1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting for the proprietary fund financial statements. Agency funds report only assets and liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables. 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, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

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

F. Land and Improvements Held for Resale

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

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets and Nuclear Fuel

Capital Assets

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

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

Nuclear Fuel

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

J. Compensated Absences

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

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

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

K. 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 $59,072 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 2022.

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. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The majority of the City's governmental fund unearned revenue for June 30, 2009 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.

For the year ended June 30, 2009 (amounts expressed in thousands)

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.

S. Implementation of new accounting principles

GASB has issued three pronouncements prior to June 30, 2009 (for years ending after June 30, 2009) that have effective dates that may impact future financial presentations. Management has currently determined that GASB Statement No 51, “Accounting and Reporting for Intangible Assets”, GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments” and GASB Statement No 54, “Fund Balance Reporting and Governmental Fund Type Definitions” apply to the City, and are currently evaluating the impacts of implementing the pronouncements.

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

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

Investments	$360,777
Investments at fiscal agent	445,420
	806,197
Cash on hand and deposits with financial institutions	1,132
	$807,329

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

Cash and investments	$328,568
Restricted cash and cash equivalents	38,696
Restricted cash and investments at fiscal agent	419,873
Total per statement of net assets	787,137
Fiduciary fund cash and investments	20,192
	$807,329

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

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

For the year ended June 30, 2009 (amounts expressed in thousands)

Authorized Investments

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

	Max 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	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 42,549	$ 42,549	$ -	$ -	$ -
Federal Agency Securities	200,278	40,997	31,410	127,871	-
Corp Medium Term Notes	30,875	-	10,279	20,596	-
State Investment Pool	87,075	87,075	-	-	-
Held by Fiscal Agent					
Money Market Funds	47,810	47,810	-	-	-
State Investment Pool	80,519	80,519	-	-	-
Investment Contracts	232,025	30,155	164,081	8,409	29,380
Commercial Paper	502	502	-	-	-
Fed Agency Securities	41,454	2,318	5,676	16,230	17,230
Negotiable CDs	19,839	3,601	2,796	13,442	-
Corp Med Term Notes	23,271	-	1,028	4,216	18,027
Total	$806,197	$335,526	$215,270	$190,764	$64,637

For the year ended June 30, 2009 (amounts expressed in thousands)

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:

		Ratings as of Year End			
Investment Type	Total	AAA	AA	A-1+	Unrated
Money Market Funds	$ 42,549	$ 42,549	$ -	$ -	$ -
Federal Agency Securities	200,278	200,278	-	-	-
Corp Medium Term Notes	30,875	30,875	-	-	-
State Investment Pool	87,075	-	-	-	87,075
Held by Fiscal Agent					
Money Market Funds	47,810	47,626	-	-	184
State Investment Pool	80,519	-	-	-	80,519
Investment Contracts	232,025	-	-	-	232,025
Commercial Paper	502	-	-	502	-
Fed Agency Securities	41,454	41,454	-	-	-
Negotiable CDs	19,839	-	-	-	19,839
Corp Med Term Notes	23,271	-	23,271	-	-
Total	$806,197	$362,782	$23,271	$ 502	$419,642

Concentration on Credit Risk

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

Issuer	Investment Type	Reported Amount
Trinity Funding Company, LLC	Investment Contract	$159,336
General Electric	Corporate Medium Term Notes	43,440

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:

2010	$ 2,355
2011	2,381
2012	2,413
2013	2,443
2014	2,473
Thereafter	29,267
Total Due	41,332
Less: amount applicable to interest	(16,392)
Total capital lease receivable	$24,940

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2009.

For the year ended June 30, 2009 (amounts expressed in thousands)

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$250,582	$23,541	$(3,543)	$270,580
Construction in progress	84,661	78,194	(50,113)	112,742
Total capital assets not being depreciated	335,243	101,735	(53,656)	383,322
Capital assets being depreciated:				
Buildings	122,330	401	-	122,731
Improvements other than Buildings	95,264	20,456	-	115,720
Machinery and Equipment	72,175	4,309	(3,239)	73,245
Infrastructure	642,659	105,159	-	747,818
Total capital assets being depreciated	932,428	130,325	(3,239)	1,059,514
Less accumulated depreciation for:				
Buildings	(31,091)	(3,273)	-	(34,364)
Improvements other than Buildings	(32,242)	(3,984)	-	(36,226)
Machinery and Equipment	(43,777)	(6,893)	3,089	(47,581)
Infrastructure	(194,494)	(15,357)	-	(209,851)
Total accumulated depreciation	(301,604)	(29,507)	3,089	(328,022)
Total capital assets being depreciated, net	630,824	100,818	(150)	731,492
Governmental activities capital assets, net	$966,067	$202,553	$(53,806)	$1,114,814

