business-type activities program revenues	361,610	370,089	412,859	431,944	435,845	429,342	444,077	486,151	501,992	499,472
Total primary government program revenues	\$ 446,129	\$ 465,513	\$ 497,037	\$ 620,908	\$ 568,567	\$ 526,914	\$ 545,823	\$ 615,861	\$ 597,872	\$ 608,358

(continued)

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012 ¹	2013 ²	2014
Net Revenues (Expense)										
Governmental activities	\$ (147,512)	\$ (169,221)	\$ (212,570)	\$ (140,436)	\$ (174,506)	\$ (232,736)	\$ (226,010)	\$ (182,649)	\$ (198,356)	\$ (179,890)
Business-type activities	81,356	55,950	84,611	54,622	49,404	45,707	39,229	65,659	75,698	63,471
Total primary government net expense	\$ (66,156)	\$ (113,271)	\$ (127,959)	\$ (85,814)	\$ (125,102)	\$ (187,029)	\$ (186,781)	\$ (116,990)	\$ (122,658)	\$ (116,419)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales	\$ 53,348	\$ 57,522	\$ 55,666	\$ 50,526	\$ 41,882	\$ 39,645	\$ 44,157	\$ 47,701	\$ 50,222	\$ 55,096
Property	61,553	80,934	106,114	114,176	116,420	104,087	100,802	74,179	52,904	51,323
Utility users	22,133	23,502	25,384	26,267	25,964	25,975	26,691	27,320	28,206	28,092
Franchise	4,481	4,813	5,031	4,972	5,144	4,477	4,937	4,883	4,959	5,046
Transient occupancy	3,828	4,372	3,581	3,795	2,912	2,488	2,731	2,995	3,703	4,189
Intergovernmental, unrestricted	1,795	1,747	1,863	2,074	4,569	1,339	1,285	351	337	263
Unrestricted grants and contributions	15,220	39,653	29,743	-	-	-	-	-	-	-
Investment earnings	7,815	10,150	18,582	25,670	15,941	8,289	7,439	4,440	2,786	2,759
Miscellaneous	5,756	26,173	4,228	9,480	5,137	3,344	9,544	9,273	9,208	5,425
Transfers	14,918	25,576	31,171	32,326	42,087	40,153	34,378	40,679	42,262	46,433
Extraordinary items	-	-	-	-	-	-	-	149,617	-	-
Total governmental activities	190,847	274,442	281,363	269,286	260,056	229,797	231,964	361,438	194,587	198,626
Business-type activities:										
Investment income	7,548	11,259	16,988	22,756	23,402	21,271	17,548	11,405	4,744	8,005
Miscellaneous	7,362	18,700	3,498	4,931	4,590	7,447	4,808	3,110	5,767	10,414
Special item	(3,014)	-	-	-	-	-	-	-	-	-
Transfers	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)	(42,262)	(46,433)
Extraordinary items	-	-	-	-	-	-	-	-	(41,259)	-
Total business-type activities	(3,022)	4,383	(10,685)	(4,639)	(14,095)	(11,435)	(12,022)	(26,164)	(73,010)	(28,014)
Total primary government	187,825	278,825	270,678	264,647	245,961	218,362	219,942	335,274	121,577	170,612
Change in Net Position										
Governmental activities	\$ 43,335	\$ 105,221	\$ 68,793	\$ 128,850	\$ 85,550	\$ (2,939)	\$ 5,954	\$ 178,789	\$ (3,769)	\$ 18,736
Business-type activities	78,334	60,333	73,926	49,983	35,309	34,272	27,207	39,495	2,688	35,457
Total primary government	\$ 121,669	\$ 165,554	\$ 142,719	\$ 178,833	\$ 120,859	\$ 31,333	\$ 33,161	\$ 218,284	\$ (1,081)	\$ 54,193

¹ The increase in total governmental activities net position is primarily due to the dissolution of the Redevelopment Agency.

² The decrease in total business-type activities net position is primarily due to the power plant closure.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting, in thousands)

	2011	2012 ^{1,2}	2013	2014
General fund				
Nonspendable	\$ 26,646	\$ 25,720	\$ 26,421	\$ 24,419
Restricted	82,249	2,803	2,196	2,204
Assigned	15,589	6,380	10,711	14,505
Unassigned	36,359	39,347	37,763	37,732
Total general fund	<u>\$ 160,843</u>	<u>\$ 74,250</u>	<u>\$ 77,091</u>	<u>\$ 78,860</u>
All other governmental funds				
Nonspendable	\$ 1,626	\$ 1,539	\$ 1,441	\$ 1,460
Restricted for:				
Housing and redevelopment	96,571	26,911	26,410	26,223
Debt service	56,526	29,080	25,884	26,177
Transportation and public works	26,459	31,075	16,487	54,876
Other purposes	5,073	1,401	2,003	2,054
Unassigned	-	-	-	(1,733)
Total all other governmental funds	<u>\$ 186,255</u>	<u>\$ 90,006</u>	<u>\$ 72,225</u>	<u>\$ 109,057</u>

¹ The decrease in fund balance of the General Fund primarily relates to the transfer of land held for resale (in the amount of \$76.3 million) to the Redevelopment Agency Capital Projects Fund, which had been transferred to the General Fund during the fiscal year ended June 30, 2011.

² The decrease in fund balance of all other governmental funds relates to the dissolution of the Redevelopment Agency.

The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011. The City has elected to show four years of data for this schedule.

