1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1967 by the City. The Redevelopment Agency's primary purpose 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 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following major governmental funds:

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

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

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 self-insurance, central stores and central garage 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.

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

<u>Capital Assets</u>

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

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

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. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

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

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The Utility has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

L. Long-Term Obligations

Long-Term Debt

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

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

Decommissioning

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

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside $63,552 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

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

N. Fund Equity

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

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council. No amounts have been reported within this category of fund balance.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. The authority to assign fund balance has been delegated by City Council to the City's chief financial officer.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

O. Net Assets

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

P. Interfund Transactions

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

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

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

Q. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The majority of the City’s governmental fund unearned revenue for June 30, 2011 relates to unearned revenue on a capital lease. See Note 4.

R. Property Tax Calendar

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

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

S. Use of Estimates

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

T. Implementation of New GASB Pronouncement

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. This new accounting standard enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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.

For the year ended June 30, 2011 (amounts expressed in thousands)

3. Cash and Investments

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

Investments	$ 435,250
Investments at fiscal agent	629,218
	1,064,468
Cash on hand and deposits with financial institutions	369
Non-negotiable certificates of deposit	13,364
	$1,078,201

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

Cash and investments	$ 410,670
Restricted cash and cash equivalents	36,295
Restricted cash and investments at fiscal agent	613,619
Total per statement of net assets	1,060,584
Fiduciary fund cash and investments	17,617
	$1,078,201

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

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

Authorized Investments

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

	Max 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%
Local Agency Bonds	N/A	N/A

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

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

Investments Authorized by Debt Agreements

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

Securities of the U.S. Government and its sponsored agencies
Bankers' Acceptances rated in the single highest classification
Commercial Paper rated in the single highest classification
Investments in money market funds rated in the single highest classification

For the year ended June 30, 2011 (amounts expressed in thousands)

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	$ 30,009	$ 30,009	$ -	$ -	$ -
Federal Agency Securities	192,084	16,635	71,238	104,211	-
Corp Medium Term Notes	51,954	10,122	15,669	26,163	-
Local Agency Bonds	33,300	-	-	-	33,300
State Investment Pool	123,329	123,329	-	-	-
Negotiable CDs	4,574	-	248	4,326	-
Held by Fiscal Agent					
Money Market Funds	29,570	29,570	-	-	-
State Investment Pool	90,631	90,631	-	-	-
Investment Contracts	414,871	150,493	76,260	173,403	14,715
Commercial Paper	5,261	5,261	-	-	-
Fed Agency Securities	64,582	3,416	15,017	26,817	19,332
Corp Med Term Notes	24,303	1,230	3,154	11,674	8,245
Total	$1,064,468	$460,696	$181,586	$346,594	$75,592

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	Unrated
Money Market Funds	$ 30,009	$ 19,498	$10,511	$ -	$ -
Federal Agency Securities	192,084	192,084	-	-	-
Corp Medium Term Notes	51,954	51,954	-	-	-
Local Agency Bonds	33,300	-	-	-	33,300
State Investment Pool	123,329	-	-	-	123,329
Negotiable CDs	4,574	-	-	-	4,574
Held by Fiscal Agent					
Money Market Funds	29,570	13,958	-	-	15,612
State Investment Pool	90,631	-	-	-	90,631
Investment Contracts	414,871	-	-	-	414,871
Commercial Paper	5,261	-	-	5,261	-
Fed Agency Securities	64,582	64,582	-	-	-
Corp Med Term Notes	24,303	-	18,573	5,730	-
Total	$1,064,468	$342,076	$29,084	$10,991	$682,317

Concentration on Credit Risk

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

Issuer	Investment Type	Reported Amount
Trinity Funding	Investment Contract	$249,105
Deutsche Bank Securities Inc.	Investment Contract	$140,257

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., brokerdealer) 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.

For the year ended June 30, 2011 (amounts expressed in thousands)

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:

2012	$ 2,413
2013	2,443
2014	2,473
2015	2,507
2016	2,533
Thereafter	24,227
Total Due	36,596
Less: amount applicable to interest	(13,171)
Total capital lease receivable	$23,425

5. Capital Assets

Below and on the following page is a summary of changes in the capital assets during the fiscal year ended June 30, 2011.