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 37,200	$3,635	$ -	$40,835
Construction in progress	108,663	138,646	(112,051)	135,258
Total capital assets not being depreciated	145,863	142,281	(112,051)	176,093
Capital assets being depreciated:				
Buildings	234,591	5,764	(1,919)	238,436
Improvements other than Buildings	1,124,861	94,028	(2,859)	1,216,030
Machinery and Equipment	54,513	12,260	(2,496)	64,277
Total capital assets being depreciated	1,413,965	112,052	(7,274)	1,518,743
Less accumulated depreciation for:				
Buildings	(80,717)	(5,416)	13	(86,120)
Improvements other than Buildings	(396,044)	(31,508)	2,097	(425,455)
Machinery and Equipment	(33,057)	(4,847)	2,436	(35,468)
Total accumulated depreciation	(509,818)	(41,771)	4,546	(547,043)
Total capital assets being depreciated, net	904,147	70,281	(2,728)	971,700
Business type activities capital assets, net	$1,050,010	$212,562	$(114,779)	$1,147,793

Estimated useful lives used to compute depreciation are as follows:

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

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

Governmental activities:	
General government	$ 3,430
Public safety	4,102
Highways and streets, including depreciation of general infrastructure assets	16,725
Culture and recreation	5,250
Total depreciation expense – governmental activities	$29,507

Business type activities:	
Electric	$23,091
Water	9,771
Sewer	6,084
Refuse	1,378
Special Transportation	270
Airport	607
Public Parking	570
Total depreciation expense – business type activities	$41,771

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 $1,000,000, 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.

For the year ended June 30, 2009 (amounts expressed in thousands)

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, 2007	$19,687	$ 76	$8,226	$27,989
Incurred claims	2,086	104	6,451	8,641
Claim payments	(2,530)	-	(5,621)	(8,151)
Unpaid Claims, June 30, 2008	19,243	180	9,056	28,479
Incurred claims (including IBNR's)	(6,442)	41	6,647	246
Claim payments and adjustments	1,801	-	(5,568)	(3,767)
Unpaid claims, June 30, 2009	$14,602	$ 221	$ 10,135	$24,958

7. Long-Term Obligations

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

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

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$292,244	$ -	$ 6,501	$285,743	$ 6,625
General Obligation Bonds	18,774	-	603	18,171	625
Pension Obligation Bonds	142,170	30,425	33,185	139,410	33,960
Certificates of Participation	200,273	-	2,005	198,268	2,045
Capital leases	9,391	-	1,936	7,455	1,325
Notes Payable	9,040	-	291	8,749	586
Compensated Absences*	20,494	13,007	13,007	20,494	12,500
Net OPEB Obligation	1,892	2,592	762	3,722	-
Total	$694,278	$46,024	$58,290	$682,012	$57,666

*Beginning balances have been adjusted for a change in the amount of compensated absences reported in the prior year. Beginning net assets of the governmental activities have not been restated since the net affect of changes are not material.

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$720,749	$ -	$46,103	$674,646	$25,715
Notes Payable	8,569	-	654	7,915	666
Capital Leases	211	2,433	70	2,574	408
Landfill Capping	2,881	4,923	292	7,512	300
Arbitrage Liability	481	28	7	502	-
Water Stock Acquisition Rights	963	-	15	948	150
Net OPEB Obligation	1,204	1,794	528	2,470	-
Total	$735,058	$ 9,178	$ 47,669	$696,567	$27,239

For the year ended June 30, 2009 (amounts expressed in thousands)

Long-Term Obligations at June 30, 2009:

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, with final maturity in 2018).	$ 35,125
$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from $2,855 to $4,280 through October 1, 2016 (partially advance refunded in 2005, with final maturity in 2014).	22,740
$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.	39,305
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	19,305
$199,115 2008 Electric Refunding/Revenue Bonds; Series A, B, and C; variable rate subject to weekly repricing (rate at June 24, 2009 was 3.5%), due in annual installments from $1,800 to $9,285 through October 1, 2035.	198,565
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $125 to $24,960 through October 1, 2038.	209,740
Subtotal	524,780
Add: Unamortized bond premium	9,762
Less: Unamortized deferred bond refunding costs	(7,034)
	$527,508
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)	$ 6,475
$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 $4,080 through October 1, 2013; $15,910 term bonds, 5%, due October 1, 2027 (with final maturity in 2018).	20,405
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $585 through October 1, 2031 (partially advance refunded in 2005, with final maturity in 2016).	4,030
$60,300 2008 Water Refunding/Revenue Bonds; Series A variable rate subject to weekly repricing (rate at June 25, 2009 was 3.6%), due in annual installments from $425 to $3,950 through October 1, 2035	59,875
$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	58,235
Subtotal	149,020
Less: Unamortized bond premium	1,219
Less: Unamortized deferred bond refunding costs	(3,101)
	$ 147,138
Total Revenue Bonds	$674,646

For the year ended June 30, 2009 (amounts expressed in thousands)