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 1 of 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 142,056	\$ 170,638	\$ 191,131	\$ 200,438	\$ 192,322	\$ 177,255	\$ 179,318	\$ 156,593	\$ 139,994	\$ 143,748
Licenses and permits	14,389	16,351	12,984	10,027	7,368	6,899	7,657	9,292	10,173	9,244
Intergovernmental	42,568	55,178	47,934	79,423	86,873	60,550	61,082	66,618	50,734	59,348
Charges for services	11,299	11,538	11,914	11,325	9,099	9,570	10,720	11,774	12,062	15,734
Fines and forfeitures	2,006	2,098	2,778	4,573	6,213	7,512	8,928	6,293	6,234	7,283
Special assessments	6,272	6,247	6,170	5,245	5,431	5,464	6,014	6,276	6,669	6,272
Use of money and property	10,915	14,324	22,587	27,970	18,620	11,173	10,173	8,095	3,878	4,315
Miscellaneous	9,996	8,502	6,164	12,796	7,596	7,082	16,605	10,611	14,933	6,957
Total revenues	\$ 239,501	\$ 284,876	\$ 301,662	\$ 351,797	\$ 333,522	\$ 285,505	\$ 300,497	\$ 275,552	\$ 244,677	\$ 252,901
Expenditures:										
General government	\$ 21,800	\$ 25,193	\$ 39,093	\$ 26,177	\$ 25,995	\$ 23,835	\$ 26,090	\$ 18,835	\$ 15,713	\$ 13,558
Public safety	117,267	126,007	139,739	151,773	145,802	138,594	140,994	150,878	150,290	151,721
Highways and streets	11,695	11,281	19,722	25,209	18,452	14,987	14,587	16,651	16,294	16,944
Culture and recreation	28,939	31,017	31,039	30,622	26,859	40,373	44,345	57,538	45,356	34,275
Capital outlay	64,127	121,978	149,325	171,952	180,394	131,908	105,689	75,482	73,581	72,365
Debt Service:										
Principal	8,599	9,733	12,045	11,257	44,349	48,078	89,264	83,378	45,006	45,500
Interest	15,025	19,205	21,330	31,239	33,033	31,267	32,611	24,133	15,116	16,787
Debt issuance costs	1,538	-	2,551	697	259	231	174	169	581	843
Payment for advance refunding	-	-	-	-	-	-	-	-	3,521	-
Total expenditures	\$ 268,990	\$ 344,414	\$ 414,844	\$ 448,926	\$ 475,143	\$ 429,273	\$ 453,754	\$ 427,064	\$ 365,458	\$ 351,993
Excess of revenues over (under) expenditures	\$ (29,489)	\$ (59,538)	\$ (113,182)	\$ (97,129)	\$ (141,621)	\$ (143,768)	\$ (153,257)	\$ (151,512)	\$ (120,781)	\$ (99,092)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 2 of 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses):										
Transfers in	\$ 49,944	\$ 59,545	\$ 84,306	\$ 62,841	\$ 100,797	\$ 88,303	\$ 214,631	\$ 196,859	\$ 56,572	\$ 58,469
Transfers out	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)	(14,178)	(15,369)
Issuance of long term debt	85,691	20,969	299,645	164,408	30,425	51,821	104,875	34,940	99,753	87,037
Capital lease financings	-	-	-	-	-	3,116	2,000	-	7,203	6,625
Sales of capital assets	6,230	1,281	541	8,931	(5,798)	529	(1,629)	156	82	931
Payments to refunded bond agent	(9,167)	-	-	(148,975)	-	-	-	-	(43,591)	-
Total other financing sources (uses)	97,672	47,826	331,357	56,690	66,714	95,619	139,597	75,650	105,841	137,693
Special item - pension contribution	(32,141)	-	-	-	-	-	-	-	-	-
Extraordinary items:										
Dissolution of Riverside Redevelopment Agency:										
Transfer of assets and liabilities to										
Successor Agency	-	-	-	-	-	-	-	(130,174)	-	-
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	28,121	-	-
Assumption of obligation	-	-	-	-	-	-	-	(4,927)	-	-
Total extraordinary items	-	-	-	-	-	-	-	(106,980)	-	-
Net change in fund balances	\$ 36,042	\$ (11,712)	\$ 218,175	\$ (40,439)	\$ (74,907)	\$ (48,149)	\$ (13,660)	\$ (182,842)	\$ (14,940)	\$ 38,601
Debt service as a percentage of noncapital expenditures	15.301%	13.777%	14.011%	16.947%	26.058%	23.211%	32.757%	32.507%	21.039%	21.803%
				(1)	(2)		(3)	(4)		

- (1) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.
(2) Increase relates to \$30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The \$30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011, 2012, 2013 and 2014.
(3) Increase in debt service related to one-time early redemption of \$31.7 million of 2011 Redevelopment Tax Allocation Bonds and \$9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.
(4) Includes one-time early redemption of \$33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2005	\$ 79,786	\$ 59,998	\$ 59,157	\$ 15,249	\$ 6,337	\$ 20,213	\$ 12,697	\$ 253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029
2013	118,173	66,632	110,680	638	5,712	32,688	13,410	347,933
2014	111,880	67,063	111,260	115	5,600	32,630	15,489	344,037

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax	Property Tax¹	Utility Users Tax	Franchise Tax	Transient Occupancy Tax	Total Taxes
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	101,469	25,384	5,031	3,581	191,131
2008	50,526	114,176	26,267	4,972	3,795	199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078
2013	50,222	52,904	28,206	4,959	3,703	139,994
2014	55,096	51,323	28,092	5,046	4,189	143,746

¹ Decrease in property taxes in fiscal years 2012 and 2013 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency ¹				Total Direct Tax Rate ²
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	0.266
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	0.309
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	0.304
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.349
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348
2013	22,313,665	1,244,448	(7,142,401)	16,415,712	N/A	N/A	N/A	N/A	0.348
2014	23,045,134	1,201,634	(7,394,982)	16,851,786	N/A	N/A	N/A	N/A	0.125

