

City of Arts & Innovation

Comprehensive Annual Financial Report

Year Ended June 30, 2012

SEIZING OUR DESTINY • The Agenda for Riverside's Innovative Future



The City of Riverside, CA

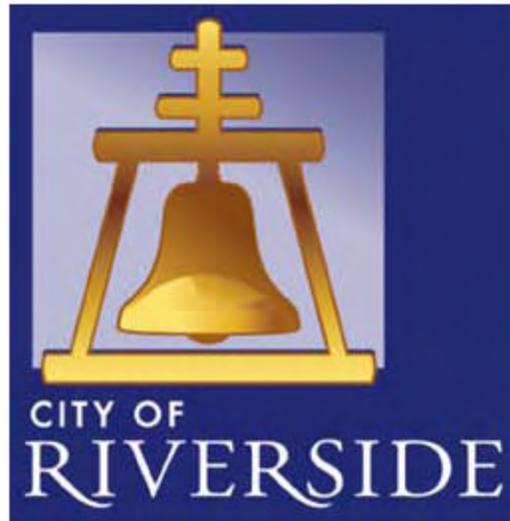


**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2012**

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

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**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

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**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

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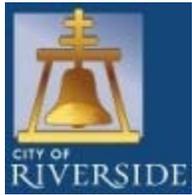
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October 24, 2012

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, 2012.

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

The City's financial statements have been audited by Moss Adams LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. 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 27 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 69.

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 308,511, which places it as the sixth largest in Southern California.

Until recently the MSA has experienced a very strong economic environment. However, unemployment is currently at 12.3%. The budget for the City for fiscal year 2012/2013 projects a 4.5% increase in expenditures, but is balanced. The increase in expenditures is largely related to capital outlay.

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

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 2012/13 - 2016/17 total approximately \$774 million. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; General Fund certificates of participation; Redevelopment Agency tax allocation bonds; and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to parks in the City; railroad grade separations; library, museum, convention center and Municipal Auditorium improvements/expansions/rehabilitations; and, public safety projects.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey R. Egan

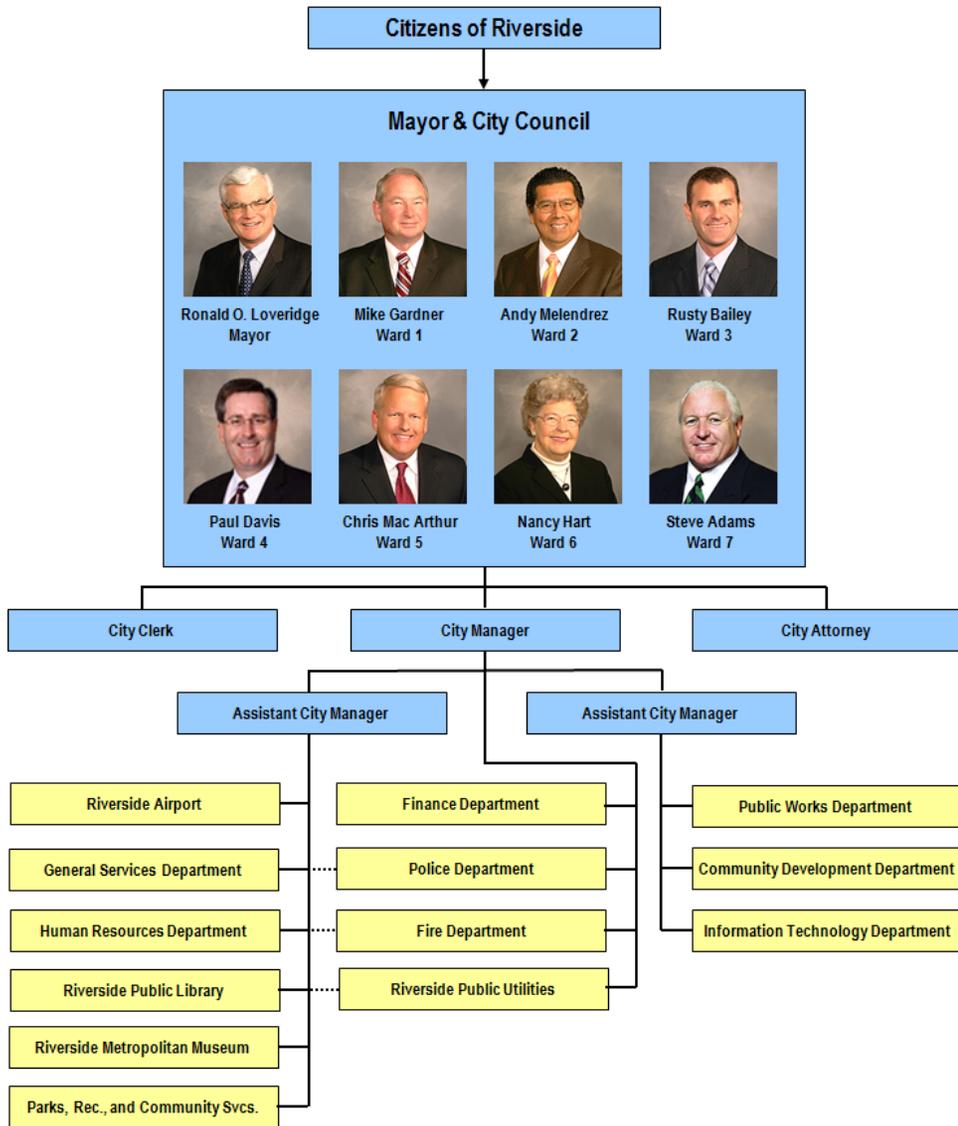
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

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

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

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

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

CITY OFFICIALS

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

Mark S. Ripley Airport Director
 Colleen J. Nicol City Clerk*
 Gregory P. Priamos City Attorney*
 Sergio G. Diaz Chief of Police
 Steve Reneker Chief Information Officer
 Al Zelinka Community Development Director
 Emilio Ramirez Development Director
 Brent A. Mason Finance Director/Treasurer
 Steve Earley Fire Chief
 Kris Martinez General Services Director
 Rhonda Strout Human Resources Director
 Tonya Kennon Library Director
 Ennette Morton Museum Director
 Ralph Nuñez Parks and Recreation Director
 David Wright General Manager - Public Utilities
 Tom Boyd Public Works Director/City Engineer

*Appointed by City Council

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California (“the City”), as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, recent legislation in the State of California called for the dissolution of California redevelopment agencies. The accompanying financial statements reflect certain changes to account for the dissolution, including extraordinary gains and losses impacting governmental activities, the Redevelopment Debt Service and Capital Projects major funds, other governmental funds and the new Successor Agency to the Redevelopment Agency of the City of Riverside, a Private-Purpose Trust fiduciary fund.

MOSS ADAMS_{LLP}

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 19 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries with 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and other schedules, listed in the table of contents on pages 65 through 85, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, and other schedules, on pages 65 through 85 are fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
October 24, 2012

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include the activities of the City and four blended component units, which consist of the Riverside Redevelopment Agency (which dissolved on January 31, 2012), 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 21-22 of this report.

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

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

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

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

the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 65-72 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 73-82 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 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 pages 33-34 of this report, and the combining statement for the agency fund can be found on page 83.

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 35 of this report.

Government-wide Financial Analysis

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

	Governmental		Business type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 417,734	\$ 620,030	\$ 901,982	\$ 930,414	\$ 1,319,716	\$ 1,550,444
Capital assets, net	1,271,805	1,214,316	1,413,797	1,338,272	2,685,602	2,552,588
Total assets	1,689,539	1,834,346	2,315,779	2,268,686	4,005,318	4,103,032
Current liabilities	85,513	91,317	176,488	137,667	262,001	228,984
Long-term liabilities	414,859	732,476	1,132,387	1,163,610	1,547,246	1,896,086
Total liabilities	500,372	823,793	1,308,875	1,301,277	1,809,247	2,125,070
Net asset:						
Invested in capital assets, net of related debt	1,066,855	1,019,892	666,919	654,974	1,733,774	1,674,866
Restricted	93,818	80,820	54,923	56,397	148,741	137,217
Unrestricted	28,494	(90,159)	285,062	256,038	313,556	165,879
Total net assets	<u>\$ 1,189,167</u>	<u>\$ 1,010,553</u>	<u>\$ 1,006,904</u>	<u>\$ 967,409</u>	<u>\$ 2,196,071</u>	<u>\$ 1,977,962</u>

The City's assets exceeded liabilities by \$2,196,071 at June 30, 2012, an increase of \$218,109 from June 30, 2011.

By far the largest portion of the City's net assets (79 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$285,062 is held by the business type activities and \$28,494 is held by the governmental activities. Unrestricted net assets for governmental activities increased in total in comparison to the prior year, which is primarily attributable to the dissolution of the Riverside Redevelopment Agency.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. 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 a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity, which was formed to hold the assets 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 transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was also reported in the private-purpose trust fund as an extraordinary loss. Because of the different measurement focus of the governmental funds and the measurement focus of the trust funds, the extraordinary loss recognized in the governmental funds was not the same as the extraordinary loss recognized in the fiduciary fund financial statements.

The City's total net assets increased by \$218,109 during the current fiscal year, which reflects growth in governmental activities (\$178,614) and growth in business type activities (\$39,495) 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, 2012 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental		Business type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charge for services	\$ 43,653	\$ 42,481	\$ 462,249	\$ 434,581	\$ 505,902	\$ 477,062
Operating Grants and Contributions	31,581	21,127	2,738	2,159	34,319	23,286
Capital Grants and Contributions	54,476	38,138	21,164	7,337	75,640	45,475
General Revenues:						
Sales taxes	47,701	44,157	-	-	47,701	44,157
Property taxes	74,179	100,802	-	-	74,179	100,802
Other taxes and fees	35,549	35,644	-	-	35,549	35,644
Investment income	4,440	7,439	11,405	17,548	15,845	24,987
Other	9,273	9,544	3,110	4,808	12,383	14,352
Total Revenues	<u>300,852</u>	<u>299,332</u>	<u>500,666</u>	<u>466,433</u>	<u>801,518</u>	<u>765,765</u>
Expenses:						
General government	48,731	72,606	-	-	48,731	72,606
Public safety	148,605	139,364	-	-	148,605	139,364
Highways and streets	35,342	32,131	-	-	35,342	32,131
Culture and recreation	54,594	50,017	-	-	54,594	50,017
Interest on long-term debt	25,262	33,638	-	-	25,262	33,638
Electric	-	-	288,799	275,922	288,799	275,922
Water	-	-	56,715	56,390	56,715	56,390
Sewer	-	-	43,702	42,276	43,702	42,276
Refuse	-	-	19,979	20,046	19,979	20,046
Airport	-	-	2,646	2,320	2,646	2,320
Transportation	-	-	3,667	3,493	3,667	3,493
Public parking	-	-	4,984	4,401	4,984	4,401
Total expenses	<u>312,534</u>	<u>327,756</u>	<u>420,492</u>	<u>404,848</u>	<u>733,026</u>	<u>732,604</u>
Increase (decrease)						
in net assets before transfers and extraordinary items	(11,682)	(28,424)	80,174	61,585	68,492	33,161
Transfers, net	40,679	34,378	(40,679)	(34,378)	-	-
Extraordinary items:						
Transfer of assets and liabilities to Successor Agency	98,022	-	-	-	98,022	-
Transfer of assets from Successor Agency	56,522	-	-	-	56,522	-
Assumption of obligation	(4,927)	-	-	-	(4,927)	-
Total changes in net assets	<u>178,614</u>	<u>5,954</u>	<u>39,495</u>	<u>27,207</u>	<u>218,109</u>	<u>33,161</u>
Net assets - beginning	1,010,553	1,004,599	967,409	940,202	1,977,962	1,944,801
Net assets - ending	<u>\$ 1,189,167</u>	<u>\$ 1,010,553</u>	<u>\$ 1,006,904</u>	<u>\$ 967,409</u>	<u>\$ 2,196,071</u>	<u>\$ 1,977,962</u>

Governmental activities. Net assets for governmental activities increased by \$178,614, accounting for an 18 percent increase in total net assets. Governmental net assets in the prior fiscal year increased by \$5,954. Key elements of this year's activity in relation to the prior year are as follows:

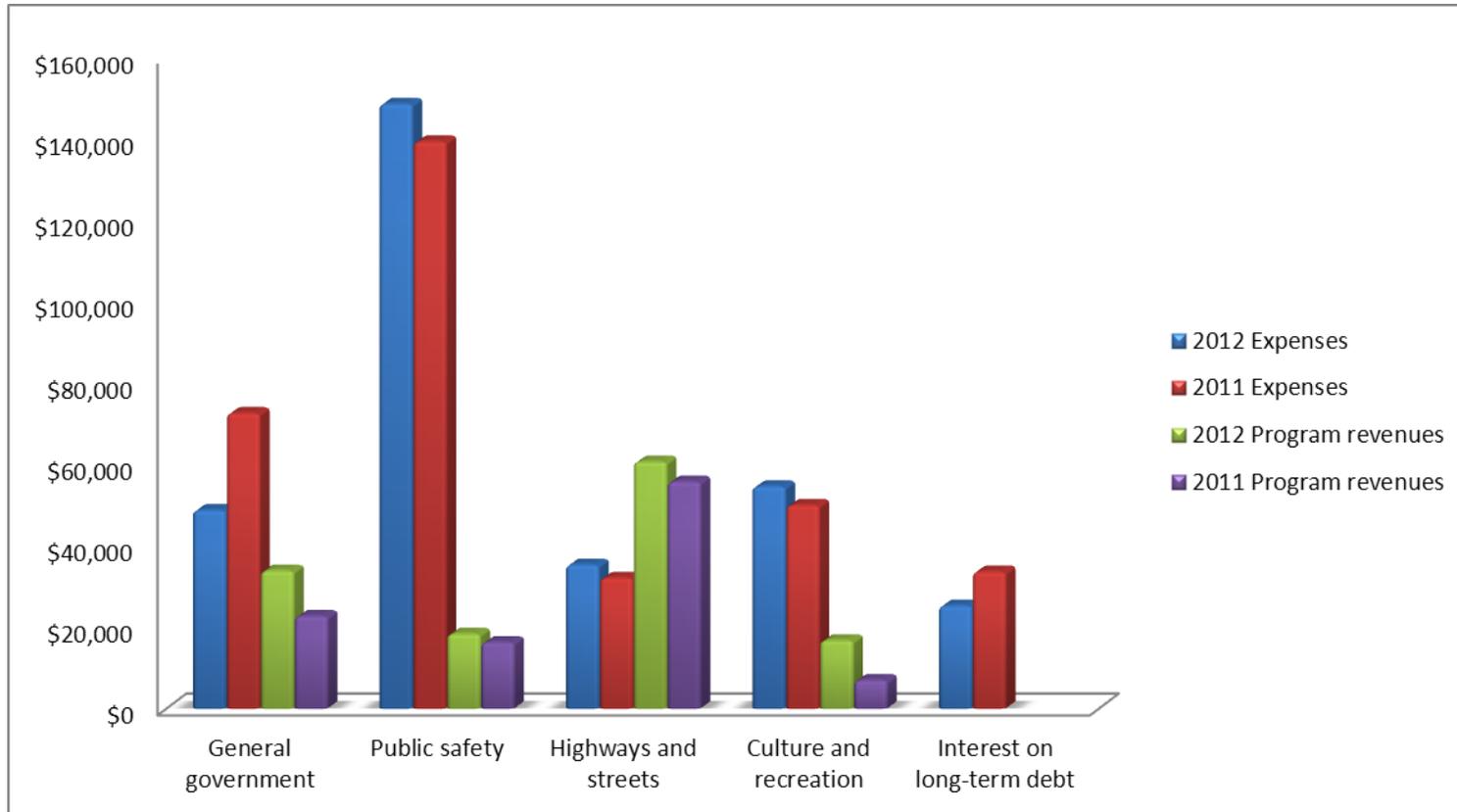
Revenues:

- While variances between years exist for the various revenue categories, the total net increase was approximately \$1.5 million, which is largely attributable to an increase in sales tax revenue. Sales tax revenue increased by \$3.5 million (8%) due to an increase in taxable sales. Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts.

Expenses:

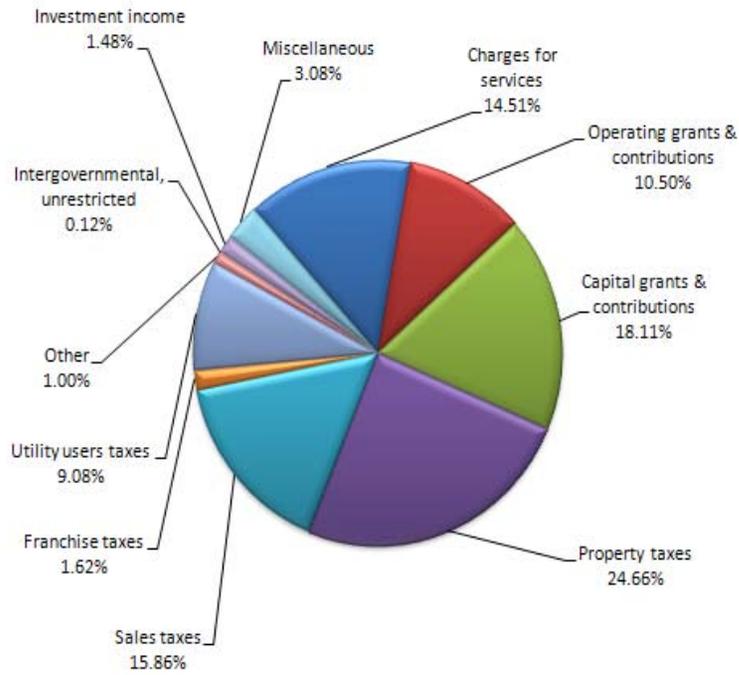
- While variances between years exist for the various expense functions, the total net decrease was approximately \$15.2 million. The more significant items are as follows:
 - In fiscal year 2010-11, payments from the redevelopment agency were made to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in the amount of \$3.5 million as required by State Legislation. However, no such payment was made in the current fiscal year.
 - Decreased costs associated with interest expense of \$8.4 million, which primarily related to the dissolution of the Redevelopment Agency. The last five months of the fiscal year of the Redevelopment Agency was reported in the fiduciary trust fund of the Successor Agency, which reported interest expense of \$6.1 million. Additionally, the total amount of principal outstanding on debt decreased by approximately 8 percent (primarily related to the refunding of the 2011 Redevelopment Agency Tax Allocation Bonds) and therefore, the related interest paid decreased accordingly.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2012 vs. 2011

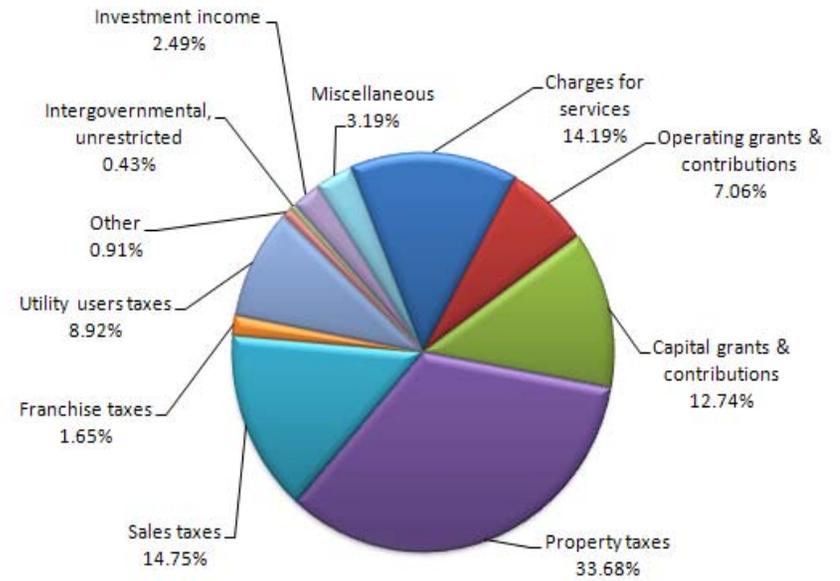


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2012



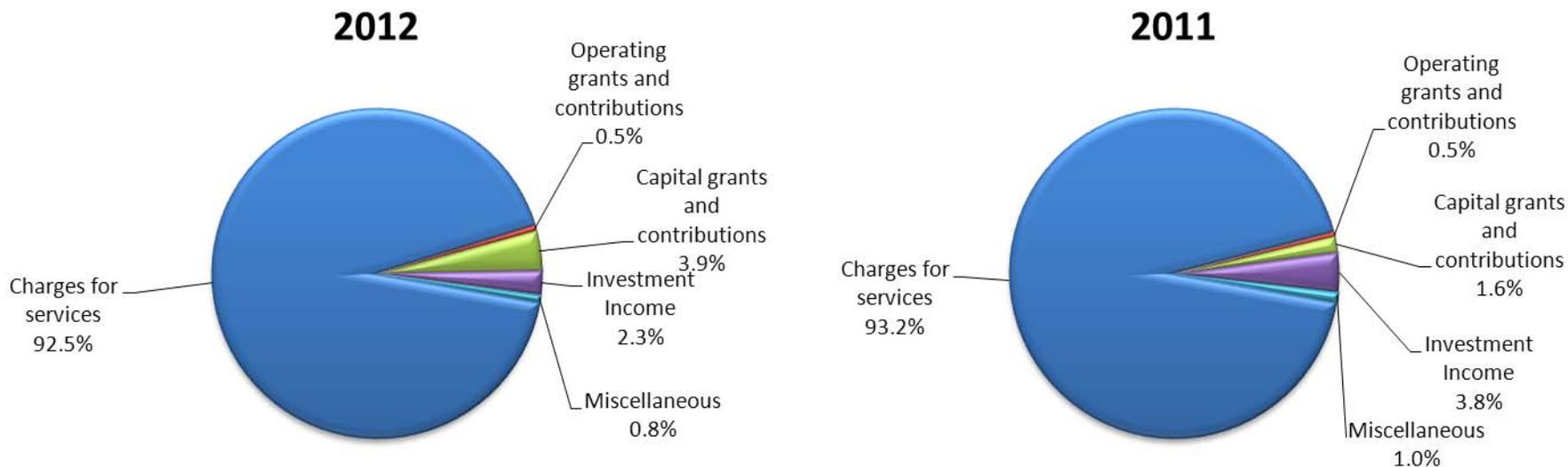
2011



Business-type activities. Business type activities increased the City’s net assets by \$39,495, accounting for a 4.1 percent increase in total net assets. The net assets of business type activities increased by \$27,207 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- In 2012, charges for services increased \$27,668 to \$462,249. The increase primarily related to increases in Electric, Sewer and Water revenues, which is explained in further detail as follows:
 - Electric charges for services increased by \$19,326 (6%). The increase was due to expanded customer base, a 4.6% increase in retail consumption and higher transmission revenues authorized by the Federal Energy Regulatory Commission.
 - Sewer charges for services increased by \$4,978 (15%). New rates and charges went into effect on July 1, 2011 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 15%, which is the primary reason for the increase in Sewer charges for services.
 - Water charges for services increased by \$3,122 (5%). The increase was primarily due to a full year rate increase to support the Water Utility’s Master, Water Supply and Asset Management Plans as well as a 4.4% increase in retail consumption.
- Expenses increased \$14,459 primarily due to a \$13 million increase in Electric Utility operating expenses, which primarily related to an increase in interest expense, transmission costs and distribution expenses.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