Remaining revenue bond debt service payments will be made from revenues of the Electric and Water 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
2010	21,300	21,735	43,035	4,415	5,939	10,354
2011	22,295	20,709	43,004	4,465	5,892	10,357
2012	21,050	19,693	40,743	4,590	5,939	10,529
2013	22,040	18,692	40,732	4,820	5,709	10,529
2014	21,080	17,640	38,720	5,050	5,289	10,339
2015-2019	66,230	78,514	144,744	20,850	23,255	44,105
2020-2024	63,970	67,585	131,555	19,275	19,677	38,952
2025-2029	77,070	54,104	131,174	23,160	15,674	38,834
2030-2034	94,000	36,768	130,768	28,085	10,638	38,723
2035-2039	115,745	14,449	130,194	34,310	4,235	38,545
Premium (Discount)	9,762	-	9,762	1,219	-	1,219
Refunding Costs	(7,034)	-	(7,034)	(3,101)	-	(3,101)
Total	$527,508	$349,889	$877,397	$ 147,138	$102,247	$249,385

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)	$ 160
$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; $6,205 serial bonds, 3.4% to 4.7% due in annual installments from $40 to $570 through August 1, 2014; $4,810 term bonds at 4.75% due August 1, 2021; and $6,010 term bonds at 5.0% due August 1, 2027	13,885
$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	5,025
$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; $8,925 serial bonds, 3.4% to 4.7% due in annual installments from $455 to $780 through August 1, 2014; $2,565 term bonds at 4.75% due August 1, 2017; $4,035 term bonds at 4.75% due August 1,2021; and $4,870 term bonds at 5.0% due August 1, 2025.	15,680
$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	4,395
$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	2,605
$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	22,330
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due Oct. 1, 2008; $1,110 term bonds at 4.340% due Oct. 1, 2014 and $2,770 term bonds at 5.480% due Oct. 1, 2024	3,880

For the year ended June 30, 2009 (amounts expressed in thousands)

$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; $32,720 serial bonds 2.0% to 5.25% due in annual installments from $1,220 to $1,955 through August 1, 2023; and $7,715 term bonds at 5.0% due in annual installments from $195 to $2,060 through August 2034	34,045
$24,115 2005 Housing Set-Aside Tax Allocation Bonds; $17,025 serial bonds 3.0% to 4.625% due in annual installments from $505 to $1,165 through August 1, 2025; $2,425 term bonds at 5.0% due August 1, 2028; and $4,665 term bonds at 4.85% due August 1, 2034	21,850
$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	1,105
$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from $20 to $590,000 through August 1, 2025; $4,980 term bonds at 4.5% due August 1, 2029; $410 term bonds at 4.375% due August 1, 2037	8,320
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due August 1, 2017; $10,800 term bonds at 5.8% due August 1, 2028	14,575
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through August 1, 2025; $17,955 term bonds at 4.5% due August 1, 2030; $47,775 term bonds at 5.0% due August 1, 2037	89,155
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, $15,740 term bonds due August 1, 2017; $28,135 term bonds due August 1, 2032	42,275
Subtotal	279,285
Add: Unamortized bond premium	6,457
Total Redevelopment Agency Bonds	$285,742

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
2010	6,625	13,670	20,295
2011	6,925	13,380	20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,318
2014	7,920	12,411	20,331
2015-2019	45,695	56,073	101,768
2020-2024	61,015	42,744	103,759
2025-2029	58,175	26,736	84,911
2030-2034	45,205	13,826	59,031
2035-2039	32,925	3,110	36,035
Premium	6,457	-	6,457
Total	$285,742	$207,775	$493,517

General Obligation Bonds:	Principal Outstanding
$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from $410 to $1,740 through August 1, 2024	$17,940
Add; Unamortized bond premium	231
Total General Obligation Bonds	$18,171

For the year ended June 30, 2009 (amounts expressed in thousands)

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

Fiscal Year	Principal	Interest	Total
2010	625	819	1,444
2011	675	794	1,469
2012	725	766	1,491
2013	780	737	1,517
2014	840	706	1,546
2015-2019	5,210	2,934	8,144
2020-2024	7,345	1,485	8,830
2025-2029	1,740	48	1,788
Premium	231	-	231
Total	$18,171	$8,289	$26,460

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	$82,100
$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	26,885
$30,425 2009 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2009 was 1.5%, $30,425 due June 1, 2010.	30,425
Total Pension Obligation Bonds	$139,410

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
2010	*33,960	6,414	40,374
2011	4,130	5,792	9,922
2012	4,780	5,593	10,373
2013	5,475	5,357	10,832
2014	6,230	5,079	11,309
2015-2019	44,815	19,539	64,354
2020-2024	40,020	5,891	45,911
Total	$139,410	$53,665	$193,075

* Principal payment includes the refunding

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	$ 815
$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	47,845
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036	19,945
$128,300 2008 Riverside Renaissance Certificates of Participation; rate at June 30, 2008 was 3.62%, due in annual installments from $2,900 to $7,200 through March 1, 2037	128,300
Subtotal	196,905
Add: Unamortized bond premium	1,363
Total Certificates of Participation	$198,268

