City of Riverside
Statement of Net Assets
June 30, 2006
(amounts expressed in thousands)

Assets	Governmental Activities	Business-type Activities	Total
Cash and investments	$ 240,074	$ 174,753	$ 414,827
Receivables, net	64,201	44,756	108,957
Inventory	7,143	553	7,696
Nuclear material inventory	-	1,375	1,375
Prepaid items	1,712	6,922	8,634
Deferred charges	125,840	59,063	184,903
Internal balances	(2,572)	2,572	-
Land and improvements held for resale	13,116	-	13,116
Restricted assets:			
Cash and cash equivalents	-	127,532	127,532
Cash and investments at fiscal agent	93,542	63,611	157,153
Other	-	777	777
Capital leases receivable	26,685	-	26,685
Land and other capital assets not being depreciated	218,920	72,436	291,356
Capital assets (net of accumulated depreciation)	441,274	805,201	1,246,475
Total assets	1,229,935	1,359,551	2,589,486
Liabilities			
Accounts payable and other current liabilities	31,930	33,540	65,470
Accrued interest payable	4,333	-	4,333
Unearned revenue	1,357	633	1,990
Deposits	33,245	4,132	37,377
Current liabilities payable from restricted assets	-	3,297	3,297
Claims and judgments payable	19,984	-	19,984
Decommissioning liability	-	47,079	47,079
Noncurrent liabilities:			
Due within one year	22,077	27,544	49,621
Due in more than one year	387,896	496,614	884,510
Total liabilities	500,822	612,839	1,113,661
Net Assets			
Invested in capital assets, net of related debt	622,336	425,285	1,047,621
Restricted for:			
Capital projects	123,065	-	123,065
Debt service	7,123	62,573	69,696
Other purposes	27,850	3,217	31,067
Programs	-	5,596	5,596
Unrestricted	(51,261)	250,041	198,780
Total net assets	$ 729,113	$ 746,712	$ 1,475,825

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 30,2006
(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	$ 102,708	$ (14,125)	$ 24,683	$ 6,693	$ 470	$ (56,737)		$ (56,737)
Public safety	104,268	8,101	5,845	5,708	82	(100,734)		(100,734)
Highways and streets	15,603	2,577	25,412	98	16,338	23,668		23,668
Culture and recreation	25,708	3,447	7,716	651	1,728	(19,060)		(19,060)
Interest on long-term debt	16,358		-	-	-	(16,358)		(16,358)
Total governmental activities	264,645	-	63,656	13,150	18,618	(169,221)		(169,221)
Business type activities:								
Electric	226,186		259,572	-	8,231		$ 41,617	41,617
Water	39,486		37,613	-	16,511		14,638	14,638
Sewer	27,299		21,510	-	4,066		(1,723)	(1,723)
Refuse	14,546		15,160	-	104		718	718
Airport	1,004		1,162	7	289		454	454
Transportation	2,917		238	2,697	92		110	110
Public parking	2,701		2,837	-	-		136	136
Total business type activities	314,139		338,092	2,704	29,293		55,950	55,950
Total	$ 578,784		$ 401,748	$ 15,854	$ 47,911	(169,221)	55,950	(113,271)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	57,522	-	57,522
Property	80,934	-	80,934
Utility users	23,502	-	23,502
Franchise	4,813	-	4,813
Other	4,372	-	4,372
Intergovernmental, unrestricted	1,747	-	1,747
Grants and contributions not restricted to specific programs	39,653	-	39,653
Investment income	10,150	11,259	21,409
Miscellaneous	26,173	18,700	44,873
Subtotal	248,866	29,959	278,825
Transfers, net	25,576	(25,576)	-
Total general revenues, special items, and transfers	274,442	4,383	278,825
Change in net assets	105,221	60,333	165,554
Net assets - beginning	623,892	686,379	1,310,271
Net assets - ending	$ 729,113	$ 746,712	$ 1,475,825

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2006
(amounts expressed in thousands)

Assets	**General Fund**	**Redevelopment Debt Service**	**Other Governmental Funds**	**Total Governmental Funds**
Cash and investments	$ 92,004	$ 6,594	$ 120,088	$ 218,686
Cash and investments at fiscal agent	38,271	7,408	47,863	93,542
Receivables (net of allowance for uncollectibles):				
Interest	1,080	160	1,453	2,693
Property taxes	9,714	42	469	10,225
Sales tax	10,664	-	-	10,664
Utility billed	582	-	-	582
Accounts	3,611	413	182	4,206
Intergovernmental	4,012	-	13,141	17,153
Notes	70	-	17,888	17,958
Capital lease receivable	-	26,685	-	26,685
Prepaid items	265	-	1,440	1,705
Due from other funds	8,266	-	508	8,774
Advances to other funds	33,494	-	-	33,494
Land and improvements held for resale	-	-	13,116	13,116
Total assets	$ 202,033	$ 41,302	$ 216,148	$ 459,483
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 7,507	$ -	$ 11,332	$ 18,839
Accrued payroll	9,609	-	19	9,628
Retainage payable	303	-	1,591	1,894
Intergovernmental	155	-	-	155
Unearned revenue	8,543	26,685	18,144	53,372
Deposits	33,226	-	-	33,226
Due to other funds	50	4	4,337	4,391
Advances from other funds	13,743	-	20,296	34,039
Total liabilities	73,136	26,689	55,719	155,544
Fund balances:				
Reserved	59,930	14,613	40,988	115,531
Unreserved, designated for economic contingencies	30,000	-	-	30,000
Unreserved, designated for future operations:				
General fund	35,487	-	-	35,487
Special revenue funds	-	-	20,827	20,827
Capital project funds	-	-	70,171	70,171
Permanent fund	-	-	81	81
Unreserved, undesignated:				
General fund	3,480	-	-	3,480
Special revenue funds	-	-	5,891	5,891
Capital project funds	-	-	22,471	22,471
Total fund balances	128,897	14,613	160,429	303,939
Total liabilities and fund balances	$ 202,033	$ 41,302	$ 216,148	$ 459,483

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, 2006
(amounts expressed in thousands)

Total fund balances - governmental funds		$303,939
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.		656,632
Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.		3,869
Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalizaton and amortization in the Statement of Net Assets.		120,319
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		52,015
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	$ (302,134)	
Accrued Interest Payable	(4,333)	
Certificates of Participation Payable	(55,571)	
Notes Payable	(10,215)	
Capital Leases Payable	(6,008)	
Bond Premiums	(4,389)	
Compensated Absences	(31,012)	
		(413,662)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		6,001
Net assets of governmental activities		$729,113

