City of Riverside
Statement of Net Assets
June 30, 2004
(amounts expressed in thousands)

Assets:	Governmental Activities	Business type Activities	Total
Cash and investments	$ 232,918	$ 162,606	$ 395,524
Receivables (net of allowances for uncollectibles)	47,242	44,919	92,161
Inventories	2,894	0	2,894
Nuclear material inventory	0	1,229	1,229
Prepaid items	224	4,597	4,821
Net pension assets	88,300	0	88,300
Deferred charges	2,963	37,421	40,384
Internal balances	(8,698)	8,698	0
Land and improvements held for resale	7,140	0	7,140
Restricted assets:			
Cash and cash equivalents	0	28,232	28,232
Cash and cash equivalents at fiscal agent	0	7,505	7,505
Investments at fiscal agent	82,472	157,389	239,861
Other	0	590	590
Capital leases receivable	27,560	0	27,560
Land and other capital assets not being depreciated	134,070	99,629	233,699
Capital assets (net of accumulated depreciation)	373,173	593,819	966,992
Total assets	990,258	1,146,634	2,136,892
Liabilities			
Accounts payable and other current liabilities	17,503	27,252	44,755
Accrued interest payable	3,149	0	3,149
Deferred revenue	1,602	1,366	2,968
Deposits	20,746	3,205	23,951
Current liabilities payable from restricted assets	0	7,972	7,972
Claims and judgments payable	17,284	0	17,284
Decommissioning liability	0	41,157	41,157
Landfill capping	0	4,123	4,123
Noncurrent liabilities:			
Due within one year	18,150	22,326	40,476
Due in more than one year	331,267	431,188	762,455
Total liabilities	409,701	538,589	948,290
Net Assets			
Invested in capital assets, net of related debt	484,784	341,041	825,825
Restricted for:			
Capital projects	113,167	0	113,167
Debt service	10,327	45,909	56,236
Other purposes	13,632	3,333	16,965
Unrestricted	(41,353)	217,762	176,409
Total net assets	$ 580,557	$ 608,045	$ 1,188,602

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 30,2004
(amounts expressed in thousands)

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	$ 52,395	$ 10,605	$ 26,160	$ 9,144	$ 0	$ (27,696)		$ (27,696)
Public safety	107,691	(5,191)	6,799	2,595	0	(93,106)		(93,106)
Highways and streets	24,597	(2,580)	22,286	230	914	1,413		1,413
Culture and recreation	25,822	(2,834)	5,056	966	222	(16,744)		(16,744)
Interest on long-term debt	10,996		0	0	0	(10,996)		(10,996)
Total governmental activities	221,501	0	60,301	12,935	1,136	(147,129)		(147,129)
Business type activities:								
Electric	196,727		233,102	0	8,227		$ 44,602	44,602
Water	33,921		32,382	0	15,494		13,955	13,955
Sewer	23,273		21,672	0	2,648		1,047	1,047
Refuse	11,510		13,759	0	0		2,249	2,249
Airport	1,088		1,051	0	0		(37)	(37)
Transportation	2,286		185	1,723	21		(357)	(357)
Public parking	1,389		2,760	0	0		1,371	1,371
Total business type activities	270,194		304,911	1,723	26,390		62,830	62,830
Total	$ 491,695		$ 365,212	$ 14,658	$ 27,526	(147,129)	62,830	(84,299)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	46,624	0	46,624
Property	35,911	0	35,911
Utility users	21,362	0	21,362
Franchise	4,261	0	4,261
Other	3,213	0	3,213
Vehicle license fee subvention	12,528	0	12,528
Grants and contributions not restricted to specific programs	18,710	0	18,710
Investment income	1,284	5,016	6,300
Miscellaneous	5,476	4,553	10,029
Transfers	10,302	(10,302)	0
Total general revenues and transfers	159,671	(733)	158,938
Change in net assets	12,542	62,097	74,639
Net assets - beginning	568,015	545,948	1,113,963
Net assets - ending	$ 580,557	$ 608,045	$ 1,188,602

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2004
(amounts expressed in thousands)

	General	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	$ 103,622	$ 4,878	$ 106,515	$ 215,015
Cash and investments at fiscal agent	43,937	6,616	31,919	82,472
Receivables (net)				
Interest	961	54	972	1,987
Property taxes	8,018	0	305	8,323
Sales taxes	9,162	0	0	9,162
Utility billed	525	0	0	525
Accounts	7,880	319	216	8,415
Intergovernmental	4,838	0	4,516	9,354
Notes	30	0	13,469	13,499
Capital lease receivable	0	27,560	0	27,560
Prepaid items	216	0	1	217
Due from other funds	9,970	0	0	9,970
Advances to other funds	3,519	229	51	3,799
Land and improvements held for resale	0	0	7,140	7,140
Total assets	$ 192,678	$ 39,656	$ 165,104	$ 397,438
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 4,294	$ 445	$ 5,570	$ 10,309
Accrued payroll	4,942	0	235	5,177
Retainage payable	91	0	800	891
Intergovernmental	219	0	0	219
Deferred revenue	16,899	27,679	14,241	58,819
Deposits	20,468	0	259	20,727
Due to other funds	8,799	0	809	9,608
Advances from other funds	2,439	15	9,629	12,083
Total liabilities	58,151	28,139	31,543	117,833
Fund balances:				
Reserved for:				
Encumbrances	13,503	0	15,139	28,642
Interfund receivable	3,519	0	51	3,570
Debt service	0	11,517	771	12,288
Prepaid items	216	0	1	217
Notes receivable	30	0	558	588
Land and improvements held for resale	0	0	7,140	7,140
Unreserved, designated for economic contingencies	23,500	0	0	23,500
Unreserved, designated for liability insurance	6,400	0	0	6,400
Unreserved, undesignated and designated for future operations				
General fund	87,359	0	0	87,359
Special revenue funds	0	0	14,960	14,960
Capital projects funds	0	0	93,722	93,722
Permanent fund	0	0	1,219	1,219
Total fund balances	134,527	11,517	133,561	279,605
Total liabilities and fund balances	$ 192,678	$ 39,656	$ 165,104	$ 397,438

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, 2004
(amounts expressed in thousands)

Total fund balances - governmental funds		$279,605
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.		503,859
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.		2,963
Special item, pension contribution, is a use of current financial resources and an expenditure at the fund level, is deferred and recognized as a net pension asset on the Statement of Net Assets.		88,300
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		52,603
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	$ (238,165)	
Accrued Interest Payable	(3,149)	
Certificates of Participation Payable	(57,305)	
Notes Payable	(11,057)	
Capital Leases Payable	(9,027)	
Bond Premiums	(4,652)	
Compensated Absences	(28,752)	
		(352,107)
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.		5,334
Net assets of governmental activities		$580,557

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
Governmental Funds
For the fiscal year ended June 30,2004
(amounts expressed in thousands)