Notes:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

¹ In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

² Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

Source: Riverside County Auditor-Controller

Table 8
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Assessed Valuation)
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic Levy ¹	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service ²	0.234	0.220	0.155	0.185	0.291	0.326	0.334	0.363	0.409	0.462
City of Riverside Debt Service	0.011	0.009	0.008	0.006	0.007	0.006	0.006	0.006	0.006	0.007
Eastern Municipal Water Improvement District	0.023	0.010	0.009	0.008	-	-	-	-	-	-
Metropolitan Water District Original Area	0.006	0.005	0.005	0.005	0.004	0.004	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	0.018	0.018	0.018	0.013	0.013	0.012	0.015	0.017	0.017	0.018
Rubidoux Community Service Debt Service	0.003	-	-	-	-	-	-	-	-	-
Total Direct & Overlapping³ Tax Rates	1.295	1.262	1.195	1.217	1.315	1.348	1.359	1.390	1.436	1.491
City's Share of 1% Levy Per Prop 13⁴	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	0.011	0.009	0.009	0.006	0.007	0.006	0.006	0.006	0.006	0.007
Redevelopment Rate^{5,7}	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.004	-	-
Total Direct Rate⁶	0.266	0.309	0.304	0.334	0.343	0.349	0.347	0.348	0.348	0.125

¹ In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various intergovernmental overlapping debt.

² Includes: Alvard Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, Riverside Unified School District and Val Verde Unified School District.

³ Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

⁴ City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁵ RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁶ Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

⁷ In accordance with the timeline set forth in Assembly Bill X1 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Source: Riverside County Assessor 2004/05 - 2013/14 Tax Rate Table.

**Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago**

(in thousands)

Property Owner	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tyler Mall	\$ 194,241	1	0.8%	\$ 141,698	1	0.9%
La Sierra University	136,505	2	0.6%			
Riverside Healthcare System	110,756	3	0.5%	52,395	6	0.3%
Rohr Inc	108,703	4	0.5%	49,989	7	0.3%
Cole ID	93,330	5	0.4%			
State Street Bank & Trust Co of Calif	91,636	6	0.4%	101,260	2	0.6%
Vestar Riverside Plaza	84,860	7	0.4%			
Corona Pointe Apartments	77,450	8	0.3%			
7450 Northrop Drive Apartments	73,297	9	0.3%			
Canyon Springs Marketplace Corp	70,030	10	0.3%			
BRE Properties				91,589	3	0.6%
California State Teachers Retirement				55,391	4	0.4%
Charter Comm Entertainment II				54,931	5	0.4%
Bottling Group				49,168	8	0.3%
Press Enterprise Company				44,912	9	0.3%
Mission Grove Park Apartments				44,270	10	0.3%
Totals	<u>\$ 1,040,808</u>		<u>4.5%</u>	<u>\$ 685,603</u>		<u>4.4%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Successor Agency.

Source: Riverside County Assessor 2013/14 and 2004/05 Combined Tax Rolls

Table 10
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	36,825	36,332	98.66%	493	36,825	100.00%
2006	52,532	51,815	98.64%	717	52,532	100.00%
2007	69,246	67,046	96.82%	2,200	69,246	100.00%
2008	83,996	82,345	98.03%	1,651	83,996	100.00%
2009	86,251	84,134	97.55%	2,117	86,251	100.00%
2010	77,228	74,491	96.46%	2,737	77,228	100.00%
2011	74,608	72,327	96.94%	2,281	74,608	100.00%
2012	41,020	40,340	98.34%	680	41,020	100.00%
2013	43,333	42,447	97.96%	886	43,333	100.00%
2014	45,138	44,684	98.99%	-	44,684	98.99%

Note:

The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

The City adopted the Teeter plan available with the County of Riverside effective Fiscal year 2014. Under the Teeter plan the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

Table 11
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Type of Customer:										
Residential	675	696	748	734	733	701	666	688	726	700
Commercial	530	474	456	441	433	406	400	413	419	421
Industrial	707	810	924	960	946	906	912	969	1,003	997
Wholesale sales	470	287	295	357	137	44	7	2	14	4
Other	50	58	39	34	33	32	31	31	31	30
Total	2,432	2,325	2,462	2,526	2,282	2,089	2,016	2,103	2,193	2,152
Total direct rate										
Monthly Base Rate ¹	3.36	3.36	5.00	11.35	13.06	18.06	18.06	18.06	18.06	18.06

¹ Monthly Base Rate includes a Reliability Charge of \$5.00 (small residence 100 amp) implemented in January 2008. In January 2010 the Reliability Charge increased to \$10.00 (small residence 100 amp).

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Other
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938
2013	0.16274	0.15913	0.11030	0.18375
2014	0.15995	0.15936	0.11156	0.18513

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2014		2005	
	Electricity Charges	Percent of Total Electric Revenues	Electricity Charges	Percent of Total Electric Revenues
Local University	\$10,947,884	3.70%	N/A	N/A
Local Government	8,335,217	2.82%	N/A	N/A
Local Government	7,386,521	2.50%	N/A	N/A
Local School District	4,189,035	1.42%	N/A	N/A
Corporation	3,677,670	1.24%	N/A	N/A
Corporation	3,315,738	1.12%	N/A	N/A
Corporation	2,775,346	0.94%	N/A	N/A
Hospital	2,453,555	0.83%	N/A	N/A
Corporation	2,120,900	0.72%	N/A	N/A
Corporation	2,113,037	0.71%	N/A	N/A
	<u>\$47,314,903</u>	<u>16.00%</u>	<u>N/A</u>	<u>N/A</u>