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, 2006
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 129,824	$ 28,223	$ 12,591	$ 170,638
Licenses and permits	8,370	-	7,761	16,131
Intergovernmental	14,315	200	40,883	55,398
Charges for services	11,526	-	12	11,538
Fines and forfeitures	1,908	-	190	2,098
Special assessments	3,969	-	2,278	6,247
Rental and investment income	5,528	3,037	5,759	14,324
Miscellaneous	1,732	634	6,136	8,502
Total revenues	177,172	32,094	75,610	284,876
Expenditures				
Current:				
General government	39,713	524	9,155	49,392
Public safety	131,688	-	-	131,688
Highways and streets	12,171	-	-	12,171
Culture and recreation	25,312	-	8,952	34,264
Capital outlay	-	-	87,972	87,972
Debt service:				
Principal	4,895	4,228	610	9,733
Interest	11,282	7,646	277	19,205
Total expenditures	225,061	12,398	106,966	344,425
Excess (deficiency) of revenues over (under) expenditures	(47,889)	19,696	(31,356)	(59,549)
Other financing sources (uses):				
Transfers in	26,232	5,239	28,074	59,545
Transfers out	(3,304)	(23,821)	(6,844)	(33,969)
Issuance of long term obligations	-	-	20,969	20,969
Sale of capital assets	105	-	1,187	1,292
Total other financing sources	23,033	(18,582)	43,386	47,837
Net Change in fund balances	(24,856)	1,114	12,030	(11,712)
Fund balances - beginning	153,753	13,499	148,399	315,651
Fund balances - ending	$ 128,897	$ 14,613	$ 160,429	$ 303,939

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, 2006
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		($11,712)
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	$ 134,382	
Depreciation Expense	(18,133)	116,249
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.		(4,672)
The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(229)
The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:		
Principal repayments	9,628	
Deferred Charges	(236)	
Compensated Absences	(960)	
Interest	(274)	
Other	50	8,208
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.		(2,623)
Change in net assets of governmental activities		$ 105,221

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

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2006
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 124,373	# 124,373	$ 129,824	$ 5,451
Licenses and permits	7,038	7,038	8,370	1,332
Intergovernmental	15,578	22,748	14,315	(8,433)
Charges for services	10,764	10,787	11,526	739
Fines and forfeitures	2,315	2,315	1,908	(407)
Special assessments	3,980	3,980	3,969	(11)
Rental and investment income	2,817	2,817	5,528	2,711
Miscellaneous	1,163	2,228	1,732	(496)
Total revenues	168,028	176,286	177,172	886
Expenditures				
General government:				
Mayor	550	495	393	102
Council	131	131	15	116
Manager	16,983	25,982	18,676	7,306
Attorney	187	187	101	86
Clerk	591	591	453	138
Community Development	10,090	10,672	9,034	1,638
Human Resources	4,567	4,885	4,333	552
General Services	29,278	39,887	23,513	16,374
Information System	13,842	14,534	13,269	1,265
Development	2,839	3,266	2,822	444
Subtotal	79,058	100,630	72,609	28,021
Allocated expenditures	(32,712)	(32,712)	(32,896)	184
Total general government	46,346	67,918	39,713	28,205

continued

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Public safety:				
Police	80,587	83,239	76,539	6,700
Fire	64,794	69,269	45,547	23,722
Animal regulation	2,579	3,217	2,933	284
Building and zoning inspection	2,815	3,285	2,779	506
Street lighting	4,026	4,026	3,890	136
Total public safety	154,801	163,036	131,688	31,348
Highways and streets	12,993	15,824	12,171	3,653
Culture and recreation	31,970	33,617	25,312	8,305
Debt service:				
Principal	3,428	5,899	4,895	1,004
Interest	8,351	11,282	11,282	0
Total debt service	11,779	17,181	16,177	1,004
Total expenditures	257,889	297,576	225,061	72,515
Deficiency of revenue under expenditures	(89,861)	(121,290)	(47,889)	73,401
Other financing sources (uses)				
Transfers in	25,303	26,232	26,232	0
Transfers out	(3,104)	(3,304)	(3,304)	0
Sale of capital assets	100	100	105	5
Total other financing sources	22,299	23,028	23,033	5
Net change in fund balances	(67,562)	(98,262)	(24,856)	73,406
Fund balance, beginning	153,753	153,753	153,753	0
Fund balance, ending	$ 86,191	$ 55,491	$ 128,897	$ 73,406

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2006
(amounts extressed in thousands)

	Business-type Activities - Enterprise Funds					
Assets	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities- Internal Service Funds**
Current assets:						
Cash and investments	$ 99,368	$ 33,765	$ 32,414	$ 9,206	$ 174,753	$ 21,388
Receivables (net allowances for uncollectibles)						
Interest	1,317	327	448	155	2,247	273
Utility billed	12,243	1,718	555	452	14,968	-
Utility unbilled	12,551	2,554	799	632	16,536	-
Accounts	5,777	3,569	176	156	9,678	14
Intergovernmental	898	106	73	250	1,327	433
Nuclear materials inventory	1,375	-	-	-	1,375	-
Inventory	-	-	553	-	553	7,143
Prepaid items	6,551	368	3	-	6,922	7
Due from other funds	50	-	-	-	50	-
Restricted assets:						
Cash and cash equivalents	86,543	33,751	3,993	3,245	127,532	-
Cash and investments at fiscal agent	59,989	3,622	-	-	63,611	-
Public benefit programs receivable	716	-	-	-	716	-
Conservation & reclamation programs receivable	-	61	-	-	61	-
Total current assets:	287,378	79,841	39,014	14,096	420,329	29,258
Non-current assets:						
Advances to other funds	650	28	32,810	-	33,488	326
Deferred charges	38,392	9,530	3,881	7,260	59,063	1,652
Capital assets:						
Land	7,040	9,860	2,698	10,774	30,372	-
Buildings	15,287	14,785	176,829	22,036	228,937	1,488
Accumulated depreciation-buildings	(3,315)	(2,565)	(61,397)	(2,585)	(69,862)	(62)
Improvements other than buildings	604,295	321,423	40,744	7,178	973,640	-
Accumulated depreciation-improvements other than buildings	(231,420)	(98,558)	(8,224)	(3,173)	(341,375)	-
Machinery and equipment	16,826	8,664	6,748	11,407	43,645	9,194
Accumulated depreciation-machinery and equipment	(11,779)	(5,847)	(4,560)	(7,598)	(29,784)	(7,058)
Construction in progress	29,919	6,663	-	5,482	42,064	-
Total non-current assets:	465,895	263,983	189,529	50,781	970,188	5,540
Total assets	753,273	343,824	228,543	64,877	1,390,517	34,798

continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2006
(amounts extressed in thousands)