	General	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 91,343	$ 13,928	$ 7,847	$ 113,118
Licenses and permits	6,538	0	4,805	11,343
Intergovernmental	17,691	200	24,718	42,609
Charges for services	10,035	0	11	10,046
Fines and forfeitures	1,982	4	202	2,188
Special assessments	4,101	0	6,158	10,259
Rental and investment income	1,713	5,354	3,520	10,587
Miscellaneous	2,221	491	4,421	7,133
Total revenues	135,624	19,977	51,682	207,283
Expenditures:				
Current:				
General government	28,147	2,129	6,662	36,938
Public safety	107,637	0	0	107,637
Highways and streets	12,124	0	0	12,124
Culture and recreation	18,969	0	6,950	25,919
Capital outlay	0	0	37,035	37,035
Debt service:				
Principal	0	60,549	530	61,079
Interest	0	9,599	346	9,945
Bond issuance costs	0	950	0	950
Total expenditures	166,877	73,227	51,523	291,627
Revenues over (under) expenditures	(31,253)	(53,250)	159	(84,344)
Other financing sources (uses):				
Transfers in	19,529	6,452	15,459	41,440
Transfers out	(15,905)	(11,914)	(3,519)	(31,338)
Proceeds from issuance of long-term debt	168,574	61,835	17,185	247,594
Sale of capital assets	144	0	(819)	(675)
Total other financing sources (uses) before special item	172,342	56,373	28,306	257,021
Special item - pension contribution	(88,300)	0	0	(88,300)
Net change in fund balances	52,789	3,123	28,465	84,377
Fund balances, beginning	81,738	8,394	105,096	195,228
Fund balances, ending	$ 134,527	$ 11,517	$ 133,561	$ 279,605

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, 2004
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		$84,377
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 Outlay	$ 47,311	
Depreciation Expense	(22,831)	24,480
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.		4,963
Special Item, Pension Contribution that is deferred and amortized in the statement of activities.		88,300
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 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	$ 61,079	
Deferred Charges	(69)	
Compensated Absences	(2,671)	
Interest payments	(1,051)	
Proceeds from LTD	(247,594)	
Capital lease financing	646	
Other	(144)	(189,804)
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.		226
Change in net assets of governmental activities		$ 12,542

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 fiscal year ended June 30,2004
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
Revenues:				
Taxes	$ 84,019	$ 84,019	$ 91,343	$ 7,324
Licenses and permits	6,650	6,650	6,538	(112)
Intergovernmental	26,994	33,735	17,691	(16,044)
Charges for services	7,071	7,338	10,035	2,697
Fines and forfeitures	1,675	1,675	1,982	307
Special assessments	3,556	3,556	4,101	545
Rental and investment income	2,464	3,065	1,713	(1,352)
Miscellaneous	116	2,077	2,221	144
Total revenues	132,545	142,115	135,624	(6,491)
Expenditures:				
General government:				
Mayor	499	520	420	100
Council	151	164	118	46
Manager	847	1,045	783	262
Attorney	315	315	69	246
Clerk	712	731	661	70
Planning	5,917	6,288	5,431	857
Human Resources	3,408	3,563	3,188	375
General Services	30,239	37,543	17,896	19,647
Finance	9,803	9,342	7,650	1,692
Information System	12,327	12,445	10,202	2,243
Non-departmental	13,502	17,038	9,180	7,858
Sub-total	77,720	88,994	55,598	33,396
Allocated expenditures	(27,218)	(27,218)	(27,451)	233
Total general government	50,502	61,776	28,147	33,629

continued

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
Public safety:				
Police	65,899	72,919	68,359	4,560
Fire	34,247	59,759	31,856	27,903
Animal regulation	2,816	2,816	1,752	1,064
Building and zoning inspection	1,944	1,964	1,985	(21)
Street lighting	3,559	3,559	3,685	(126)
Total public safety	108,465	141,017	107,637	33,380
Highways and streets	13,675	13,964	12,124	1,840
Culture and recreation	28,477	33,917	18,969	14,948
Total expenditures	201,119	250,674	166,877	83,797
Deficiency of revenue under expenditures	(68,574)	(108,559)	(31,253)	77,306
Other financing sources (uses):				
Transfers in	19,649	20,844	19,529	(1,315)
Transfers out	(3,393)	(3,939)	(15,905)	(11,966)
Proceeds from issuance of long-term debt	3,300	74,044	168,574	94,530
Sales of capital assets	185	3,185	144	(3,041)
Total other financing sources (uses) before special item	19,741	94,134	172,342	78,208
Special item - pension contribution	0	0	(88,300)	(88,300)
Net change in fund balances	(48,833)	(14,425)	52,789	67,214
Fund balance, beginning	81,738	81,738	81,738	0
Fund balance, ending	$ 32,905	$ 67,313	$ 134,527	$ 67,214

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2004
(amounts expressed in thousands)

Assets	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current assets:						
Cash and investments	$ 70,607	$ 17,302	$ 69,059	$ 5,638	$ 162,606	$ 17,903
Receivables (net of allowances for uncollectibles)						
Interest	697	178	684	81	1,640	178
Utility billed	10,681	1,696	621	451	13,449	0
Utility unbilled	9,958	1,869	787	572	13,186	0
Accounts	8,900	2,164	1,428	300	12,792	0
Intergovernmental	1,301	1,863	261	90	3,515	447
Notes	0	0	337	0	337	0
Nuclear materials inventory	1,229	0	0	0	1,229	0
Inventory	0	0	0	0	0	2,894
Prepaid items	4,584	1	12	0	4,597	7
Due from other funds	50	0	0	8,749	8,799	0
Restricted assets:						
Cash and cash equivalents	3,370	0	3,809	3,333	10,512	0
Cash and investments at fiscal agent	154,858	10,036	0	0	164,894	0
Revenue bond current debt service account	13,472	4,248	0	0	17,720	0
Other	590	0	0	0	590	0
Total current assets	280,297	39,357	76,998	19,214	415,866	21,429
Non-current assets:						
Deferred charges	30,754	1,324	189	5,154	37,421	0
Advances to other funds	12	73	7,731	0	7,816	3,066
Capital assets:						
Land	5,839	14,675	3,048	9,163	32,725	0
Buildings	12,239	12,919	165,798	4,509	195,465	1,488
Accumulated depreciation-buildings	(2,796)	(2,022)	(53,206)	(2,381)	(60,405)	(2)
Improvements other than buildings	442,363	264,529	33,965	7,177	748,034	0
Accumulated depreciation-improvements other than buildings	(201,594)	(86,774)	(7,123)	(2,860)	(298,351)	0
Machinery and equipment	14,271	6,735	5,786	10,659	37,451	9,095
Accumulated depreciation-machinery and equipment	(11,378)	(5,509)	(4,449)	(7,040)	(28,376)	(7,197)
Construction in progress	32,345	26,359	0	8,201	66,905	0
Total non-current assets	322,055	232,309	151,739	32,582	738,685	6,450
Total assets	602,352	271,666	228,737	51,796	1,154,551	27,879

continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2004
(amounts expressed in thousands)

Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Current liabilities:						
Accounts payable	11,720	2,375	1,166	1,693	16,954	680
Accrued payroll	4,850	2,163	1,379	961	9,353	639
Retainage payable	185	722	22	0	929	47
Intergovernmental	16	0	0	0	16	0
Claims and judgments	0	0	0	0	0	17,284
Deferred revenue	683	266	271	146	1,366	34
Deposits	2,811	394	0	0	3,205	19
Due to other funds	0	0	0	5,319	5,319	3,842
Capital leases-current	0	0	42	17	59	0
Water stock acquisitions-current	0	150	0	0	150	0
Total current liabilities	20,265	6,070	2,880	8,136	37,351	22,545
Current liabilities payable from restricted assets:						
Revenue bonds	14,555	4,045	2,970	0	21,570	0
Accrued interest	2,557	616	839	0	4,012	0
Other payables	3,960	0	0	0	3,960	0
Total current liabilities payable from restricted assets	21,072	4,661	3,809	0	29,542	0
Noncurrent liabilities:						
Revenue bonds	322,110	65,703	31,586	0	419,399	0
Notes payable	0	0	11,066	0	11,066	0
Capital leases	0	0	159	221	380	0
Decommissioning liability	41,157	0	0	0	41,157	0
Water stock acquisitions	0	890	0	0	890	0
Advances from other funds	0	0	0	2,598	2,598	0
Landfill capping	0	0	0	4,123	4,123	0
Total noncurrent liabilities	363,267	66,593	42,811	6,942	479,613	0
Total liabilities	404,604	77,324	49,500	15,078	546,506	22,545
Net Assets						
Invested in capital assets, net of related debt	59,805	167,325	97,996	15,915	341,041	3,384
Restricted for:						
Debt service	33,917	8,431	3,561	0	45,909	0
Other purposes	0	0	0	3,333	3,333	0
Unrestricted	104,026	18,586	77,680	17,470	217,762	1,950
Total net assets	$ 197,748	$ 194,342	$ 179,237	$ 36,718	$ 608,045	$ 5,334