For the year ended June 30, 2009 (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
2010	2,045	7,533	9,578
2011	4,175	7,403	11,578
2012	4,750	7,250	12,000
2013	4,920	7,079	11,999
2014	5,085	6,902	11,987
2015-2019	28,660	31,418	60,078
2020-2024	34,970	25,346	60,316
2025-2029	39,490	18,138	57,628
2030-2034	48,275	9,618	57,893
2035-2039	24,535	1,525	26,060
Premium	1,363	-	1,363
Total	$198,268	$122,212	$320,480

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$948

Notes Payable - Redevelopment Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, 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	2,260
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	3,175
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	327
Total notes payable – Redevelopment Agency	$ 8,749

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
2010	586	601	1,187
2011	631	574	1,205
2012	677	543	1,220
2013	728	509	1,237
2014	692	471	1,163
2015-2019	2,907	1,779	4,686
2020-2024	471	1,238	1,709
2025-2029	777	932	1,709
2030-2034	1,280	430	1,710
Total	$ 8,749	$7,077	$15,826

Notes payable – Sewer Fund:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339,474, beginning January 29, 2003 through January 29, 2022	$ 3,574
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	4,341
Total notes payable – Sewer Fund	$7,915

For the year ended June 30, 2009 (amounts expressed in thousands)

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
2010	666	151	817
2011	679	138	817
2012	692	125	817
2013	705	112	817
2014	718	99	817
2015-2019	3,797	286	4,083
2020-2021	658	21	679
Total	$7,915	$932	$8,847

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation. The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	$6,069	$488
Equipment	4,763	2,727
Subtotal	10,832	3,215
Less: Accumulated Depreciation	(2,330)	(133)
Total	$8,502	$3,082

The future minimum lease obligations as of June 30, 2009 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2010	1,598	497
2011	1,598	497
2012	1,081	446
2013	938	446
2014	703	446
Thereafter	2,140	497
Copiers	585	-
Total Minimum lease payments	8,643	2,829
Less: Amount representing interest		(255)
(rates ranging from 2.5% to 9%)	(1,188)	
Total capital lease payable	$7,455	$2,574

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, 2009:

General long-term obligations:	
Redevelopment Agency	$ 7,033
Certificates of Participation	12,908
Total	$19,941
Enterprise funds:	
Electric	$31,398
Water	8,259
Total	$39,657

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

For the year ended June 30, 2009 (amounts expressed in thousands)

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/09
Tax increment:			
Non-Housing	$42,659	$15,440	2.76
Housing	7,611	2,776	2.74
Electric revenues	117,543	45,286	2.60
Water revenues	25,247	11,201	2.25

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.

Defeasance of Debt:

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

At June 30, 2009, the following amounts are considered defeased:

2001 Electric Revenue Bonds	$9,260,000
2001 Water Revenue Bonds	13,320,000
1993 Sewer Revenue Bonds	17,590,000

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, 2009 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 23 years. The estimated cost of meeting the State's requirements was increased by $4.9 million during 2009 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, 2009, the City has several series of Assessment District Bonds outstanding in the amount of $64,102. 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 $10,385 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

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, at the time of issuance in May 2008, the City entered into interest rate swap agreements in connection with its $198,115 2008 Electric Revenue Bonds (Series A, B, and C) and $61,300 2008 Water Revenue Bonds. Also, in 2008, the City entered into an additional interest rate swap agreement in connection with its $128,300 2008 Certificates of Participation.

For the year ended June 30, 2009 (amounts expressed in thousands)

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

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

As of June 30, 2009 rates were as follows:

	Terms	2008 Water Refunding/ Revenue Bonds Series A Rates	2008 Electric Refunding/ Revenue Bonds Series B Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(2.50962%)	(2.49327%)
Net interest rate swap payments		0.69038%	0.70773%
Variable-rate bond coupon payments		2.72754%	2.79314%
Synthetic interest rate on bonds		3.41792%	3.50087%

	Terms	2008 Electric Refunding/ Revenue Bonds Series C Rates	2008 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(2.48821%)	(2.50897%)
Net interest rate swap payments		0.71579%	0.60203%
Variable-rate bond coupon payments		2.79678%	2.76583%
Synthetic interest rate on bonds		3.51258%	3.36786%

	Terms	COP 2008 Bonds Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.36200%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(1.16340%)
Net interest rate swap payments		2.19860%
Variable-rate bond coupon payments		1.23936%
Synthetic interest rate on bonds		3.43796%

Fair Value: As of June 30, 2009, in connection with all swap arrangements, the transactions had a total negative fair value of <$29,870>. 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, 2009, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan and Merrill Lynch were rated AA+, AA- and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2009, there is no requirement for collateral posting for any of the outstanding swaps.