Liabilities	Business-type Activities - Enterprise Funds: Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Current liabilities:						
Accounts payable	15,097	2,791	1,313	617	19,818	1,404
Accrued payroll	5,346	2,150	1,456	987	9,939	654
Retainage payable	3,343	344	19	-	3,706	-
Intergovernmental	72	-	-	-	72	-
Claims and judgments	-	-	-	-	-	19,984
Unearned revenue	-	113	203	317	633	-
Deposits	2,731	1,400	-	1	4,132	19
Due to other funds	-	-	-	-	-	4,433
Capital leases-current	-	-	47	17	64	-
Water stock acquisitions-current	-	150	-	-	150	-
Landfill capping-current	-	-	-	300	300	-
Current liabilities payable from restricted assets:						
Revenue bonds	18,815	4,300	3,285	-	26,400	-
Accrued interest	2,024	325	708	-	3,057	-
Other payables	240	-	630	-	870	-
Total current liabilities:	47,668	11,573	7,661	2,239	69,141	26,494
Non-current liabilities:						
Revenue bonds	361,389	96,719	25,069	-	483,177	-
Notes payable	-	-	9,211	-	9,211	-
Capital leases	-	-	72	186	258	-
Advances from other funds	13,534	5,823	3,725	7,884	30,966	2,303
Decommissioning liability	47,079	-	-	-	47,079	-
Water stock acquisitions	-	829	-	-	829	-
Landfill capping	-	-	-	3,144	3,144	-
Total non-current liabilities:	422,002	103,371	38,077	11,214	574,664	2,303
Total liabilities	469,670	114,944	45,738	13,453	643,805	28,797
Net Assets						
Invested in capital assets, net of related debt	107,969	180,707	114,528	22,081	425,285	3,562
Restricted for debt service	46,521	12,491	3,561	-	62,573	-
Restricted for other purposes	-	-	-	3,217	3,217	-
Restricted for programs	5,259	337	-	-	5,596	-
Unrestricted	123,854	35,345	64,716	26,126	250,041	2,439
Total net assets	$ 283,603	$ 228,880	$ 182,805	$ 51,424	$ 746,712	$ 6,001

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, 2006
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:						
Charges for services	$ 259,572	$ 37,613	$ 21,510	$ 19,398	$ 338,093	$ 15,143
Operating expenses:						
Personal services	15,387	7,759	8,283	5,934	37,363	3,182
Contractual services	3,028	1,644	918	3,647	9,237	149
Maintenance and operation	159,000	7,455	6,555	5,490	178,500	1,279
General	17,433	9,555	3,084	3,210	33,282	2,074
Materials and supplies	518	586	1,306	886	3,296	140
Insurance	704	386	247	327	1,664	11,463
Depreciation and amortization	16,501	7,142	5,111	1,454	30,208	762
Total operating expenses	212,571	34,527	25,504	20,948	293,550	19,049
Operating income (loss)	47,001	3,086	(3,994)	(1,550)	44,543	(3,906)
Nonoperating revenues (expenses):						
Operating grants	-	-	-	2,704	2,704	-
Interest income	7,269	1,773	1,613	313	10,968	600
Other	1,244	1,129	350	959	3,682	752
Gain (loss) on retirement of capital assets	308	15,396	-	(3)	15,701	3
Capital improvement fees	-	-	4,057	-	4,057	-
Interest expense and fiscal charges	(13,615)	(4,959)	(1,795)	(220)	(20,589)	(72)
Total nonoperating revenues (expenses)	(4,794)	13,339	4,225	3,753	16,523	1,283
Income before capital contributions and transfers	42,207	16,425	231	2,203	61,066	(2,623)
Capital contributions	8,231	16,511	9	92	24,843	-
Transfers in	-	-	-	150	150	-
Transfers out	(22,037)	(3,539)	(150)	-	(25,726)	-
Change in net assets	28,401	29,397	90	2,445	60,333	(2,623)
Total net assets - beginning	255,202	199,483	182,715	48,979	686,379	8,624
Total net assets - ending	$ 283,603	$ 228,880	$ 182,805	$ 51,424	$ 746,712	$ 6,001

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2006
(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	$ 261,382	$ 35,497	$ 22,438	$ 19,282	$ 338,599	$ 14,758
Cash paid to employees for services	(14,716)	(7,622)	(7,976)	(5,846)	(36,160)	(3,147)
Cash paid to other suppliers of goods or services	(172,240)	(18,854)	(12,592)	(15,911)	(219,597)	(13,656)
Other receipts	1,244	1,129	357	959	3,689	752
Net cash provided by operating activities	75,670	10,150	2,227	(1,516)	86,531	(1,293)
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	150	150	-
Transfers out	(22,037)	(3,539)	(150)	-	(25,726)	-
Operating grants	-	-	-	3,198	3,198	-
Advances from interfund receivables	-	-	-	3,798	3,798	650
Payments on interfund receivables	-	20	1,981	-	2,001	2,180
Advances to other funds	(156)	(67)	(24,106)	(1,205)	(25,534)	(19)
Net cash provided (used) by noncapital financing activities	(22,193)	(3,586)	(22,275)	5,941	(42,113)	2,811
Cash flows from capital and related financing activities:						
Proceeds from the sale of revenue bonds	116,820	61,824	-	-	178,644	-
Deposit to escrow account for advance refunding	(40,175)	(24,450)	-	-	(64,625)	-
Issuance costs	(4,559)	(2,940)	-	-	(7,499)	-
Purchase of capital assets	(63,791)	(17,167)	(6,520)	(4,181)	(91,659)	(743)
Purchase of nuclear fuel	(1,703)	-	-	-	(1,703)	-
Proceeds from the sale of capital assets	364	18,327	-	27	18,718	9
Principal paid on long-term obligations	(15,015)	(3,912)	(3,782)	(32)	(22,741)	-
Interest paid on long-term obligations	(14,046)	(4,086)	(1,884)	(220)	(20,236)	(72)
Capital improvement fees	-	-	4,057	-	4,057	-
Capital contributions	4,866	10,878	9	1,757	17,510	-
Net cash provided (used) for capital and related financing activities	(17,239)	38,474	(8,120)	(2,649)	10,466	(1,549)
Cash flows from investing activities:						
Purchase of investments	(12,257)	(3,859)	-	-	(16,116)	-
Income from investments	6,893	1,663	1,885	256	10,697	540
Net cash provided (used) by investing activities	(5,364)	(2,196)	1,885	256	(5,419)	540
Net change in cash and cash equivalents	30,874	42,842	(26,283)	2,032	49,465	509
Cash and cash equivalents, ending (including $50,003 for Electric, $4,339 for Water and $3,896 for Sewer in restricted accounts)	138,295	20,250	62,690	10,419	231,654	20,136
Cash and cash equivalents, ending (including $69,801 for Electric, $29,327 for Water and $3,993 for Sewer in restricted accounts)	$ 169,169	$ 63,092	$ 36,407	$ 12,451	$ 281,119	$ 20,645