Retail Sales Per Financial Statements \$295,803,687

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Governmental Activities							
	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Assessment Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	Notes/Loans Payable
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	-	127,480	207,278	5,220	4,000
2013	15,314	-	43,762	-	122,005	158,697	8,424	28,652
2014	14,460	-	42,344	-	115,775	191,446	13,168	47,611

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Revenue Bonds	Notes/Loans Payable	Capital Leases				
2005	419,581	10,459	392	818,428	14.98%	2.91	
2006	509,577	9,841	317	898,052	15.47%	3.13	
2007	482,929	9,211	253	1,160,334	18.67%	4.01	
2008	720,749	8,569	211	1,401,421	21.51%	4.80	
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54	
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44	
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01	
2012	1,063,853	73,821	1,332	1,499,091	22.01%	4.86	
2013	1,031,839	70,798	2,558	1,482,049	21.41%	4.75	
2014	1,094,290	36,030	2,266	1,557,390	22.54%	4.96	

¹ These ratios are calculated using personal income and population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Statistical Table 19.

Table 15
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds	Total	Percent of Assessed Value ¹	Per Capita²
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,316
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,264
2007	19,331	144,450	192,874	296,598	653,253	3.98%	2,260
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	207,278	-	350,865	2.15%	1,137
2013	15,314	122,005	158,697	-	296,016	1.80%	949
2014	14,460	115,775	191,446	-	321,681	1.91%	1,024

Notes:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

² These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 16
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

2013-14 Assessed Valuation:	\$ 22,864,558,235
Less Dissolved Redevelopment Agency Incremental Valuation:	<u>6,012,772,332</u>
Adjusted Assessed Valuation:	<u><u>\$ 16,851,785,903</u></u>

	<u>Total Debt</u>	<u>% Applicable</u>	<u>City's Share of Debt¹</u>
Overlapping debt repaid with property taxes²			
Metropolitan Water District	\$ 1,322,750	1.059%	\$ 1,400,792
Riverside City Community College District	227,729,565	29.816	67,899,847
Alvord Unified School District	227,560,233	71.179	161,975,098
Riverside Unified School District	139,315,000	87.040	121,259,776
Corona-Norco Unified School District	260,100,000	0.001	2,601
Jurupa Unified School District	46,700,000	0.002	934
Moreno Valley Unified School District	36,708,522	11.159	4,096,304
Alvord Unified School District Community District No.2006-1	7,960,000	82.333	6,553,707
Riverside Unified School District Community Facilities Districts	89,052,000	89.479-100.	88,906,388
City of Riverside Community Facilities Districts	15,210,000	100.	15,210,000
City of Riverside 1915 Act Bonds	26,755,000	100.	<u>26,755,000</u>
Total overlapping debt repaid with property taxes			<u>\$ 494,060,447</u>

(continued)

**Table 16
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

Other overlapping debt²

Riverside County General Fund Obligations	\$ 718,909,871	11.053%	\$ 79,461,108
Riverside County Pension Obligations	334,515,000	11.053	36,973,943
Riverside County Board of Education Certificates of Participation	2,700,000	11.053	298,431
Alvord Unified School District Certificates of Participation	2,027,061	71.179	1,442,842
Corona-Norco Unified School District Certificates of Participation	29,000,000	0.001	290
Jurupa Unified School District Certificates of Participation	6,450,000	0.002	129
Moreno Valley Unified School District Certificates of Participation	13,279,998	11.159	1,481,915
Riverside Unified School District General Fund Obligations	11,880,000	87.040	10,340,352
			<hr/>
Total other overlapping debt			129,999,010
Less: Riverside County supported obligations			1,116,603
			<hr/>
			128,882,407
			<hr/>
Overlapping tax Increment debt			262,192,206
			<hr/>
Total overlapping debt			885,135,060
			<hr/>
City direct debt			424,804,000
			<hr/>
Combined total direct and overlapping debt			\$ 1,309,939,060
			<hr/>

(1) Debt balances are as of April 1, 2014 (most recent available) for other agency debt, and June 30, 2014 for all City of Riverside direct debt.

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

Ratios to 2013-14 Assessed Valuation:

Total debt repaid with property taxes.....	2.16%
City direct debt (\$424,804,000).....	1.86%
Combined total direct and overlapping debt.....	5.73%

Ratios to Dissolved Redevelopment Incremental Valuation (\$6,012,772,332):

Total overlapping tax Increment debt.....	4.36%
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Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc., Riverside County Auditor-Controller and City Finance Department.

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuation	\$13,740,349	\$14,614,159	\$16,395,629	\$17,950,082	\$ 18,243,019	\$ 16,840,575	\$ 16,396,996	\$ 16,342,830	\$ 16,415,712	\$ 16,851,786
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708	4,103,928	4,212,947
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	515,263	548,031	614,836	673,128	684,113	631,522	614,887	612,856	615,589	631,942
Total net debt applicable to limit:	20,280	19,858	19,331	18,774	18,171	17,533	16,845	16,107	15,314	14,460
Legal debt margin	494,983	528,173	595,505	654,354	665,942	613,989	598,042	596,749	600,275	617,482
Total net debt applicable to the limit as a percentage of debt limit	3.9%	3.6%	3.1%	2.8%	2.7%	2.8%	2.7%	2.6%	2.5%	2.3%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 7 and Notes to Financial Statements.