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

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

For the year ended June 30, 2009 (amounts expressed in thousands)

Swap payments and associated debt: As of June 30, 2009, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable-Rate Bonds			
Fiscal Year Ending June 30	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
2010	$ 1,000	$ 7,305	$ 4,601	$ 12,906
2011	1,025	7,276	4,588	12,889
2012	6,350	7,175	4,505	18,030
2013	6,575	7,071	4,420	18,066
2014	6,800	6,962	4,332	18,094
2015-2019	63,975	30,804	19,688	114,467
2020-2024	75,475	23,494	15,749	114,718
2025-2029	82,650	15,944	10,902	109,496
2030-2034	91,825	7,697	5,567	105,089
2034-2037	49,050	436	504	49,990
Total	$384,725	$114,164	$ 74,856	$573,745

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2009 for the General Fund, Redevelopment Debt Service Fund, COPS Debt Service Fund, Capital Outlay Fund and the Redevelopment Capital Projects Fund consist of the following:

Reserved for:	
Encumbrances	$ 49,926
Interfund receivable	27,465
Debt service	39,109
Prepaid items	314
Notes receivable	527
Fire bond	9,928
Land & improvements held for resale	73,511
Total reserved fund balance	$200,780

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, 2009:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$2,945
	Capital Outlay Fund	10,237
	Unemployment Insurance*	12
	Central Stores *	2,787
		15,981
RDA Capital Projects	RDA Debt Service	3
Nonmajor Governmental Funds	Capital Outlay Fund	12,553
	Nonmajor Governmental Funds	95
		12,648
Total		$28,632

* Internal service funds

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, 2009:

Receivable Fund	Payable Fund	Amount
General	Electric	$12,979
	Redevelopment Capital Projects	745
	Water	5,584
	Sewer	3,572
	Nonmajor Governmental Funds	598
	Nonmajor Enterprise Funds	2,401
	Workers' Compensation *	234
	Central Stores *	246
	Central Garage *	1,106
		27,465

For the year ended June 30, 2009 (amounts expressed in thousands)

Workers' Compensation *	Nonmajor Enterprise Funds	6,881
	General	217
	Redevelopment Capital Projects	5,518
		12,616
Sewer	Redevelopment Capital Projects	10,018
Electric	Redevelopment Capital Projects	5,269
	Central Stores*	650
		5,919
Total		$56,018

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) record the difference between the sales price and original carrying value of an asset that was transferred from the General Fund to the Water Fund (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, 2009:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$29,583
	Water	11,664
	Capital Outlay	7,500
	COPS Debt Service Fund	1,903
		50,650
Redevelopment Debt Service	Nonmajor Governmental Funds	3,185
		3,185
COPS Debt Service Fund	General Fund	7,775
	Redevelopment Debt Service	245
	Capital Outlay	337
	Nonmajor Enterprise Funds	840
		9,197
Capital Outlay	COPS Debt Service Fund	304
		304
Redevelopment Capital Projects	Redevelopment Debt Service	35,991
		35,991
Nonmajor Governmental Funds	Redevelopment Capital Projects	414
	Nonmajor Governmental Funds	1,056
		1,470
Total		$100,797

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Urban Areas Security Initiative Special Revenue Fund ($92), Housing & Community Development Special Revenue Fund ($120), Transportation Capital Projects Fund ($20), Unemployment Compensation Internal Service Fund ($229), and the Public Liability Internal Service Fund ($7,580) at fiscal year end. The deficit in these funds will be primarily reduced based on a rate increase implemented in the subsequent fiscal year. Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years.

13. Litigation

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

The Electric and Water Utilities are defendants in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the

For the year ended June 30, 2009 (amounts expressed in thousands)

Electric and Water Utilities are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

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

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

The City also detected perchlorate in a number of its drinking water wells. While Lockheed Martin has not admitted liability for the presence of perchlorate in the City's wells, Lockheed Martin has agreed to pay for the design, construction, installation, rental and permitting, and to reimburse the City for its operational and maintenance costs associated with perchlorate treatment facilities on certain of the City's drinking water wells, under an agreement between the City and Lockheed Martin dated October 29, 2002 (the "Interim Perchlorate Agreement"). The Interim Perchlorate Agreement has been thrice amended, on November 25, 2003, on February 22, 2005, and on May 31, 2007, with each amendment increasing the number of wells from an original four wells to fourteen wells being treated for perchlorate at Lockheed Martin's expense.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year June 30,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2007	Misc	$11,693	100%	(58,908)
2007	Safety	10,622	100%	(87,813)
2008	Misc	12,457	100%	(58,334)
2008	Safety	11,134	100%	(87,043)
2009	Misc	14,735	100%	(57,548)
2009	Safety	12,543	100%	(85,909)

A total of $143,457 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, 2009 (amounts expressed in thousands)

Determination of Net Pension Asset as of June 30, 2009:

	Misc	Safety
Annual required contribution	$13,949	11,409
Interest on net pension asset	(4,521)	(6,746)
Adjustment to annual required contribution	5,307	7,880
Annual pension cost	14,735	12,543
Less contributions made	(13,949)	(11,409)
Decrease (Increase) in net pension asset	786	1,134
Net pension asset, beginning of year	(58,334)	(87,043)
Net pension asset, end of year	$(57,548)	(85,909)

Schedule of funding for CalPERS:

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/05	$655,642	634,694	20,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2
Misc.	6/30/06	712,551	677,903	34,648	95.1	92,844	37.3
Safety	6/30/06	523,914	498,433	25,481	95.1	53,728	47.4
Misc.	6/30/07*	770,089	731,550	38,539	95.0	102,435	37.6
Safety	6/30/07*	567,733	536,774	30,959	94.5	61,058	50.7

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

Other Post-Employment Benefits
(All amounts are in whole dollars unless otherwise stated)

Plan Description

The City of Riverside (City) contributes to two single-employer defined benefit healthcare plans: a Stipend Plan and the Implied Subsidy Plan. The plans provide other post-employment health care benefits (OPEB) for eligible retirees and beneficiaries.