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2006
(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)	$ 47,001	$ 3,086	$ (3,994)	$ (1,550)	$ 44,543	$ (3,906)
Other receipts	1,244	1,129	350	959	3,682	752
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	16,501	7,142	5,111	1,454	30,208	762
Amortization of pension costs	33	14	9	6	62	5
Amortization (burn) of nuclear fuel	4,313	-	-	-	4,313	-
(Increase) decrease in utility billed receivables	(911)	(127)	13	(24)	(1,049)	-
(Increase) in utility unbilled receivables	(1,738)	(402)	(17)	(36)	(2,193)	-
(Increase) decrease in accounts receivable	2,092	(1,906)	514	115	815	(8)
(Increase) decrease in intergovernmental receivables	2,235	290	418	(171)	2,772	(377)
Decrease in notes receivable	-	-	-	-	-	-
(Increase) decrease in prepaid items	77	(366)	(2)	1	(290)	-
(Increase) in nuclear materials inventory	(64)	-	-	-	(64)	-
(Increase) in inventory	-	-	(553)	-	-	(2,400)
Increase in accounts payable	(1,031)	1,408	80	(1,130)	(673)	1,007
Increase in accrued payroll	638	123	298	82	1,141	30
Increase (decrease) in retainage payable	2,070	(301)	(7)	-	1,762	(47)
(Decrease) in intergovernmental receivables	29	-	-	-	29	-
Increase (decrease) in deferred revenue	-	25	7	(1)	31	-
Increase (decrease) in deposits	132	35	-	-	167	-
Increase in due to other funds	-	-	-	(941)	(941)	454
(Decrease) in claims and judgments	-	-	-	-	-	2,435
Increase in decommissioning liabilitity	3,049	-	-	-	3,049	-
(Decrease) in landfill capping	-	-	-	(280)	(280)	-
Net cash provided by operating activities	$ 75,670	$ 10,150	$ 2,227	$ (1,516)	$ 86,531	$ (1,293)
Schedule of noncash financing and investing activities:						
Contribution in aid	$ 3,365	$ 5,632	$ 9	$ -	$ 9,006	$ -

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006
(amounts expressed in thousands)

		Agency Funds
Assets:		
Cash and investments	$	6,776
Cash and investments at fiscal agent		13,287
Interest receivable		64
Property tax receivables		214
Total assets	$	20,341
Liabilities:		
Held for bond holders		20,341
Total liabilities	$	20,341

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

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

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

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

Complete financial statements for each of the individual component units except the Riverside Municipal Improvement Corporation (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 for the proprietary fund financial statements. Agency funds report only assets and liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables. Agency funds report only assets and liabilities, therefore have no measurement focus.

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

The permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Restricted for other purposes on the Statement of Net Assets includes $1 million of permanent fund principal which are considered nonexpendable net assets.

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

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

F. Land and Improvements Held for Resale

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

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets and Nuclear Fuel

<u>Capital Assets</u>

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

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

Nuclear Fuel

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

J. Compensated Absences

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

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

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

K. Long-Term Obligations

Long-Term Debt

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

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

Decommissioning

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

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside $47,079 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 appropriations.

O. Interfund Transactions

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

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

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

P. Unearned Revenues

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned revenue for June 30, 2006 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 revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

For the year ended June 30, 2006 (amounts expressed in thousands)

S. Implementation of new accounting principles

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 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).

GASB has issued two pronouncements prior to June 30, 2006 (for years ending after June 30, 2006) that have effective dates that may impact future financial presentations. Management has currently determined that GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB No. 47, "Accounting for Termination Benefits" currently do not apply to the City.

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	$430,844
Investments at fiscal agent	276,236
	707,080
Cash on hand and in transit	12,495
	$719,575

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

Cash and investments	$414,827
Restricted cash and cash equivalents	127,532
Restricted cash and investments at fiscal agent	157,153
Total per statement of net assets	699,512
Fiduciary fund and investments	20,063
	$719,575

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:

For the year ended June 30, 2006 (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 market funds rated in the single highest classification
Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
Investment Agreements

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

Disclosures Relating to Interest Rate Risk

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

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

		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	$ 51,067	$51,067	$ -	$ -	$ -
Federal Agency Securities	310,759	99,511	46,412	164,836	-
Corp Medium Term Notes	49,220	29,902	19,318	-	-
State Investment Pool	19,798	19,798	-	-	-
Held by Fiscal Agent					
Money Market Funds	26,328	26,328	-	-	-
Investment Contracts	195,367	55,722	69,663	26,962	43,020
Corp Med Term Notes	971	971	-	-	-
Certificates of Deposit	7,171	6,971	200	-	-
Fed Agency Securities	46,399	23,118	16,986	6,295	-
Total	$707,080	$313,388	$152,579	$198,093	$43,020

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:

For the year ended June 30, 2006 (amounts expressed in thousands)

		Rating as of Year End			
Investment Type		AAA	Aa	A-1	Unrated
Money Market Funds	$ 51,067	$ -	$ -	$ -	$ 51,067
Federal Agency Securities	310,759	310,759	-	-	-
Corp Medium Term Notes	49,220	29,902	19,318	-	-
State Investment Pool	19,798	-	-	-	19,798
Held by Fiscal Agent					
Money Market Funds	26,328	26,328	-	-	-
Investment Contracts	195,367	195,367	-	-	-
Corp Med Term Notes	971	971			-
Certificates of Deposit	7,171	-	-	7,171	-
Fed Agency Securities	46,399	46,399	-	-	-
Total	$707,080	$609,726	$19,318	$7,171	$70,865

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
FHLB	Federal Agency Securities	$186,585
FHLMC	Federal Agency Securities	48,876
FNMA	Federal Agency Securities	36,944

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:

2007	$ 2,273
2008	2,298
2009	2,324
2010	2,355
2011	2,381
Thereafter	36,610
Total Due	48,241
Less: amount applicable to interest	(21,556)
Total capital lease receivable	$26,685

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2006.