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

The following table summarizes the balance sheet of the City's General, Redevelopment Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As previously mentioned, with the dissolution of the Redevelopment Agency all assets and liabilities of the Redevelopment Agency were transferred to the Successor Agency. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		Capital Outlay	
	2012	2011	2012	2011	2012	2011
Total assets	\$ 123,992	\$ 212,468	\$ -	\$ 46,531	\$ 45,302	\$ 48,975
Total liabilities	\$ 49,742	\$ 51,625	\$ -	\$ 23,425	\$ 26,948	\$ 35,468
Fund balances						
Nonspendable	25,720	26,646	-	-	-	-
Restricted	2,803	82,249	-	23,106	18,354	13,507
Assigned	6,380	15,589	-	-	-	-
Unassigned	39,347	36,359	-	-	-	-
Total	74,250	160,843	-	23,106	18,354	13,507
Total liabilities and fund balances	\$ 123,992	\$ 212,468	\$ -	\$ 46,531	\$ 45,302	\$ 48,975
	Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2012	2011	2012	2011	2012	2011
Total assets		\$ 126,943	\$ 121,028	\$ 130,744	\$ 290,322	\$ 565,661
Total liabilities		\$ 75,049	\$ 49,376	\$ 32,996	\$ 126,066	\$ 218,563
Fund balances						
Nonspendable		1	1,539	1,625	27,259	28,272
Restricted		51,893	70,113	96,123	91,270	266,878
Assigned	-	-	-	-	6,380	15,589
Unassigned	-	-	-	-	39,347	36,359
Total	-	51,894	71,652	97,748	164,256	347,098
Total liabilities and fund balances	\$ -	\$ 126,943	\$ 121,028	\$ 130,744	\$ 290,322	\$ 565,661

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$164,256, a decrease of \$182,842 in comparison with the prior year. This was primarily due to the dissolution of the Redevelopment Agency. Additionally, 17% of the fund balance (\$27,259) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. Approximately 56% (\$91,270) 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. \$6,380 (4%) of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$33,000 has been set aside for future economic contingencies, leaving \$6,347; at June 30, 2011 the comparable amount was \$4,359.

The City's governmental funds reported combined total assets of \$290,322 at June 30, 2012, a decrease of \$275,339 in comparison with the prior year which was offset by a decrease of \$92,497 in total liabilities. The dissolution of the Redevelopment Agency was the primary reason for the overall decrease in related fund balances.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$74,250 in comparison to \$160,843 in the prior year. The portion of fund balance classified as unassigned was \$39,347, most of which was set aside for future economic contingencies. Fund balance decreased during the current year by \$86,593 in comparison to an increase of \$81,653 in the prior year. The primary reason for this is due to the return of \$76,334 of properties to the Redevelopment Agency Capital Projects Fund, which had been previously transferred to the General Fund in fiscal year 2010/11.

Fund balance for the Capital Outlay Fund increased by \$4,847. The primary reason for the increase is due to the issuance of debt to finance the Ryan Bonaminio Park improvements at the Tequesquite Arroyo.

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

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$219,198, \$61,859, and \$3,343 respectively. The total change in net assets for these funds was an increase of \$20,141, \$9,678 and \$597, respectively as a result of routine operations.

The Electric Fund reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of an expanded customer base and a 4.6% increase in retail consumption which was partially offset by a reduction in investment income. Retail sales (residential, commercial, industrial, and other sales) represent 82.2% of total revenues. Retail sales, net of reserve/recovery were \$288,616 and \$278,406 for years ended June 30, 2012 and 2011, respectively. Total expenses, excluding transfers, increased \$13 million (4.7%), which primarily related to an increase in transmission costs and interest expense.

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 80% of total revenues. Retail sales, net of reserve/recovery were \$59,620 and \$55,186 for years ended June 30, 2012 and 2011, respectively. The increase in sales was primarily due to a full year rate increase of 10% as part of the Water Utility's Master, Water Supply and Asset Management Plans and a 4.4% increase in retail consumption.

Net assets of the Sewer Fund increased by \$70 and decreased by \$5,418 for years ended June 30, 2012 and 2011, respectively. Total revenues increased by \$4,978 (15%) primarily as a result of a rate increase. However, total expenses increased by \$1,093 (3%) primarily as a result of an increase in routine operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$171,238</u>	<u>\$188,090</u>	<u>\$175,549</u>	<u>(\$12,541)</u>
Expenditures:				
General Government	3,061	10,179	11,717	(1,538)
Public Safety	148,306	163,454	147,086	16,368
Highways & Streets	18,176	20,441	16,651	3,790
Culture & Recreation	27,405	32,069	28,814	3,255
Capital Outlay	153.00	2,202	1,140	1,062
Debt Service	14,138	45,082	44,804	278
Total Expenditures	<u>211,239</u>	<u>273,427</u>	<u>250,212</u>	<u>23,215</u>
Deficiency of Revenue Under Expenditures	(40,001)	(85,337)	(74,663)	10,674
Other Financing Sources	<u>40,001</u>	<u>(12,477)</u>	<u>(11,930)</u>	<u>547</u>
Net Change in Fund Balances	-	(97,814)	(86,593)	11,221
Beginning Fund Balance	160,843	160,843	160,843	-
Ending Fund Balance	<u>\$160,843</u>	<u>\$63,029</u>	<u>\$74,250</u>	<u>\$11,221</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 \$9.5 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- Approximately \$2.9 million of miscellaneous revenue was budgeted but not actually received during the year. This was primarily due to lower than expected one-time revenues.
- Actual tax revenue was more than the amounts budgeted for sales taxes (\$4.2 million), property taxes (\$1 million), and utility user taxes (\$800 thousand) due to higher than anticipated taxable sales, assessed property values, and utility revenues.
- Actual expenditures were less than budgeted amounts by approximately \$23 million. This is primarily associated with a decrease in grant related expenditures and capital projects not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2012 amounted to \$2,685,556 (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 \$133,014 (\$57,489 for governmental activities including internal service funds and \$75,525 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$27 million); Sewer system improvements (\$8 million); Electric Utility upgrades (\$40 million) and Water Utility upgrades (\$40 million).

Construction in progress totaled \$153,609 at June 30, 2012. Some of the major projects in process are various Sewer system improvements including phase 1 of the Water Quality Control Plant and Santa Ana River Trunk Replacement, and 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 \$39,594 for governmental activities and \$49,082 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$322,060	\$290,692	\$34,924	\$34,905	\$356,984	\$325,597
Nuclear fuel	-	-	8,832	4,878	8,832	4,878
Intangibles	-	-	16,627	16,128	16,627	16,128
Buildings	123,128	123,319	143,678	144,579	266,806	267,898
Improvements other than Buildings	170,236	154,601	1,056,566	1,005,897	1,226,802	1,160,498
Machinery and equipment	20,064	19,754	26,227	29,114	46,291	48,868
Infrastructure	609,651	602,388	-	-	609,651	602,388
Construction in progress	26,666	23,562	126,943	102,771	153,609	126,333
Total	<u>\$1,271,805</u>	<u>\$1,214,316</u>	<u>\$1,413,797</u>	<u>\$1,338,272</u>	<u>\$2,685,602</u>	<u>\$2,552,588</u>

Additional information on the City's capital assets can be found in note 5 on page 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,547,245 which includes bonded debt of \$1,388,028.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$0	\$305,195	\$1,041,739	\$1,071,554	\$1,041,739	\$1,376,749
General Obligation Bonds	16,107	16,845	-	-	16,107	16,845
Pension Obligation Bonds	127,480	132,095	-	-	127,480	132,095
Certificates of Participation	202,703	207,246	-	-	202,703	207,246
Notes Payable	-	7,749	29,680	31,178	29,680	38,927
Loans Payable	4,000	1,100	44,141	45,569	48,141	46,669
Capital Leases	5,220	6,670	1,332	1,720	6,552	8,390
Landfill Capping	-	-	6,695	6,915	6,695	6,915
Arbitrage Liability	-	-	190	102	190	102
Compensated Absences	21,674	21,153	-	-	21,674	21,153
Claims liability	27,542	26,615	-	-	27,542	26,615
Net OPEB Obligation	10,133	7,808	7,663	5,625	17,796	13,433
Water Acquisition Rights	-	-	947	947	947	947
Total	<u>\$414,859</u>	<u>\$732,476</u>	<u>\$1,132,387</u>	<u>\$1,163,610</u>	<u>\$1,547,246</u>	<u>\$1,896,086</u>

The City's total debt decreased by \$348,841 (18.4 percent) during the current fiscal year primarily due to the transfer of Redevelopment Agency Revenue Bonds to the Successor Agency Trust fund. The remaining decrease relates to payment of obligations related to Electric and Water Revenue Bonds.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$612,856 at June 30, 2012, which applies only to general obligation debt. At June 30, 2012, the City had \$16,107 of general obligation debt, resulting in available legal debt capacity of \$596,749.

Additional information on the City's long-term debt can be found in note 6 beginning on page 46 of this report.

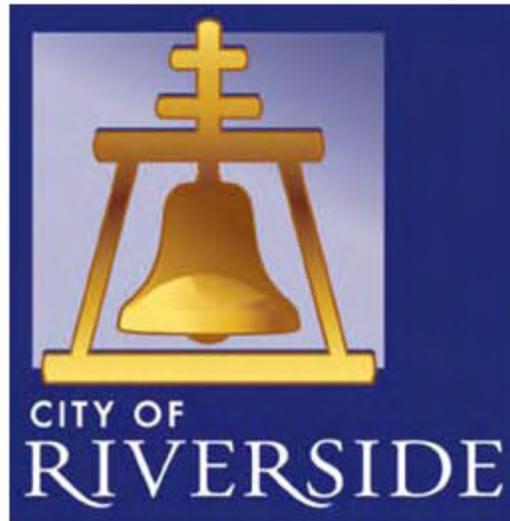
Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 13.7% as compared to 14.8% for the prior year.
- The required employer contribution rates for the City's retirement program will remain relatively flat next fiscal year, with the rates (as a percentage of payroll) changing effective July 1, 2012 as follows:
 - Miscellaneous Plan –18.438% to 18.277%. Employees are also required to contribute 8% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.
 - Safety Plan – 25.303% to 25.091%. Employees are also required to contribute 9% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.

At the time of budget preparation for fiscal year 2013, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2013 of approximately \$220 million was adopted as balanced. It represents an increase from the prior year of approximately 4%, principally as a result of the absorption of costs previously funded by the Redevelopment Agency.

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 Assets
June 30, 2012
(amounts expressed in thousands)

	Governmental	Business-type	
Assets	Activities	Activities	Total
Cash and investments	\$ 76,341	\$ 274,546	\$ 350,887
Receivables, net	107,482	60,100	167,582
Inventory	6,787	1,992	8,779
Nuclear material inventory	-	1,334	1,334
Prepaid items	320	16,532	16,852
Deposits	176	851	1,027
Deferred charges - other	113,414	40,161	153,575
Deferred charges - derivative instruments	24,326	37,760	62,086
Internal balances	12,908	(12,908)	-
Land and improvements held for resale	5,253	-	5,253
Restricted assets:			
Cash and cash equivalents	-	41,142	41,142
Cash and investments at fiscal agent	25,431	429,710	455,141
Other	-	954	954
Advances to Successor Agency	45,296	9,808	55,104
Nuclear fuel, at amortized cost	-	8,832	8,832
Land and other capital assets not being depreciated	348,726	192,636	541,362
Capital assets (net of accumulated depreciation)	923,079	1,212,329	2,135,408
Total assets	<u>1,689,539</u>	<u>2,315,779</u>	<u>4,005,318</u>
Liabilities			
Accounts payable and other current liabilities	22,988	34,358	57,346
Accrued interest payable	3,574	12,478	16,052
Deferred revenue	4,153	2,049	6,202
Deposits	24,826	3,873	28,699
Current liabilities payable from restricted assets	-	1,130	1,130
Derivative instruments	29,972	50,891	80,863
Decommissioning liability	-	71,709	71,709
Noncurrent liabilities:			
Due within one year	59,613	33,288	92,901
Due in more than one year	355,246	1,099,099	1,454,345
Total liabilities	<u>500,372</u>	<u>1,308,875</u>	<u>1,809,247</u>
Net Assets			
Invested in capital assets, net of related debt	1,066,855	666,919	1,733,774
Restricted for:			
Expendable:			
Capital projects	19,784	-	19,784
Debt service	-	45,714	45,714
Economic development	13,934	-	13,934
Landfill capping	-	2,295	2,295
Public works	12,692	-	12,692
Housing	45,869	-	45,869
Programs	-	6,914	6,914
Nonexpendable	1,539	-	1,539
Unrestricted	28,494	285,062	313,556
Total net assets	<u>\$ 1,189,167</u>	<u>\$ 1,006,904</u>	<u>\$ 2,196,071</u>

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 48,731	\$ (11,782)	\$ 14,662	\$ 11,695	\$ 7,530	\$ (3,062)		\$ (3,062)
Public safety	148,605	6,270	7,837	8,213	2,335	(136,490)		(136,490)
Highways and streets	35,342	3,008	16,532	859	43,279	22,320		22,320
Culture and recreation	54,594	2,504	4,622	10,814	1,332	(40,330)		(40,330)
Interest on long-term debt	25,262	-	-	-	-	(25,262)		(25,262)
Total governmental activities	<u>312,534</u>	<u>-</u>	<u>43,653</u>	<u>31,581</u>	<u>54,476</u>	<u>(182,824)</u>		<u>(182,824)</u>
Business type activities:								
Electric	288,799		333,029	-	9,744		\$ 53,974	53,974
Water	56,715		65,206	-	7,627		16,118	16,118
Sewer	43,702		37,747	-	2,280		(3,675)	(3,675)
Refuse	19,979		19,588	-	-		(391)	(391)
Airport	2,646		1,524	-	174		(948)	(948)
Transportation	3,667		352	2,738	1,339		762	762
Public parking	4,984		4,803	-	-		(181)	(181)
Total business type activities	<u>420,492</u>		<u>462,249</u>	<u>2,738</u>	<u>21,164</u>		<u>65,659</u>	<u>65,659</u>
Total	<u>\$ 733,026</u>		<u>\$ 505,902</u>	<u>\$ 34,319</u>	<u>\$ 75,640</u>	<u>(182,824)</u>	<u>65,659</u>	<u>(117,165)</u>
General revenues:								
Taxes:								
Sales						47,701	-	47,701
Property						74,179	-	74,179
Utility users						27,320	-	27,320
Franchise						4,883	-	4,883
Other						2,995	-	2,995
Intergovernmental, unrestricted						351	-	351
Investment income						4,440	11,405	15,845
Miscellaneous						9,273	3,110	12,383
Subtotal						171,142	14,515	185,657
Transfers, net						40,679	(40,679)	-
Total general revenues and transfers						211,821	(26,164)	185,657
Extraordinary items:								
Transfer of assets and liabilities to Successor Agency						98,022	-	98,022
Transfer of assets from Successor Agency						56,522	-	56,522
Assumption of obligation						(4,927)	-	(4,927)
Change in net assets						178,614	39,495	218,109
Net assets - beginning						1,010,553	967,409	1,977,962
Net assets - ending						<u>\$ 1,189,167</u>	<u>\$ 1,006,904</u>	<u>\$ 2,196,071</u>

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2012
(amounts expressed in thousands)

Assets	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 47,677	\$ -	\$ -	\$ -	\$ 23,470	\$ 71,147
Cash and investments at fiscal agent	1,405	-	7,493	-	16,533	25,431
Receivables (net of allowance for uncollectibles)						
Interest	214	-	73	-	88	375
Property taxes	6,851	-	-	-	-	6,851
Sales tax	11,140	-	-	-	-	11,140
Utility billed	1,171	-	-	-	-	1,171
Accounts	10,034	-	823	-	373	11,230
Intergovernmental	3,375	-	36,737	-	4,901	45,013
Notes	1	-	-	-	31,386	31,387
Prepaid items	320	-	-	-	-	320
Deposits	-	-	176	-	-	176
Due from other funds	16,287	-	-	-	-	16,287
Advances to other funds	24,706	-	-	-	-	24,706
Advances to Successor Agency	693	-	-	-	39,142	39,835
Land & improvements held for resale	118	-	-	-	5,135	5,253
Total assets:	<u>\$ 123,992</u>	<u>\$ -</u>	<u>\$ 45,302</u>	<u>\$ -</u>	<u>\$ 121,028</u>	<u>\$ 290,322</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 5,454	\$ -	\$ 2,203	\$ -	\$ 935	\$ 8,592
Accrued payroll	11,036	-	-	-	27	11,063
Retainage payable	799	-	24	-	1,487	2,310
Intergovernmental	182	-	-	-	-	182
Deferred revenue	7,118	-	10,218	-	32,902	50,238
Deposits	24,804	-	-	-	22	24,826
Due to other funds	-	-	14,503	-	1,436	15,939
Advances from other funds	349	-	-	-	12,567	12,916
Total liabilities:	<u>49,742</u>	<u>-</u>	<u>26,948</u>	<u>-</u>	<u>49,376</u>	<u>126,066</u>
Fund balances:						
Nonspendable:						
Inventories, prepaids and noncurrent receivables	321	-	-	-	-	321
Advances	25,399	-	-	-	-	25,399
Permanent fund principal	-	-	-	-	1,539	1,539
Restricted for:						
Housing and redevelopment	118	-	-	-	26,911	27,029
Debt service	1,992	-	-	-	29,080	31,072
Transportation and public works	-	-	18,354	-	12,721	31,075
Other purposes	693	-	-	-	1,401	2,094
Assigned to:						
General government	3,129	-	-	-	-	3,129
Public safety	628	-	-	-	-	628
Highways and streets	508	-	-	-	-	508
Culture and recreation	877	-	-	-	-	877
Continuing projects	1,238	-	-	-	-	1,238
Unassigned	39,347	-	-	-	-	39,347
Total fund balances	<u>74,250</u>	<u>-</u>	<u>18,354</u>	<u>-</u>	<u>71,652</u>	<u>164,256</u>
Total liabilities and fund balances	<u>\$ 123,992</u>	<u>\$ -</u>	<u>\$ 45,302</u>	<u>\$ -</u>	<u>\$ 121,028</u>	<u>\$ 290,322</u>

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

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012
(amounts expressed in thousands)

Total fund balances - governmental funds \$164,256

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds. 1,268,494

Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets. 3,212

Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalization and amortization in the Statement of Net Assets. 108,706

Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds. 46,085

Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds. (3,574)

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	\$ (143,395)	
Certificates of participation payable	(202,020)	
Capital leases payable	(5,220)	
Loan payable	(4,000)	
Bond premiums	(875)	
Net OPEB obligation	(9,667)	
Compensated absences	<u>(21,181)</u>	
		(386,358)

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 Assets.