The Stipend Plan is available to eligible retirees and beneficiaries pursuant to their collective bargaining agreements. The City currently contributes to seven bargaining units through their associations. The following seven associations are responsible for the administration of their individual plans: The Riverside City Fire Association (RCFA), International Brotherhood of Electrical Workers General Trust (IBEW), The Riverside Police Administrator's Association (RPAA), The Riverside Police Association Sergeants Trust 1991 (RPOA 91), The Riverside Police Association Sergeants Trust 2006 (RPOA 06), Service Employee's International Union General Trust (SEIUG), and the Service Employee's International Union Refuse (SEIUR). The RCFA and the RPAA associations are new trusts and the benefit levels are not yet established, therefore the actuarial information was excluded and the actuarial information stated that the ARC for both trusts would be equal to the City's contribution.

The City also provides benefits to retirees in the form of an implied rate subsidy (Implied Subsidy). Under an implied rate subsidy, retirees and current employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees are receiving the benefit of a lower rate.

Benefit provisions for the Stipend Plan for eligible retirees and beneficiaries are established and amended through the various memoranda of understanding (MOU). The MOU's are agreements established between the City and the respective employee associations. The City does not issue separate stand-alone financial reports for the plans, instead financial information for the trust funds can be obtained by contacting the individual association. The benefit summary information is as followed:

For the year ended June 30, 2009 (amounts expressed in thousands)

BENEFIT SUMMARY[1]

Eligibility & Benefit	Trust/Group	Eligibility	Monthly Benefit
	• IBEW	• DOR>7/1/2000 50 & 5, or disability	• $100 until Medicare eligible
	• RPOA 91	• Active on 6/1/90 or bought into plan, 20 yrs as Police officer (15 with City), or industrial disability with 5 yrs City Police service	• DOR<6/1/1990: $75 • DOR>6/1/1990: $150
	• RPOA 06	• DOR>7/1/06, 15 yrs City police service, or industrial disability	• $200
	• SEIUG	• 20 yrs City service or industrial disability with 5 yrs service	• DOR<6/30/90: $50 • DOR>6/30/90: $100
	• SEIUR	• 20 yrs City service or industrial disability with 5 yrs service	• $100

BENEFIT SUMMARY

	Trust/Group	Contribution
▪ Eligibility	▪ Retire directly from City under CalPERS (age 50, 5 years of service or disability), and meet plan eligibility above	
▪ City Contribution	• IBEW	• $50/month for each active
	• RPOA 91	• Initial contribution of $750,000
	• RPOA 06	• $100/month for each active
	• SEIUG	• Each January 1st through 2010, City contributes 0.25% of annual full-time payroll
	• SEIUR	• Each January 1st through 2011, City contributes 0.25% of annual full-time payroll

Funding Policy and Annual OPEB Cost

The contribution requirements of the City for the Stipend Plan are established and may be amended through the memoranda of understanding (MOU) between the City and the unions. The City's contribution is paid on a "pay-as-you-go-basis", which is currently less than the annual required contribution.

Assets Trust Amounts As of Most Recent Actuarial Valuation		
IBEW General Retiree Health Trust	$	204,858
RPOA 1991 Trust		531,376
RPOA 2006 Trust		230,105
SEIU General Retiree Health		1,839,569
SEIU Refuse Retiree Health		30,317
Total	$	2,836,225

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

1 Chart information obtained from the Bartel Associates, LLC Stipend and Implied Subsidy Plans-GASB 45 Actuarial Valuation report dated July 24, 2008.

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

The City's annual OPEB costs for the current year and the related information for each plan are as follows (amounts in thousands):

RESULTS – STIPEND PLANS

Annual Required Contribution (ARC) at 4.5%
2008/09 Fiscal Year
(amounts in 000's)

	IBEW	RPOA 1991 Trust	RPOA 2006 Trust	SEIU General	SEIU Refuse
▪ ARC $					
• Normal Cost[2]	$19	$44	$303	$172	$7
• UAAL Amortization[3]	4	94	150	128	8
• Total	23	138	453	300	15
▪ 2008/09 Payroll	15,326	8,343	27,253	47,621	1,762
▪ ARC as % of payroll					
• Normal Cost	0.1%	0.5%	1.1%	0.4%	0.4%
• UAAL Amortization	0.0%	1.1%	0.6%	0.3%	0.5%
• Total	0.1%	1.6%	1.7%	0.7%	0.9%
▪ Current Contribution					
• $	$123	-	$424	$113[4]	-
• % of payroll	0.8%	-	1.6%	0.24%	-