For the year ended June 30, 2006 (amounts expressed in thousands)

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$124,475	$ 39,724	$ (605)	$ 163,594
Construction in progress	39,271	24,346	(8,291)	55,326
Total capital assets not being depreciated	163,746	64,070	(8,896)	218,920
Capital assets being depreciated:				
Buildings	69,391	8,379	(46)	77,724
Improvements other than Buildings	46,498	5,121	-	51,619
Machinery and Equipment	54,801	6,122	(3,809)	57,114
Infrastructure	461,357	59,699		521,056
Total capital assets being depreciated	632,047	79,321	(3,855)	707,513
Less accumulated depreciation for:				
Buildings	(26,458)	(1,504)	45	(27,917)
Improvements other than Buildings	(26,195)	(1,837)		(28,032)
Machinery and Equipment	(42,625)	(3,683)	3,672	(42,636)
Infrastructure	(156,545)	(11,109)		(167,654)
Total accumulated depreciation	(251,823)	(18,133)	3,717	(266,239)
Total capital assets being depreciated, net	380,224	61,188	(138)	441,274
Governmental activities capital assets, net	$543,970	$125,258	$(9,034)	$660,194

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 31,262	$ 2,024	$ (2,914)	$ 30,372
Construction in progress	132,865	103,907	(194,708)	42,064
Total capital assets not being depreciated	164,127	105,931	(197,622)	72,436
Capital assets being depreciated:				
Buildings	205,486	23,459	(8)	228,937
Improvements other than Buildings	811,658	162,230	(248)	973,640
Machinery and Equipment	40,083	4,497	(935)	43,645
Total capital assets being depreciated	1,057,227	190,186	(1,191)	1,246,222

Business type activities (cont.):	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Less accumulated depreciation for:				
Buildings	(64,973)	(4,900)	11	(69,862)
Improvements other than Buildings	(318,854)	(22,675)	154	(341,375)
Machinery and Equipment	(28,250)	(2,435)	901	(29,784)
Total accumulated depreciation	(412,077)	(30,010)	1,066	(441,021)
Total capital assets being depreciated, net	645,150	160,176	(125)	805,201
Business type activities capital assets, net	$809,277	$266,107	$(197,747)	$877,637

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	$ 903
Public safety	2,186
Highways and streets, including depreciation of general infrastructure assets	12,458
Culture and recreation	2,586
Total depreciation expense – governmental activities	$18,133
Business type activities:	
Electric	$16,501
Water	7,142
Sewer	5,111
Refuse	759
Special Transportation	406
Airport	220
Public Parking	69
Total depreciation and amortization expense - business type activities	$30,208

For the year ended June 30, 2006 (amounts expressed in thousands)

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of $100,000, with a deductible of $50. Earthquake and flood insurance coverage has a limit of $15,000, with a deductible of 5% for earthquake and 2% for flood. Workers' compensation insurance coverage has a limit of $25,000, with a deductible of $3,000 per occurrence. The City carries commercial insurance up to $23,000 for general and auto liability claims greater than $3,000 per occurrence. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

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

Changes in the funds' claims liability amounts are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Unpaid Claims, June 30, 2004	$11,117	$ 76	$6,091	$17,284
Incurred claims	3,083	-	3,886	6,969
Claim payments	(3,053)	-	(3,651)	(6,704)
Unpaid Claims, June 30, 2005	11,147	76	6,326	17,549
Incurred claims (including IBNR's)	8,176	-	4,657	12,833
Claim payments	(5,589)	-	(4,809)	(10,398)
Unpaid claims, June 30, 2006	$13,734	$ 76	$ 6,174	$19,984

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	$144,024	-	$3,829	$140,195	$ 3,970
General Obligation Bonds	20,280	-	422	19,858	515
Pension Obligation Bonds	148,280	-	1,810	146,470	2,020
Certificates of Participation	57,336	-	1,765	55,571	1,785
Capital leases	7,431	287	1,710	6,008	1,614
Notes Payable	10,645	-	430	10,215	485
Compensated Absences	30,677	13,200	12,221	31,656	11,688
Total	$418,673	$13,487	$22,187	$409,973	$22,077

Business type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$419,581	$176,850	$86,854	$509,577	$26,400
Notes Payable	10,459	-	618	9,841	630
Capital Leases	392	-	75	317	64
Landfill Capping	3,723	-	279	3,444	300
Water Stock Acquisition Rights	1,015	-	36	979	150
Total	$435,170	$176,850	$87,862	$524,158	$27,544

Advance Refunding:

On September 20, 2005, $40,175 of Electric Refunding/Revenue Bonds were sold with a true interest cost of 3.54% to advance refund $30,915 of previously outstanding 1998 Electric Revenue Bonds and $9,260 of previously outstanding 2001 Electric Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,431. This difference is being charged to operations using a proportional method. The City completed the current refunding to reduce net aggregate debt service payments over the next 17 years by $3,111 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $2,612.

For the year ended June 30, 2006 (amounts expressed in thousands)

On September 20, 2005, $21,025 of Water Refunding/Revenue Bonds were sold with a true interest cost of 3.53% to advance refund $3,425 of previously outstanding 1994 FAREcal bonds, $7,705 of previously outstanding 1998 Water Revenue Bonds and $13,320 of previously outstanding 2001 Water Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,271. This difference is being charged to operations using a proportional method. The City completed the current refunding to reduce net aggregate debt service payments over the next 26 years by $3,663 and to obtain an economic gain (difference between present value of the old and new debt service payments) of $2,303.

In prior years the City 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 financial statements. At fiscal year end $63,315 of bonds outstanding are considered defeased.