Fair value of interest rate swap	\$ (29,972)	
Deferred amount related to the hedgeable portion of the derivative instrument	<u>24,326</u>	
		(5,646)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets. (6,008)

Net assets of governmental activities \$1,189,167

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 129,303	\$ 27,258	\$ -	\$ -	\$ 32	\$ 156,593
Licenses and permits	7,119	-	-	-	2,173	9,292
Intergovernmental	9,168	-	31,774	170	25,506	66,618
Charges for services	11,770	-	-	-	4	11,774
Fines and forfeitures	6,293	-	-	-	-	6,293
Special assessments	4,509	-	352	-	1,415	6,276
Rental and investment income	2,662	1,659	446	1,333	1,995	8,095
Miscellaneous	4,725	-	1,462	276	4,148	10,611
Total revenues	<u>175,549</u>	<u>28,917</u>	<u>34,034</u>	<u>1,779</u>	<u>35,273</u>	<u>275,552</u>
Expenditures						
Current:						
General government	11,717	837	-	4,090	2,191	18,835
Public safety	147,086	-	-	-	3,792	150,878
Highways and streets	16,651	-	-	-	-	16,651
Culture and recreation	28,814	-	-	17,444	11,280	57,538
Capital outlay	1,140	-	33,187	15,811	25,344	75,482
Debt service:						
Principal	37,620	41,008	-	-	4,750	83,378
Interest	7,015	7,117	-	538	9,463	24,133
Bond issuance costs	169	-	-	-	-	169
Total expenditures	<u>250,212</u>	<u>48,962</u>	<u>33,187</u>	<u>37,883</u>	<u>56,820</u>	<u>427,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,663)</u>	<u>(20,045)</u>	<u>847</u>	<u>(36,104)</u>	<u>(21,547)</u>	<u>(151,512)</u>
Other financing sources (uses)						
Transfers in	40,266	43,541	-	96,428	16,624	196,859
Transfers out	(83,292)	(20,094)	-	(41,799)	(11,120)	(156,305)
Issuance of long term debt	30,940	-	4,000	-	-	34,940
Sales of capital assets	156	-	-	-	-	156
Total other financing sources and uses	<u>(11,930)</u>	<u>23,447</u>	<u>4,000</u>	<u>54,629</u>	<u>5,504</u>	<u>75,650</u>
Extraordinary items						
Dissolution of Riverside Redevelopment Agency:						
Transfer of assets and liabilities to						
Successor Agency	-	(26,508)	-	(70,419)	(33,247)	(130,174)
Transfer of assets from Successor Agency	-	-	-	-	28,121	28,121
Assumption of obligation	-	-	-	-	(4,927)	(4,927)
Total extraordinary items	<u>-</u>	<u>(26,508)</u>	<u>-</u>	<u>(70,419)</u>	<u>(10,053)</u>	<u>(106,980)</u>
Net change in fund balances	(86,593)	(23,106)	4,847	(51,894)	(26,096)	(182,842)
Fund balances - beginning	160,843	23,106	13,507	51,894	97,748	347,098
Fund balances - ending	<u>\$ 74,250</u>	<u>\$ -</u>	<u>\$ 18,354</u>	<u>\$ -</u>	<u>\$ 71,652</u>	<u>\$ 164,256</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, 2012
(amounts expressed in thousands)**

Net change in fund balances-total governmental funds (\$182,842)

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	\$ 96,331	
Depreciation Expense	<u>(38,876)</u>	57,455

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. 34,509

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. (3,333)

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal repayments	83,378	
Other post-employment benefit liabilities	(2,209)	
Compensated absences	(492)	
Interest	(79)	
Premiums on the issuance of LTD	(667)	
Proceeds from LTD	<u>(34,940)</u>	44,991

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (362)

The difference between the extraordinary loss related to the transfer of assets and liabilities to the Successor Agency as reported in the fund financial statements and the extraordinary gain reported in the government-wide financial statements. 228,196

Change in net assets of governmental activities \$ 178,614

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, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final				Original	Final		
Revenues					Public safety:				
Taxes	\$ 128,121	\$ 128,121	\$ 129,303	\$ 1,182	Police	91,244	102,282	91,062	11,220
Licenses and permits	7,421	7,421	7,119	(302)	Fire	46,825	50,833	45,893	4,940
Intergovernmental	2,350	18,716	9,168	(9,548)	Animal regulation	3,416	3,518	3,479	39
Charges for services	11,182	11,220	11,770	550	Building and zoning inspection	2,343	2,343	2,133	210
Fines and forfeitures	8,794	8,794	6,293	(2,501)	Street lighting	4,478	4,478	4,519	(41)
Special assessments	4,525	4,536	4,509	(27)	Total public safety	148,306	163,454	147,086	16,368
Rental and investment income	1,580	1,580	2,662	1,082	Highways and streets	18,176	20,441	16,651	3,790
Miscellaneous	7,265	7,702	4,725	(2,977)	Culture and recreation	27,405	32,069	28,814	3,255
Total revenues	171,238	188,090	175,549	(12,541)	Capital Outlay	153	2,202	1,140	1,062
Expenditures					Debt service:				
General government:					Principal	6,930	37,705	37,620	85
Mayor	908	1,026	1,014	12	Interest	7,208	7,208	7,015	193
Council	1,252	1,316	1,187	129	Bond issuance costs	-	169	169	-
Manager	11,072	12,252	11,824	428	Total debt service	14,138	45,082	44,804	278
Attorney	3,923	4,029	4,031	(2)	Total expenditures	211,239	273,427	250,212	23,215
Clerk	1,291	1,712	1,314	398	Deficiency of revenue under expenditures	(40,001)	(85,337)	(74,663)	10,674
Community Development	8,190	8,401	7,681	720	Other financing sources (uses)				
Human Resources	2,765	3,005	2,571	434	Transfers in	39,936	39,791	40,266	475
General Services	7,293	8,269	7,354	915	Transfers out	-	(83,273)	(83,292)	(19)
Information System	13,981	16,164	12,032	4,132	Issuance of long term debt	-	30,940	30,940	-
Development	7,754	9,373	7,987	1,386	Sale of capital assets	65	65	156	91
Subtotal	58,429	65,547	56,995	8,552	Total other financing sources	40,001	(12,477)	(11,930)	547
Allocated expenditures	(55,368)	(55,368)	(45,278)	(10,090)	Net change in fund balances	-	(97,814)	(86,593)	11,221
Total general government	3,061	10,179	11,717	(1,538)	Fund balance, beginning	160,843	160,843	160,843	-
				continued	Fund balance, ending	\$ 160,843	\$ 63,029	\$ 74,250	\$ 11,221

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

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3012
(amounts expressed in thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Current assets:						
Cash and investments	\$ 187,541	\$ 63,927	\$ 17,137	\$ 5,941	\$ 274,546	\$ 5,194
Receivables (net allowances for uncollectibles)						
Interest	825	280	98	28	1,231	34
Utility billed	16,904	4,261	2,109	983	24,257	-
Utility unbilled	13,139	3,423	1,409	599	18,570	-
Accounts	8,041	3,968	566	335	12,910	69
Intergovernmental	475	453	1,185	1,019	3,132	212
Nuclear materials inventory	1,992	-	-	-	1,992	-
Inventory	-	-	1,334	-	1,334	6,787
Prepaid items	16,507	23	2	-	16,532	-
Deposits	851	-	-	-	851	-
Due from other funds	2,277	976	-	-	3,253	-
Restricted assets:						
Cash and cash equivalents	4,221	2,294	-	2,295	8,810	-
Public benefit programs receivable	834	120	-	-	954	-
Total current assets	253,607	79,725	23,840	11,200	368,372	12,296
Non-current assets:						
Restricted assets:						
Cash and cash equivalents	19,808	5,764	6,760	-	32,332	-
Cash and investments at fiscal agent	238,254	41,810	143,049	6,597	429,710	-
Advances to other funds	-	-	7,946	-	7,946	5,489
Advances to Successor Agency	5,558	-	4,250	-	9,808	5,461
Deferred charges - other	18,836	7,209	4,537	9,579	40,161	1,497
Deferred charges - derivative instruments	30,922	6,838	-	-	37,760	-
Capital assets:						
Nuclear fuel, at amortized cost	8,832	-	-	-	8,832	-
Land	7,654	10,996	2,698	13,576	34,924	-
Intangible assets, non-depreciable	9,821	6,307	-	-	16,128	-
Improvements, non-depreciable	14,641	-	-	-	14,641	-
Intangible assets, depreciable	292	353	-	-	645	-
Accumulated depreciation - intangible assets, depreciable	(5)	(141)	-	-	(146)	-
Buildings	21,450	18,209	190,416	16,533	246,608	1,488
Accumulated depreciation - buildings	(5,524)	(4,336)	(88,488)	(4,582)	(102,930)	(241)
Improvements other than buildings	882,340	510,374	84,096	23,994	1,500,804	-
Accumulated depreciation - improvements other than buildings	(291,836)	(145,933)	(14,708)	(6,402)	(458,879)	-
Machinery and equipment	26,240	12,989	10,020	17,817	67,066	9,580
Accumulated depreciation - machinery and equipment	(13,675)	(9,835)	(5,638)	(11,691)	(40,839)	(8,160)
Construction in progress	43,205	10,692	50,759	22,287	126,943	644
Total non-current assets	1,016,813	471,296	395,697	87,708	1,971,514	15,758
Total assets	1,270,420	551,021	419,537	98,908	2,339,886	28,054

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3012
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds

Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current liabilities:						
Accounts payable	13,055	3,331	2,269	2,821	21,476	755
Accrued payroll	5,460	1,808	1,424	891	9,583	580
Retainage payable	287	319	116	832	1,554	-
Unearned revenue	-	-	-	2,049	2,049	-
Deposits	3,148	724	-	1	3,873	-
Due to other funds	-	-	-	348	348	3,253
Capital leases - current	402	-	-	7	409	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	200	200	-
Notes payable - current	1,481	-	705	838	3,024	-
Claims and judgements - current	-	-	-	-	-	11,750
Current liabilities payable from restricted assets:						
Revenue bonds	18,050	4,695	6,760	-	29,505	-
Accrued interest	6,100	1,858	4,520	-	12,478	-
Other payables	1,035	95	-	-	1,130	-
Total current liabilities	49,018	12,980	15,794	7,987	85,779	16,338
Non-current liabilities:						
Revenue bonds	572,192	203,729	236,313	-	1,012,234	-
Notes payable	42,660	-	5,174	22,963	70,797	-
Capital leases	901	-	-	22	923	-
Advances from other funds	12,003	5,164	3,304	3,288	23,759	1,466
Decommissioning liability	71,709	-	-	-	71,709	-
Derivative instruments	38,123	12,768	-	-	50,891	-
Claims and judgements	-	-	-	-	-	15,792
Water stock acquisitions	-	797	-	-	797	-
Landfill capping	-	-	-	6,495	6,495	-
Other payables	3,999	1,644	1,135	2,820	9,598	466
Total non-current liabilities	741,587	224,102	245,926	35,588	1,247,203	17,724
Total liabilities	790,605	237,082	261,720	43,575	1,332,982	34,062
Net Assets						
Invested in capital assets, net of related debt	236,789	243,997	133,757	52,376	666,919	3,311
Restricted for debt service	19,808	5,764	20,142	-	45,714	-
Restricted for landfill capping	-	-	-	2,295	2,295	-
Restricted for programs	4,020	2,319	575	-	6,914	-
Unrestricted	219,198	61,859	3,343	662	285,062	(9,319)
Total net assets	\$ 479,815	\$ 313,939	\$ 157,817	\$ 55,333	\$ 1,006,904	\$ (6,008)

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

City of Riverside
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2012
(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	\$ 333,029	\$ 65,206	\$ 37,747	\$ 26,267	\$ 462,249	\$ 20,466	
Operating expenses:							
Personnel services	38,400	12,635	10,029	8,464	69,528	3,897	
Contractual services	6,821	2,314	975	5,177	15,287	228	
Maintenance and operation	172,340	8,471	8,901	6,901	196,613	1,867	
General	12,593	11,523	6,156	4,282	34,554	1,939	
Materials and supplies	792	756	3,114	1,490	6,152	378	
Claims/Insurance	1,244	682	457	343	2,726	12,264	
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718	
Total operating expenses	<u>259,672</u>	<u>48,205</u>	<u>36,232</u>	<u>30,238</u>	<u>374,347</u>	<u>21,291</u>	
Operating income (loss)	<u>73,357</u>	<u>17,001</u>	<u>1,515</u>	<u>(3,971)</u>	<u>87,902</u>	<u>(825)</u>	
Non-operating revenues (expenses):							
Operating grants	-	-	-	2,738	2,738	-	
Interest income	6,196	1,428	3,717	64	11,405	278	
Other	3,058	918	28	(899)	3,105	300	
Gain (loss) on retirement of capital assets	487	187	(3)	5	676	(10)	
Capital improvement fees	-	-	1,098	-	1,098	-	
Interest expense and fiscal charges	(29,127)	(8,510)	(7,470)	(1,038)	(46,145)	(105)	
Total non-operating revenues (expenses)	<u>(19,386)</u>	<u>(5,977)</u>	<u>(2,630)</u>	<u>870</u>	<u>(27,123)</u>	<u>463</u>	
Income before capital contributions and transfers	53,971	11,024	(1,115)	(3,101)	60,779	(362)	
Cash capital contributions	7,425	6,892	1,185	1,513	17,015	-	
Noncash capital contributions	1,832	548	-	-	2,380	-	
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-	
Change in net assets	29,695	12,206	70	(2,476)	39,495	(362)	
Total net assets - beginning	450,120	301,733	157,747	57,809	967,409	(5,646)	
Total net assets - ending	<u>\$ 479,815</u>	<u>\$ 313,939</u>	<u>\$ 157,817</u>	<u>\$ 55,333</u>	<u>\$ 1,006,904</u>	<u>\$ (6,008)</u>	

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(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	\$ 329,608	\$ 64,610	\$ 35,399	\$ 25,909	\$ 455,526	\$ 24,038
Cash paid to employees for services	(38,731)	(12,562)	(9,369)	(8,091)	(68,753)	(3,689)
Cash paid to other suppliers of goods or services	(187,592)	(22,783)	(19,091)	(16,276)	(245,742)	(19,918)
Other receipts	3,058	918	28	920	4,924	301
Net cash provided (used) by operating activities	<u>106,343</u>	<u>30,183</u>	<u>6,967</u>	<u>2,462</u>	<u>145,955</u>	<u>732</u>
Cash flows from noncapital financing activities:						
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-
Operating grants	-	-	-	2,819	2,819	-
Intra-equity property acquisition	-	(976)	-	-	(976)	-
Advances from interfund receivables	-	-	-	326	326	-
Payments on interfund receivables	(378)	(163)	6,243	(508)	5,194	(39)
Advances to other funds	1,918	-	(104)	-	1,814	963
Net cash provided (used) by noncapital financing activities	<u>(31,993)</u>	<u>(7,397)</u>	<u>6,139</u>	<u>1,749</u>	<u>(31,502)</u>	<u>924</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(41,752)	(27,794)	(34,247)	(12,114)	(115,907)	(949)
Purchase of nuclear fuel	(4,908)	-	-	-	(4,908)	-
Proceeds from the sale of capital assets	554	208	-	10	772	-
Principal paid on long-term obligations	(26,611)	(4,545)	(1,464)	(807)	(33,427)	-
Interest paid on long-term obligations	(30,764)	(9,273)	(7,470)	(1,038)	(48,545)	(105)
Capital improvement fees	-	-	1,098	-	1,098	-
Capital contributions	6,818	4,810	-	1,513	13,141	-
Net cash (used) for capital and related financing activities	<u>(96,663)</u>	<u>(36,594)</u>	<u>(42,083)</u>	<u>(12,436)</u>	<u>(187,776)</u>	<u>(1,054)</u>
Cash flows from investing activities:						
Sale/(purchase) of investments	(60)	149	-	-	89	-
Income from investments	6,840	1,583	3,679	107	12,209	356
Net cash provided by investing activities	<u>6,780</u>	<u>1,732</u>	<u>3,679</u>	<u>107</u>	<u>12,298</u>	<u>356</u>
Net change in cash and cash equivalents	<u>(15,533)</u>	<u>(12,076)</u>	<u>(25,298)</u>	<u>(8,118)</u>	<u>(61,025)</u>	<u>958</u>
Cash and cash equivalents, beginning (including \$198,600 for Electric, \$68,532 for Water, \$174,524 for Sewer and \$17,794 for Other Enterprise Funds in restricted accounts.)						
	<u>367,505</u>	<u>125,336</u>	<u>192,244</u>	<u>22,951</u>	<u>708,036</u>	<u>4,236</u>
Cash and cash equivalents, ending (including \$164,431 for Electric, \$49,333 for Water, \$149,809 for Sewer and \$8,892 for Other Enterprise Funds in restricted accounts.)						
	<u>\$ 351,972</u>	<u>\$ 113,260</u>	<u>\$ 166,946</u>	<u>\$ 14,833</u>	<u>\$ 647,011</u>	<u>\$ 5,194</u>

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

						continued
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 73,357	\$ 17,001	\$ 1,515	\$ (3,971)	\$ 87,902	\$ (825)
Other receipts	3,058	918	1,213	920	6,109	301
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718
Amortization of pension costs	356	153	98	66	673	134
Amortization (burn) of nuclear fuel	954	-	-	-	954	-
(Increase) in utility billed receivables	(3,209)	(1,136)	(2,348)	-	(6,693)	-
(Increase) in utility unbilled receivables	(153)	(118)	-	(421)	(692)	-
(Increase) decrease in accounts receivable	1,211	612	-	72	1,895	(132)
(Increase) decrease in intergovernmental receivables	(414)	5	-	(9)	(418)	-
(Increase) in prepaid items	(4,698)	(21)	(2)	-	(4,721)	-
(Increase) in nuclear materials inventory	(87)	-	-	-	(87)	-
(Increase) decrease in inventory	-	-	(150)	-	(150)	647
Increase (decrease) in accounts payable	3,129	189	(521)	2,137	4,934	(164)
Increase in accrued payroll	331	73	250	45	699	47
Increase in retainage payable	137	213	-	-	350	-
Increase in other payable	1,034	424	312	262	2,032	20
Increase in deposits	115	46	-	-	161	-
(Decrease) in due to other funds	-	-	-	-	-	(942)
Increase in claims and judgments	-	-	-	-	-	928
Increase in decommissioning liability	3,740	-	-	-	3,740	-
(Decrease) in landfill capping	-	-	-	(220)	(220)	-
Net cash provided by operating activities	<u>\$ 106,343</u>	<u>\$ 30,183</u>	<u>\$ 6,967</u>	<u>\$ 2,462</u>	<u>\$ 145,955</u>	<u>\$ 732</u>
Schedule of noncash financing and investing activities:						
Capital contributions	\$ 1,832	\$ 548	\$ -	\$ -	\$ 2,380	\$ -
Increase (decrease) in fair value of investments	\$ 136	\$ -	\$ -	\$ -	\$ 136	\$ -

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
 (amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 46,485	\$ 7,515
Cash and investments at fiscal agent	31,188	6,569
Receivables:		
Interest	144	28
Accounts	58	-
Notes	21,957	-
Capital lease receivable	22,545	-
Deposits	132	-
Property tax receivables	-	406
Deferred charges	5,215	-
Land & improvements held for resale	15,036	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	<u>\$ 142,945</u>	<u>\$ 14,518</u>
Liabilities		
Accounts payable	\$ 3,362	\$ -
Retainage payable	1,174	-
Accrued interest	5,174	-
Advances from City of Riverside	55,104	-
Bonds payable	264,385	-
Notes payable	7,189	-
Loan payable	1,100	-
Held for bond holders	-	14,518
Total liabilities	<u>\$ 337,488</u>	<u>\$ 14,518</u>
Net Assets/(Deficit)		
Held by Successor Agency	\$ (194,543)	-
Total net assets/(deficit)	<u>\$ (194,543)</u>	<u>\$ -</u>

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

City of Riverside
Statement of Changes in Net Assets
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
	<hr/>
Additions	
Property tax revenue	\$ 17,273
Rental and investment income	1,168
Miscellaneous	168
Total additions	<hr/> 18,609
Deductions	
Professional services and other deductions	1,259
Market value adjustment to land held for resale	45,113
Redevelopment projects	11,056
Interest expense	6,107
Total deductions	<hr/> 63,535
Extraordinary items	
Transfer of assets and liabilities from the former Riverside Redevelopment Agency	(98,022)
Transfer of assets to the City of Riverside	(56,522)
Transfer of obligation to the City of Riverside	4,927
Total extraordinary items	<hr/> (149,617)
Change in Net Assets	(194,543)
Net Assets/(Deficit) - beginning	-
Net Assets/(Deficit) - ending	<hr/> \$ (194,543)

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1967 by the City. The Redevelopment Agency's primary purpose was to eliminate blighted areas in the City by encouraging commercial development. City Council members served as the Redevelopment Agency's directors and had full accountability for fiscal matters. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. 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 a legal entity as of February 1, 2012.

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. City Council members serve as the Housing Authority's commissioners and have full accountability for fiscal matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. The purpose of the Public Financing Authority is to provide financing for public capital improvements to the City or the Redevelopment Agency. City Council members serve as the Public Financing Authority's directors and have full accountability for fiscal matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. Three members of the City Council serve as the Municipal Improvements Corporation's directors and have full accountability for fiscal matters.

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 (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

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, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months,

as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

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

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency through dissolution, January 31, 2012.

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

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities through dissolution, January 31, 2012.

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 assets on the Statement of Net Assets includes \$1 million of permanent fund principal which are considered nonexpendable net assets.

Pronouncements regarding accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value. All highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the Statement of Cash Flows.

E. Restricted Cash and Investments

Certain proceeds of Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond

covenants. Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value. In the current fiscal year, certain properties that were previously held for resale were transferred to the City upon dissolution of the former Redevelopment Agency and are accounted for as capital assets.

G. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

H. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

I. Capital Assets and Nuclear Fuel

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost. Donated intangible assets are recorded at estimated fair market value at the date of donation.

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

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, 2012, business-type activities capitalized net interest costs of \$5,992 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 \$52,137.

Nuclear Fuel

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

J. Compensated Absences

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

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Housing and Community Development Special Revenue, Electric and Water funds have been primarily used to liquidate such balances.

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

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53,

“Accounting and Financial Reporting for Derivative Instruments” (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with “synthetic fixed rate” swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap was included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net assets. See Note 9 for further discussion related to the City’s interest rate swaps.

Various transactions permitted in the Utility’s Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The 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

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

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

Decommissioning

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

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$71,709 in cash and investments with the trustee as Riverside’s estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the appropriate internal service fund.