Table 18
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Electric Revenue Bonds						Water Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
2012	340,098	221,876	118,222	25,174	27,630	2.24	73,557	35,309	38,248	4,708	8,872	2.82
2013	348,187	226,997	121,190	18,486	25,941	2.73	72,700	35,940	36,760	5,395	8,700	2.61
2014	347,541	241,136	106,405	21,632	27,575	2.16	71,317	37,698	36,761	4,574	8,536	2.80

Fiscal Year	Sewer Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10
2013	52,944	29,999	22,945	7,465	10,891	1.25
2014	52,098	28,930	23,168	7,753	10,781	1.25

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation. Pledged revenue includes applicable cash set aside in a rate stabilization account in accordance with applicable bond covenants.

The City of Riverside does not have any pledged revenue related to Governmental Activities.

Table 19
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
2004	281,192	5,462,823	19,427	6.1
2005	286,572	5,806,339	20,261	5.4
2006	289,045	6,214,628	21,501	5.1
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7
2012	311,955	6,923,217	22,193	9.7
2013	314,034	6,909,376	22,002	8.4

Sources:

¹ California State Department of Finance.

² Demographic Estimates for 2004-2009 are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 and later are per the US Census Bureau, most recent American Community Survey.

³ State of California Employment Development Department.

Table 20
City of Riverside
Principal Employers
Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Riverside	11,187	1	7.6%	N/A	N/A	N/A
University of California	7,218	2	4.9%	N/A	N/A	N/A
Riverside Unified School District	3,461	3	2.4%	N/A	N/A	N/A
Kaiser	3,156	4	2.1%	N/A	N/A	N/A
City of Riverside	2,476	5	1.7%	N/A	N/A	N/A
Riverside Community Hospital	1,880	6	1.3%	N/A	N/A	N/A
Riverside County Office of Education	1,765	7	1.2%	N/A	N/A	N/A
Alvord Unified School District	1,445	8	1.0%	N/A	N/A	N/A
Parkview Community Hospital	1,350	9	0.9%	N/A	N/A	N/A
Riverside Community College District	1,061	10	0.7%	N/A	N/A	N/A
Total	<u>34,999</u>		<u>23.8%</u>	<u>N/A</u>		<u>N/A</u>

N/A - not available

Source: City of Riverside, Finance Department

Table 21
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	331.88	377.15	412.22	436.35	439.10	433.40	431.40	440.40	413.90	356.25
Public safety (sworn and non-sworn personnel)										
Police ¹	568.83	589.33	618.33	637.33	591.93	589.93	589.93	599.93	596.75	551.75
Fire	221.11	221.73	251.73	254.21	254.21	255.46	255.46	255.46	255.46	255.00
Highways and streets	281.35	262.35	286.35	318.35	369.65	349.50	348.11	357.11	362.11	333.48
Sanitation	48.49	59.49	60.29	64.29	58.60	59.00	56.00	56.00	57.00	59.00
Culture and recreation	300.92	311.45	324.26	339.52	340.71	328.07	328.07	341.22	351.48	269.98
Airport	6.00	6.00	7.00	7.00	7.00	7.00	9.50	9.50	9.50	6.00
Water	130.00	133.00	142.00	167.00	167.00	177.65	180.15	181.15	181.15	182.15
Electric	305.60	337.60	351.35	404.60	408.10	419.45	448.50	452.50	459.50	462.50
Total	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27	2,686.85	2,476.11

¹ In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

² In fiscal year 2013/14 the City Council deleted a number of long-term unfunded positions.

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Arrests	11,280	10,093	9,827	9,367	10,150	8,690	8,118	7,736	8,362	9,321
Fire										
Number of calls answered	26,505	26,696	27,458	27,429	26,397	26,484	27,322	27,637	29,988	30,668
Inspections	17,028	19,261	7,261	10,812	7,638	7,234	6,505	10,074	10,151	12,476
Public works:										
Street resurfacing (miles)	102.45	51.26	73.40	26.27	18.90	20.00	21.25	18.43	16.50	35.38
Parks and recreation										
Number of recreation classes	15,195	16,272	19,079	22,146	21,884	27,762	37,303	43,318	41,364	45,707
Number of facility rentals	27,074	27,483	32,980	35,076	36,822	34,565	42,638	43,288	43,358	46,432
Water										
Number of accounts	62,492	62,985	63,431	63,494	64,062	64,231	64,349	64,367	64,591	64,829
Annual consumption (ccf)	27,875,253	28,865,030	32,110,208	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142	28,186,178	28,887,304
Electric										
Number of accounts	103,463	104,294	105,226	106,015	106,385	106,335	106,855	107,321	107,525	108,358
Annual consumption (kwh)	2,432	2,359	2,462	2,526	2,282	2,089	2,016	2,103	2,193	2,152
Sewer:										
New connections	9,621	16,717	15,423	16,412	18,765	16,971	17,746	18,166	17,607	17,274
Average daily sewage treatment (millions of gallons)	38.07	35.91	32.50	32.10	33.00	33.29	30.06	29.84	29.57	28.49

¹ Amounts expressed in millions

N/A - not available

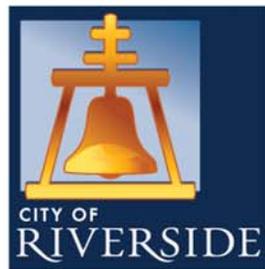
Source: City of Riverside, various departments