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, 2004
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for services	$ 233,102	$ 32,382	$ 21,672	$ 17,755	$ 304,911	$ 11,439
Operating expenses:						
Personal services	12,650	6,299	6,608	4,249	29,806	2,710
Contractual services	2,530	1,374	832	3,619	8,355	104
Maintenance and operation	145,324	7,813	5,581	4,318	163,036	1,063
General	9,977	7,564	2,190	1,959	21,690	969
Materials and supplies	452	410	1,067	550	2,479	92
Insurance	606	307	270	304	1,487	6,560
Depreciation and amortization	14,994	6,273	4,508	1,163	26,938	662
Total operating expenses	186,533	30,040	21,056	16,162	253,791	12,160
Operating income (loss)	46,569	2,342	616	1,593	51,120	(721)
Nonoperating income (expenses):						
Operating grants	0	0	0	1,723	1,723	0
Interest income	2,747	664	1,479	126	5,016	176
Other	1,738	1,093	886	678	4,395	556
Gain on retirement of capital assets	84	48	11	15	158	15
Capital improvement fees	0	0	2,648	0	2,648	0
Interest expense and fiscal charges	(10,194)	(3,881)	(2,217)	(111)	(16,403)	0
Total nonoperating income (expenses)	(5,625)	(2,076)	2,807	2,431	(2,463)	747
Income before transfers and capital contributions	40,944	266	3,423	4,024	48,657	26
Capital contributions	8,227	15,494	0	21	23,742	0
Transfers in	0	0	48	8,990	9,038	200
Transfers out	(16,177)	(3,163)	0	0	(19,340)	0
Change in net assets	32,994	12,597	3,471	13,035	62,097	226
Total net assets - beginning	164,754	181,745	175,766	23,683	545,948	5,108
Total net assets - ending	$ 197,748	$ 194,342	$ 179,237	$ 36,718	$ 608,045	$ 5,334

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, 2004
(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	$ 234,078	$ 28,644	$ 21,919	$ 17,929	$ 302,570	$ 11,064
Cash paid to employees for services	(12,408)	(6,128)	(6,567)	(4,174)	(29,277)	(2,639)
Cash paid to other suppliers of goods or services	(148,686)	(15,335)	(9,250)	(10,734)	(184,005)	(10,101)
Other receipts	1,738	1,094	1,207	2,026	6,065	556
Net cash provided by operating activities	74,722	8,275	7,309	5,047	95,353	(1,120)
Cash flows from noncapital financing activities:						
Transfers in	0	0	48	241	289	200
Transfers out	(16,177)	(3,163)	0	0	(19,340)	0
Operating grants	0	0	0	2,355	2,355	0
Advances to other funds	0	(10)	0	(1,103)	(1,113)	0
Receipts on interfund receivables	0	0	4,468	0	4,468	539
Net cash provided (used) by noncapital financing activities	(16,177)	(3,173)	4,516	1,493	(13,341)	739
Cash flows from capital and related financing activities:						
Proceeds from the sale of revenue bonds	194,665	0	0	0	194,665	0
Deposit to escrow account for advance refunding	(78,719)	0	0	0	(78,719)	0
Purchase of capital assets	(29,004)	(22,553)	(4,903)	(4,598)	(61,058)	(1,878)
Purchase of nuclear fuel	(1,313)	0	0	0	(1,313)	0
Proceeds from the sale of capital assets	209	61	11	37	318	15
Principal paid on long-term obligations	(11,655)	(4,054)	(3,300)	(17)	(19,026)	0
Interest paid on long-term obligations	(17,162)	(2,487)	(2,312)	(111)	(22,072)	0
Capital improvement fees	0	0	2,648	0	2,648	0
Contributed capital	4,418	12,954	0	21	17,393	0
Net cash provided (used) for capital and related financing activities	61,439	(16,079)	(7,856)	(4,668)	32,836	(1,863)
Cash flows from investing activities:						
Purchase of investments	(18,441)	(23)	0	0	(18,464)	0
Income from investments	2,663	717	1,448	115	4,943	190
Net cash provided (used) by investing activities	(15,778)	694	1,448	115	(13,521)	190
Net change in cash and cash equivalents	104,206	(10,283)	5,417	1,987	101,327	(2,054)
Cash and cash equivalents, beginning (including $29,186 for Electric, $17,365 for Water and $3,709 for Sewer in restricted accounts)	76,430	37,685	67,451	6,984	188,550	19,957
Cash and cash equivalents, ending (including $110,029 for Electric, $10,100 for Water and $3,809 for Sewer in restricted accounts)	$ 180,636	$ 27,402	$ 72,868	$ 8,971	$ 289,877	$ 17,903
Schedule of noncash financing and investing activities:						
Contribution in aid	$ 3,808	$ 2,540	$ 0	$ 0	$ 6,348	$ 0

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2004
(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)	$ 46,569	$ 2,342	$ 616	$ 1,593	$ 51,120	$ (721)
Other receipts	1,738	1,094	886	678	4,396	556
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	14,994	6,273	4,508	1,163	26,938	662
Amortization (burn) of nuclear fuel	3,377	0	0	0	3,377	0
(Increase) decrease in utility billed receivables	205	(305)	4	(94)	(190)	0
(Increase) in utility unbilled receivables	(676)	(231)	(10)	(24)	(941)	0
(Increase) decrease in accounts receivable	2,221	(1,433)	329	(113)	1,004	0
(Increase) decrease in intergovernmental receivables	(715)	(1,707)	(77)	388	(2,111)	(372)
Decrease in notes receivable	0	0	327	0	327	0
(Increase) decrease in prepaid items	694	2	(12)	7	691	(4)
(Increase) in nuclear materials inventory	(79)	0	0	0	(79)	0
(Increase) in inventory	0	0	0	0	0	(479)
Increase in accounts payable	3,133	1,510	681	899	6,223	84
Increase in accrued payroll	242	171	41	75	529	52
Increase (decrease) in retainage payable	(122)	570	22	0	470	26
(Decrease) in intergovernmental receivables	(23)	(1)	0	0	(24)	0
Increase (decrease) in deferred revenue	210	(12)	(6)	(364)	(172)	(25)
Increase (decrease) in deposits	(59)	2	0	0	(57)	0
Increase in due to other funds	0	0	0	984	984	182
(Decrease) in claims and judgments	0	0	0	0	0	(1,081)
Increase in decommissioning liabilitity	3,013	0	0	0	3,013	0
(Decrease) in landfill capping	0	0	0	(145)	(145)	0
Net cash provided by operating activities	$ 74,722	$ 8,275	$ 7,309	$ 5,047	$ 95,353	$ (1,120)

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Fund - Agency Fund
June 30, 2004
(amounts expressed in thousands)

		Assessment Districts
Assets:		
Cash and investments	$	4,952
Cash and investments at fiscal agent		9,395
Interest receivable		34
Property tax receivables		205
Total assets	$	14,586
Liabilities:		
Accounts payable	$	1
Held for bond holders		14,585
Total liabilities	$	14,586

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. In substance, they are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1971 by the City. The Redevelopment Agency's primary purpose is to eliminate blighted areas in the City by encouraging commercial development. City Council members serve as the Redevelopment Agency's directors and have full accountability for fiscal matters.