N. Fund Equity

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

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

- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council. No amounts have been reported within this category of fund balance.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. 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.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

O. Net Assets

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

P. Interfund Transactions

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

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund

types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest, which has been offset by deferred revenue.

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

Q. Deferred Revenue

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

R. Property Tax Calendar

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

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

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

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

T. Dissolution of Riverside Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. 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. On March 15, 2011, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the bill as part of City resolution number 22184.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. In the event that the California Department of Finance ultimately maintains that the obligations are not enforceable, the City's legal counsel believes that it is likely that a

legal determination will be made at a later date by an appropriate judicial authority that will resolve this issue favorably to the City and confirm the obligations as enforceable.

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 a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss related to the transfer of assets and liabilities recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Extraordinary loss reported in governmental funds related to transfer of assets and liabilities to Successor Agency upon dissolution:	\$ 130,174
Capital assets (net of accumulated depreciation) reported in the government-wide financial statements	185
Issuance costs reported in the government-wide financial statements	5,312

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Revenues reported in the government-wide financial statements	45,436
Accrued bond interest reported in the government-wide financial statements	(6,249)
Long-term debt reported in the government-wide financial statements	<u>(272,880)</u>
Net decrease to net assets of the Successor Agency Trust as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>(\$98,022)</u>

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	\$ 435,966
Investments at fiscal agent	<u>480,979</u>
	916,945
Cash on hand and deposits with financial institutions	168
Non-negotiable certificates of deposit	<u>21,814</u>
	<u>\$ 938,927</u>

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

Cash and investments	\$ 350,887
Restricted cash and cash equivalents	41,142
Restricted cash and investments at fiscal agent	<u>455,141</u>
Total per statement of net assets	847,170
Fiduciary fund cash and investments	<u>91,757</u>
	<u>\$ 938,927</u>

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

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

Authorized Investments

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

	<u>Max</u> <u>Maturity</u>	<u>Max % of</u> <u>Portfolio</u>
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%

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Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%
Local Agency Bonds	N/A	N/A

Investments in Medium Term Corporate Notes may be invested in securities rated A or better by Moody's or Standard and Poor's rating services and no more than 15% of the market value of the portfolio may be invested in one corporation.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated in the single highest classification
- Investments in money market funds rated in the single highest classification
- Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
- Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires that the interest rate risk exposure be managed by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 74,700	\$ 74,700	\$ -	\$ -	\$ -
Federal Agency Securities	193,919	23,587	44,643	125,689	-
Corp Medium Term Notes	59,818	10,128	20,765	28,925	-
State Investment Pool	99,647	99,647	-	-	-
Negotiable CDs	7,882	249	4,931	2,702	-
Held by Fiscal Agent					
Money Market Funds	22,229	22,229	-	-	-
Banker's Acceptance	274	274	-	-	-
State Investment Pool	31,913	31,913	-	-	-
Investment Contracts	343,725	158,604	148,754	25,606	10,761
Commercial Paper	3,733	3,733	-	-	-
Fed Agency Securities	55,921	4,676	4,187	47,058	-
Corp Med Term Notes	23,184	3,070	-	20,114	-
Total	<u>\$916,945</u>	<u>\$432,810</u>	<u>\$223,280</u>	<u>\$250,094</u>	<u>\$10,761</u>

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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Presented below is the actual rating as of year-end for each investment type:

Investment Type	Total	Ratings as of Year End			
		AAA	AA	A	Unrated
Money Market Funds	\$ 74,700	\$ 1,816	\$43,249	\$29,635	\$ -
Federal Agency Securities	193,919	193,919	-	-	-
Corp Medium Term Notes	59,818	-	49,101	10,717	-
State Investment Pool	99,647	-	-	-	99,647
Negotiable CDs	7,882	-	-	-	7,882
Held by Fiscal Agent					
Money Market Funds	22,229	15,572	-	-	6,657
Banker's Acceptance	274	-	274	-	-
State Investment Pool	31,913	-	-	-	31,913
Investment Contracts	343,725	-	-	-	343,725
Commercial Paper	3,733	-	-	3,733	-
Fed Agency Securities	55,921	55,921	-	-	-
Corp Med Term Notes	23,184	-	17,552	5,632	-
Total	\$916,945	\$267,228	\$110,176	\$49,717	\$489,824

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Trinity Funding	Investment Contract	\$195,144
Deutsche Bank Securities Inc.	Investment Contract	\$141,213

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Capital Lease Receivable

The 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. 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:

2013	\$ 2,443
2014	2,473
2015	2,507
2016	2,533
2017	2,561
Thereafter	<u>21,666</u>
Total Due	34,183
Less: amount applicable to interest	<u>(11,638)</u>
Total capital lease receivable	<u>\$22,545</u>

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5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2012.

	Beginning Balance	Additions	Deletions/Transfers	Ending Balance
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 290,692	\$ 32,387	\$ (1,019)	\$ 322,060
Construction in progress	<u>23,562</u>	<u>31,868</u>	<u>(28,764)</u>	<u>26,666</u>
Total capital assets not depreciated	<u>314,254</u>	<u>64,255</u>	<u>(29,783)</u>	<u>348,726</u>
Capital assets being depreciated:				
Buildings	165,101	3,998	-	169,099
Improvements other than buildings	202,911	25,010	(370)	227,551
Machinery and equipment	74,503	6,564	(2,189)	78,878
Infrastructure	<u>849,090</u>	<u>27,422</u>	<u>-</u>	<u>876,512</u>
Total capital assets being depreciated	<u>1,291,605</u>	<u>62,994</u>	<u>(2,559)</u>	<u>1,352,040</u>
Less accumulated depreciation for:				
Buildings	(41,782)	(4,189)	-	(45,971)
Improvements other than buildings	(48,310)	(9,208)	203	(57,315)
Machinery and equipment	(54,749)	(6,038)	1,973	(58,814)
Infrastructure	<u>(246,702)</u>	<u>(20,159)</u>	<u>-</u>	<u>(266,861)</u>
Total accumulated depreciation	<u>(391,543)</u>	<u>(39,594)</u>	<u>2,176</u>	<u>(428,961)</u>
Total capital assets being depreciated, net	<u>900,062</u>	<u>23,400</u>	<u>(383)</u>	<u>923,079</u>
Governmental activities capital assets, net	<u>\$1,214,316</u>	<u>\$87,655</u>	<u>\$(30,166)</u>	<u>\$1,271,805</u>

Business type activities:	Beginning Balance	Additions	Deletions/Transfers	Ending Balance
Capital assets, not depreciated:				
Land	\$ 34,905	\$ 144	\$ (125)	\$ 34,924
Intangibles, non-depreciable	16,128	-	-	16,128
Improvements, non-depreciable ¹	-	-	14,641	14,641
Construction in progress	<u>102,771</u>	<u>119,582</u>	<u>(95,410)</u>	<u>126,943</u>
Total capital assets not depreciated	153,804	119,726	(80,894)	192,636
Capital assets being depreciated:				
Buildings	241,742	4,867	(1)	246,608
Improvements other than buildings	1,497,956	88,373	(85,525)	1,500,804
Intangibles, depreciable	137	508	-	645
Machinery and equipment	<u>66,200</u>	<u>2,831</u>	<u>(1,965)</u>	<u>67,066</u>
Total capital assets being depreciated	<u>1,806,035</u>	<u>96,579</u>	<u>(87,491)</u>	<u>1,815,123</u>
Less accumulated depreciation for:				
Buildings	(97,163)	(5,767)	-	(102,930)
Improvements other than buildings	(492,059)	(37,704)	70,884	(458,879)
Intangibles, depreciable	(137)	(9)	-	(146)
Machinery and equipment	<u>(37,086)</u>	<u>(5,602)</u>	<u>1,849</u>	<u>(40,839)</u>
Total accumulated depreciation	<u>(626,445)</u>	<u>(49,082)</u>	<u>72,733</u>	<u>(602,794)</u>
Total capital assets being depreciated, net	<u>1,179,590</u>	<u>47,497</u>	<u>(14,758)</u>	<u>1,212,329</u>
Nuclear fuel, at amortized cost	4,878	4,907	(953)	8,832
Business type activities capital assets, net	<u>\$1,338,272</u>	<u>\$172,130</u>	<u>\$(96,605)</u>	<u>\$1,413,797</u>

¹The San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 were taken offline in January 2012 and remain offline for extensive inspections, testing and analysis resulting from excessive wear of tubes in the steam generators. It is anticipated that Unit 2 could restart months in advance of Unit 3. Due to the uncertainty of the restart date for Unit 3, the capital assets of Unit 3 are reclassified from a depreciable to a non-depreciable plant asset until it is restored to service. Unit 2 will remain classified as a depreciable plant asset since it is anticipated that it could be restored to service in the coming months. See footnote 16 for additional information.

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciating	3-5 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

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Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	\$ 4,571
Public safety	3,997
Highways and streets, including depreciation of general infrastructure assets	21,699
Culture and recreation	<u>9,327</u>
Total depreciation expense – governmental activities	<u>\$39,594</u>
Business type activities:	
Electric	\$27,482
Water	11,824
Sewer	6,600
Refuse	1,106
Special Transportation	615
Airport	645
Public Parking	<u>810</u>
Total depreciation expense – business type activities	<u>\$49,082</u>

6. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	\$305,195	\$ -	\$ 305,195	\$ -	\$ -
General Obligation Bonds	16,845	-	738	16,107	780
Pension Obligation Bonds	132,095	30,940	35,555	127,480	36,415
Certificates of Participation	207,246	-	4,543	202,703	4,920
Capital leases	6,670	-	1,450	5,220	1,248
Notes Payable	7,749	-	7,749	-	-
Loan Payable	-	4,000	-	4,000	-
Commercial Loan	1,100	-	1,100	-	-
Compensated Absences	21,153	4,954	4,433	21,674	4,500
Claims liability	26,615	12,286	11,359	27,542	11,750
Net OPEB Obligation	<u>7,808</u>	<u>3,084</u>	<u>759</u>	<u>10,133</u>	<u>-</u>
Total	<u>\$732,476</u>	<u>\$55,264</u>	<u>\$372,881</u>	<u>\$414,859</u>	<u>\$59,613</u>

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$1,071,554	\$ -	\$29,816	\$1,041,739	\$29,505
Loan Payable	45,569	-	1,428	44,141	1,481
Notes Payable	31,178	-	1,498	29,680	1,543
Capital Leases	1,720	-	388	1,332	409
Landfill Capping	6,915	-	220	6,695	200
Arbitrage Liability	102	88	-	190	-
Water Stock Acquisition Rights	947	-	-	947	150
Net OPEB Obligation	<u>5,625</u>	<u>2,705</u>	<u>667</u>	<u>7,663</u>	<u>-</u>
Total	<u>\$1,163,610</u>	<u>\$2,793</u>	<u>\$ 34,017</u>	<u>\$1,132,387</u>	<u>\$33,288</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, 2012:

	Principal Outstanding
Revenue Bonds:	
<u>Electric</u>	
\$75,405 2003 Electric Revenue Bonds; 2.0% to 5.0%, due in annual installments from \$1,035 to \$8,535 through October 1, 2013.	\$15,415
\$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from \$2,615 to \$3,695 through October 1, 2014.	9,845
\$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from \$1,325 to \$8,560 through October 1, 2035.	139,640

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

\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from \$450 to \$6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series. 24,335

\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 4.9%, due in annual installments from \$2,300 to \$33,725 through October 1, 2040. 140,380

\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. 55,125

Subtotal 594,480
 Add: Unamortized bond premium 8,639
 Less: Unamortized deferred bond refunding costs (12,877)
\$590,242

Water

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

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

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from \$500 to \$3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series. 28,095

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

\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$800 to \$3,950 through October 1, 2035. 58,200

Subtotal 213,320
 Add: Unamortized bond premium 4,341
 Less: Unamortized deferred bond refunding costs (9,237)
\$208,424

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039. \$240,910
 Add: Unamortized bond premium 2,163
\$243,073

Total Revenue Bonds \$1,041,739

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
2013	\$ 18,050	\$ 25,455	\$ 43,505	\$ 4,695	\$ 8,678	\$ 13,373
2014	14,685	24,543	39,228	4,870	8,487	13,357
2015	20,480	23,745	44,225	5,015	8,276	13,291
2016	15,415	23,113	38,528	5,260	8,046	13,306
2017	12,745	22,620	35,365	5,180	7,814	12,994
2018-2022	70,800	105,832	176,632	29,315	35,597	64,912
2023-2027	78,415	91,074	169,489	35,270	29,439	64,709
2028-2032	110,365	71,403	181,768	42,730	21,747	64,477
2033-2037	127,900	46,144	174,044	51,960	12,229	64,189
2038-2041	125,625	12,823	138,448	29,025	1,647	30,672
Premium	8,639	-	8,639	4,341	-	4,341
Refunding Costs	(12,877)	-	(12,877)	(9,237)	-	(9,237)
Total	<u>\$590,242</u>	<u>\$446,752</u>	<u>\$1,036,994</u>	<u>\$ 208,424</u>	<u>\$141,960</u>	<u>\$350,384</u>

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Fiscal Year	Sewer Utility Fund		Total
	Principal	Interest	
2013	\$ 6,760	\$ 10,712	\$ 17,472
2014	7,035	10,436	17,471
2015	7,325	10,149	17,474
2016	7,660	9,811	17,471
2017	8,055	9,418	17,473
2018-2022	37,565	42,179	79,744
2023-2027	33,390	34,930	68,320
2028-2032	41,935	26,377	68,312
2033-2037	52,935	15,376	68,311
2038-2040	38,250	2,741	40,991
Premium	2,163	-	2,163
Total	<u>\$243,073</u>	<u>\$172,129</u>	<u>\$415,202</u>

General Obligation Bonds:

\$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from \$410 to \$1,740 through August 1, 2024.

Add: Unamortized bond premium

Total General Obligation Bonds

Principal
Outstanding

\$15,915

192

\$16,107

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

Fiscal Year	Principal	Interest	Total
2013	\$ 780	\$ 737	\$ 1,517
2014	840	706	1,546
2015	900	671	1,571
2016	965	634	1,599
2017	1,040	592	1,632
2018-2022	6,450	2,152	8,602
2023-2025	4,940	417	5,357
Premium	192	-	192
Total	<u>\$16,107</u>	<u>\$5,909</u>	<u>\$22,016</u>

Pension Obligation Bonds:

\$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from \$1,125 to \$10,715 through June 1, 2023.

\$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.

\$30,940 2012 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2012 was 0.75%, \$30,940 due June 1, 2013.

Total Pension Obligation Bonds

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

Fiscal Year	Principal	Interest	Total
2013	\$ 36,415	\$ 5,589	\$ 42,004
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016	7,930	4,391	12,321
2017	8,880	3,971	12,851
2018-2022	50,260	11,677	61,937
2023	10,715	632	11,347
Total	<u>\$127,480</u>	<u>\$36,099</u>	<u>\$163,579</u>

Certificates of Participation:

\$53,185 2003 Riverside Public Financing Authority Certificates of Participation; 2.0% to 5.0%, due in annual installments from \$755 to \$2,830 through September 1, 2033.

Principal
Outstanding

\$ 73,935

22,605

30,940

\$127,480

Principal
Outstanding

\$44,025

CITY OF RIVERSIDE
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For the year ended June 30, 2012

(amounts expressed in thousands)

\$19,945 2006 Galleria at Tyler Public Improvements
 Certificates of Participation; 4.0% to 5.0%, due in
 annual installments from \$435 to \$1,270 through
 September 1, 2036. 19,510

\$128,300 2008 Riverside Renaissance Certificates of
 Participation; issued at a variable rate; however the
 City entered into an agreement to convert to a fixed
 rate of 3.4%. For information on the swap agreement
 see note 9. Due in annual installments from \$2,900 to
 \$7,200 through March 1, 2037. 122,400

\$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

Subtotal 206,595
 Add: Unamortized bond premium 683
 Less: Unamortized deferred bond refunding costs (4,575)
 Total Certificates of Participation \$202,703

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,920	\$ 8,155	\$ 13,075
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016	5,990	7,560	13,550
2017	6,200	7,332	13,532
2018-2022	34,835	32,849	67,684
2023-2027	40,750	25,340	66,090
2028-2032	48,695	16,544	65,239
2033-2037	50,420	6,254	56,674
2038-2040	4,020	450	4,470
Premium	683	-	683
Refunding Costs	<u>(4,575)</u>	-	<u>(4,575)</u>
Total	<u>\$202,703</u>	<u>\$120,248</u>	<u>\$322,951</u>

Loan 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%. \$4,000

Loan Payable – Electric Fund:

The City entered into the Clearwater Power Plant
 Purchase and Sale Agreement dated March 3, 2010
 with the City of Corona for the acquisition of Clearwater
 Cogeneration Facility (Clearwater) located in Corona.
 The total purchase price for Clearwater is \$46,569, and
 will be funded through a series of semi-annual
 payments ranging from \$1,158 to \$2,664 through 2013,
 and \$182 to \$413 in 2014 and 2015. In addition, two
 payments of \$36,406 and \$7,367 are due in 2013 and
 2015, respectively, and will be funded primarily from
 bond proceeds. \$44,141

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 \$2,761

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 3,118

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

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

through December 16, 2031 23,801

Total notes payable – Enterprise Funds \$29,680

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

Fiscal Year	Sewer Fund		Total
	Principal	Interest	
2013	\$ 705	\$ 112	\$ 817
2014	718	99	817
2015	731	86	817
2016	745	72	817
2017	759	58	817
2018-2021	<u>2,221</u>	<u>92</u>	<u>2,313</u>
Total	<u>\$5,879</u>	<u>\$519</u>	<u>\$6,398</u>

Fiscal Year	Public Parking Fund		Total
	Principal	Interest	
2013	\$ 838	\$ 909	\$ 1,747
2014	871	876	1,747
2015	905	842	1,747
2016	940	807	1,747
2017	977	770	1,747
2018-2022	<u>5,483</u>	<u>3,251</u>	<u>8,734</u>
2023-2027	<u>6,634</u>	<u>2,100</u>	<u>8,734</u>
2028-2032	<u>7,153</u>	<u>707</u>	<u>7,860</u>
Total	<u>\$23,801</u>	<u>\$10,262</u>	<u>\$34,063</u>

Contracts – Enterprise Funds: Principal Outstanding

Water stock acquisition rights payable on demand to various water companies \$947

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund.

Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	\$1,103	\$ -
Equipment	<u>5,595</u>	<u>2,763</u>
Subtotal	6,698	2,763
Less: Accumulated depreciation	<u>(2,580)</u>	<u>(859)</u>
Total	<u>\$4,118</u>	<u>\$1,904</u>

The future minimum lease obligations as of June 30, 2012 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2013	\$1,425	\$ 442
2014	1,190	442
2015	1,098	428
2016	1,099	65
2017	670	-
Thereafter	74	-
Copiers	<u>188</u>	<u>29</u>
Total Minimum lease payments	5,744	1,406
Less: Amount representing interest (rates ranging from 2.5% to 9%)	<u>(524)</u>	<u>(74)</u>
Total capital lease payable	<u>\$5,220</u>	<u>\$1,332</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2012:

Governmental long-term obligations:

Certificates of Participation	<u>\$13,778</u>
Total	<u>\$13,778</u>

Enterprise funds:

Electric	\$22,332
Water	535
Sewer	<u>20,142</u>
Total	<u>\$43,009</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

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 6/30/12
Electric revenues	118,222	52,804	2.24
Water revenues	38,248	13,580	2.82
Sewer revenues	12,930	6,163	2.10

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Defeasance of Debt:

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2012, the following amounts are considered defeased:

1993 Sewer Revenue Bonds \$4,745

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, 2012 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 21 years.