Table 23
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007 (1)	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	2	3	3	3	3	3	3	3	3	3
Substations	7	5	4	4	5	4	4	4	4	4
Helicopters	4	4	4	4	4	4	4	4	4	3
Fire										
Stations	13	13	14	14	14	14	14	14	14	14
Active apparatus	30	29	30	30	30	30	26	27	28	28
Reserve apparatus	5	6	6	6	7	7	9	9	11	11
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	836.00	845.35	852.04	864.68	866.89	867.96	868.39	868.70	868.89	871.19
Streetlights	28,581	28,847	29,028	29,312	29,675	29,757	29,868	29,933	29,949	29,968
Signalized intersections	322	353	358	363	365	362	362	365	365	367
Culture and recreation										
Parks acreage	2,534.00	2,534.00	2,773.00	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00	2,891.00	2,911.80
Community centers	11	11	11	11	11	11	11	11	11	11
Playgrounds	26	27	38	38	41	41	41	41	43	44
Swimming pools	7	6	7	7	7	7	7	7	7	7
Softball & baseball diamonds	35	33	44	44	44	44	49	51	54	54
Library branches	5	6	6	6	7	7	8	8	8	8
Museum exhibit-fixed	8	7	13	8	6	5	8	5	3	3
Museum exhibit-special	1	-	2	5	2	2	2	1	4	4
Water										
Fire hydrants	6,926	7,127	7,187	7,381	7,523	7,593	7,632	7,682	7,726	7,754
Sewer										
Sanitary sewers (miles)	765	775	785	794	794	820	823	829	829	829
Electric										
Miles of overhead distribution system	531.0	527.0	528.0	523.5	522.0	519.0	517.0	515.0	513.0	513.0
Miles of underground system	622.0	663.0	704.0	741.6	769.0	782.0	791.0	804.0	810.0	814.0

Source: City of Riverside, various departments

(1) Museum Fixed Exhibits - In 2007, the Riverside Municipal Museum remodeled a number of the spaces within the museum allowing the museum the opportunity to debut new exhibitions and to display more permanent collections in addition to partnering with others on exhibits that were available that year.



City of Arts & Innovation

**3900 Main Street
Riverside, CA 92522**

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Definitions

“Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond, plus interest accrued thereon from its date compounded on each Interest Payment Date (through and including the maturity date of such Bond) at the “original issue yield” for such Bond; provided, that the Accreted Value on any date other than an Interest Payment Date shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Interest Payment Date. The term “original issue yield” means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Interest Payment Date.

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California.

“Additional Bonds” means all Bonds of the Local Agency authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith.

“Aggregate Principal Amount” means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

“Auction Rate Securities” means all Bonds issued in such mode prior to their fixed rate conversion date, if any.

“Authorized Representatives” means the Mayor, the Finance Director, the City Manager and the Assistant Director of Finance of the City of Riverside.

“Bond Fund” means the Bond Fund established pursuant to the Trust Agreement.

“Bonds” means the 2004 Bonds, the Series 2005A Bonds, the Notes and all Additional Bonds.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

“Capital Appreciation Bonds” means Bonds the interest on which is payable at maturity and compounded on each Interest Payment Date through and including the maturity dates thereof as specified in the Accreted Value Table for such Bonds attached to the Trust Agreement as or in a similar exhibit to a Supplemental Trust Agreement.

“Certificate of the Local Agency” means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer’s designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to the Trustee for that purpose. If and to the extent required by the provisions of the Trust Agreement each Certificate of the Local Agency shall include the statements provided for in the Trust Agreement.

“Closing Date” means the date on which the applicable series of Bonds are delivered to the purchaser or purchasers thereof.

“Corporate Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Local Agency, initially being Los Angeles, California. The Trustee may designate in writing to the Local Agency and the Holder such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Local Agency and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, premiums for bond insurance, if any, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

“Costs of Issuance Fund” means the Costs of Issuance Fund established in the Trust Agreement.

“Defeasance Securities” means:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (2) Obligations of or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:
 - U.S. Treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA) State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Local Agency as its Fiscal Year in accordance with applicable law.

“Fixed Rate” means a rate of interest that does not change during a specific term, without adjustment, resetting or variation due to the effects of marketing, remarketing or indices.

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Index Bonds” means those Bonds which bear interest at an Index Rate.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Local Agency, and who, or each of whom:

- (i) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Local Agency:

(ii) does not have a substantial financial interest, direct or indirect, in the operations of the Local Agency; and

(iii) is not connected with the Local Agency as a member, officer or employee of the Local Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Local Agency.

“Interest Account” means the account by that name established in the Trust Agreement.

“Interest Payment Date” means each date upon which interest is due on the Bonds (or, with respect to Capital Appreciation Bonds, compounded), or such other dates designated in a Supplemental Trust Agreement.

“Local Agency” means the City of Riverside, California.

“Maturity Amount” means the Accreted Value of any Capital Appreciation Bond on its maturity date.

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

“Original Purchaser of the Bonds” means the original purchaser or purchasers of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds; means (subject to the provisions of the Trust Agreement) all Bonds except:

- (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Local Agency pursuant to the Trust Agreement.

“Permitted Investments” means any of the following to the extent permitted by the laws of the State and as approved by any applicable Bond Insurer or Insurers:

- (1) Defeasance Securities;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Developer Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank;

- (3) Direct obligations of any of the following obligations are not fully guaranteed by the full faith and credit America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)

- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the applicable Bond Insurer or Insurers;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than two hundred seventy (270) calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P

(9) Investment agreements approved in writing by the applicable Bond Insurer or Insurers (supported by appropriate opinions of counsel);

(10) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(11) Other forms of investments (including repurchase agreements) approved in writing by the applicable Bond Insurer or Insurers.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established by prior agreement among the Local Agency, the Trustee and the applicable Bond Insurer or Insurers.

"Principal Account" means the account by that name established in the Trust Agreement.

"Principal Payment Date" means a date on which principal is due on the Bonds as set forth in the Trust Agreement.