Riverside 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. The Directors are appointed by the City Council and receive no compensation.

Complete financial statements for each of the individual component units except the Riverside Municipal Improvement Corporation (which does not generate a financial statement) may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 sales tax revenue. Effective for the current fiscal year, the availability period for sales taxes was extended from 60 to 90 days to reflect the full amount earned during the current fiscal year. The State collects sales taxes and remits estimates to the City applicable to the last quarter of the fiscal year during July and August, with the final payment reflecting all sales taxes earned remitted in September; the change was not material. Also, effective July 1, 2004, the State will temporarily exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes are normally received. 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 fiscal year ending June 30, 2005 and will extend the availability period during the State bond repayment period to include the January payment. 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.

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

Internal service funds account for the central stores, central garage, and the three self-insured risks of workers compensation, unemployment and public liability on a cost reimbursement basis.

The agency fund is used to account for special assessments that service no-commitment debt.

The permanent fund is a fiduciary 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.

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

Certain proceeds of Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements in the normal course of Redevelopment Agency activity. The Developer Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. This property is carried at cost until an event occurs to indicate a lower net realizable value.

G. Inventory

Supplies are valued at cost using the first-in/first-out (FIFO) 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Nuclear Fuel

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

J. Compensated Absences

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

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

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

K. Long-Term Obligations

Long-Term Debt

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

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 $41,156 in cash and investments with the trustee as Riverside’s estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1,600 per year to fund this obligation. Decommissioning is expected to commence around the year 2014.

L. Claims and Judgments Payable

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

M. Fund Equity

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

N. Net Assets

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

O. Interfund Transactions

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

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

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

P. Deferred Revenues

Governmental and proprietary funds report deferred revenue on the statement of net assets. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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. The majority of the City’s governmental fund deferred revenue for June 30, 2004 relates to unearned revenue on a capital lease. See Note 4.

Q. Property Tax Calendar

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

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

R. Use of Estimates

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

S. Implementation of new accounting principles

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3. This statement modifies disclosure requirements for deposits and investments to address common deposit and investment risks related to credit risk, concentration risk, interest rate risk, and foreign currency risk. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 40.

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

GASB has issued several pronouncements prior to June 30, 2004 (for years ending after June 30, 2004) that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City of Riverside.

- GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries."
- GASB Statement Number 44, "Economic Condition Reporting: The Statistical Section" which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

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.

3. Cash and Investments

Cash and investments at fiscal year end consist of the following:

Investments	$414,015
Cash and investments at fiscal agent	268,255
	682,270
Cash on hand and in transit	3,200
	$685,470

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

Cash and investments	$395,525
Restricted cash and cash equivalents	28,232
Restricted cash and cash equivalents at fiscal agent	7,505
Restricted investments at fiscal agent	239,861
Total per statement of net assets	671,123
Fiduciary fund and investments	14,347
	$685,470

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 $100 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:

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

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

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

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

Investments Authorized by Debt Agreements

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

Securities of the U.S. Government and its sponsored agencies
Bankers' Acceptances rated in the single highest classification
Commercial Paper rated in the single highest classification
Investments in money mkt. 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
Local Agency Investment Fund of the State of California

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. One of the ways that the City manages its exposure to interest rate risk is 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:

		Remaining Maturity (in Months)			
Investment Type		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$16,578	$16,578	$ -	$ -	$ -
Federal Agency Securities	258,531	29,964	-	228,567	-
Corp Medium Term Notes	67,657	16,370	25,432	25,855	-
Municipal Securities	1,200	-	-	-	1,200
State Investment Pool	70,049	70,049	-	-	-
Held by Fiscal Agent	-	-	-	-	-
Money Market Funds	39,585	39,585	-	-	-
Investment Contracts	125,485	403	4,722	93,018	27,342
State Investment Pool	54,147	54,147	-	-	-
Fed Agency Securities	49,038	1,255	-	47,783	-
Total	$682,270	$228,351	$30,154	$395,223	$28,542

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Investment Type		Rating as of Year End AAA	Aa	A	Unrated
Money Market Funds	$16,578	$ -	$ -	$ -	$16,578
Federal Agency Securities	258,531	258,531	-	-	-
Corp Medium Term Notes	67,657	35,905	18,433	13,319	-
Municipal Securities	1,200	-	-	-	1,200
State Investment Pool	70,049	-	-	-	70,049
Held by Fiscal Agent					
Money Market Funds	39,585	39,585	-	-	-
Investment Contracts	125,485	124,617	868	-	-
State Investment Pool	54,147	-	-	-	54,147
Fed Agency Securities	49,038	49,038	-	-	-
Total	$682,270	$507,676	$19,301	$13,319	$141,974

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 that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FGLMC	Federal Agency Securities	$ 40,223
FHLB	Federal Agency Securities	178,041
FHLMC	Federal Agency Securities	39,483
FNMA	Federal Agency Securities	49,822
Local Agency Investment Fund	State Investment Pool	70,049

Custodial Credit Risk

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

Investment in State Investment Pool

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

4. Capital Lease Receivable

The Redevelopment Agency has a direct financing lease arrangement with the State of California (the State) for a twelve-story office building. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed by the Redevelopment Agency on the lease revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2005	$ 2,221
2006	2,249
2007	2,273
2008	2,298
2009	2,324
Thereafter	41,345
Total Due	52,710
Less: amount applicable to interest	(25,150)
Total capital lease receivable	$27,560

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2004.

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Undepreciable Capital Assets:				
Land	$109,965	$ 6,960	$	$116,925
Construction in progress	16,414	11,471	(10,740)	17,145
Depreciable Capital Assets:				
Buildings and Improvements	72,691	7,962	(2,840)	77,813
Improvements other than Buildings	40,216	4,872	-	45,088
Machinery and Equipment	51,828	4,088	(1,896)	54,020
Infrastructure	412,095	26,705	-	438,800
Subtotal	703,209	62,058	(15,476)	749,791
Less accumulated depreciation for:				
Buildings and Improvements	(23,934)	(1,526)	473	(24,987)
Improvements other than Buildings	(22,847)	(1,566)	-	(24,413)
Machinery and Equipment	(37,845)	(4,764)	1,472	(41,137)
Infrastructure	(137,036)	(14,975)	-	(152,011)
Subtotal	(221,662)	(22,831)	1,945	(242,548)
Governmental activities capital assets, net	$ 481,547	$ 39,227	$(13,531)	$ 507,243

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Undepreciable Capital Assets:				
Land	$ 32,560	$ 165	$ -	$ 32,725
Construction in progress	31,890	70,643	(35,629)	66,904
Depreciable Capital Assets:				
Buildings and Improvements	192,193	3,273	-	195,466
Improvements other than Buildings	720,871	27,566	(402)	748,035
Machinery and Equipment	35,023	2,675	(248)	37,450
Subtotal	1,012,537	104,322	(36,279)	1,080,580
Less accumulated depreciation for:				
Buildings and Improvements	(55,950)	(4,454)	-	(60,404)
Improvements other than Buildings	(278,996)	(19,614)	258	(298,352)
Machinery and Equipment	(25,926)	(2,674)	224	(28,376)
Subtotal	(360,872)	(26,742)	482	(387,132)
Business type activities capital assets, net	$ 651,665	$77,580	$(35,797)	$ 693,448

Estimated useful lives used to compute depreciation are as follows:

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

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
General government	$ 872
Public safety	3,417
Highways and streets, including depreciation of general infrastructure assets	16,147
Culture and recreation	2,395
Total depreciation expense – governmental activities	$22,831
Business type activities:	
Electric	$14,994
Water	6,273
Sewer	4,508
Refuse	503
Special Transportation	330
Airport	248
Public Parking	82
Total depreciation and amortization expense - business type activities	$26,938

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss. Property insurance coverage has a limit of $25,000, with a deductible of $250. Earthquake and flood insurance coverage has a limit of $15,000, with a deductible of 5% for earthquake and 2% for flood. Workers' compensation insurance coverage has a limit of $25,000, with a deductible of $4,000 per occurrence. At June 30, 2004, the City was fully self-insured for general and automobile liability claims. To mitigate the risk associated with potential large claims, the City has designated $6,400 of the unreserved general fund balance at June 30,

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

2004. On July 1, 2004 the City obtained commercial general and automobile liability insurance. The City carries commercial insurance up to $23,000 for general and auto liability claims greater than $3,000 per occurrence. There were no claims settled during fiscal years 2003 and 2004 above the self-insured amounts. For 2002, there was a single claim above the self-insured amount.