7. Risk Management

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

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

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

Changes in the self-insurance trust fund's claims liability amounts are:

Unpaid Claims, June 30, 2010	\$25,541
Incurred claims (including IBNR's)	10,576
Claim payments and adjustments	<u>(9,502)</u>
Unpaid Claims, June 30, 2011	26,615
Incurred claims (including IBNR's)	12,286
Claim payments and adjustments	<u>(11,359)</u>
Unpaid Claims, June 30, 2012	<u>\$27,542</u>

8. 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	\$ -	\$264,591	\$ 206	\$264,385	\$ 7,575
Notes Payable	-	7,189	-	7,189	960
Commercial Loan	-	1,100	-	1,100	1,100
Total	<u>\$ -</u>	<u>\$272,880</u>	<u>\$ 206</u>	<u>\$272,674</u>	<u>\$9,635</u>

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 February 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded). \$ 115

\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; \$6,205 serial bonds, 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bonds at 5.0% due August 1, 2027. 12,455

\$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 Sept. 1, 2013; \$1,135 term bonds at 5.5% due Sept. 1, 2018; and \$3,020 term bonds at 5.625% due Sept. 1, 2027. 4,525

\$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. 13,710

\$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. 4,270

\$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024. 2,265

\$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 October 1, 2024. 19,805

\$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; \$310 serial bonds 1.20% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due Oct. 1, 2008; \$1,110 term bonds at 4.340% due Oct. 1, 2014 and \$2,770 term bonds at 5.480% due Oct. 1, 2024. 3,360

\$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; \$32,720 serial bonds 2.0% to 5.25% due in annual installments from \$1,220 to \$1,955 through August 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through August 2034. 29,830

\$24,115 2005 Housing Set-Aside Tax Allocation Bonds; \$17,025 serial bonds 3.0% to 4.625% due in annual

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

installments from \$505 to \$1,165 through August 1, 2025; \$2,425 term bonds at 5.0% due August 1, 2028; and \$4,665 term bonds at 4.85% due August 1, 2034. 19,870

\$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. 8,260

\$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of \$105 to \$180 through August 1, 2015. 520

\$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, \$4,050 term bonds at 5.2% due August 1, 2017; \$10,800 term bonds at 5.8% due August 1, 2028. 13,380

\$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from \$50 to \$3,210 through August 1, 2025; \$17,955 term bonds at 4.5% due August 1, 2030; \$47,775 term bonds at 5.0% due August 1, 2037. 88,170

\$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, \$15,740 term bonds due August 1, 2017; \$28,135 term bonds due August 1, 2032. 37,810

Subtotal 258,345
Add: Unamortized bond premium 5,704
Add: Unamortized deferred bond refunding costs 336
Total Redevelopment Agency Bonds \$264,385

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>
2013	\$ 7,575	\$ 12,750	\$ 20,325
2014	7,930	12,408	20,338
2015	8,310	12,047	20,357
2016	8,520	11,665	20,185
2017	8,905	11,256	20,161
2018-2022	54,585	48,646	103,231
2023-2027	63,035	32,971	96,006
2028-2032	49,025	18,606	67,631
2033-2037	43,685	7,122	50,807
2038	6,775	169	6,944
Premium	5,704	-	5,704
Refunding Costs	336	-	336
Total	<u>\$264,385</u>	<u>\$167,640</u>	<u>\$432,025</u>

Notes Payable – Successor Agency: Principal Outstanding

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

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion. \$2,987

HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of \$272 to \$425 through August 1, 2015 1,445

HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018 2,430

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects. 327

Total notes payable – Successor Agency \$ 7,189

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>
2013	\$ 960	\$ 444	\$ 1,404
2014	681	400	1,081
2015	739	377	1,116
2016	778	350	1,128
2017	407	329	736
2018-2022	1,096	1,448	2,544
2023-2027	471	1,238	1,709
2028-2032	777	933	1,710
2033-2037	<u>1,280</u>	<u>430</u>	<u>1,710</u>
Total	<u>\$ 7,189</u>	<u>\$5,949</u>	<u>\$13,138</u>

Commercial Loan – Successor Agency:

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

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 6/30/12</u>
Property Taxes:			
Non-Housing	\$38,874	\$15,311	2.54
Housing	8,247	2,768	2.98

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

As of June 30, 2012, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of \$48,360. 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

Industrial Development Revenue Bonds of \$7,000 are not included in the accompanying financial statements. These bonds are special obligations of a third party and is payable solely from and secured by a pledge of the receipts received from a loan 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.

9. Derivative Instruments

Interest Rate Swaps

The City has five cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective.

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

The following is a summary of the derivative activity for the year ended June 30, 2012:

As of June 30, 2012 rates were as follows:

	<u>Notional Amount</u>	<u>Fair Value as of 6/30/12</u>	<u>Change in Fair Value for Fiscal Year</u>
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(29,972)	(15,150)
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	84,515	(14,985)	(7,957)
2008 Electric Refunding/Revenue Bonds Series C	57,325	(11,584)	(6,476)
2011 Electric Refunding/Revenue Bonds Series A	56,450	(11,554)	(6,474)
2011 Water Refunding/Revenue Bonds Series A	59,000	(12,768)	(7,320)

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

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

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

	<u>Terms</u>	<u>2011 Water Refunding/ Revenue Bonds Series A Rates</u>	<u>2011 Electric Refunding/ Revenue Bonds Series A Rates</u>
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	<u>(0.26684%)</u>	<u>(0.26627%)</u>
Net interest rate swap payments		2.93316%	2.93473%
Variable-rate bond coupon payments		<u>0.21969%</u>	<u>0.13270%</u>
Synthetic interest rate on bonds		<u>3.15285%</u>	<u>3.06743%</u>
	<u>Terms</u>	<u>2008 Electric Refunding/ Revenue Bonds Series C Rates</u>	<u>2008 Electric Refunding/ Revenue Bonds Series A Rates</u>
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	<u>(0.51505%)</u>	<u>(0.51321%)</u>
Net interest rate swap payments		2.68895%	2.59779%
Variable-rate bond coupon payments		<u>0.46955%</u>	<u>0.47253%</u>
Synthetic interest rate on bonds		<u>3.15850%</u>	<u>3.07032%</u>
	<u>Terms</u>	<u>COP 2008 Bonds Rates</u>	
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.36200%	
Variable payment from counterparty	63.00 LIBOR + 7 bps	<u>(0.4932%)</u>	
Net interest rate swap payments		2.86880%	
Variable-rate bond coupon payments		<u>0.50543%</u>	
Synthetic interest rate on bonds		<u>3.37423%</u>	

Fair Value: As of June 30, 2012, in connection with all swap arrangements, the transactions had a total negative fair value of <\$80,863>. 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,

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

Credit risk: As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase & Co. and Merrill Lynch were rated A, A and A- respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2012, there is no requirement for collateral posting for any of the outstanding swaps.

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

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

Swap payments and associated debt: As of June 30, 2012, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2013	\$ 6,675	\$ 1,466	\$ 10,416	\$ 18,557
2014	6,900	1,440	10,222	18,562
2015	8,975	1,408	9,984	20,367
2016	16,700	1,352	9,576	27,628
2017	15,700	1,289	9,136	26,125
2018-2022	68,925	5,646	40,243	114,814
2023-2027	76,485	4,119	29,840	110,444
2028-2032	88,105	2,435	18,546	109,086
2033-2037	<u>86,900</u>	<u>752</u>	<u>5,493</u>	<u>93,145</u>
Total	<u>\$375,365</u>	<u>\$19,907</u>	<u>\$143,456</u>	<u>\$538,728</u>

10. Economic Contingency

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

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,436
	Capital Outlay Fund	14,503
	Nonmajor Enterprise Funds	<u>348</u>
		16,287
Electric	Central Stores *	<u>2,277</u>
Water	Central Stores *	<u>976</u>
Total		<u>\$19,540</u>

* Internal service fund

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

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$12,003
	Water	5,164
	Sewer	3,304
	Nonmajor Governmental Funds	549
	Nonmajor Enterprise Funds	2,220
	Self-Insurance Trust *	217
	Central Stores *	227
	Central Garage *	<u>1,022</u>
		<u>24,706</u>
Self-Insurance Trust *	Nonmajor Enterprise Funds	1,068
	General	349
	Nonmajor Governmental Funds	<u>4,072</u>
		5,489
Sewer	Nonmajor Governmental Funds	<u>7,946</u>
Total		<u>\$38,141</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	\$ 693
Nonmajor Governmental Funds	39,142
Electric	5,558
Sewer	4,250
Self-Insurance Trust *	<u>5,461</u>
Total	<u>\$55,104</u>

Transfers In/Out: Transfers are used to (1) move revenues to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) return properties to the Redevelopment Agency, (4) use unrestricted revenues collected in the

General fund to finance various programs accounted for in the other funds in accordance with budgetary operations.

The following table shows amounts transferred to/from funds within the City as of June 30, 2012:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$33,533
	Water	6,258
	Redevelopment Capital Project	472
	Nonmajor Governmental Funds	<u>3</u>
		<u>40,266</u>
Redevelopment Debt Service	Redevelopment Capital Project	40,365
	Nonmajor Governmental Funds	<u>3,176</u>
		<u>43,541</u>
Nonmajor Governmental Funds	General Fund	6,958
	Redevelopment Capital Project	962
	Nonmajor Governmental Funds	7,941
	Nonmajor Enterprise Funds	<u>763</u>
		<u>16,624</u>
Redevelopment Capital Projects	General Fund	76,334
	Redevelopment Debt Service	<u>20,094</u>
		<u>96,428</u>
Total		<u>\$196,859</u>

In addition, the Public Parking Fund transferred a capital asset with an original carrying value of \$125 to the City. The difference in interfund transfers at the fund level is due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds.

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Special Capital Improvement Fund (\$963), Self-Insurance Internal Service Trust Fund (\$14,901) and Successor Agency Private-Purpose Trust Fund (\$194,543). The deficit in the fund Self-Insurance Internal Service Trust Fund will be primarily reduced based on a rate increase implemented in the subsequent fiscal year.

Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years. 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.

13. 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 City continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

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

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

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other

requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City 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 17, 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.

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.

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.
- 2nd Tier - The retirement formula is 2.7% at age 55 and new employees hired on or after October 19, 2011 pay their share (8%) of contributions.

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, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of

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3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

Three-year trend information for CalPERS:

Fiscal Year	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2010	Misc	\$16,463	93.8%	\$ (56,529)
2010	Safety	13,949	89.0%	(84,369)
2011	Misc	16,888	92.4%	(55,253)
2011	Safety	14,956	86.7%	(82,379)
2012	Misc	21,661	92.8%	(53,694)
2012	Safety	18,542	86.6%	(79,890)

A total of \$133,584 of net pension assets is included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets is amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period.

Determination of Net Pension Asset as of June 30, 2012:

	Misc	Safety
Annual required contribution	\$ 20,102	\$ 16,053
Interest on net pension asset	(4,282)	(6,384)
Adjustment to annual required contribution	5,841	8,873
Annual pension cost	21,661	18,542
Less contributions made	(20,102)	(16,053)
Decrease in net pension asset	1,559	2,489
Net pension asset, beginning of year	(55,253)	(82,379)
Net pension asset, end of year	<u>\$(53,694)</u>	<u>(79,890)</u>

Schedule of funding for CalPERS:

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

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

15. Other Post-Employment Benefits

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

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

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

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of

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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, 2012 was \$5,821, which consisted of normal cost of \$3,276 and UAAL amortization of \$2,545. The ARC as a percentage of payroll was 3.9% for the year ended June 30, 2012.

As of June 30, 2011, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$56 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$56 million.

Determination of the Net OPEB Obligation as of June 30, 2012:

Annual required contribution	\$ 5,821
Interest on net OPEB obligation	578
Amortization of net OPEB obligation	<u>(610)</u>
Annual benefit pension cost	5,789
Less contributions made	<u>(1,426)</u>
Increase in net OPEB obligation	4,363
Net OPEB liability, beginning of year	<u>13,433</u>
Net OPEB liability, end of year	<u>\$17,796</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 3.25% annually and (d) healthcare cost trend rates ranging from 4.5% to 8.0%.

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>
2010	\$5,291	\$1,440	27%
2011	5,617	1,734	31%
2012	5,821	1,426	24%

Fiscal Year <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$5,101	28%	9,853
2011	5,314	33%	13,433
2012	5,789	25%	17,796

Fiscal Year <u>June 30,</u>	<u>UAAL</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2010	\$54,869	\$144,621	38%
2011	54,869	149,321	37%
2012	56,060	148,607	38%

16. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

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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 2011-12 and 2010-11 fiscal years, the Electric Utility paid approximately \$20,855 and \$18,725, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

<u>Project</u>	<u>Percent Share</u>	<u>Entitlement</u>
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3MW
Southern Transmission System (STS)	10.20%	244.0MW
Hoover Dam Upgrading (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	18.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

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 1.25 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>	
2013	\$ 17,514	\$ 672	\$ 8,191	\$ 717	\$ 318	\$ 3,090	\$ 30,502
2014	22,693	676	8,213	719	274	3,117	35,692
2015	21,114	680	8,242	718	265	3,004	34,023
2016	23,975	683	8,093	718	257	2,901	36,627
2017	14,046	687	8,001	717	258	2,905	26,614
Thereafter	<u>104,377</u>	<u>-</u>	<u>63,175</u>	<u>-</u>	<u>772</u>	<u>8,719</u>	<u>177,043</u>
Total	<u>\$203,719</u>	<u>\$ 3,398</u>	<u>\$103,915</u>	<u>\$ 3,589</u>	<u>\$ 2,144</u>	<u>\$23,736</u>	<u>\$340,501</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 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, 2012 and 2011, are as follows (in thousands):

<u>Fiscal Year</u>	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>MAT</u>	<u>MPT</u>	<u>Hoover</u>	<u>Total</u>
2011	\$29,530	\$2,792	\$2,460	\$ 298	\$ 43	\$ 100	\$35,223
2012	\$22,555	\$2,843	\$2,677	\$ 300	\$ 40	\$ 102	\$28,517

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Equity.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility executed two firm power purchase agreements with Bonneville Power Administration (BPA). The first agreement with BPA was for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. This agreement terminated on March 3, 2011. The second BPA

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agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was passed by the State Legislature and signed by the Governor. SBX1-2 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 2011-2012; 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 SBX1-2 on November 18, 2011 and December 13, 2011, respectively. The Utility met SBX1-2 Stage 1 requirement for 2011 requiring an average of 20% of retail sales coming from renewable resources. The Utility does not anticipate it will have significant difficulty in meeting the remaining requirements of SBX1-2.

The contracts in the following table were executed as part of compliance with this standard. The Utility also has an agreement with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio.

Long-term renewable power purchase agreements:

<u>Supplier</u>	<u>Type</u>	<u>Maximum Contract</u>	<u>Contract Expiration</u>	<u>Estimated Annual Cost for 2013</u>
Wintec	Wind	1.3MW	12/30/2018	\$ 205
Salton Sea Power	Geothermal	<u>46.0MW</u>	5/31/2020	<u>21,176</u>
Total		<u>54.0MW</u>		<u>\$21,381</u>

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

On August 23, 2005, the City Council approved an amendment to the Power Purchase Agreement between Salton Sea and the City. The agreement increases the amount of renewable energy available to the City from the current 20 MW to 46 MW effective June 1, 2009 through May 31, 2020, at the same price under the current contract until 2013, with escalation thereafter based on an inflationary type index. Similar to other renewable power purchase agreements, the City is only obligated for purchases of energy delivered to the City.

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

The Hoover Upgrading project has contractors from Arizona, Nevada, and California. Over the past two years, the Contractors have been meeting to negotiate terms for the renewal of contracts for electric services, which are set to expire on September 30, 2017. The Contractors developed proposed legislation, that became known as the Hoover Power Allocation Act (the Act), which would extend the availability of Hoover power to the existing Contractors for an additional fifty years and create a pool for new entrants.

In December 2011, President Obama approved and signed the Hoover Power Allocation Act of 2011. The new legislation requires the Utility to relinquish 5% (1.5 MW) of their current power for replacement of a new entitlement of 28.5 MW, effective October 1, 2017. The power relinquished will be used to create a new resource pool equal to 5% of the full rated capacity of 2,074,000 KW, and associated firm energy, and would be allocated to new entities as follows: two-thirds to the Western Area Power Administration and one-third allocated equally in Nevada, California and Arizona including fully recognized Indian tribes that do not currently purchase Hoover power. The new entities will be required to execute the Boulder Canyon Project Implementation Agreement which will include a provision requiring them to pay a proportionate share of their State's respective contribution to the cost of the Lower Colorado River Multi-Species Conservation Program and the Uprate Program. Any of the capacity and firm energy not allocated to the new entities and not placed under contract by October 1, 2017, will be returned to the existing contractors in the same proportion as the contractor's allocations.

Construction Commitments:

As of June 30, 2012, the Sewer, Electric and Water Utilities had approximately \$225 million, \$13.3 million and \$8.6 million, respectively, in major construction commitments related to unfinished capital projects. The Capital Outlay Fund also had major construction commitments of approximately \$33.7 million related to the renovation and expansion of the Riverside Convention Center. These construction commitments are expected to be funded primarily with bond proceeds.

C. Jointly-Owned Utility Project - SONGS

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. In 2006, Anaheim sought and received approval to transfer its 3.16 percent to SCE for a total of 78.21 percent ownership. The Amended and Restated Operating Agreement was updated to reflect the change in ownership. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042. To date, no final ruling on this extension request has been made.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled \$164,945 and \$159,907 and accumulated depreciation totaled \$135,664 and \$133,260 for fiscal years ended June 30, 2012 and 2011, respectively. Capital assets are depreciated through 2022, to include the construction recapture extension period. The Electric Utility sets aside approximately \$1,600 per year to fund decommissioning costs. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

Recent Developments

In fiscal years 2010 and 2011, SCE completed the replacement of four steam generators at SONGS Units 2 and 3. The total cost of the project was \$758,000 of which approximately \$13,600 represented the Electric Utility's

share. On January 31, 2012, a water leak was detected in one of the heat transfer tubes in Unit 3 steam generators which required Unit 3 to be taken offline. During this same timeframe, Unit 2 was offline for a planned maintenance and refueling outage. During inspections of Unit 2 in February 2012, similar unexpected wear was observed in some Unit 2 heat transfer tubes albeit much less extensive than Unit 3 tube wear. Both Units 2 and 3 remain offline for extensive inspections, testing and analysis of the steam generators.

In March 2012, the NRC issued a Confirmatory Action Letter that required NRC permission to restart Units 2 and 3 and further outlined actions that SCE must complete before permission to restart either Unit may be considered. SCE is continuing to evaluate repairs and mitigation plans. Each Unit will be restarted only when the repairs and appropriate mitigation plans are completed in accordance with the NRC's letter and SCE is satisfied that it is safe to do so.

On August 3, 2012, SCE declared an "operating impairment", as defined in the Operating Agreement, for SONGS Units 2 and 3 and provided formal notification to the co-owners that the impairment resulted from excessive wear of the tubes in the steam generators. To date, SCE does not have a cost estimate and schedule for completing Restoration Work that will return both Units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators. Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

On October 4, 2012, SCE submitted its response to the NRC Confirmatory Action Letter, along with its restart plan for SONGS Unit 2. The response and restart plans are being submitted simultaneously to provide the NRC with all the relevant information needed to evaluate the full spectrum of repairs, corrective actions and additional safety measures proposed to restart safe operations at the plant. SONGS Unit 3 will remain offline while the utility continues to study the potential solutions that are unique to this unit. The unit cannot be restarted until all plans have been approved by the NRC.

17. Water Utility Revenue Transfer

Section 1304 of the Riverside City Charter requires the City's water enterprise (the "Water Utility") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility

("Water Revenue Transfer"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. On November 5, 1996, California voters approved Proposition 218. Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges.

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 levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances. This means that the revenues derived from these charges may, in certain circumstances, not exceed the cost to the City of providing the related services.

A claim has been filed with the City regarding the legality of including the Water Revenue Transfer as a cost of providing the related services. If a court were to conclude that the Water Revenue Transfer is not a cost of providing the service of the Water Utility, then the Water Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the Water Revenue Transfers, and the Water Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Water Utility most likely would require the City to return the challenged Water Revenue Transfer and the Water Utility would be prohibited from making any future Water Revenue Transfers. In that situation, the City would prepare a cost study calculating the Water Utility's cost impact on the City, and the City would assess the Water Utility for such costs. It is unclear if such costs would equal the current Water Revenue Transfer.

18. Subsequent Events

San Onofre Nuclear Generating Station:

On August 3, 2012, SCE, as Operating Agent, declared an Operating Impairment and provided formal notification to the co-owners regarding the impairment for SONGS Units 2 and 3 resulting from excessive wear of the tubes in the steam generators for both units. SCE does not yet have a cost estimate and schedule for completing Restoration Work that will return both

units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators. Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

2012A Lease Revenue Refunding Bonds:

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.

Convention Center Financing:

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. The financing consists of a variable rate lease-leaseback financing that will have a swap transaction layered over the variable rate financing resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years of the financing. The financing consist of an initial 21-month variable rate interest only period during construction in which the required interest payments are made from the borrowed proceeds. At the end of that term, the swap begins and the interest rate "swaps" to fixed for the remaining 20-year amortization with principal and interest due on the first of each month, with equal payments each year of approximately \$2,850.

VOIP Capital Lease:

In August 2012, the City entered into a lease purchase agreement in the amount of \$1,650 with Pinnacle Public Finance, Inc., for the financing of the City's voice over IP (VOIP) phone system for City Hall and various satellite locations. The lease requires semi-annual debt service payments totaling \$186 over a 10-year term at an interest rate of 2.38%, which is payable on February 1 and August 1 of each year, commencing February 1, 2013.

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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, other than debt of the Redevelopment Agency which dissolved on January 31, 2012.