"Qualified Swap Agreement" or "Swap Agreement" means (i) any ISDA Master Swap Agreement, by and between the Local Agency and a Qualified Swap Provider, which includes Schedule A thereto and the applicable Commitment, (a) that is entered into by the Local Agency with an entity that is a Qualified Swap Provider at the time the arrangement is entered into: (b) which provides that the Local Agency shall pay to such entity an amount based on the interest accruing at a Fixed Rate on an amount equal to the principal amount of Outstanding Bonds covered by such Swap Agreement, if any, and that such entity shall pay to the Local Agency an amount based on the interest accruing on a principal amount equal to the then Outstanding principal amount of the affected Bonds, at a variable rate of interest computed according to a formula set forth in the Swap Agreement (which need not be the same formula by which the Auction Rate, if applicable, is calculated) or that one shall pay to the other any net amount due under such arrangement; and (c) which has been designated in writing to the Trustee in a Certificate of the Local Agency as a Qualified Swap Agreement with respect to the affected Bonds.

"Qualified Swap Provider" means with respect to the counterparty under any other Swap Agreement meeting the requirements of the definition thereof, a financial institution approved by the Local Agency, and (A) the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the related Qualified Swap Agreement by at least one Rating Agency as described in clause (i) below and by at least one other Rating Agency as described in clause (ii) below: (i) at least "Aa3" by Moody's or "AA-" by S&P or Fitch and (ii) not lower than "A2" by Moody's or "A" by S&P or Fitch; or (B) the obligations of which under the particular Qualified Swap Agreement and any Swap Policy related thereto are unconditionally guaranteed by a bank or non-bank financial institution, the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Qualified Swap Agreement by at least one Rating Agency as described in clause (i) above and by at least one other rating agency as described in clause (ii) above.

"Rating Agencies" means Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the event that Moody's Investors Service, Inc. or Standard & Poor's Corporation no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's Investors Service, Inc., Standard & Poor's Corporation or other nationally recognized rating agency then maintains a rating on the Bonds.

"Record Date" means the fifteenth day of the month preceding each Interest Payment Date, or such other date designated in a Supplemental Trust Agreement.

“Retirement Law” means the Public Employees’ Retirement Law commencing with Section 20000 of the Government Code of the State of California, as amended.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Local Agency and the Trustee amendatory thereof or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Surplus Account” means the account by that name established in the Trust Agreement.

“Swap Payments” means any of the periodic payments due from the Local Agency pursuant to the terms of a Qualified Swap Agreement.

“System” means the California Public Employees’ Retirement System.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Trust Agreement, dated as of June 1, 2004, between the Local Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

“Trustee” means Wells Fargo Bank, National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

“Written Request of the Local Agency” means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer’s designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to the Trustee for that purpose.

Bond Fund: Deposits to Bond Fund

(a) In order to meet the Local Agency’s obligations under the Retirement Law, the Local Agency shall deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year (or such other date as provided in a Supplemental Trust Agreement) the amount which, together with moneys transferred pursuant to the Trust Agreement, is sufficient to pay the Local Agency’s debt service obligations on the Bonds payable during such fiscal year; provided that the amount to be deposited with respect to the Notes shall be an amount equal to the interest coming due on the Notes in such fiscal year (principal of the Notes shall be payable from proceeds of an issued refunding pension obligation bonds of the Local Agency to be issued under a subsequent supplemental trust agreement).

In establishing the amounts of the Local Agency’s obligations on the Bonds to be prepaid in each fiscal year, (i) (A) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of less than 360 Rate Period Days shall be prepaid at the actual average interest rate for the immediately preceding fiscal year plus 200 basis points (2.00%) and if such information is not available for the full immediately preceding fiscal year, then the debt service for such Auction Rate Securities shall be prepaid at the average one-month LIBOR plus 200 basis points (2.00%) for the immediately preceding fiscal year: the debt service for Index Bonds not subject to a Qualified Swap Agreement shall be prepaid at the

average one-month LIBOR in effect during the immediately preceding fiscal year, plus 200 basis points (2.00%), or (B) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of 360 Rate Period Days or longer shall be prepaid at the actual interest rate in effect for such Auction Rate Securities; and (ii) the debt service for all other Bonds then Outstanding shall be prepaid at (A) the rate prescribed under the applicable Qualified Swap Agreement, if any, for Auction Rate Securities and Index Bonds subject to a Qualified Swap Agreement, and (B) the actual interest rate in effect for Fixed Rate Bonds.

(b) All amounts payable by the Local Agency under the Trust Agreement shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is created and shall be held in trust by the Trustee.

Allocation of Moneys in Bond Fund

On or before each Interest Payment Date or date fixed for redemption of Bonds, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section.

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount or Accreted Value of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal or Accreted Value of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the “Sinking Account” (the “Sinking Account”), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Local Agency, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Local Agency, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount or Accreted Value thereof, as applicable, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds, as applicable, as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. On the Business Day following the last Interest Payment Date of each fiscal year, or on such other date as provided in a Supplemental Trust Agreement, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. So long as no Event of Default has occurred and is continuing, moneys deposited in the Surplus Account shall be transferred by the Trustee to or upon the order of the Local Agency, as specified in a Written Request of the Local Agency.

Deposit and Investments of Money in Accounts and Funds

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted investments at the Written Request of the Local Agency. If no Written Request of the Local Agency is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 6 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Additional Bonds

The Local Agency may at any time issue Additional Bonds on a parity with the Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Local Agency shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the Local Agency to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(ii) Whether such Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(iii) The authorized principal amount and designation of such Additional Bonds;

(iv) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(v) The interest payment dates for such Additional Bonds;

(vi) The denomination or denominations of and method of numbering such Additional Bonds;

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

(viii) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account; and

(ix) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent with the Trust Agreement.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, the Local Agency shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the Local Agency, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

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

(c) An Opinion of Counsel to the effect that (1) the Local Agency has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the Local Agency and (2) such Additional Bonds are valid and binding obligations of the Local Agency;

(d) A Certificate of the Local Agency stating that all requirements of the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement;

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Additional Debt

The Local Agency expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue, other obligations for such purposes.