RESULTS – IMPLIED SUBSIDY

Discount Rate and Amortization Sensitivity
(amounts in 000's)

	4.5%	
▪ **Discount Rate**		
▪ **Amortization Period**	20 Years	30 Years
▪ **Present Value of Benefits[5]**	$75,665	$75,665
▪ **Funded Status[5]**		
• AAL (Accrued Actuarial Liability)	50,430	50,430
• Assets	-	-
• UAAL	50,430	50,430
▪ **2008/2009 ARC[5]**		
• Normal Cost	2,306	2,306
• UAAL Amortization	2,947	2,080
• ARC	5,253	4,386
• ARC as % of payroll	3%	3%

The City's annual OPEB cost (AOC), the contribution, and the net OPEB obligation (NOO) for the year ended June 30, 2009 for each of the plans were as follows (dollar amounts in thousands):

RESULTS – STIPEND PLANS

Estimated Net OPEB Obligation
(amounts in 000's)

4.5% Discount Rate

	IBEW	**RPOA 1991 TRUST**	**RPOA 2006 TRUST**	**SEIU GENERAL**	**SEIU REFUSE**	**Total**
▪ **NOO 6/30/2007**	$ -	$ -	$ -	$ -	$ -	$ -
o AOC[6]	23	138	453	300	15	929
o Contribution	(105)	-	(322)	(113)	(4)	(544)
▪ **NOO 6/30/2008**	$ (82)	$ 138	$ 131	$ 187	$ 11	$ 385
o AOC[5]	23	138	453	300	15	929
o Contribution	(123)	-	(424)	(113)	-	(660)
▪ **Estimated NOO 6/30/2009**	$(182)	$ 276	$ 160	$ 374	$ 26	$ 654

2 Level $

3 Amortized as a level percent of payroll over 30 years

4 Contribution was based on annual projected payroll figures as of January 1, 2009. If actual payroll had been used, contributions would be $119.

5 Based on most recent actuarial valuation performed as of 6/30/08.

6 30 year amortization. Level $ for IBEW, RPOA 1991 & RPOA 2006. Level % of payroll for SEIU General and SEIU Refuse.

RESULTS – IMPLIED SUBSIDY

Estimated Net OPEB Obligation

(amounts in 000's)

	No Pre-Funding 4.5%
▪ **NOO 6/30/2007**	$ -
o 2007/08 ARC[7]	4,386
o Contributions[8]	(1,290)
▪ **NOO 6/30/2008**	$ 3,096
o 2008/09 ARC[9]	4,386
o Contributions[7]	(1,290)
▪ **Estimated NOO 6/30/2009**	$ 6,192

Funding Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information normally provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Based on the most recent actuarial valuation performed on June 30, 2008, the actuarial accrued liability for benefits was $50.4 million. The funded status of the Stipend Plan was as follows (amounts in thousands):

Stipend Plan

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Actuarial Valuation Date	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$ 2,885	$ 12,186	$9,301	06/30/08*	24%	92,643	10%

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

Actuarial Methods and Assumptions

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

ACTUARIAL ASSUMPTIONS				
June 30, 2007 Valuation				
▪ Valuation Date	• June 30, 2007 • Cost for fiscal year 2007/08 (end of year)			
▪ Discount Rate:	• 6.0% Baseline • 4.5% Assets invested conservatively • 7.75% Pre-funded with CalPERS CERBT – diversified and irrevocable trust			
▪ General Inflation	• 3.0%			
▪ Aggregate Payroll Increases	• 3.25%			
▪ Retirement	• CalPERS 1997-2002 Experience Study			
		Misc	Fire	Police
	Level	2.7%@55	3%@50	3%@50
	Hire Age	34	27	27
	Exp. Ret. Age	60 (M) 59 (F)	56	54
▪ Mortality, Termination, & Disability	• CalPERS 1997-2002 Experience Study			

7 UAAL amortized as a level percent of payroll over 30 years.
8 Includes benefit payments.
9 Based on most recent actuarial valuation performed as of 6/30/08.

For the year ended June 30, 2009 (amounts expressed in thousands)

▪ Medicare Eligible Rate	• 100%
▪ Plan Assets	▪ Market value of assets ▪ No smoothing
▪ Cost Method	▪ Entry Age Normal • As a level % of pay: ➢ SEIU General ➢ SEIU Refuse • As a level $ amount: ➢ IBEW Trust ➢ RPOA 1991 Trust ➢ RPOA 2006 Trust ▪ Acceptable under GASB 27
▪ Amortization Period	▪ 30 years ▪ 20 years -- sensitivity
▪ Amortization Method	▪ Level Percent of Payroll (same as CalPERS) ▪ Level Dollar Amount
▪ Future New Entrants	▪ None – Closed Group

15. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2008-09 and 2007-08 fiscal years, the Electric Utility paid approximately $17,792 and $17,074, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