Long-Term Obligations at June 30, 2006:

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 (partially advance refunded in 2005).	$ 52,900
$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 (partially advance refunded in 2005).	$32,160
$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.	60,860
$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, 2006 was 3.8%), due in annual installments from $1,250 to $7,000 through October 1, 2029.	82,500
$115,725 2005 Electric Refunding/Revenue Bonds; Series A and B; Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2006 was 3.8%), due in annual installments from $600 to $10,375 through October 1, 2035.	115,725
Subtotal	371,645
Add: Unamortized bond premium	8,559
	$380,204
Water	
$69,840 1991 Water Revenue Bonds; $25,050 serial bonds, 4.25% to 9.0%, due in annual installments from $675 to $3,100 through October 1, 2002; $25,900 Capital Appreciation Bonds, due in annual installments from $3,235 to $3,240 from October 1, 2003 to October 1, 2010; (partially advance refunded in 1998)	$ 16,185

For the year ended June 30, 2006 (amounts expressed in thousands)

	Principal Outstanding
$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	21,265
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $1,230 through October 1, 2031 (partially advance refunded in 2005)	5,240
$61,125 2005 Water Refunding/Revenue Bonds; Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2006 was 3.8%), due in annual installments from $400 to $3,950 through October 1, 2035	61,125
Subtotal	103,815
Less: Unamortized bond discount	(2,796)
	$101,019

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	$ 28,150
Add: Unamortized bond premium	204
	28,354
Total Revenue Bonds	$509,577

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
2007	$ 18,815	$ 14,364	$ 33,179	$ 4,300	$ 3,234	$ 7,534
2008	19,460	13,602	33,062	4,355	3,194	7,549
2009	20,345	12,735	33,080	4,375	3,153	7,528
2010	21,300	11,781	33,081	4,415	3,109	7,524
2011	22,295	10,810	33,105	4,465	3,063	7,528
2012-2016	94,795	39,197	133,992	25,305	12,642	37,947
2017-2021	45,485	25,050	70,535	10,500	8,274	18,774
2022-2026	39,850	17,718	57,568	13,550	6,250	19,800
2027-2031	40,925	11,002	51,927	15,175	3,944	19,119
2032-2036	48,375	3,723	52,098	17,374	1,372	18,746
Premium (Discount)	8,559	-	8,559	(2,795)	-	(2,795)
Total	$380,204	$159,982	$540,186	$101,019	$48,235	$149,254

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2007	$ 3,285	$1,584	$ 4,869
2008	3,515	1,346	4,861
2009	3,760	1,092	4,852
2010	4,020	819	4,839
2011	4,305	571	4,876
2012-2016	9,265	469	9,734
Premium	204	-	204
Total	$28,354	$5,881	$34,235

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)	$ 190
$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; $6,205 serial bonds, 3.4% to 4.7% due in annual installments from $40 to $570 through August 1, 2014; $4,810 term bonds at 4.75% due August 1, 2021; and $6,010 term bonds at 5.0% due August 1, 2027	15,155

For the year ended June 30, 2006 (amounts expressed in thousands)

	Principal Outstanding
$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; $1,900 serial bonds, 4.5% to 5.5% due in annual installments from $35 to $190 through September 1, 2013; $1,135 term bonds at 5.5% due September 1, 2018; and $3,020 term bonds at 5.625% due September 1, 2027	5,445
$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; $8,925 serial bonds, 3.4% to 4.7% due in annual installments from $455 to $780 through August 1, 2014; $2,565 term bonds at 4.75% due August 1, 2017; $4,035 term bonds at 4.75% due August 1,2021; and $4,870 term bonds at 5.0% due August 1, 2025.	17,425
$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; $420 term bonds at 3.8% due August 1, 2014; $615 term bonds at 4.6% due August 1, 2024; and $3,515 term bonds at 4.7% due August 1, 2034	4,515
$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024	2,890
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2.0% to 5.0% due in annual installments from $545 to $2,230 through October 1, 2024	24,375
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due Oct. 1, 2008; $1,110 term bonds at 4.340% due Oct. 1, 2014 and $2,770 term bonds at 5.480% due Oct. 1, 2024	4,350
$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	37,960
$24,115 2005 Housing Set-Aside Tax Allocation Bonds; $17,025 serial bonds 3.0% to 4.625% due in annual installments from $505 to $1,165 through August 1, 2025; $2,425 term bonds at 5.0% due August 1, 2028; and $4,665 term bonds at 4.85% due August 1, 2034	23,610
$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of $105 to $180 through August 1, 2015	1,465
Subtotal	137,380
Add: Unamortized bond premium	2,815
Total Redevelopment Agency Bonds	$140,195

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
2007	$ 3,970	$ 6,233	$ 10,203
2008	4,145	6,102	10,247
2009	4,305	5,961	10,266
2010	4,485	5,807	10,292
2011	4,690	5,628	10,318
2012-2016	26,955	24,985	51,940
2017-2021	33,595	18,136	51,731
2022-2026	37,205	8,833	46,038
2027-2031	13,080	2,557	15,637
2032-2036	4,950	456	5,406
Premium	2,815	-	2,815
Total	$140,195	$84,698	$224,893

For the year ended June 30, 2006 (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	$19,590
Add; Unamortized bond premium	268
Total General Obligation Bonds	$19,858

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
2007	$ 515	$ 873	$ 1,388
2008	545	857	1,402
2009	590	840	1,430
2010	625	819	1,444
2011	675	794	1,469
2012-2016	4,210	3,514	7,724
2017-2021	6,015	2,438	8,453
2022-2026	6,415	723	7,138
Premium	268	-	268
Total	$19,858	$10,858	$30,716

Pension Obligation Bonds:	Principal Outstanding
$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from $1,125 to $10,715 through June 1, 2023	$87,155
$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments $630 to $3,860 through June 1,2020	29,315
$30,000 2005 Taxable Pension Obligation Bonds Series B (Auction Rate Securities); variable rate subject to weekly repricing (rate at June 30, 2005 was 3.8%), due in annual installments from $1,475 to $6,750 through June 1, 2025.	30,000
Total Pension Obligation Bonds	$146,470

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
2007	$ 2,020	$ 7,719	$ 9,739
2008	2,480	7,642	10,122
2009	2,985	7,539	10,524
2010	3,535	7,406	10,941
2011	4,130	7,241	11,371
2012-2016	31,465	32,425	63,890
2017-2021	55,610	21,616	77,226
2022-2026	44,245	4,838	49,083
Total	$146,470	$96,426	$242,896

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	$ 2,940
$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	51,325
Subtotal	54,265
Add: Unamortized bond premium	1,306
Total Certificates of Participation	$55,571

For the year ended June 30, 2006 (amounts expressed in thousands)

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	Principal	Interest	Total
2007	$1,785	$ 2,585	$ 4,370
2008	1,870	2,505	4,375
2009	1,950	2,419	4,369
2010	2,045	2,319	4,364
2011	1,275	2,214	3,489
2012-2016	7,110	10,279	17,389
2017-2021	8,855	8,470	17,325
2022-2026	10,165	6,045	16,210
2027-2031	11,115	3,468	14,583
2032-2036	8,095	620	8,715
Premium	1,306	-	1,306
Total	$55,571	$40,924	$96,495