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, 2012
(amounts expressed in thousands)

Assets	Special Revenue							
	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Housing	Total
Cash and investments	\$ -	\$ 13,332	\$ 656	\$ -	\$ -	\$ -	\$ 1,341	\$ 15,329
Cash and investments at fiscal agent	-	-	-	-	-	-	-	-
Receivable (net of allowance for uncollectibles):								
Interest	-	55	3	-	-	-	5	63
Accounts	-	-	28	-	-	-	-	28
Intergovernmental	883	194	-	3,032	-	342	-	4,451
Notes	-	-	-	10,562	-	-	20,824	31,386
Advances to Successor Agency	-	-	-	-	-	-	20,571	20,571
Land & improvements held for resale	-	-	-	1,522	-	-	3,613	5,135
Total assets	<u>\$ 883</u>	<u>\$ 13,581</u>	<u>\$ 687</u>	<u>\$ 15,116</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 46,354</u>	<u>\$ 76,963</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ 259	\$ 169	\$ 10	\$ 450	\$ -	\$ 4	\$ 5	\$ 897
Accrued payroll	-	-	-	27	-	-	-	27
Retainage payable	-	1,397	-	-	-	-	-	1,397
Deferred revenue	-	-	-	12,085	-	-	20,807	32,892
Deposits	-	-	-	-	-	-	22	22
Due to other funds	624	-	-	156	-	338	-	1,118
Advance from other funds	-	-	-	549	-	-	458	1,007
Total liabilities	<u>883</u>	<u>1,566</u>	<u>10</u>	<u>13,267</u>	<u>-</u>	<u>342</u>	<u>21,292</u>	<u>37,360</u>
Fund balances								
Restricted for:								
Housing and redevelopment	-	-	-	1,849	-	-	25,062	26,911
Transportation and public works	-	12,015	677	-	-	-	-	12,692
Total fund balances	<u>-</u>	<u>12,015</u>	<u>677</u>	<u>1,849</u>	<u>-</u>	<u>-</u>	<u>25,062</u>	<u>39,603</u>
Total liabilities and fund balances	<u>\$ 883</u>	<u>\$ 13,581</u>	<u>\$ 687</u>	<u>\$ 15,116</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 46,354</u>	<u>\$ 76,963</u>

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
 (amounts expressed in thousands)

	<u>Capital Projects</u>				General Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total		Library Special	
Assets							
Cash and investments	\$ 3,508	\$ 2,271	\$ -	\$ 5,779	\$ 823	\$ 1,539	\$ 23,470
Cash and investments at fiscal agent	2,351	-	-	2,351	14,182	-	16,533
Receivable (net of allowance for uncollectibles):							
Interest	15	10	-	25	-	-	88
Accounts	345	-	-	345	-	-	373
Intergovernmental	-	92	358	450	-	-	4,901
Notes	-	-	-	-	-	-	31,386
Advances to Successor Agency	-	-	-	-	18,571	-	39,142
Land & improvements held for resale	-	-	-	-	-	-	5,135
Total assets	<u>\$ 6,219</u>	<u>\$ 2,373</u>	<u>\$ 358</u>	<u>\$ 8,950</u>	<u>\$ 33,576</u>	<u>\$ 1,539</u>	<u>\$ 121,028</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 1	\$ 9	\$ 1	\$ 11	\$ 27	\$ -	\$ 935
Accrued payroll	-	-	-	-	-	-	27
Retainage payable	90	-	-	90	-	-	1,487
Deferred revenue	-	-	10	10	-	-	32,902
Deposits	-	-	-	-	-	-	22
Due to other funds	-	-	318	318	-	-	1,436
Advance from other funds	7,091	-	-	7,091	4,469	-	12,567
Total liabilities	<u>7,182</u>	<u>9</u>	<u>329</u>	<u>7,520</u>	<u>4,496</u>	<u>-</u>	<u>49,376</u>
Fund balances							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	1,539	1,539
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	26,911
Debt Service	-	-	-	-	29,080	-	29,080
Transportation and public works	-	-	29	29	-	-	12,721
Other purposes	(963)	2,364	-	1,401	-	-	1,401
Total fund balances	<u>(963)</u>	<u>2,364</u>	<u>29</u>	<u>1,430</u>	<u>29,080</u>	<u>1,539</u>	<u>71,652</u>
Total liabilities and fund balances	<u>\$ 6,219</u>	<u>\$ 2,373</u>	<u>\$ 358</u>	<u>\$ 8,950</u>	<u>\$ 33,576</u>	<u>\$ 1,539</u>	<u>\$ 121,028</u>

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue							
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Housing	Total
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ -	\$ 32
Intergovernmental	3,792	8,440	363	12,369	-	-	-	24,964
Special assessments	-	-	-	-	-	340	-	340
Rental and investment income	-	110	1	19	41	-	112	283
Miscellaneous	-	-	204	2,105	1,081	-	175	3,565
Total revenues	3,792	8,550	568	14,493	1,154	340	287	29,184
Expenditures								
Current:								
General government	-	-	496	773	716	-	78	2,063
Public Safety	3,792	-	-	-	-	-	-	3,792
Culture and recreation	-	-	-	-	-	-	11,084	11,084
Capital outlay	-	8,853	-	13,232	2	340	-	22,427
Debt service:								
Interest	-	-	-	15	-	-	3	18
Total expenditures	3,792	8,853	496	14,020	718	340	11,165	39,384
Excess (deficiency) of revenues over (under) expenditures	-	(303)	72	473	436	-	(10,878)	(10,200)
Other financing sources (uses)								
Transfers in	-	-	-	962	4,215	-	421	5,598
Transfers out	-	-	-	-	(3,597)	-	(4,215)	(7,812)
Total other financing sources (uses)	-	-	-	962	618	-	(3,794)	(2,214)
Extraordinary items								
Dissolution of Riverside Redevelopment Agency:								
Transfer of assets and liabilities to Successor Agency	-	-	-	-	(33,247)	-	-	(33,247)
Transfer of assets from Successor Agency	-	-	-	-	-	-	28,121	28,121
Assumption of obligation	-	-	-	-	-	-	(458)	(458)
Total extraordinary items	-	-	-	-	(33,247)	-	27,663	(5,584)
Net change in fund balances	-	(303)	72	1,435	(32,193)	-	12,991	(17,998)
Fund balances - beginning	-	12,318	605	414	32,193	-	12,071	57,601
Fund balances - ending	\$ -	\$ 12,015	\$ 677	\$ 1,849	\$ -	\$ -	\$ 25,062	\$ 39,603

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(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							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32
Licenses and permits	2,035	138	-	2,173	-	-	2,173
Intergovernmental	-	92	450	542	-	-	25,506
Charges for services	4	-	-	4	-	-	4
Special assessments	-	-	-	-	1,075	-	1,415
Rental and investment income	41	-	-	41	1,647	24	1,995
Miscellaneous	26	1	-	27	470	86	4,148
Total revenues	2,106	231	450	2,787	3,192	110	35,273
Expenditures							
Current:							
General government	102	-	-	102	26	-	2,191
Public Safety	-	-	-	-	-	-	3,792
Culture and recreation	-	-	-	-	-	196	11,280
Capital outlay	608	1,859	450	2,917	-	-	25,344
Debt service:							
Principal	-	-	-	-	4,750	-	4,750
Interest	151	-	-	151	9,294	-	9,463
Total expenditures	861	1,859	450	3,170	14,070	196	56,820
Excess (deficiency) of revenues over (under) expenditures	1,245	(1,628)	-	(383)	(10,878)	(86)	(21,547)
Other financing sources (uses)							
Transfers in	19	-	-	19	11,007	-	16,624
Transfers out	(3,308)	-	-	(3,308)	-	-	(11,120)
Total other financing sources (uses)	(3,289)	-	-	(3,289)	11,007	-	5,504
Extraordinary items							
Dissolution of Riverside Redevelopment Agency:							
Transfer of assets and liabilities to Successor Agency	-	-	-	-	-	-	(33,247)
Transfer of assets from Successor Agency	-	-	-	-	-	-	28,121
Assumption of obligation	-	-	-	-	(4,469)	-	(4,927)
Total extraordinary items	-	-	-	-	(4,469)	-	(10,053)
Net change in fund balances	(2,044)	(1,628)	-	(3,672)	(4,340)	(86)	(26,096)
Fund balances - beginning	1,081	3,992	29	5,102	33,420	1,625	97,748
Fund balances - ending	\$ (963)	\$ 2,364	\$ 29	\$ 1,430	\$ 29,080	\$ 1,539	\$ 71,652

City of Riverside

Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual

For the fiscal year ended June 30, 2012

(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,394	3,792	(6,602)	8,094	8,440	346	333	363	30
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	150	110	(40)	-	1	1
Miscellaneous	-	-	-	-	-	-	100	204	104
Total revenues	<u>10,394</u>	<u>3,792</u>	<u>(6,602)</u>	<u>8,244</u>	<u>8,550</u>	<u>306</u>	<u>433</u>	<u>568</u>	<u>135</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,034	496	538
Public Safety	10,507	3,792	6,715	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	19,948	8,853	11,095	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>10,507</u>	<u>3,792</u>	<u>6,715</u>	<u>19,948</u>	<u>8,853</u>	<u>11,095</u>	<u>1,034</u>	<u>496</u>	<u>538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113)</u>	<u>-</u>	<u>113</u>	<u>(11,704)</u>	<u>(303)</u>	<u>11,401</u>	<u>(601)</u>	<u>72</u>	<u>673</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private-purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(113)</u>	<u>-</u>	<u>113</u>	<u>(11,704)</u>	<u>(303)</u>	<u>11,401</u>	<u>(601)</u>	<u>72</u>	<u>673</u>
Fund balances (deficit), beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,318</u>	<u>12,318</u>	<u>-</u>	<u>605</u>	<u>605</u>	<u>-</u>
Fund balances (deficit), ending	<u>\$ (113)</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 614</u>	<u>\$ 12,015</u>	<u>\$ 11,401</u>	<u>\$ 4</u>	<u>\$ 677</u>	<u>\$ 673</u>

(continued)

City of Riverside

Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual

For the fiscal year ended June 30, 2012

(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			Redevelopment Agency			NPDES Storm Drain		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 10,020	\$ 32	\$ (9,988)	\$ -	\$ -	\$ -
Intergovernmental	9,804	12,369	2,565	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	574	340	(234)
Rental and investment income	13	19	6	212	41	(171)	-	-	-
Miscellaneous	202	2,105	1,903	29	1,081	1,052	-	-	-
Total revenues	10,019	14,493	4,474	10,261	1,154	(9,107)	574	340	(234)
Expenditures									
Current:									
General government	707	773	(66)	22,909	716	22,193	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	23,518	13,232	10,286	4,857	2	4,855	574	340	234
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	15	(15)	-	-	-	-	-	-
Total expenditures	24,225	14,020	10,205	27,766	718	27,048	574	340	234
Excess (deficiency) of revenues over (under) expenditures	(14,206)	473	14,679	(17,505)	436	17,941	-	-	-
Other financing sources (uses)									
Transfers in	-	962	962	-	4,215	4,215	-	-	-
Transfers out	-	-	-	(14,840)	(3,597)	(11,243)	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	962	962	(14,840)	618	(7,028)	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to									
Successor Agency	-	-	-	-	(33,247)	33,247	-	-	-
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	(33,247)	33,247	-	-	-
Net change in fund balances	(14,206)	1,435	15,641	(32,345)	(32,193)	44,160	-	-	-
Fund balances (deficit), beginning	414	414	-	32,193	32,193	-	-	-	-
Fund balances (deficit), ending	\$ (13,792)	\$ 1,849	\$ 15,641	\$ (152)	\$ -	\$ 44,160	\$ -	\$ -	\$ -

(continued)

City of Riverside

Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual

For the fiscal year ended June 30, 2012

(amounts expressed in thousands)

	Special Revenue			Capital Projects					
	Housing		Variance to Final Budget	Capital Outlay			Redevelopment		
	Final Budget	Actual		Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	82,854	31,774	(51,080)	681	170	(511)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	45	352	307	-	-	-
Rental and investment income	-	112	112	175	446	271	1,147	1,333	186
Miscellaneous	-	175	175	3,200	1,462	(1,738)	238	276	38
Total revenues	-	287	287	86,274	34,034	(52,240)	2,066	1,779	(287)
Expenditures									
Current:									
General government	204	78	126	-	-	-	8,166	4,090	4,076
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	11,084	11,084	-	-	-	-	13,050	17,444	(4,394)
Capital outlay	-	-	-	134,790	33,187	101,603	70,792	15,811	54,981
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	3	(3)	-	-	-	-	538	-
Total expenditures	11,288	11,165	123	134,790	33,187	101,603	92,008	37,883	54,663
Excess (deficiency) of revenues over (under) expenditures	(11,288)	(10,878)	410	(48,516)	847	49,363	(89,942)	(36,104)	54,376
Other financing sources (uses)									
Transfers in	-	421	-	-	-	-	96,428	96,428	-
Transfers out	-	(4,215)	4,215	-	-	-	(41,799)	(41,799)	-
Issuance of long-term debt	-	-	-	4,000	4,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(3,794)	4,215	4,000	4,000	-	54,629	54,629	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to									
Successor Agency	-	-	-	-	-	-	-	(70,419)	-
Transfer of assets from Successor Agency	-	28,121	-	-	-	-	-	-	-
Assumption of obligation	-	(458)	-	-	-	-	-	-	-
Total extraordinary items	-	27,663	-	-	-	-	-	(70,419)	-
Net change in fund balances	(11,288)	12,991	4,625	(44,516)	4,847	49,363	(35,313)	(51,894)	54,376
Fund balances (deficit), beginning	12,071	12,071	-	13,507	13,507	-	51,894	51,894	-
Fund balances (deficit), ending	\$ 783	\$ 25,062	\$ 4,625	\$ (31,009)	\$ 18,354	\$ 49,363	\$ 16,581	\$ -	\$ 54,376

(continued)

City of Riverside

Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual

For the fiscal year ended June 30, 2012

(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,916	92	(2,824)	815	450	(365)
Licenses and permits	-	2,035	2,035	130	138	8	-	-	-
Charges for services	-	4	4	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	41	41	-	-	-	-	-	-
Miscellaneous	-	26	26	-	1	1	-	-	-
Total revenues	-	2,106	2,106	3,046	231	(2,815)	815	450	(365)
Expenditures									
Current:									
General government	461	102	359	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	5,203	608	4,595	6,681	1,859	4,822	815	450	365
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	106	151	(45)	-	-	-	-	-	-
Total expenditures	5,770	861	4,909	6,681	1,859	4,822	815	450	365
Excess (deficiency) of revenues over (under) expenditures	(5,770)	1,245	7,015	(3,635)	(1,628)	2,007	-	-	-
Other financing sources (uses)									
Transfers in	-	19	19	-	-	-	-	-	-
Transfers out	(3,305)	(3,308)	3	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	(3,305)	(3,289)	22	-	-	-	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private-purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	-	-	-	-	-
Net change in fund balances	(9,075)	(2,044)	7,037	(3,635)	(1,628)	2,007	-	-	-
Fund balances (deficit), beginning	1,081	1,081	-	3,992	3,992	-	29	29	-
Fund balances (deficit), ending	\$ (7,994)	\$ (963)	\$ 7,037	\$ 357	\$ 2,364	\$ 2,007	\$ 29	\$ 29	\$ -

Nonmajor Enterprise Funds

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

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

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

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

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

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ -	\$ 1,250	\$ 1,838	\$ 2,853	\$ 5,941
Receivables (net of allowance for uncollectibles)					
Interest	-	18	5	5	28
Utility billed	-	983	-	-	983
Utility unbilled	-	599	-	-	599
Accounts	88	236	5	6	335
Intergovernmental	-	-	951	68	1,019
Restricted assets:					
Cash and cash equivalents	-	2,295	-	-	2,295
Total current assets	<u>88</u>	<u>5,381</u>	<u>2,799</u>	<u>2,932</u>	<u>11,200</u>
Non-current assets:					
Restricted assets:					
Cash and investments at fiscal agent	-	-	-	6,597	6,597
Deferred charges - other	231	8,571	606	171	9,579
Capital assets:					
Land	9,988	-	-	3,588	13,576
Buildings	2,632	-	22	13,879	16,533
Accumulated depreciation-buildings	(1,113)	-	(9)	(3,460)	(4,582)
Improvements other than buildings	18,032	-	47	5,915	23,994
Accumulated depreciation-improvements other than buildings	(5,342)	-	(6)	(1,054)	(6,402)
Machinery and equipment	412	12,427	3,319	1,659	17,817
Accumulated depreciation-machinery and equipment	(249)	(8,149)	(2,058)	(1,235)	(11,691)
Construction in progress	581	-	1,329	20,377	22,287
Total non-current assets:	<u>25,172</u>	<u>12,849</u>	<u>3,250</u>	<u>46,437</u>	<u>87,708</u>
Total assets	<u>25,260</u>	<u>18,230</u>	<u>6,049</u>	<u>49,369</u>	<u>98,908</u>

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
 (amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	41	642	287	1,851	2,821
Accrued payroll	55	631	115	90	891
Retainage payable	-	-	-	832	832
Unearned revenue	-	-	2,049	-	2,049
Deposits	1	-	-	-	1
Due to other funds	348	-	-	-	348
Capital leases-current	-	-	7	-	7
Notes-current	-	-	-	838	838
Landfill capping-current	-	200	-	-	200
Total current liabilities	445	1,473	2,458	3,611	7,987
Non-current liabilities:					
Notes payables	-	-	-	22,963	22,963
Capital leases	-	-	22	-	22
Advances from other funds	226	1,234	594	1,234	3,288
Landfill capping	-	6,495	-	-	6,495
Other payables	67	564	253	1,936	2,820
Total non-current liabilities	293	8,293	869	26,133	35,588
Total liabilities	738	9,766	3,327	29,744	43,575
Net Assets					
Invested in capital assets, net of related debt	24,941	4,278	2,615	20,542	52,376
Restricted for landfill capping	-	2,295	-	-	2,295
Unrestricted	(419)	1,891	107	(917)	662
Total net assets	\$ 24,522	\$ 8,464	\$ 2,722	\$ 19,625	\$ 55,333

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(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	\$ 1,524	\$ 19,588	\$ 352	\$ 4,803	\$ 26,267
Operating expenses:					
Personnel services	762	4,619	1,997	1,086	8,464
Contractual services	171	3,784	10	1,212	5,177
Maintenance and operation	269	5,568	471	593	6,901
General	278	3,512	349	143	4,282
Materials and supplies	482	839	161	8	1,490
Insurance	29	112	48	154	343
Depreciation and amortization	645	1,511	615	810	3,581
Total operating expenses	<u>2,636</u>	<u>19,945</u>	<u>3,651</u>	<u>4,006</u>	<u>30,238</u>
Operating Income (loss)	<u>(1,112)</u>	<u>(357)</u>	<u>(3,299)</u>	<u>797</u>	<u>(3,971)</u>
Nonoperating revenues (expenses):					
Operating grants	-	-	2,738	-	2,738
Interest income	-	47	16	1	64
Other	3	242	-	(1,144)	(899)
Gain/loss on retirement of capital assets	-	7	3	(5)	5
Interest expense and fiscal charges	(10)	(34)	(16)	(978)	(1,038)
Total non-operating revenues	<u>(7)</u>	<u>262</u>	<u>2,741</u>	<u>(2,126)</u>	<u>870</u>
Income before capital contributions and transfers	<u>(1,119)</u>	<u>(95)</u>	<u>(558)</u>	<u>(1,329)</u>	<u>(3,101)</u>
Cash capital contributions	174	-	1,339	-	1,513
Transfers out	-	-	-	(888)	(888)
Change in net assets	<u>(945)</u>	<u>(95)</u>	<u>781</u>	<u>(2,217)</u>	<u>(2,476)</u>
Total net assets - beginning	<u>25,467</u>	<u>8,559</u>	<u>1,941</u>	<u>21,842</u>	<u>57,809</u>
Total net assets - ending	<u>\$ 24,522</u>	<u>\$ 8,464</u>	<u>\$ 2,722</u>	<u>\$ 19,625</u>	<u>\$ 55,333</u>

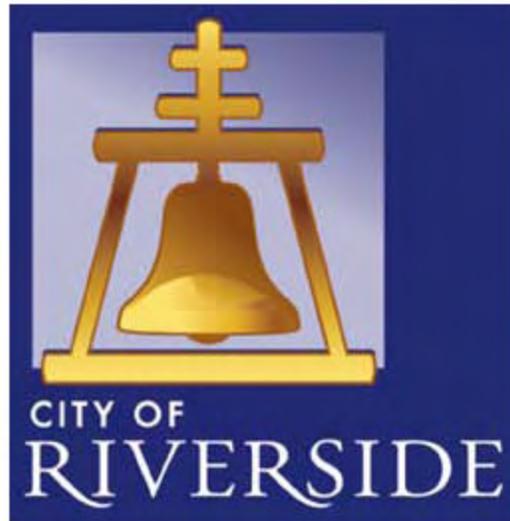
City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Trans- portation</u>	<u>Public Parking</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,542	\$ 19,167	\$ 356	\$ 4,844	\$ 25,909
Cash paid to employees for services	(728)	(4,398)	(1,921)	(1,044)	(8,091)
Cash paid to other suppliers of goods or services	(1,299)	(14,085)	(773)	(119)	(16,276)
Other receipts	<u>3</u>	<u>242</u>	<u>-</u>	<u>675</u>	<u>920</u>
Net cash provided (used) by operating activities	<u>(482)</u>	<u>926</u>	<u>(2,338)</u>	<u>4,356</u>	<u>2,462</u>
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(888)	(888)
Operating grants	-	-	2,819	-	2,819
Advances from (to) other funds	344	-	(18)	-	326
Payments on interfund receivables	<u>(7)</u>	<u>(39)</u>	<u>-</u>	<u>(462)</u>	<u>(508)</u>
Net cash provided (used) by noncapital financing activities	<u>337</u>	<u>(39)</u>	<u>2,801</u>	<u>(1,350)</u>	<u>1,749</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(21)	(999)	(1,138)	(9,956)	(12,114)
Proceeds from the sale of capital assets	-	7	3	-	10
Principal paid on long-term obligations	-	-	-	(807)	(807)
Interest paid on long-term obligations	(10)	(34)	(16)	(978)	(1,038)
Capital contributions	<u>174</u>	<u>-</u>	<u>1,339</u>	<u>-</u>	<u>1,513</u>
Net cash (used) provided for capital and related financing activities	<u>143</u>	<u>(1,026)</u>	<u>188</u>	<u>(11,741)</u>	<u>(12,436)</u>
Cash flows from investing activities:					
Income from investments	<u>-</u>	<u>59</u>	<u>20</u>	<u>28</u>	<u>107</u>
Net cash provided by investing activities	<u>-</u>	<u>59</u>	<u>20</u>	<u>28</u>	<u>107</u>
Net change in cash and cash equivalents	(2)	(80)	671	(8,707)	(8,118)
Cash and cash equivalents, beginning	<u>2</u>	<u>3,625</u>	<u>1,167</u>	<u>18,157</u>	<u>22,951</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 3,545</u>	<u>\$ 1,838</u>	<u>\$ 9,450</u>	<u>\$ 14,833</u>