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

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station (PV)	5.40%	11.7MW
Southern Transmission System (STS)	10.20%	195.0MW
Hoover Dam Uprating (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	12.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long–term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 3.0 percent to 6.38 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

Fiscal Year	IPA	SCPPA PV	SCPPA STS	SCPPA Hoover	SCPPA MPP	SCPPA MAT	Total
2010	$19,926	$ 692	$ 6,457	$ 708	$ 229	$ 2,454	$ 30,466
2011	25,742	662	7,538	708	319	3,100	38,069
2012	23,323	666	7,936	706	318	3,090	36,039
2013	20,116	669	9,614	704	318	3,087	34,508
2014	22,918	672	8,764	705	318	3,092	36,469
Thereafter	165,263	2,725	102,231	2,803	1,826	20,653	295,501
Total	$277,288	$ 6,086	$142,540	$ 6,334	$ 3,328	$35,476	$471,052

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

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

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2009 and 2008, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPP	Hoover	Total
2009	$28,010	$3,044	$1,975	$ 243	$ 121	$ 81	$33,474
2008	27,759	2,758	2,181	248	97	88	33,131

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

B. Other Commitments

Power Purchase Agreements:

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

Minimum Obligations 2009-2010

Supplier	Capacity	Energy	Total
Deseret	$1,732	$1,143	$2,875
BPA (two agreements)	1,096	-	1,096
Total	$2,828	$1,143	$3,971

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 which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret $25,000 from Electric fund reserves, which is reflected on the Balance Sheets as Deferred purchased power. On July 1, 2002, the Electric Utility began to amortize the $25,000, and will continue to amortize the remaining balance over the term of the agreement using the straight-line method.

As of June 30, 2009 and 2008, Deferred purchased power was $1,670 and $5,011, respectively, and the Utility had recorded amortization of $3,341 in both fiscal years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. The second BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

On June 6, 2003 and July 8, 2003, the Public Utilities Board and the City Council respectively, adopted a RPS to increase procurement of renewable resources to reach a target of 20% of the Utility's energy by 2015. On March 16, 2007, the Public Utilities Board approved a new RPS, increasing the targets to 20% and 25% by 2010 and 2015, respectively. On May 4, 2007, the Public Utilities added an additional target of 33% by 2020.

For the year ended June 30, 2009 (amounts expressed in thousands)

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

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2009
Wintec	Wind	8.0MW	11/10/2021	233
Salton Sea Power	Geothermal	20.0MW	5/31/2020	22,123
Total		28.0MW		$22,356

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

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

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with capacity available upon completion of Wintec's Facility II Wind Turbine Project.

On June 19, 2008 and December 12, 2008, the City of Riverside entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC for geothermal power. The contract term is for 30 years with an estimated start date in late 2011 and will provide a combined 96 MW of geothermal energy.

Construction Commitments:

As of June 30, 2009, the Electric Utility had major commitments of approximately $17,207, with respect to unfinished capital projects, of which $16,560 is expected to be funded by bonds and $647 funded by rates.

As of June 30, 2009, the Water Utility had major commitments of approximately $8,663 with respect to unfinished capital projects, of which $8,000 is expected to be funded by bonds and $663 funded by rates.

C. Jointly-Owned Utility Project

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

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 costs to replace the SGs is $680,000, of which approximately $12,200 would represent the City's share. Replacement of the SGs is expected to enable plant operations through at least 2022, and perhaps beyond if Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, Anaheim has opted not to participate. During 2006, the FERC, Nuclear Regulatory Commission and the California Public Utility Commission (CPUC) approved the transfer of Anaheim's shares to SCE, and as a result, SCE's ownership was increased to 78.21 percent in units 2 and 3 of SONGS.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled $146,027 and $142,120 for fiscal years ended June 30, 2009 and 2008, respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. As a result, all acquisitions are now depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to $120,549 and $114,511 for the fiscal years ended June 30, 2009 and 2008, respectively. The Electric Utility made provisions for future decommissioning costs of $1,581 for both fiscal years plus earnings on the Decommissioning Trust Fund of $2,968 and $2,336 for fiscal years June 30, 2009 and June 30, 2008, respectively (see Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

16. Uncertainty Relating to the State of California's Budget Deficit

The State of California continues to have significant financial challenges and remains an ongoing uncertainty for the City as they continue to look to local municipalities to assist with closing their budget gap. When adopting its budget for fiscal year 2009-10, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2009-10 and 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time. The specific impact on the City's redevelopment agency would be to re-direct $17 million from the redevelopment agency to offset a portion of the State budget deficit.

17. Subsequent Events

On August 6, 2009, the City issued the 2009 Sewer Revenue Bonds in the amount of $240,910. The bonds were issued to reimburse certain previously incurred improvement costs and to finance certain capital projects of the City's sewer system. Interest on the bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2010. The rate of interest varies from 4.0% to 7.2% per annum depending on maturity date. Principal is payable in annual installments ranging from $6,760 to $109,130 commencing August 1, 2012 and ending August 1, 2039.