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

Changes in the funds' claims liability amounts in fiscal years 2004 and 2003 are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Balance, July 1, 2002	$ 9,487	$ 76	$ 7,189	$16,752
Add: Claims incurred	3,276	-	4,119	7,395
Less: Claim payments	(2,410)	-	(3,372)	(5,782)
Balance, June 30, 2003	10,353	76	7,936	18,365
Add: Claims estimate	3,442	-	3,762	7,204
Less: Claim payments	(2,678)	-	(5,607)	(8,285)
Balance, June 30, 2004	$11,117	$ 76	$ 6,091	$17,284

7. Long-Term Obligations

Changes in Long-Term Obligations: The following 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	$109,615	$ 82,053	$(60,078)	$131,590	$3,180
General Obligation Bonds	-	20,285	-	20,285	-
Pension Obligation Bonds	-	89,540	-	89,540	1,260
Certificates of Participation	4,650	54,593	(537)	58,706	1,325
Capital leases	5,517	4,418	(997)	8,938	1,693
Notes Payable	11,447	-	(390)	11,057	440
Compensated Absences	26,604	13,980	(11,283)	29,301	10,252
Total	$157,833	$264,869	$(73,285)	$349,417	$18,150

Business type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$342,559	$194,579	$(96,168)	$440,970	$21,570
Loans Payable	11,524	-	(458)	11,066	606
Capital Leases	498	-	(59)	439	60
Water Stock Acquisition Rights	1,083	-	(44)	1,039	150
Total	$355,664	$194,579	$(96,729)	$453,514	$22,326

Advance Refundings:

On July 1, 2003, the City of Riverside Redevelopment Agency, sold $26,255 of Lease Revenue Refunding Tax Exempt Bonds with a true interest cost of 4.30% and $4,810 of Lease Revenue Refunding Taxable Bonds with a true interest cost of 5.18%. These bonds were sold to advance refund $27,925 of previously outstanding Lease Revenue Bonds for the State of California Department of General Services California Towers Project. The Agency completed the advance refunding to reduce aggregate debt service payments for the Tax Exempt portion of the project over the next 22 years by $3,049 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $1,903, and for the Taxable portion of the project over the next 22 years by $1,325 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $803.

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

On July 29, 2003, the City of Riverside Redevelopment Agency Merged Project Area (Downtown and Airport), sold $40,435 of Tax Allocation and Refunding Bonds with a true interest cost of 4.24% to provide project funds and to advance refund $29,575 previously outstanding Tax Allocation Bonds. The Agency completed the advance refunding to reduce aggregate debt service payments over the next 20 years by $4,423 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $3,210.

In prior years the City and the Redevelopment Agency defeased certain Revenue and Tax Allocation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's or the Redevelopment Agency's financial statements. At fiscal year end $25,905 of bonds outstanding are considered defeased (including $23,520 of Redevelopment Agency bonds).

On July 31, 2003 $75,405 of Electric Revenue Refunding Bonds were sold with a true interest cost of 3.35% to advance refund $75,410 of previously outstanding 1993 Electric Revenue bonds and $3,310 of previously outstanding 1994 Electric Revenue bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,222. This difference, reported in the accompanying financial statements as a deduction from bond proceeds, is being charged to operations through 2013 using a proportional method. The City completed the advance refunding to allow more lenient bond covenants, reduce net aggregate debt service payments over the next 11 years by $6,595 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $5,437.

On February 11, 2004, $8,680 of Limited Obligation Refunding Improvement Bonds were sold for Canyon Springs Assessment District with a true interest cost of 4.15% to advance refund $9,760 of previously outstanding bonds. The City completed the advance refunding to utilize excess prior bond proceeds and to reduce aggregate debt service payments over the next 8 years by $3,163 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $959.

Long-Term Obligations at June 30, 2004:

Revenue Bonds:	Principal Outstanding
Electric	
$98,730 1998 Electric Revenue Bonds (partial refunding issue); $63,165 serial bonds, 4.25% to 5.38%, due in annual installments from $4,650 to $7,085 through October 1, 2013; $35,565 term bonds, 5%, due October 1, 2022	$ 94,080
$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from $2,855 to $4,750 through October 1, 2016.	47,215
$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.	74,370
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.25%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	27,500
$82,500 2004 Electric Revenue Bonds; Series B Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2004 was 1.12%), due in annual installments from $1,250 to $7,000 through October 1, 2029.	82,500
Subtotal	325,665
Add: Unamortized bond premium	11,000
	$336,665

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Water	Principal Outstanding
$69,840 1991 Water Revenue Bonds; $25,050 serial bonds, 4.25% to 9.0%, due in annual installments from $675 to $3,100 through October 1, 2002; $25,900 Capital Appreciation bonds 6.65% to 7.0%, due in annual installments from $3,235 to $3,240 from October 1, 2003 to October 1, 2010; (portion not refunded)	$ 22,665
$4,710 1994 Water Revenue Bonds (FARECAL Pool); $2,420 serial bonds, 4.75% to 5.90%, due in annual installments from $135 to $255 through June 1, 2010; $2,290 term bonds, 6.0%, due June 1, 2017	3,615
$30,965 1998 Water Revenue Bonds (partial refunding issue); $15,055 serial bonds, 4.0% to 5.38%, due in annual installments from $205 to $4,055 through October 1, 2013; $15,910 term bonds, 5%, due October 1, 2027	29,480
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $1,230 through October 1, 2031	19,300
Subtotal	75,060
Less: Unamortized bond discount	(5,311)
	$69,749

Sewer	
$49,145 1993 Sewer Revenue Refunding Serial Bonds; 4.0% to 7.0%, due in annual installments from $335 to $4,745 through August 1, 2012	$ 34,240
Add: Unamortized bond premium	316
	34,556
Total Revenue Bonds	$440,970

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

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2005	$ 14,555	$ 13,613	$ 28,168	$ 4,045	$ 2,597	$ 6,642
2006	15,015	13,353	28,368	4,075	2,565	6,640
2007	18,215	12,728	30,943	4,115	2,530	6,645
2008	18,935	11,983	30,918	4,155	2,491	6,647
2009	19,795	11,133	30,928	4,190	2,451	6,641
2010-2014	104,900	40,863	145,763	22,475	10,699	33,174
2015-2019	56,330	19,953	76,283	14,190	5,645	19,835
2020-2024	39,695	10,368	50,063	6,620	3,659	10,279
2025-2029	31,225	3,839	35,064	7,680	1,801	9,480
2030-2034	7,000	65	7,065	3,515	269	3,784
Premium (Discount)	11,000	-	11,000	(5,311)	-	(5,311)
Total	$336,665	$137,898	$474,563	$69,749	$34,707	$104,456