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (1,112)	\$ (357)	\$ (3,299)	\$ 797	\$ (3,971)
Other receipts	3	242	-	675	920
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	645	1,511	615	810	3,581
Amortization of pension costs	7	37	18	4	66
Increase in utility unbilled receivable	-	(421)	-	-	(421)
Decrease in accounts receivable	18	-	4	50	72
Increase in intergovernmental receivable	-	-	-	(9)	(9)
Increase (decrease) in accounts payable	(70)	(50)	266	1,991	2,137
Increase in accrued payroll	6	39	(3)	3	45
Increase in other payable	21	145	61	35	262
Decrease in landfill capping	-	(220)	-	-	(220)
Net cash provided (used) by operating activities	<u>\$ (482)</u>	<u>\$ 926</u>	<u>\$ (2,338)</u>	<u>\$ 4,356</u>	<u>\$ 2,462</u>



Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Assets
Internal Service funds
June 30, 2012
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Totals
Current assets:				
Cash and investments	\$ 1,996	\$ -	\$ 3,198	\$ 5,194
Receivables (net of allowance for uncollectibles):				
Interest	22	-	12	34
Accounts	22	-	47	69
Intergovernmental	101	-	111	212
Inventory	-	6,349	438	6,787
Total current assets	<u>2,141</u>	<u>6,349</u>	<u>3,806</u>	<u>12,296</u>
Advances to other funds	5,489	-	-	5,489
Advances to Successor Agency	5,461	-	-	5,461
Deferred charges - other	221	232	1,044	1,497
Capital assets:				
Buildings	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	(241)	(241)
Machinery and equipment	-	139	9,441	9,580
Accumulated depreciation-machinery and equipment	-	(137)	(8,023)	(8,160)
Construction in Progress	-	-	644	644
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>2</u>	<u>3,309</u>	<u>3,311</u>
Total noncurrent assets	<u>11,171</u>	<u>234</u>	<u>4,353</u>	<u>15,758</u>
Total assets	<u>13,312</u>	<u>6,583</u>	<u>8,159</u>	<u>28,054</u>
Liabilities				
Current liabilities:				
Accounts payable	353	229	173	755
Accrued payroll	38	100	442	580
Due to other funds	-	3,253	-	3,253
Claims and judgements - current	11,750	-	-	11,750
Total current liabilities	<u>12,141</u>	<u>3,582</u>	<u>615</u>	<u>16,338</u>
Noncurrent liabilities:				
Other payables	63	76	327	466
Advances from other funds	217	227	1,022	1,466
Claims and judgements	15,792	-	-	15,792
Total noncurrent liabilities	<u>16,072</u>	<u>303</u>	<u>1,349</u>	<u>17,724</u>
Total liabilities	<u>28,213</u>	<u>3,885</u>	<u>1,964</u>	<u>34,062</u>
Net Assets				
Invested in capital assets	-	2	3,309	3,311
Unrestricted	(14,901)	2,696	2,886	(9,319)
Total net assets	<u>\$ (14,901)</u>	<u>\$ 2,698</u>	<u>\$ 6,195</u>	<u>\$ (6,008)</u>

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2012
(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	\$ 11,937	\$ 1,593	\$ 6,936	\$ 20,466
Operating expenses:				
Personnel services	473	649	2,775	3,897
Contractual services	113	-	115	228
Maintenance and operation	1	28	1,838	1,867
General	897	344	698	1,939
Materials and supplies	-	14	364	378
Claims/Insurance	12,220	9	35	12,264
Depreciation and amortization	-	4	714	718
Total operating expenses	<u>13,704</u>	<u>1,048</u>	<u>6,539</u>	<u>21,291</u>
Operating income (loss)	<u>(1,767)</u>	<u>545</u>	<u>397</u>	<u>(825)</u>
Non-operating revenues (expenses):				
Interest income	234	-	44	278
Other	257	-	43	300
Gain (loss) on retirement of capital assets	-	-	(10)	(10)
Interest expense and fiscal charges	(71)	(6)	(28)	(105)
Total non-operating revenue (expenses)	<u>420</u>	<u>(6)</u>	<u>49</u>	<u>463</u>
Change in net assets	(1,347)	539	446	(362)
Total net assets - beginning	<u>(13,554)</u>	<u>2,159</u>	<u>5,749</u>	<u>(5,646)</u>
Total net assets - ending	<u>\$ (14,901)</u>	<u>\$ 2,698</u>	<u>\$ 6,195</u>	<u>\$ (6,008)</u>

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	<u>Self-Insurance Trust</u>	<u>Central Stores</u>	<u>Central Garage</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 11,900	\$ 1,593	\$ 10,545	\$ 24,038
Cash paid to employees for services	(446)	(617)	(2,626)	(3,689)
Cash paid to other suppliers of goods or services	(12,216)	(963)	(6,739)	(19,918)
Other	257	-	44	301
Net cash provided (used) by operating activities	<u>(505)</u>	<u>13</u>	<u>1,224</u>	<u>732</u>
Cash flows from noncapital financing activities:				
Payments on interfund payables	(6)	-	(33)	(39)
Advances to other funds	970	(7)	-	963
Net cash provided (used) by noncapital financing activities	<u>964</u>	<u>(7)</u>	<u>(33)</u>	<u>924</u>
Cash flows from capital and related financing activities:				
Interest paid on long-term obligation	(71)	(6)	(28)	(105)
Purchase of capital assets	-	-	(949)	(949)
Net cash (used) for capital and related financing activities	<u>(71)</u>	<u>(6)</u>	<u>(977)</u>	<u>(1,054)</u>
Cash flows from investing activities:				
Income from investments	302	-	54	356
	<u>302</u>	<u>-</u>	<u>54</u>	<u>356</u>
Net increase in cash and cash equivalents	690	-	268	958
Cash and cash equivalents, beginning	<u>1,306</u>	<u>-</u>	<u>2,930</u>	<u>4,236</u>
Cash and cash equivalents, ending	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ 3,198</u>	<u>\$ 5,194</u>

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

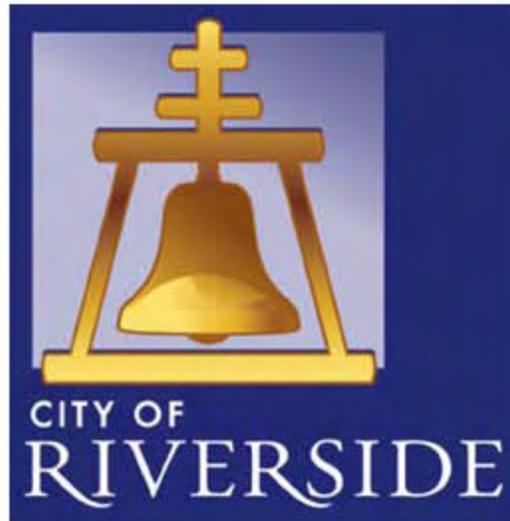
	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating (loss) income	\$ (1,767)	\$ 545	\$ 397	\$ (825)
Other	257	-	44	301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	4	714	718
Amortization of pension costs	16	7	111	134
(Increase) in account receivable	(37)	-	(95)	(132)
Decrease in inventory	-	333	314	647
(Decrease) increase in accounts payable	94	41	(299)	(164)
Increase in other payable	-	20		20
Increase in accrued payroll	4	5	38	47
(Decrease) in due to other funds	-	(942)	-	(942)
Increase in claims and judgments	928	-	-	928
Net cash provided (used) by operating activities	<u>\$ (505)</u>	<u>\$ 13</u>	<u>\$ 1,224</u>	<u>\$ 732</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, 2012
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	\$ 8,655	\$ 5,708	\$ 6,848	\$ 7,515
Cash and investments at fiscal agent	8,962	8,252	10,645	6,569
Interest receivable	58	420	450	28
Property taxes receivable	262	407	263	406
Total assets	<u>\$ 17,937</u>	<u>\$ 14,787</u>	<u>\$ 18,206</u>	<u>\$ 14,518</u>
Liabilities				
Accounts payable	\$ 28	\$ 107	\$ 135	-
Held for bond holders	17,909	4,533	7,924	14,518
Total liabilities	<u>\$ 17,937</u>	<u>\$ 4,640</u>	<u>\$ 8,059</u>	<u>\$ 14,518</u>

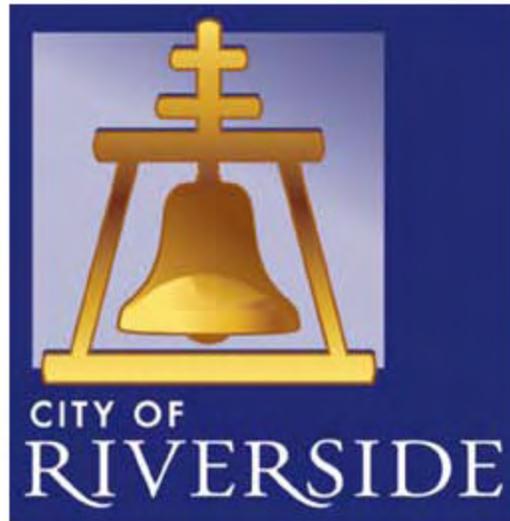


**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2012
(amounts expressed in thousands)

Governmental funds capital assets:	
Land	\$ 322,060
Buildings and improvements	169,099
Improvements other than buildings	227,553
Machinery and equipment	876,513
Infrastructure	78,875
Construction in progress	26,666
Total governmental funds capital assets	<u>\$ 1,700,766</u>

Investments in governmental funds capital assets by source:	
Certificates of participation	\$ 121,108
Gifts	312,512
Operating revenue	472,382
General obligation bonds	4,484
Revenue bonds	21,229
County contracts and grants	110
State grants	40,374
Asset forfeiture - state	961
Asset forfeiture - federal	2,501
Housing and community development grants	18,545
Other federal grants	32,667
Community facilities bonds	1,026
Assessment district bonds	397
Capital leases	5,399
RDA tax increment bonds	2,278
Capital projects funds	664,793
Total governmental funds capital assets	<u>\$ 1,700,766</u>



Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate property and sales taxes.	93
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.	102
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.	108
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.	110

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹
Governmental activities										
Invested in capital assets, net of related debt	\$ 471,380	\$ 484,784	\$ 515,354	\$ 622,336	\$ 712,801	\$ 850,740	\$ 950,496	\$ 976,614	\$ 1,019,892	\$ 1,066,855
Restricted	106,862	137,126	154,957	158,038	107,982	102,677	98,903	108,932	80,820	93,818
Unrestricted	(10,227)	(41,353)	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)	(80,947)	(90,159)	28,494
Total governmental activities net assets	\$ 568,015	\$ 580,557	\$ 623,892	\$ 729,113	\$ 786,538	\$ 921,988	\$ 1,007,538	\$ 1,004,599	\$ 1,010,553	\$ 1,189,167
Business-type activities										
Invested in capital assets, net of related debt	\$ 323,094	\$ 341,041	\$ 402,377	\$ 425,285	\$ 520,059	\$ 601,999	\$ 659,904	\$ 660,619	\$ 654,974	\$ 666,919
Restricted	40,869	49,242	54,540	71,386	57,613	43,341	38,621	59,863	56,397	54,923
Unrestricted	181,985	217,762	229,462	250,041	242,966	225,281	207,405	219,720	256,038	285,062
Total business-type activities net assets	\$ 545,948	\$ 608,045	\$ 686,379	\$ 746,712	\$ 820,638	\$ 870,621	\$ 905,930	\$ 940,202	\$ 967,409	\$ 1,006,904
Primary government										
Invested in capital assets, net of related debt	\$ 794,474	\$ 825,825	\$ 917,731	\$ 1,047,621	\$ 1,232,860	\$ 1,452,739	\$ 1,610,400	\$ 1,637,233	\$ 1,674,866	\$ 1,733,774
Restricted	147,731	186,368	209,497	229,424	165,595	146,018	137,524	168,795	137,217	148,741
Unrestricted	171,758	176,409	183,043	198,780	208,721	193,852	165,544	138,773	165,879	313,556
Total primary government net assets	\$ 1,113,963	\$ 1,188,602	\$ 1,310,271	\$ 1,475,825	\$ 1,607,176	\$ 1,792,609	\$ 1,913,468	\$ 1,944,801	\$ 1,977,962	\$ 2,196,071

¹ The increase in total governmental activities net assets (and related unrestricted net assets) is due to the due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 59,530	\$ 63,000	\$ 58,460	\$ 74,458	\$ 105,486	\$ 113,897	\$ 71,391	\$ 85,110	\$ 72,606	\$ 48,731
Public safety	88,969	102,500	110,969	120,470	114,312	122,783	142,353	137,338	139,364	148,605
Highways and streets	15,625	22,017	20,364	20,757	22,556	26,986	29,700	31,492	32,131	35,342
Culture and Recreation	29,236	22,988	26,353	32,602	28,016	31,659	29,423	44,319	50,017	54,594
Interest on long-term debt	7,696	10,996	15,885	16,358	26,378	34,075	34,361	32,049	33,638	25,262
Total governmental activities expenses	201,056	221,501	232,031	264,645	296,748	329,400	307,228	330,308	327,756	312,534
Business-type activities:										
Electric	186,917	196,727	200,030	226,186	232,346	271,412	269,209	256,860	275,922	288,799
Water	29,715	33,921	36,709	39,486	42,108	47,570	53,931	55,402	56,390	56,715
Sewer	20,053	23,273	26,108	27,299	29,510	31,209	34,853	41,248	42,276	43,702
Refuse	11,577	11,510	12,841	14,546	16,490	18,430	18,425	20,527	20,046	19,979
Airport	1,151	1,088	1,185	1,004	1,201	1,418	1,734	2,206	2,320	2,646
Transportation	2,110	2,286	2,557	2,917	2,831	3,190	3,194	3,368	3,493	3,667
Public parking	1,392	1,389	824	2,701	3,762	4,093	5,095	4,024	4,401	4,984
Total business-type activities expenses	252,915	270,194	280,254	314,139	328,248	377,322	386,441	383,635	404,848	420,492
Total primary government expenses	\$ 453,971	\$ 491,695	\$ 512,285	\$ 578,784	\$ 624,996	\$ 706,722	\$ 693,669	\$ 713,943	\$732,604	\$733,026
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 22,675	\$ 26,160	\$ 25,995	\$ 24,683	\$ 10,245	\$ 23,969	\$ 13,691	\$ 12,933	\$ 14,241	\$ 14,662
Public safety	6,427	6,799	6,982	5,845	12,410	9,924	8,414	8,177	8,075	7,837
Highways and streets	20,867	22,286	23,108	25,412	30,563	19,695	14,391	17,847	16,985	16,532
Culture and recreation	8,304	5,056	7,002	7,716	8,302	4,370	3,168	2,367	3,180	4,622
Operating grants and contributions	12,716	12,935	16,140	13,150	12,101	15,024	23,313	32,853	21,127	31,581
Capital grants and contributions	2,144	1,136	5,292	18,618	10,557	115,982	69,745	23,395	38,138	54,476
Total governmental activities program revenues	73,133	74,372	84,519	95,424	84,178	188,964	132,722	97,572	101,746	129,710
Business-type activities:										
Charges for services:										
Electric	204,293	233,102	252,322	259,572	278,888	305,299	314,164	309,910	313,703	333,029
Water	28,637	32,382	34,002	37,613	47,080	49,855	54,923	57,534	62,084	65,206
Sewer	21,172	21,672	21,967	21,510	24,057	22,525	23,247	27,342	32,769	37,747
Refuse	11,795	13,759	14,492	15,160	15,833	16,289	18,394	18,712	19,134	19,588
Airport	1,046	1,051	1,088	1,162	1,263	1,423	1,232	1,315	1,342	1,524
Transportation	170	185	200	238	302	313	336	328	344	352
Public parking	2,385	2,760	2,961	2,837	3,431	3,717	4,332	4,876	5,205	4,803
Operating grants and contributions	3,663	1,723	2,261	2,704	1,939	3,308	1,929	2,487	2,159	2,738
Capital grants and contributions	4,976	26,390	32,317	29,293	40,066	29,215	17,288	6,838	7,337	21,164
Total business-type activities program revenues	278,137	333,024	361,610	370,089	412,859	431,944	435,845	429,342	444,077	486,151
Total primary government program revenues	\$ 351,270	\$ 407,396	\$ 446,129	\$ 465,513	\$ 497,037	\$ 620,908	\$ 568,567	\$ 526,914	\$545,823	\$615,861

(continued)

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹
Net Revenues (Expense)										
Governmental activities	\$ (127,923)	\$ (147,129)	\$ (147,512)	\$ (169,221)	\$ (212,570)	\$ (140,436)	\$ (174,506)	\$ (232,736)	\$ (226,010)	\$ (182,824)
Business-type activities	25,222	62,830	81,356	55,950	84,611	54,622	49,404	45,707	39,229	65,659
Total primary government net expense	<u>\$ (102,701)</u>	<u>\$ (84,299)</u>	<u>\$ (66,156)</u>	<u>\$ (113,271)</u>	<u>\$ (127,959)</u>	<u>\$ (85,814)</u>	<u>\$ (125,102)</u>	<u>\$ (187,029)</u>	<u>\$ (186,781)</u>	<u>\$ (117,165)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Sales	\$ 41,691	\$ 46,624	\$ 53,348	\$ 57,522	\$ 55,666	\$ 50,526	\$ 41,882	\$ 39,645	\$ 44,157	\$ 47,701
Property	33,584	35,911	61,553	80,934	106,114	114,176	116,420	104,087	100,802	74,179
Utility Users	19,928	21,362	22,133	23,502	25,384	26,267	25,964	25,975	26,691	27,320
Franchise	3,811	4,261	4,481	4,813	5,031	4,972	5,144	4,477	4,937	4,883
Other	2,967	3,213	3,828	4,372	3,581	3,795	2,912	2,488	2,731	2,995
Intergovernmental, unrestricted	15,533	12,528	1,795	1,747	1,863	2,074	4,569	1,339	1,285	351
Unrestricted grants and contributions	-	18,710	15,220	39,653	29,743	-	-	-	-	-
Investment earnings	8,064	1,284	7,815	10,150	18,582	25,670	15,941	8,289	7,439	4,440
Miscellaneous	2,241	5,476	5,756	26,173	4,228	9,480	5,137	3,344	9,544	9,273
Transfers	18,218	10,302	14,918	25,576	31,171	32,326	42,087	40,153	34,378	40,679
Extraordinary items	-	-	-	-	-	-	-	-	-	149,617
Contributions	-	(2,800)	-	-	-	-	-	-	-	-
Total governmental activities	<u>146,037</u>	<u>156,871</u>	<u>190,847</u>	<u>274,442</u>	<u>281,363</u>	<u>269,286</u>	<u>260,056</u>	<u>229,797</u>	<u>231,964</u>	<u>361,438</u>
Business-type activities:										
Unrestricted grants and contributions	15,972	-	-	-	-	-	-	-	-	-
Investment income	9,115	5,016	7,548	11,259	16,988	22,756	23,402	21,271	17,548	11,405
Miscellaneous	3,849	4,553	7,362	18,700	3,498	4,931	4,590	7,447	4,808	3,110
Special item	-	-	(3,014)	-	-	-	-	-	-	-
Transfers	(18,218)	(10,302)	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)
Total business-type activities	<u>10,718</u>	<u>(733)</u>	<u>(3,022)</u>	<u>4,383</u>	<u>(10,685)</u>	<u>(4,639)</u>	<u>(14,095)</u>	<u>(11,435)</u>	<u>(12,022)</u>	<u>(26,164)</u>
Total primary government	<u>156,755</u>	<u>156,138</u>	<u>187,825</u>	<u>278,825</u>	<u>270,678</u>	<u>264,647</u>	<u>245,961</u>	<u>218,362</u>	<u>219,942</u>	<u>335,274</u>
Change in Net Assets										
Governmental activities	\$ 18,114	\$ 9,742	\$ 43,335	\$ 105,221	\$ 68,793	\$ 128,850	\$ 85,550	\$ (2,939)	\$ 5,954	\$ 178,614
Business-type activities	35,940	62,097	78,334	60,333	73,926	49,983	35,309	34,272	27,207	39,495
Total primary government	<u>\$ 54,054</u>	<u>\$ 71,839</u>	<u>\$ 121,669</u>	<u>\$ 165,554</u>	<u>\$ 142,719</u>	<u>\$ 178,833</u>	<u>\$ 120,859</u>	<u>\$ 31,333</u>	<u>\$ 33,161</u>	<u>\$ 218,109</u>

¹ The increase in total governmental activities net assets is due to the dissolution of the Redevelopment Agency.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting, in thousands)