The Trustee

Wells Fargo Bank, National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Local Agency is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The Local Agency agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The Local Agency may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Local Agency and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the Local Agency shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Compensation of Trustee

The Local Agency covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the Local Agency will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Local Agency other agreements and covenants thereafter to be performed by the Local Agency, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the Local Agency;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising thereunder which the Local Agency may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the Local Agency may deem necessary or desirable in order to conform to common market practices for such bonds; or

(f) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Amendment by Mutual Consent

The Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

Events of Default

The following are “events of default” under the Trust Agreement:

(a) if default shall be made by the Local Agency in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Local Agency in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Local Agency in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the Local Agency, and such default shall have continued for a period of sixty (60) days after the Local Agency shall have been given notice in writing of such default by the Trustee or the Owners of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Local Agency within the applicable period and diligently pursued until the default is corrected: or

(d) if the Local Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Local Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Local Agency or of the whole or any substantial part of its property.

Institution of Legal Proceedings by Trustee Following Event of Default

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant, or agreement contained therein, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the Local Agency, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in Trust Agreement, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Local Agency, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of Bonds

(a) If the Local Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the Local Agency to the Holders of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Local Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Local Agency all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Local Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the Local Agency or the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal

of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Local Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

APPENDIX D

FORM OF APPROVING OPINION OF NOTE COUNSEL

May 27, 2015

City Council
City of Riverside
Riverside, California

Re: \$30,940,000 City of Riverside Taxable Pension Obligation Refunding Bond Anticipation Notes, 2015 Series A

Ladies and Gentlemen:

We have examined certified copies of proceedings of the City of Riverside (the "City") relative to the execution and delivery by the City of its Taxable Pension Obligation Refunding Bond Anticipation Notes, 2015 Series A, in the aggregate principal amount of \$30,940,000 (the "Notes"), and such other information and documents as we consider necessary to render this opinion.

The Notes have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and a Trust Agreement, dated as of June 1, 2004, by and between the City and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented to date, including as supplemented by a Ninth Supplemental Trust Agreement dated as of May 1, 2015 (as supplemented, the "Trust Agreement"). The Notes have been issued for the purpose of refunding the latest in a series of debt obligations, the first of which refunded certain of the City's obligations to the Public Employees Retirement System ("PERS") evidenced by the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945, as amended (the "PERS Contract"), to pay unamortized, unfunded accrued liability with respect to pension benefits under the Public Employee's Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"). In such connection, we have reviewed the Trust Agreement, certificates of the City, the Trustee, and others, opinions of the City Attorney and counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchasers of the Notes and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on May 3, 2004 by the Superior Court of the City of Riverside in the action entitled City of Riverside v. All Persons Interested, etc., Case No. RIC408587, and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as to the Notes terminates as of the date of execution and delivery of the Notes.

All terms not defined herein have the meanings ascribed to those terms in the Trust Agreement.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Trust Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the City enforceable in accordance with its terms.

2. The Notes have been duly authorized and delivered by the City and are valid and binding obligations of the City enforceable in accordance with their terms. The Notes do not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof has levied or pledged any form of taxation.

3. Upon delivery and authentication of the Notes in accordance with the Trust Agreement, the Notes will be entitled to the benefits of the Trust Agreement.

4. Interest on the Notes is exempt from State of California personal income tax.

The opinions expressed in paragraphs (1), (2) and (3) above are limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Trust Agreement.

Except as expressly set forth in paragraph (4) above, we express no opinion regarding any tax consequences with respect to the Notes.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Notes or other offering material relating to the Notes and expressly disclaim any duty to advise the owners of the Notes with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

BOOK ENTRY PROVISIONS

The information concerning DTC set forth herein has been supplied by DTC, and the City assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Trust Agreement, DTC will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Note will be issued for each maturity of each Series of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants

to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE NOTES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF NOTES, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE NOTES UNDER THE TRUST AGREEMENT; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN).

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal and interest with respect to the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered as described in the Trust Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered as described in the Trust Agreement and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Notes may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated May 27, 2015, is executed and delivered by the City of Riverside (the “City”) in connection with the issuance by the City of \$30,940,000 Taxable Pension Obligation Bond Anticipation Notes (the “Notes”). The Notes are being issued pursuant to the Trust Agreement, dated as of June 1, 2004, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 2005, Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement, dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011, a Sixth Supplemental Trust Agreement dated as of May 1, 2012, a Seventh Supplemental Trust Agreement dated as of May 1, 2013, an Eighth Supplemental Trust Agreement dated as of May 1, 2014, and as further supplemented by a Ninth Supplemental Trust Agreement dated as of May 1, 2015 (together, the “Trust Agreement”), each by and between the City and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Notes and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holders” shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the Owner of any Note for Federal income tax purposes.

“Listed Events” shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the City. For the purposes of the event identified in this Section 3(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(b) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. non-payment related defaults.
2. modifications to rights of Noteholders.
3. optional, contingent or unscheduled calls.
4. unless described under Section 3(a)(5) above, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
5. release, substitution or sale of property securing repayment of the Notes.
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Notes or the change of name of such a trustee or paying agent.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 3(b) hereof, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Section 3(b) hereof would be material under applicable federal securities laws, the City shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Section 3(c).

SECTION 4 Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 6. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that

which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

CITY OF RIVERSIDE

By: _____
Finance Director