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2005	$ 2,970	$ 1,937	$ 4,907
2006	3,120	1,780	4,900
2007	3,285	1,584	4,869
2008	3,515	1,346	4,861
2009	3,760	1,091	4,851
2010-2014	17,590	1,859	19,449
Premium	316	-	316
Total	$34,556	$9,597	$44,153

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)	$ 210
$12,090 1994 Public Financing Authority, Tax Allocation Refunding Bonds, Multiple Project Areas issued through the Association of Bay Area Government Bond Pool; 4.7% to 6.4%, due in annual installments from $175 to $840 through December 1, 2024	10,200

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

	Principal Outstanding
$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; 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 bond sat 5.0% due August 1, 2027	15,925
$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; 4.5% to 5.5% due in annual installments from $35 to $190 through September 1, 2013; $1,135 term bonds at 5.5% due September 1, 2018; and $3,020 term bonds at 5.625% due September 1, 2027	5,690
$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; 3.4% to 4.7% due in annual installments from $455 to $780 through August 1, 2014; $2,565 term bonds at 4.75% due August 1, 2017; $4,035 term bonds at 4.75% due August 1,2021; and $4,870 term bonds at 5.0% due August 1, 2025.	18,485
$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; 3.8% to 4.7% due in annual installments from $35 to $395 through August 1, 2034; $420 term bonds at 3.8% due August 1, 2014; $615 term bonds at 4.6% due August 1, 2024; and $3,515 term bonds at 4.7% due August 1, 2034	$4,550
$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds; Term Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024	2,975
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2.0% to 5.0% due in annual installments from $745 to $2,230 through October 1, 2024	25,510
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; 1.2% to 5.48% due in annual installments from $165 to $350 through October 1, 2024; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due October 1, 2008; $1,110 term bonds at 4.340% due October 1, 2014 and $2,770 term bonds at 5.480% due October 1, 2024	4,645
$40,435 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	40,435
Subtotal	128,625
Add: Unamortized bond premium	2,965
Total Redevelopment Agency Bonds	$131,590

Remaining debt service will be paid by the Redevelopment Agency Debt Service Funds from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2005	$ 3,180	$ 5,888	$ 9,068
2006	3,455	5,869	9,324
2007	3,580	5,755	9,335
2008	3,730	5,634	9,364
2009	3,880	5,504	9,384
2010-2014	22,285	24,980	47,265
2015-2019	28,595	19,242	47,837
2020-2024	36,555	10,978	47,533
2025-2029	19,125	2,639	21,764
2030-2034	3,650	477	4,127
2035-2039	590	14	604
Premium	2,965	-	2,965
Total	$131,590	$86,980	$218,570

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

General Obligation Bonds:	Principal Outstanding
$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from $410 to $1,740 through August 1, 2024	$20,000
Add; Unamortized bond premium	285
Total General Obligation Bonds	$20,285

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
2005	$ -	$ 595	$ 595
2006	410	886	1,296
2007	515	873	1,388
2008	545	857	1,402
2009	590	840	1,430
2010-2014	3,645	3,821	7,466
2015-2019	5,210	2,934	8,144
2020-2024	7,345	1,485	8,830
2025-2029	1,740	48	1,788
Premium	285	-	285
Total	$20,285	$12,339	$32,684

Pension Obligation Bonds:	Principal Outstanding
$89,540 California Statewide Community Development Authority (Public Safety) Pension Obligation Bond; 2.650% to 5.896%, due in annual installments from $1,260 to $10,715 through June 1, 2023	$89,540

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
2005	$ 1,260	$ 4,589	$ 5,849
2006	1,125	4,942	6,067
2007	1,390	4,907	6,297
2008	1,675	4,855	6,530
2009	1,990	4,785	6,775
2010-2014	15,780	22,108	37,888
2015-2019	29,095	16,454	45,549
2020-2024	37,225	5,757	42,982
Total	$89,540	$68,397	$157,937

Certificates of Participation:	Principal Outstanding
$6,360 1999 Municipal Improvements Corporation Certificates of Participation; 6.0% to 7.6%, due in annual installments from $310 to $815 through April 1, 2010	$ 4,120
$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	53,185
Subtotal	57,305
Add: Unamortized bond premium	1,401
Total Certificates of Participation	$58,706

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:

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2005	$ 1,325	$ 2,718	$ 4,043
2006	1,715	2,658	4,373
2007	1,785	2,585	4,370
2008	1,870	2,505	4,375
2009	1,950	2,419	4,369
2010-2014	7,415	10,886	18,301
2015-2019	8,080	9,267	17,347
2020-2024	10,215	7,064	17,279
2025-2029	10,080	4,527	14,607
2030-2034	12,870	1,671	14,541
Premium	1,401	-	1,401
Total	$58,706	$46,300	$105,006

Contracts:	Principal Outstanding
Enterprise Funds:	
Water stock acquisition rights payable on demand to various water companies, renewable through 2004	$1,039

Notes Payable:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Redevelopment Agency	
Housing and Community Development fund, non-interest bearing note payable due in annual installments of $20, through 2005	$ 20
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, including principal and interest through June 2020	2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	3,235
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	4,130
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	685
Total notes payable – Redevelopment Agency	$11,057

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

	Redevelopment Agency		
Fiscal Year	Principal	Interest	Total
2005	$ 441	$ 821	$ 1,262
2006	460	795	1,255
2007	491	766	1,257
2008	527	734	1,261
2009	563	700	1,263
2010-2014	3,428	2,867	6,295
2015-2019	3,091	1,619	4,711
2020-2024	777	933	1,709
2025-2029	1,279	430	1,709
Total	$11,057	$9,665	$20,722

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Notes Payable:

Sewer Fund	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339,474, beginning January 29, 2003 through January 29, 2022	$ 4,822
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477,387, beginning November 6, 1999 through November 6, 2018	6,244
Total loans payable	$11,066

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:

	Sewer Fund		
Fiscal Year	Principal	Interest	Total
2005	$ 607	$ 210	$ 817
2006	618	199	817
2007	629	187	816
2008	642	175	817
2009	654	163	817
2010-2014	3,459	625	4,084
2015-2019	3,798	286	4,084
2020-2022	659	21	680
Total	$11,066	$1,866	$12,932

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	$ 8,660	$868
Equipment	919	-
Subtotal	9,579	868
Less: Accumulated Depreciation	(1,428)	(80)
Total	$ 8,151	$788

The future minimum lease obligations as of June 30, 2004 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2005	$1,936	$ 73
2006	1,885	73
2007	1,841	73
2008	1,682	92
200	1,426	75
2010-2012	1,034	102
Total Minimum lease payments	9,804	488
Less: Amount representing interest (rates ranging from 2.5% to 9%)	(866)	(49)
Total capital lease payable	$8,938	$439

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, 2004:

General Long-Term Obligations	
Redevelopment Agency	$ 6,179
Certificates of Participation	4,148
Total legally required debt service reserves	$10,327
Enterprise funds	
Electric	$20,443
Water	4,907
Sewer	3,561
Total reserve for revenue bond retirement	$28,911

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Following are required debt service ratios for the year ended June 30, 2004. The ratio measures operating income in relation to debt service. The City is in compliance with these ratios.