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$979

Notes Payable - Redevelopment Agency:

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

	Principal Outstanding
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, including principal and interest through June 2020	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	2,895
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	3,785
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	548
Total notes payable – Redevelopment Agency	$10,215

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
2007	$ 485	$ 772	$ 1,257
2008	520	741	1,261
2009	555	708	1,263
2010	596	671	1,267
2011	643	631	1,274
2012-2016	3,714	2,429	6,143
2017-2021	1,646	1,359	3,005
2022-2026	777	932	1,709
2027-2031	1,279	430	1,709
Total	$10,215	$8,673	$18,888

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	$ 4,338

For the year ended June 30, 2006 (amounts expressed in thousands)

	Principal Outstanding
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	5,503
Total notes payable – Sewer Fund	$9,841

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
2007	$ 630	$ 187	$ 817
2008	642	175	817
2009	654	163	817
2010	666	151	817
2011	678	138	816
2012-2016	3,591	493	4,084
2017-2021	2,980	150	3,130
Total	$9,841	$1,457	$11,298

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	5,888	-
Subtotal	14,548	868
Less: Accumulated Depreciation	(1,850)	(138)
Total	$12,698	$730

The future minimum lease obligations as of June 30, 2006 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2007	$1,963	$ 73
2008	1,798	92
2009	1,554	75
2010	611	51
2011	568	51
Total Minimum lease payments	6,494	342
Less: Amount representing interest (rates ranging from 2.5% to 9%)	(486)	(25)
Total capital lease payable	$6,008	$317

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, 2006:

General long-term obligations:	
Redevelopment Agency	$ 7,033
Certificates of Participation	4,148
Total	$11,181
Enterprise funds:	
Electric	$29,779
Water	8,763
Total	$38,542

For the year ended June 30, 2006 (amounts expressed in thousands)

Following are required debt service ratios for the year ended June 30, 2006. The ratio measures operating income in relation to debt service. The City is in compliance with these ratios, except for the Sewer fund. The Sewer fund has not raised sewer rates in over 20 years. Management is in the process of preparing a rate increase that is anticipated to be approved by City Council by fiscal year 07/08.

	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.

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2006 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost of $4,757 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 25 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.

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2006, the City has several series of Assessment District Bonds outstanding in the amount of $79,247. Bonds issued for improvements in certain special assessment districts, in accordance with the provisions of the Municipal Improvements Acts, are liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

Conduit Debt Obligations

Mortgage Revenue Bonds outstanding of $15,095 and Industrial Development Revenue Bonds of $11,275 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Interest Rate Swaps on Revenue Bonds

Objective: As a means to lower borrowing costs, when compared against fixed-rate bonds at the time of issuance in September 2005, the City entered into interest rate swap agreements in connection with its $115,725 2005 Electric Refunding/Revenue Bonds (Series A and B) and $61,125 2005 Water Refunding/Revenue Bonds. Also in September 2005, the City entered into the interest rate swap agreement for the $82,500 2004 Electric Revenue Bonds (Series B). The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.11% for the 2004 Electric Revenue Bonds (Series B) and 3.20% for the other respective Revenue Bonds.

For the year ended June 30, 2006 (amounts expressed in thousands)

Terms: Under the swaps, the City pays the counterparty a fixed payment as noted above and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points. The swaps have notional amounts equal to the principal amounts stated above. Starting in fiscal year 2007, the notional value of the swaps and the principal amounts of the associated debt decline by $300 to $7,000 until the debt is completely retired in fiscal year 2036. The bonds' variable rate coupons are established on a weekly basis through the results of an auction process administered through an auction agent, termed Auction Rate Securities ("ARS").

The bonds and the related swap agreements for the 2004 Electric Revenue Bonds mature on October 1, 2029 and the 2005 Electric and Water Refunding/Revenue Bonds both mature on October 1, 2035. As of June 30, 2006 rates were as follows:

	Terms	2005 Water Refunding/ Revenue Bonds Series A Rates	2005 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2000%	3.2010%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.00065%)	(3.13914%)
Net interest rate swap payments		.19935%	.06186%
Variable-rate bond coupon payments	ARS	2.86774%	3.02844%
Synthetic interest rate on bonds		3.06709%	3.09030%

	Terms	2005 Electric Refunding/ Revenue Bonds Series B Rates	2004 Electric Revenue Bonds Series B Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2040%	3.1110%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.18514%)	(2.95092%)
Net interest rate swap payments		.01886%	.16008%
Variable-rate bond coupon payments	ARS	3.08817%	2.83964%
Synthetic interest rate on bonds		3.10703%	2.99972%

Fair Value: As of June 30, 2006, in connection with all swap arrangements, the transactions had a total positive fair value of $15,386. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2006, the City was exposed to credit risk in the amount of $15,836 because the swap had a positive fair value. The swap counterparty's, Bear Stearns and Merrill Lynch were rated A and A+, respectively by Standard & Poor's. To mitigate the potential for credit risk, if either counterparties's credit quality falls below A-, the fair value of the swap will be collateralized by the counterparty with U.S. Government securities. Collateral would be posted with a third-party custodian.

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

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below

For the year ended June 30, 2006 (amounts expressed in thousands)

"BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2006, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable-Rate Bonds			
Fiscal Year Ending June 30	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
2007	$ 1,000	$ 7,409	$ 515	$ 8,924
2008	950	7,381	513	8,844
2009	975	7,354	511	8,840
2010	1,000	7,325	509	8,834
2011	1,025	7,296	507	8,828
2012-2016	29,600	34,551	2,401	66,552
2017-2021	49,550	27,993	1,945	79,488
2022-2026	53,400	20,419	1,419	75,238
2027-2031	56,100	12,747	886	69,733
2032-2036	65,750	3,934	273	69,957
Total	$259,350	$136,409	$9,479	$405,238

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2006 for the General Fund and the Redevelopment Debt Service Fund consist of the following:

Reserved for:	General Fund	Redevelopment Debt Service Fund
Encumbrances	$ 24,170	$ -
Interfund receivable	33,493	-
Debt service	-	14,613
Prepaid items	265	-
Notes receivable	70	-
Police Asset Forfeiture	486	-
Fire bond	1,446	-
Total reserved fund balance	$59,930	$14,613

11. Interfund Assets, Liabilities and Transfers

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

The following table shows amounts receivable/payable between funds within the City at June 30, 2006:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$3,833
	Central stores *	4,433
		8,266
Non Major Governmental	Non Major Governmental	504
	Redevelopment Debt Service	4
		508
Electric	General	50
Total		$8,824