	<u>2011</u>	<u>2012^{1,2}</u>
General fund		
Nonspendable	\$ 26,646	\$ 25,720
Restricted	82,249	2,803
Assigned	15,589	6,380
Unassigned	36,359	39,347
Total general fund	<u>\$ 160,843</u>	<u>\$ 74,250</u>
All other governmental funds		
Nonspendable	\$ 1,626	\$ 1,539
Restricted:		
Housing and redevelopment	96,571	26,911
Debt service	56,526	29,080
Transportation and public works	26,459	31,075
Other purposes	5,073	1,401
Total all other governmental funds	<u>\$ 186,255</u>	<u>\$ 90,006</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 two 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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 102,286	\$ 113,118	\$ 142,056	\$ 170,638	\$ 191,131	\$ 200,438	\$ 192,322	\$ 177,255	\$ 179,318	\$ 156,593
Licenses and permits	14,394	11,343	14,389	16,351	12,984	10,027	7,368	6,899	7,657	9,292
Intergovernmental	43,829	42,609	42,568	55,178	47,934	79,423	86,873	60,550	61,082	66,618
Charges for services	8,878	10,046	11,299	11,538	11,914	11,325	9,099	9,570	10,720	11,774
Fines and forfeitures	2,095	2,188	2,006	2,098	2,778	4,573	6,213	7,512	8,928	6,293
Special assessments	6,324	10,259	6,272	6,247	6,170	5,245	5,431	5,464	6,014	6,276
Use of money and property	11,255	10,587	10,915	14,324	22,587	27,970	18,620	11,173	10,173	8,095
Miscellaneous	5,042	7,133	9,996	8,502	6,164	12,796	7,596	7,082	16,605	10,611
Total revenues	\$ 194,103	\$ 207,283	\$ 239,501	\$ 284,876	\$ 301,662	\$ 351,797	\$ 333,522	\$ 285,505	\$ 300,497	\$ 275,552
Expenditures:										
General government	\$ 22,031	\$ 25,108	\$ 21,800	\$ 25,193	\$ 39,093	\$ 26,177	\$ 25,995	\$ 23,835	\$ 26,090	\$ 18,835
Public safety	96,487	107,386	117,267	126,007	139,739	151,773	145,802	138,594	140,994	150,878
Highways and streets	12,034	11,990	11,695	11,281	19,722	25,209	18,452	14,987	14,587	16,651
Culture and recreation	27,579	24,836	28,939	31,017	31,039	30,622	26,859	40,373	44,345	57,290
Capital outlay	39,098	50,333	64,127	121,978	149,325	171,952	180,394	131,908	105,689	75,482
Debt Service:										
Principal	4,470	2,422	8,599	9,733	12,045	11,257	44,349	48,078	89,264	83,378
Interest	7,785	9,945	15,025	19,205	21,330	31,239	33,033	31,267	32,611	24,133
Debt issuance costs	-	950	1,538	-	2,551	697	259	231	174	169
Total expenditures	\$ 209,484	\$ 232,970	\$ 268,990	\$ 344,414	\$ 414,844	\$ 448,926	\$ 475,143	\$ 429,273	\$ 453,754	\$ 426,816
Excess of revenues over (under) expenditures	\$ (15,381)	\$ (25,687)	\$ (29,489)	\$ (59,538)	\$ (113,182)	\$ (97,129)	\$ (141,621)	\$ (143,768)	\$ (153,257)	\$ (151,264)

(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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Transfers in	\$ 36,202	\$ 41,440	\$ 49,944	\$ 59,545	\$ 84,306	\$ 62,841	\$ 100,797	\$ 88,303	\$ 214,631	\$ 196,859
Transfers out	(17,984)	(31,338)	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)
Sales of general capital assets	1,314	(675)	6,230	1,281	541	8,931	(5,798)	529	(1,629)	(92)
Advances from other funds	81	-	-	-	-	-	-	-	-	-
Long-term obligation proceeds	750	247,594	85,578	20,969	295,190	164,408	30,425	52,360	104,875	34,940
Capital lease proceeds	-	-	-	-	-	-	-	3,116	2,000	-
Premiums (discounts) on bonds issued	-	-	113	-	4,455	-	-	(539)	-	-
Payments to refunded bond agent	-	(58,657)	(9,167)	-	-	(148,975)	-	-	-	-
Total other financing sources (uses)	20,363	198,364	97,672	47,826	331,357	56,690	66,714	95,619	139,597	75,402
Special item - pension contribution	-	(88,300)	(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	\$ 4,982	\$ 84,377	\$ 36,042	\$ (11,712)	\$ 218,175	\$ (40,439)	\$ (74,907)	\$ (48,149)	\$ (13,660)	\$ (182,842)
Debt service as a percentage of noncapital expenditures	6.545%	7.173%	15.301% (1)	13.777%	14.011%	16.947% (2)	26.058% (3)	23.211%	32.757% (4)	32.531% (5)

(1) Increase in debt service related to the issuance of the 2003 and 2004 Redevelopment Agency Tax Allocation Bonds.

(2) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.

(3) 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 and 2012.

(4) 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.

(5) Includes one-time early redemption of \$33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2003	\$ 68,649	\$ 48,974	\$ 52,380	\$ 17,806	\$ 5,619	\$ 8,661	\$ 2,230	\$ 204,319
2004	80,872	57,079	56,117	9,581	6,354	20,917	2,182	233,102
2005	79,786	59,998	59,157	15,249	6,337	20,213	12,697	253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029

The City started receiving Transmission Revenue in 2003.

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax	Property Tax¹	Utility Users Tax	Franchise Tax	Other Tax	Total Taxes
2003	41,691	33,584	19,928	3,811	2,967	101,981
2004	46,624	35,911	21,362	4,261	3,213	111,371
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	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

¹ Decrease in property taxes in fiscal year 2012 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
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2003	13,071,416	980,529	(2,406,961)	11,644,984	1,390,108	276,506	(27,690)	1,638,924	0.268
2004	14,188,658	845,858	(2,526,503)	12,508,013	1,508,478	228,775	(30,286)	1,706,967	0.264
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	0.266
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	0.309
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	0.304
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.349
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
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

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.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	0.250	0.210	0.234	0.220	0.155	0.185	0.291	0.326	0.334	0.363
City of Riverside Debt Service	-	-	0.011	0.009	0.008	0.006	0.007	0.006	0.006	0.006
Eastern Municipal Water Improvement District	0.024	0.022	0.023	0.010	0.009	0.008	-	-	-	-
Metropolitan Water District Original Area	0.007	0.006	0.006	0.005	0.005	0.005	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
Rubidoux Community Service Debt Service	0.004	0.003	0.003	-	-	-	-	-	-	-
Total Direct & Overlapping³ Tax Rates	1.285	1.241	1.295	1.262	1.195	1.217	1.315	1.348	1.359	1.390
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
Redevelopment Rate^{5,7}	1.007	1.006	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.004
Total Direct Rate⁶	0.268	0.264	0.266	0.309	0.304	0.334	0.343	0.349	0.347	0.348

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: Alvord Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, Riverside Unified School District and Val Verde Unified School District.

³ Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

⁴ City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁵ RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

⁶ Total Direct Rate is the weighted average of all individual direct rates.

⁷ 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.

Source: Riverside County Assessor 2002/03 - 2011/12 Tax Rate Table.

**Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago**

(in thousands)

Property Owner	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tyler Mall	\$ 186,759	1	0.8%			
La Sierra University	126,273	2	0.6%			
Riverside Healthcare System	107,935	3	0.5%	\$ 89,701	3	0.7%
State Street Bank & Trust Co of Calif	88,078	4	0.4%	92,987	2	0.7%
Rohr Inc	86,512	5	0.4%	75,965	5	0.6%
Press Enterprise Co	76,314	6	0.3%	46,941	8	0.4%
JSP Corona Pointe, LLC	74,739	7	0.3%			
BRE Properties, Inc.	69,300	8	0.3%			
Canyon Springs Marketplace Corp	67,991	9	0.3%			
Riverside Plaza	67,343	10	0.3%			
Mountain View Power Partners, LLC				88,300	4	0.7%
Metal Container Corp				48,209	7	0.4%
Ohio Teacher Retirement				146,436	1	0.8%
Toro Company				46,705	9	0.4%
Lyon Corona Pointe				54,743	6	0.4%
Mission Grove Park Apartments				42,833	10	0.3%
Totals	<u>\$ 951,244</u>		<u>4.3%</u>	<u>\$ 732,820</u>		<u>5.4%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor 2011/12 and 2002/03 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
2003	\$ 25,809	25,479	98.72%	318	25,797	99.95%
2004	31,829	31,429	98.74%	376	31,805	99.93%
2005	36,825	36,332	98.66%	469	36,801	99.94%
2006	52,532	51,815	98.64%	681	52,496	99.93%
2007	69,246	67,046	96.82%	2,141	69,187	99.91%
2008	83,996	82,345	98.03%	1,556	83,901	99.89%
2009	86,251	84,134	97.55%	1,939	86,073	99.79%
2010	77,228	74,491	96.46%	2,476	76,967	99.66%
2011	74,608	72,327	96.94%	1,842	74,169	99.41%
2012	46,059	45,379	98.52%	-	45,379	98.52%

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.

Source: Riverside County Auditor Controller's Office and City Finance Department

Table 11
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Type of Customer:										
Residential	618.0	707.0	675.0	696.0	748.0	734.0	733.0	701.0	666.0	688.0
Commercial	451.0	522.0	530.0	474.0	456.0	441.0	433.0	406.0	400.0	413.0
Industrial	658.0	687.0	707.0	810.0	924.0	960.0	946.0	906.0	912.0	969.0
Wholesale sales	378.0	354.0	470.0	287.0	295.0	357.0	137.0	44.0	7.0	2.0
Other	49.0	52.0	50.0	58.0	39.0	34.0	33.0	32.0	31.0	31.0
Total	2,154.0	2,322.0	2,432.0	2,325.0	2,462.0	2,526.0	2,282.0	2,089.0	2,016.0	2,103.0
Total direct rate										
Monthly Base Rate ¹	3.18	3.28	3.36	3.36	5.00	11.35	13.06	18.06	18.06	18.06
Rate per 250 KWH ¹	20.98	21.65	22.20	22.20	22.20	25.88	25.88	25.88	25.88	25.88

¹ Rates are based on a monthly base rate plus energy charge for the first 250 KWH.
The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2003	0.10990	0.10779	0.07901	0.11869
2004	0.11439	0.10936	0.08167	0.12271
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938

NOTE:

Rates are based on a monthly base rate plus an energy charge for the first 250 KWH. The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2012		2003	
	Electricity Charges	Percent of Total Electric Revenues	Electricity Charges	Percent of Total Electric Revenues
Local University	\$10,005,990	3.46%	N/A	N/A
Local Government	7,880,131	2.72%	N/A	N/A
Local Government	7,343,622	2.54%	N/A	N/A
Local School District	4,014,894	1.39%	N/A	N/A
Corporation	3,951,734	1.36%	N/A	N/A
Corporation	2,833,591	0.98%	N/A	N/A
Hospital	2,410,157	0.83%	N/A	N/A
Local School District	2,051,858	0.71%	N/A	N/A
Corporation	1,963,047	0.68%	N/A	N/A
Shopping Mall	1,942,657	0.67%	N/A	N/A
	<u>\$44,397,681</u>	<u>15.34%</u>	<u>N/A</u>	<u>N/A</u>

Retail Sales Per Financial Statements \$289,587,035

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
2003	-	109,615	-	-	-	4,650	5,517	11,447
2004	20,285	131,590	-	-	89,540	58,706	8,938	11,057
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	-	127,480	202,703	5,220	4,000

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Revenue Bonds	Notes/Loans Payable	Capital Leases			
2003	342,559	11,524	498	485,810	9.89%	1.79
2004	440,970	11,066	439	772,591	15.02%	2.79
2005	419,581	10,459	392	818,428	14.98%	2.91
2006	509,577	9,841	317	898,052	15.47%	3.13
2007	482,929	9,211	253	1,160,334	18.67%	4.01
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01
2012	1,041,739	73,821	1,332	1,472,402	21.62%	4.77

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
2003	-	-	4,650	109,615	114,265	0.98%	422
2004	20,285	89,540	58,706	131,590	300,121	2.40%	1,083
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,316
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,264
2007	19,331	144,450	192,874	296,598	653,253	3.98%	2,260
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122

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 Debt
As of June 30, 2012

2011-12 Assessed Valuation:	\$ 22,040,302,315
Less Dissolved Redevelopment Agency Incremental Valuation:	5,697,472,391
Adjusted Assessed Valuation:	<u>\$ 16,342,829,924</u>

	<u>Total Debt</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt</u>
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	\$ 1,965,450	0.919%	\$ 1,806,249
Riverside City Community College District	230,858,371	28.657	66,157,083
Alvord Unified School District	205,160,854	62.393	128,006,074
Riverside Unified School District	147,135,000	84.115	123,762,605
Corona-Norco Unified School District	274,072,570	0.002	5,481
Jurupa Unified School District	51,252,972	0.003	1,538
Moreno Valley Unified School District	41,983,521	6.075	2,550,499
City of Riverside	16,107,000	100.	16,107,000
Alvord Unified School District Community District No.2006-1	8,340,000	69.778	5,819,485
Riverside Unified School District Community Facilities Districts	92,660,000	89.192-100.	92,508,688
City of Riverside Community Facilities Districts	13,600,000	100.	13,600,000
City of Riverside 1915 Act Bonds	29,360,000	100.	29,360,000
Total Direct and Overlapping Tax and Assessment Debt:			<u>\$ 479,684,702</u>

Ratios to 2011-12 Assessed Valuation:
Direct Debt (\$16,107,000).....0.07%
Total Direct and Overlapping Tax and Assessment Debt.....2.14%

(continued)

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2012

Direct and Overlapping General Fund Debt:			
Riverside County General Fund Obligations	\$ 655,042,180	11.440%	\$ 74,936,825
Riverside County Pension Obligations	357,540,000	11.440	40,902,576
Riverside County Board of Education Certificates of Participation	5,055,000	11.440	578,292
Alvord Unified School District Certificates of Participation	2,027,061	62.393	1,264,744
Corona-Norco Unified School District Certificates of Participation	30,035,000	0.002	601
Jurupa Unified School District Certificates of Participation	7,220,000	0.003	217
Moreno Valley Unified School District Certificates of Participation	19,535,000	6.075	1,186,751
Riverside Unified School District General Fund Obligations	13,260,000	84.115	11,153,649
City of Riverside General Fund Obligations	202,703,000	100.	202,703,000
	(1)		
City of Riverside Pension Obligations	127,480,000	100.	127,480,000
Total Gross Direct and Overlapping General Fund Debt			460,206,655
Less: Riverside County supported obligations			1,418,092
Total Net Direct and Overlapping General Fund Debt			<u>\$ 458,788,563</u>
Total Direct Debt			\$ 346,290,000
Total Gross Overlapping Debt			\$ 593,601,357
Total Net Overlapping Debt			\$ 592,183,265
Gross Combined Total Debt			\$ 939,891,357
Net Combined Total Debt	(2)		\$ 938,473,265

(1) Excludes issues to be sold.

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

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$346,290,000)	2.12%
Gross Combined Total Debt.....	5.75%
Net Combined Total Debt.....	5.74%

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: The information in this table is provided by California Municipal Statistics, Inc., except for the assessed valuation information which was provided by the County of Riverside Auditor-Controller.

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

	(in thousands)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuation	\$11,644,984	\$12,508,013	\$13,740,349	\$14,614,159	\$16,395,629	\$17,950,082	\$18,243,019	\$16,840,575	\$16,396,996	\$16,342,830
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,911,246	3,127,003	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	436,687	469,050	515,263	548,031	614,836	673,128	684,113	631,522	614,887	612,856
Total net debt applicable to limit:	-	20,285	20,280	19,858	19,331	18,774	18,171	17,533	16,845	16,107
Legal debt margin	436,687	448,765	494,983	528,173	595,505	654,354	665,942	613,989	598,042	596,749
Total net debt applicable to the limit as a percentage of debt limit	0.0%	4.3%	3.9%	3.6%	3.1%	2.8%	2.7%	2.8%	2.7%	2.6%

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	
2003	211,553	157,450	54,103	7,840	10,966	2.88	36,837	19,928	16,909	3,895	2,720	2.56
2004	239,842	168,162	71,680	10,780	10,183	3.42	47,093	23,767	23,326	4,010	2,622	3.52
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
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

Fiscal Year	Sewer Revenue Bonds ²					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation.

² \$240,910 of Sewer Revenue Bonds were issued August 6, 2009

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
2002	270,805	4,914,404	18,147	6.5
2003	277,177	5,145,118	18,563	6.6
2004	281,192	5,462,823	19,427	6.1
2005	286,572	5,806,339	20,261	5.4
2006	289,045	6,214,628	21,501	5.1
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7

Sources:

¹ California State Department of Finance.

² Demographic Estimates for 2002-2009 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	2012			2003		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
County of Riverside	11,187	1	7.8%	N/A	N/A	N/A
Riverside Unified School District	5,580	3	3.9%	N/A	N/A	N/A
University of California	5,554	2	3.9%	N/A	N/A	N/A
Kaiser	4,500	4	3.1%	N/A	N/A	N/A
City of Riverside	2,693	5	1.9%	N/A	N/A	N/A
Riverside Community College District	2,087	7	1.4%	N/A	N/A	N/A
Riverside Community Hospital	1,880	6	1.3%	N/A	N/A	N/A
Alvord Unified School District	1,654	9	1.1%	N/A	N/A	N/A
Riverside County Office of Education	1,627	8	1.1%	N/A	N/A	N/A
Parkview Community Hospital	1,350	10	0.9%	N/A	N/A	N/A
Total	<u>38,112</u>		<u>26.5%</u>	<u>N/A</u>		<u>N/A</u>

N/A - not available

Source: City of Riverside, Development Department

Table 21
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	314.39	318.36	331.88	377.15	412.22	436.35	439.10	433.40	431.40	440.40
Public safety										
Police ¹	569.65	567.83	568.83	589.33	618.33	637.33	591.93	589.93	589.93	599.93
Fire	218.65	219.65	221.11	221.73	251.73	254.21	254.21	255.46	255.46	255.46
Firefighters and Police Officers	561.00	557.00	557.46	566.46	620.46	632.46	633.46	632.46	632.46	632.46
Highways and streets	280.10	285.10	281.35	262.35	286.35	318.35	369.65	349.50	348.11	357.11
Sanitation	44.49	48.49	48.49	59.49	60.29	64.29	58.60	59.00	56.00	56.00
Culture and recreation	301.97	302.92	300.92	311.45	324.26	339.52	340.71	328.07	328.07	341.22
Airport	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	9.50	9.50
Water	123.00	130.00	130.00	133.00	142.00	167.00	167.00	177.65	180.15	181.15
Electric	291.60	295.60	305.60	337.60	351.35	404.60	408.10	419.45	448.50	452.50
Total	2,149.85	2,173.95	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27

¹ In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Arrests	10,541	11,951	11,280	10,093	9,827	9,367	10,150	8,690	8,118	7,736
Fire										
Number of calls answered	24,886	25,876	26,505	26,696	27,458	27,429	26,397	26,484	27,322	27,637
Inspections	14,229	16,306	17,028	19,261	7,261	10,812	7,638	7,234	6,505	10,074
Public works:										
Street resurfacing (miles)	67.39	62.37	102.45	51.26	73.40	26.27	18.90	20.00	21.25	18.43
Parks and recreation										
Number of recreation classes	14,787	15,135	15,195	16,272	19,079	22,146	21,884	27,762	37,303	43,318
Number of facility rentals	26,854	27,014	27,074	27,483	32,980	35,076	36,822	34,565	42,638	43,288
Water										
Number of accounts	60,625	61,668	62,492	62,985	63,431	63,494	64,062	64,231	64,349	64,367
Annual consumption (ccf)	29,283,851	30,596,320	27,875,253	28,865,030	32,110,208	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142
Electric										
Number of accounts	99,018	100,766	103,463	104,294	105,226	106,015	106,385	106,335	106,855	107,321
Annual consumption (kwh)	2,154	2,322	2,432	2,359	2,462	2,526	2,282	2,089	2,016	2,103
Sewer:										
New connections	5,825	7,034	9,621	16,717	15,423	16,412	18,765	16,971	17,746	18,166
Average daily sewage treatment (millions of gallons)	33.15	35.24	38.07	35.91	32.50	32.10	33.00	33.29	30.06	29.84

¹ Inspections were not tracked prior to 2003

² Amounts expressed in millions

N/A - not available

Source: City of Riverside, various departments

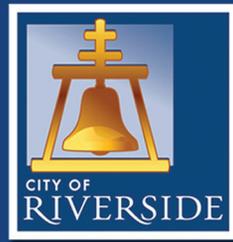
Table 23
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005 (1)	2006	2007 (2)	2008	2009	2010	2011	2012
Public Safety										
Police										
Stations	2	2	2	3	3	3	3	3	3	3
Substations	7	11	7	5	4	4	5	4	4	4
Helicopters	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	13	13	13	13	14	14	14	14	14	14
Active apparatus	30	30	30	29	30	30	30	30	26	27
Reserve apparatus	6	5	5	6	6	6	7	7	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	819.00	829.00	836.00	845.35	852.04	864.68	866.89	867.96	868.39	868.70
Streetlights	28,246	28,401	28,581	28,847	29,028	29,312	29,675	29,757	29,868	29,933
Traffic signals	320	322	322	353	358	363	365	362	362	365
Culture and recreation										
Parks acreage	2,534.00	2,500.00	2,534.00	2,534.00	2,773.00	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00
Community centers	10	10	11	11	11	11	11	11	11	11
Playgrounds	30	26	26	27	38	38	41	41	41	41
Swimming pools	6	6	7	6	7	7	7	7	7	7
Softball & baseball diamonds	34	34	35	33	44	44	44	44	49	51
Library branches	7	5	5	6	6	6	7	7	8	8
Museum exhibit-fixed	6	11	8	7	13	8	6	5	8	5
Museum exhibit-special	-	4	1	-	2	5	2	2	2	1
Water										
Fire hydrants	6,763	6,763	6,926	7,127	7,187	7,381	7,523	7,593	7,632	7,682
Sewer										
Sanitary sewers (miles)	745	755	765	775	785	794	794	820	823	829
Electric										
Miles of overhead distribution system	593.3	539.0	531.0	527.0	528.0	523.5	522.0	519.0	517.0	515.0
Miles of underground system	538.2	608.0	622.0	663.0	704.0	741.6	769.0	782.0	791.0	804.0

Source: City of Riverside, various departments

(1) During the 2004/05 fiscal year, four police substations closed.

(2) Museum Fixed Exhibits - In 2007, the Riverside Municipal Museum remodeled a number of the spaces within the museum allowing the museum the opportunity to debut new exhibitions and to display more permanent collections in addition to partnering with others on exhibits that were available that year.



City of Arts & Innovation