	Minimum Debt Service Ratio Required
Electric fund	1.10
Water fund	1.25
Sewer fund	1.25

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

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and are not direct liabilities of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying assessments and the bondholders. Collection of property assessments and payment of the Assessment District Bonds are reflected only in the Agency funds. The Assessment District Bonds applicable to this category outstanding at fiscal year end were:

	Principal Outstanding
$8,946 1991 Bonds of Community Facilities District No. 90-2, Tyler Mall; 5.75% to 6.9%, serial and capital appreciation bonds due in annual installments from $670 to $1,195 through September 2, 2011	$ 3,222
$4,417 1992 Series B Improvement Bonds, Sycamore Canyon Business Park Assessment District No. 1; 6.5% to 8.5% due in annual installments from $112 to $420 through September 2, 2012	$ 2,780
$6,342 1999 Auto Center Assessment District Improvement Bonds; 4.3% to 5.4% due in annual installments of $137 to $430 through September 2, 2024	5,745
$14,325 2001 Highlander CFD 90-1 Refunding Bonds; 3.75% to 5.5% due in annual installments of $725 to $1,355 through September 2, 2015	12,785
$10,198 2001 Riverwalk Assessment District Improvement Bonds; 4.0% to 6.375% due in annual installments of $208 to $770 through September 2, 2026	9,990
$16,730 2001 Public Financing Authority Refunding Bonds, Series A (Orangecrest and Mission Grove); 3% to 4.75% due in annual installments from $800 to $1,425 through September 2, 2016	14,240
$1,620 2001 Public Financing Authority Refunding Bonds, Series B (Orangecrest and Mission Grove); 4.0% to 5.75% due in annual installments from $80 to $145 through September 2, 2016	1,430
$1,200 2003 Sycamore Canyon CFD 92-1 Special Tax Bonds; 2.7% to 6.7% due in annual installments of $10 to $90 through September 1, 2028	1,200
$3,755 2004 Riverwalk Business Center Assessment District Improvement Bonds; 2.75% to 6.25% due in annual installments of $80 to $275 through September 2, 2029	3,755
$8,680 Canyon Springs Assessment District Refunding Bonds; 2.0% to 4.25% due in annual installments of $595 to $1,275 through September 2, 2011	8,680
Total Assessment Districts Bonds	$63,827

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

Conduit Debt Obligations

Mortgage Revenue Bonds outstanding of $26,530 and Industrial Development Revenue Bonds of $11,375 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. 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, 2004:

Receivable Fund	Payable Fund	Amount
General	Housing and Community Development	$ 265
	NPDES Storm Drain	275
	Special Capital Improvements	250
	Transportation – Capital Projects	19
Receivable Fund	Payable Fund	Amount
	Airport	3,273
	Public Parking	2,046
	Central Stores	3,842
Electric	General	50
Airport	General	2,913
Public Parking	General	5,836
		$18,769

Advances To/From Other Funds: These balances are primarily long-term advances used to fund capital projects in advance of related financing/assessments.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2004:

Receivable Fund	Payable Fund	Amount
General	RDA – Capital Projects	$ 3,504
	RDA – Debt Service	15
RDA Debt Service	General	229
Storm Drain	General	10
Capital Outlay	General	41
Electric	General	12
Water	General	73
Sewer	General	1,089
	RDA – Capital Projects	4,057
	Airport	325
	Refuse	2,260
Receivable Fund	Payable Fund	Amount
Workers' Compensation	General	985
	RDA – Capital Projects	2,068
Public Liability	Airport	13
		$14,681

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

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) move the remaining fund balances of closed funds to the General fund and (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, 2004:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$16,177
	Water	3,163
	Special Designation	173
	Special Capital Improvement	16
Library	General	3,167
RDA – Special Revenue	General	200
	RDA – Capital Projects	38
Special Capital Improvements	NPDS Storm Drain	140
RDA – Debt Service	General	3,500
	RDA – Special Revenue	2,567
	RDA – Capital Projects	385
RDA – Capital Projects	RDA – Debt Service	11,914
Airport	General	3,004
Refuse	General	150
Sewer	General	48
Public Parking	General	5,836
Central Garage	Air Quality Improvement	200
		$50,678

10. Expenses/Expenditures in Excess of Appropriations and Deficit Fund Balances/Retained Earnings

The Special Designations fund incurred $6 in expenditures against no current year appropriation. These expenditures relate to the writeoff of uncollectible accounts receivable. Allowance for uncollectible accounts is an unbudgeted item.

Deficit fund balance/net assets exist in the NPDES Storm Drain ($280), the Capital Projects Transportation ($22), and the Central Stores ($1,436) funds at fiscal year end. The NPDES Storm Drain and Capital Projects Transportation funds are fully funded by County receipts. Funds to recover the deficit will be received in the subsequent period. The continuing deficit in the Central Stores fund is being reduced based on a rate increase implemented in a prior year. Management's analysis shows that continuing cost control together with the rate increase will eliminate the deficit over the next few years.

11. Litigation

The City is a defendant in various lawsuits arising in the normal course of operations. City management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material affect on the financial position or results of operations of the City. Management also believes that adequate reserves exist in the internal service funds to cover outstanding lawsuits.

On January 1, 2003, the City became a Participating Transmission Owner with the California Independent System Operator (ISO), entitling the City to receive compensation for use of its transmission facilities committed to the ISO's operational control. The compensation is based upon the City's Transmission Revenue Requirement (TRR) as approved by the Federal Energy Regulatory Commission (FERC). The California Investor Owned Utilities (IOU's), the California Department of Water Resources (CDWR), and the CPUC, among others, objected to various aspects of the City's TRR at the FERC. The City and the objecting parties submitted a settlement agreement for filing. The settlement agreement disposes of all City TRR issues except for CDWR's and CPUC's contention that the City is not entitled to its TRR for the majority of the transmission facilities committed to the ISO's control. These TRR issues are not expected to be resolved until late 2004. If the City does not prevail in this litigation, up to $14,700 of transmission revenue may have to be refunded to the ISO for the fiscal year ended June 30, 2004.

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

12. 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. 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. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the fiscal year 2003-2004 rate was 3.328% for non-safety employees, and 15.798% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. For 2004, the City's annual pension cost of $20,051 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% per year compounded annually, attributable to inflation, and (c) 3.5% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2002	$ 8,600	100%	$0
2003	12,196	100%	$0
2004	20,051	422%	($88,300)

Schedule of funding for CalPERS (unaudited):

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.	6/30/01	$466,437	$534,615	$(68,178)	114.6	$67,342	(101.2)
Safety	6/30/01	346,247	355,583	(9,337)	102.7	36,805	(25.4)
Misc.	6/30/02	498,057	507,610	(9,553)	101.9	72,257	(13.2)
Safety	6/30/02	381,311	328,395	52,916	86.1	41,038	128.9
Misc.	6/30/03	568,712	511,281	57,431	89.9	75,838	75.7
Safety	6/30/03	413,125	329,673	83,451	79.8	44,611	187.1

During the year, the City issued Pension Obligation Bonds in the amount of $89,540 in order to fund the unfunded actuarial accrued liability (UUAL) for public safety employees. The actuarial certified unfunded liability for public safety employees at June 30, 2004 was $88,300. Proceeds from the bonds were deposited with CalPERS and are reflected as a net pension asset of $88,300 for governmental activities in the Government-wide Statement of Net Assets. The Net Pension Asset will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses.

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

13. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The City's Electric Utility has entered into a Power Purchases Contract with the Intermountain Power Agency (IPA) for delivery of electric power. The City's share of IPA power is equal to 7.6%, or approximately 137.1 megawatts, of the generation output of IPA's 1,800 megawatt 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 and requires payment of certain minimum charges, which are based on debt service requirements. Such payments are considered a cost of production and are quantified below.

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility is obligated for its proportionate share of the project cost. The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station	5.40%	11.7MW
Southern Transmission System	10.20%	195.0MW
Hoover Dam Uprating	31.91%	30.0MW
Mead – Phoenix Transmission	4.00%	12.0MW
Mead – Adelanto Transmission	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. Payment for these obligations will be made 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.