* Internal service funds

For the year ended June 30, 2006 (amounts expressed in thousands)

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

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2006:

Receivable Fund	Payable Fund	Amount
General	Electric	$13,534
	Water	5,823
	Sewer	3,725
	Nonmajor governmental funds	5586
	Nonmajor enterprise funds	3173
	Workers' compensation *	244
	Central stores *	256
	Central garage *	1,153
		33,494
Electric	Central Stores*	650
Water	General	28
Sewer	General	13,389
	Nonmajor governmental funds	14,710
	Nonmajor enterprise funds	4,711
		32,810
Workers' compensation *	General	326
Total		$67,308

* Internal service funds

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, 2006:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$22,037
	Water	3,539
	Sewer	150
	Nonmajor governmental funds	506
		26,232
Redevelopment debt Service	Nonmajor governmental funds	5,239
Nonmajor governmental funds	General	3,154
	Redevelopment debt service	23,821
	Nonmajor governmental funds	1,099
		28,074
Nonmajor enterprise funds	General	150
Total		$59,695

For the year ended June 30, 2006 (amounts expressed in thousands)

12. 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. After trial on this issue, the FERC Administrative Law Judge rendered a decision in favor of the City in March 2005. The objecting parties are appealing this decision to the full Commission. It is unknown when the Commission will render its decision. If the objecting parties prevail upon appeal, the City may have to refund to the ISO up to $38,900 collected through June 30, 2006.

13. 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 2005-2006 rate was 19.737% for non-safety employees, and 16.143% 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 2006, the City's annual pension cost of $30,684 for CalPERS was equal to it's annual required contribution of $30,389 plus the effect of amortization of the net pension asset of $295. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments 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)
2004	$20,051	540%	($88,300)
2005	28,948	305%	($147,842)
2006	30,684	100%	($147,546)

A total of $147,546 of net pension assets are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses.

For the year ended June 30, 2006 (amounts expressed in thousands)

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.	6/30/03	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
Misc.	6/30/04	611,841	537,352	74,488	87.8	77,960	95.5
Safety	6/30/04	454,795	440,172	14,623	96.8	48,635	30.1
Misc.	6/30/05	665,642	634,694	20,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2

14. 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 3.0% to 6.125%. 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	Inter-mountain Power Project	Palo Verde Nuclear Generating Project	Trans-mission System Project	Hoover Dam Uprating	Mead–Phoenix Trans-mission	Mead-Adelanto Trans-mission	Total
2007	$ 30,693	$ 863	$ 7,565	$ 704	$ 259	$ 2,817	$ 42,901
2008	32,360	859	7,066	704	260	2,819	44,068
2009	31,120	855	6,947	704	259	2,814	42,699
2010	31,789	717	6,702	703	259	2,818	42,988
2011	35,336	714	6,736	702	289	2,814	46,591
Thereafter	276,773	4,210	98,161	4,868	2,582	27,930	414,524
Total	$438,071	$8,218	$133,177	$8,385	$3,908	$42,012	$633,771

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

For the year ended June 30, 2006 (amounts expressed in thousands)

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 2005 and 2006 fiscal years are as follows:

Fiscal Year	IPA	PV	STS	MAP	MPP	Hoover	Total
2005	21,362	1,906	1,714	212	43	90	25,327
2006	24,121	2,122	1,845	220	43	96	28,447

B. Other Commitments

Power Purchase Agreements:

The City has executed five firm power purchase agreements for non-renewable power. 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 2006-2007

Supplier	Capacity	Energy	Total
Deseret	$3,463	$1,827	$5,290
CDWR III	437	-	437
CDWR IV	571	-	571
BPA	1,811	-	1,811
	$6,282	$1,827	$8,109

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 the remaining balance over the term of the agreement using the straight-line method. As of June 30, 2006, unamortized purchased power was $11,693 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. In early 2005, CDWR and the City disagreed upon whether the Power Sale Agreements III and IV were still in effect as of December 31, 2004. While CDWR believed the agreements were terminated, the City contended that CDWR did not provide proper notification under the terms of the power sale agreements. During May and June, CDWR continued to provide power under the original terms of the contracts, pending staff's resolution of the dispute. On September 13, 2005, in order to maintain the City's long-term relationship with CDWR and to avoid costly litigation, City Council approved the contract amendments, effectively terminating the contract in 2007 and reducing the final two years of the contracts to a period of May through September.

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

For the year ended June 30, 2006 (amounts expressed in thousands)

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 approximately 13 percent of the retail energy requirements, approximately 11 percent of the total power supply.

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2007
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	171
Salton Sea	Geothermal	20.0MW	5/31/2013	9,618
Total		27.1MW		$11,812

Under the terms of the renewable power purchase agreements, Riverside's financial obligation is only for actual energy delivered.

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

Construction Commitments:

As of June 30, 2006, the Electric Utility had major construction commitments of approximately $8,300 with respect to unfinished capital projects. Of these commitments, $3,600 is expected to be funded by bonds and $4,700 funded by rates.

As of June 30, 2006, the Water Utility had major construction commitments of approximately $4,200 with respect to unfinished capital projects. Of these commitments, $3,200 is expected to be funded by bonds and $1,000 funded 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 2006 fiscal year, the Electric Utility paid approximately $15,211 to SCPPA under various take-or-pay contracts, which are described in greater detail in Note 14A. 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.

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.

SCE, as operating agent, has declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would likely result in permanent shutdown of the plant in the 2009-2010 timeframe. The estimated cost to replace the SGs is $680 million, of which approximately $12.2 million would represent the City's share. The replacement is expected to enable plant operations through at least 2022, and perhaps beyond if Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, the City of Anaheim has opted not to participate. As a result, upon replacement of the SGs, Riverside and San Diego Gas and Electric Company will retain their respective 1.79 and 75.05 percent shares and SCE will assume Anaheim's interest resulting in a 78.21 percent interest in both units 1 and 2 at SONGS.

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, 2006, Riverside's 1.79% share of the capitalized construction costs for SONGS totaled $136,039 with accumulated depreciation of $103,082. The Electric Utility made provisions during fiscal year 2006 for nuclear fuel burn of $911 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.

15. Subsequent Event

On September 27, 2006, the City issued 2006 Lease Revenue Certificates of Participation in the amount of $20,800 to provide funds to the City to finance public improvements related to the Galleria at Tyler, a retail center in the City.