Interest rates on the outstanding debt associated with the take or pay obligations range from 4.1% to 5.9%. The following schedule details the amount of principal and interest, which is due and payable by the Electric Utility for each project in the fiscal year indicated.

	IPA	SCPPA					
Fiscal Year	Intermountain Power Project	Palo Verde Nuclear Generating Project	Transmission System Project	Hoover Dam Uprating	Mead–Phoenix Transmission	Mead-Adelanto Transmission	Total
2005	21,350	4,338	6,723	707	132	1,388	34,638
2006	22,079	1,541	6,968	708	132	1,388	32,816
2007	21,974	1,541	7,192	704	259	2,816	34,486
2008	22,498	1,541	6,693	704	260	2,819	34,515
2009	21,682	3,081	6,575	704	259	2,814	35,115
Thereafter	293,448	46,023	106,915	6,273	3,130	33,562	489,351
Total	$403,031	$58,065	$141,066	$9,800	$4,172	$44,787	$660,921

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

Project	Final Maturity Date
Intermountain Power Project	2024
Palo Verde Nuclear Generating System	2017
Southern Transmission System	2023
Hoover Dam Uprating	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020

In addition to debt service, Riverside's entitlement requires the payment for 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 2003 and 2004 fiscal years are as follows:

Fiscal Year	IPA	PV	STS	MAP	MPP	Hoover	Total
2003	18,819	2,355	1,320	157	44	87	22,782
2004	20,766	1,927	1,812	141	46	84	24,776

Fiscal Year Ended June 30, 2004 (amounts expressed in thousands)

B. Other Commitments

Power Purchase Agreements:

The City has executed five firm power purchase agreements. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; CDWR; and Bonneville Power Administration (BPA). The minimum annual obligations under each of these contracts are shown in the table below.

Minimum Obligations 2004-2005

Supplier	Capacity	Energy	Total
Deseret	$3,463	$1,766	$5,229
CDWR III	514	-	514
CDWR IV	671	-	671
BPA	1,914	-	1,914
	$6,562	$1,766	$8,328

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation that was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, the Electric Utility paid Deseret $25 million from reserves, which is reflected on the Statement of Net Assets as unamortized purchase power. On July 1, 2002, the Electric Utility began to amortize the related price reductions, and will continue to amortize over the remaining term of the agreement using the straight-line method. As of June 30, 2004, unamortized purchased power was $18,374 and the Electric Utility had recorded amortization of $3,341.

There are two separate agreements with CDWR. The two agreements, CDWR III and IV are for the purchase of 23 and 30 megawatts of capacity and associated energy from May through October. CDWR III and CDWR IV are for a period of 15 years beginning June 1, 1996, subject to termination.
An agreement with Bonneville Power Administration (BPA) is for a purchase of firm capacity and associated energy of 23 megawatts in the summer and 16 megawatts in the winter for a period of twenty years ending February 1, 2011. A second agreement with BPA was executed in 1996 and is for the purchase of firm capacity (50 megawatts during the summer months and 13 megawatts during the winter months) and associated energy beginning April 30, 1996 for twenty years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 and 15 magawatts, respectively, for the remainder of the second agreement.

On July 8, 2003, and June 6, 2003, the City Council and Public Utilities Board, respectively, adopted the Renewable Portfolio Standard to increase procurement of renewable resources to reach a target of 20 percent of the Utility's energy from renewable sources by 2015. The contracts in the following table were executed as part of compliance with this standard. The Electric Utility has agreements with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio. In the current year, renewable resources provided 12 percent of the retail energy requirements, approximately 9% of the total power supply.

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2005
Milliken Genco	Landfill Gas	2.3MW	12/31/2007	$ 825
Mid Valley Genco	Landfill Gas	2.3MW	12/31/2007	943
Riverside County (Badlands Landfill)	Landfill Gas	1.2MW	12/31/2008	255
Wintec	Wind	1.3MW	4/30/2018	158
Salton Sea	Geothermal	20.0MW	5/31/2013	9,619
Total		27.1MW		$11,800

Construction Commitments:

As of June 30, 2004, the Electric Utility had major construction commitments of approximately $40,800 with respect to unfinished capital projects, of which $3,100 is expected to be funded by others, $37,200 by bonds and $500 by rates.

As of June 30, 2004, the Water Utility had major construction commitments of approximately $5,600 with respect to unfinished capital projects, of which $2,400 is expected to be funded by others, $2,100 by bond and $1,100 by rates.

C. Jointly Governed Organizations

On November 1, 1980, The City of Riverside joined with the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale, Pasadena, and Imperial Irrigation District 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 cities of Cerritos and San Marcos were admitted as members of SCPPA. In August 2003, the Authority rescinded the membership of the City of San Marcos, as the City no longer met the criteria for membership. The primary purpose of the Authority is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Authority is governed by a Board of Directors, which consists of one representative for each of the members. During the 2004 fiscal year, the Electric Utility paid approximately $21,236 to SCPPA under various take-or-pay contracts, which are described in greater detail in Note 13A. These payments are reflected as a component of purchased power in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (Agency) by a Joint Powers Agreement under the laws of the State of California. The city of Anaheim joined the Agency on July, 1 1996. The primary purpose of the Agency is to take advantage of economies of scale resulting from the five cities acting in concert. The Agency has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Agency is governed by a Board of Directors (the Board), which consists of one representative for each of the members. The term of the Joint Powers Agreement is fifty years. On April 5, 2001 the Board placed the Agency in an inactive status, effective June 30, 2001. It can only be reactivated with authorization from the Agency Board.

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, the North Marin Water District, the Northern California Power Agency, the Sacramento Municipal Utility District, and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The City of Santa Cruz joined in 1994, and Trinity Public Utility District joined in 1996, and the cities of Azusa and Victorville joined in 2002. The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors currently represented by the cities of Anaheim, Colton, Palo Alto, Pasadena, and the North Marin Water District and Trinity Public Utility District.

D. Jointly-Owned Utility Project

Pursuant to the Settlement Agreement with Southern California Edison (SCE) dated August 4, 1972, the City was granted the right to acquire a 1.79% ownership interest in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3. Pursuant to 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 which 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 and Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remains the responsibility of SCE, as operating agent for the City.

There are no separate financial statements for the jointly-owned utility plant since each participant's interest in the utility plant and operating expenses is included in their respective financial statements. The Electric Utility's share of the capitalized construction cost and operating expenses is included in the financial statements. As of June 30, 2004, Riverside's 1.79% share of the capitalized construction costs for SONGS totaled $130,042 with accumulated depreciation of $92,382. The Electric Utility made provisions during fiscal year 2004 for nuclear fuel burn of $36 and for future decommissioning cost of $1,581 (See Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

As a participant in the SONGS, the Electric Utility could be subject to assessment of additional insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

E. Contingencies

To comply with certain State and local 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 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. There is the potential for these estimates to change due to inflation, deflation, technology, or change in application 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 of $5,154 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 26 years. The estimated cost of meeting the State's requirements was increased by 2.2 million during 2002 based on the engineer's annual review of closure and post-closure maintenance costs. Additionally, payments made during the year of $144 reduced that liability to its June 30, 2004 balance of $4,123 as reflected in the balance sheet of the Refuse fund.

14. Subsequent Events

On July 1, 2004, the City issued 2004 Tax and Revenue Anticipation Notes in the amount of $17,740,000. Issuance of the Notes was to fund the fiscal year ending June 30, 2005 pension costs for employees. The Notes are general obligations of the City and are pledged by the first taxes, income, revenues, and other cash receipts of the City. Principal and interest are repaid at a yield of 2.55 percent maturing on June 30, 2005.