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not depreciated:				
Land	$ 280,446	$ 10,246	$ -	$ 290,692
Construction in progress	45,206	23,124	(44,768)	23,562
Total capital assets not depreciated	325,652	33,370	(44,768)	314,254
Capital assets being depreciated:				
Buildings	165,017	84	-	165,101
Improvements other than Buildings	159,501	43,410	-	202,911
Machinery and Equipment	75,442	2,694	(3,633)	74,503
Infrastructure	800,754	48,336	-	849,090
Total capital assets being depreciated	1,200,714	94,524	(3,633)	1,291,605
Less accumulated depreciation for:				
Buildings	(37,596)	(4,186)	-	(41,782)
Improvements other than Buildings	(41,168)	(7,142)	-	(48,310)
Machinery and Equipment	(51,015)	(6,983)	3,249	(54,749)
Infrastructure	(227,755)	(18,947)	-	(246,702)
Total accumulated depreciation	(357,534)	(37,258)	3,249	(391,543)
Total capital assets being depreciated, net	843,180	57,266	(384)	900,062
Governmental activities capital assets, net	$1,168,832	$90,636	$(45,152)	$1,214,316

For the year ended June 30, 2011 (amounts expressed in thousands)

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not depreciated:				
Land	$ 34,820	$ 155	$ (70)	$ 34,905
Intangibles	6,307	9,821	-	16,128
Construction in progress	169,473	159,221	(221,045)	107,649
Total capital assets not depreciated	210,600	169,197	(221,115)	158,682
Capital assets being depreciated:				
Buildings	236,280	5,462	-	241,742
Improvements other than Buildings	1,293,535	208,155	(3,597)	1,498,093
Machinery and Equipment	66,405	7,431	(7,636)	66,200
Total capital assets being depreciated	1,596,220	221,048	(11,233)	1,806,035
Less accumulated depreciation for:				
Buildings	(91,506)	(5,658)	1	(97,163)
Improvements other than Buildings	(458,296)	(36,967)	3,067	(492,196)
Machinery and Equipment	(36,830)	(6,250)	5,994	(37,086)
Total accumulated depreciation	(586,632)	(48,875)	9,062	(626,445)
Total capital assets being depreciated, net	1,009,588	172,173	(2,171)	1,179,590
Business type activities capital assets, net	$1,220,188	$341,370	$(223,286)	$1,338,272

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	$ 4,548
Public safety	4,361
Highways and streets, including depreciation of general infrastructure assets	20,502
Culture and recreation	7,847
Total depreciation expense – governmental activities	$37,258

Business type activities:	
Electric	$27,690
Water	11,386
Sewer	6,379
Refuse	1,373
Special Transportation	561
Airport	620
Public Parking	866
Total depreciation expense – business type activities	$48,875

6. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$278,867	$ 65,000	$ 38,672	$305,195	$ 7,240
General Obligation Bonds	17,533	-	688	16,845	725
Pension Obligation Bonds	136,050	30,775	34,730	132,095	35,555
Certificates of Participation	211,212	-	3,966	207,246	4,750
Capital leases	6,303	2,000	1,633	6,670	1,340
Notes Payable	8,191	-	442	7,749	588
Commercial Loan	1,100	9,100	9,100	1,100	-
Compensated Absences	20,101	7,836	6,784	21,153	7,100
Claims liability	25,541	10,576	9,502	26,615	9,900
Net OPEB Obligation	5,790	2,962	944	7,808	-
Total	$710,688	$128,249	$106,461	$732,476	$67,198

For the year ended June 30, 2011 (amounts expressed in thousands)

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$968,393	$242,732	$ 139,571	$1,071,554	$25,485
Loan Payable	-	45,569	-	45,569	1,428
Notes Payable	7,249	25,000	1,071	31,178	1,499
Capital Leases	2,151	-	431	1,720	395
Landfill Capping	7,380	-	465	6,915	200
Arbitrage Liability	27	75	-	102	-
Water Stock Acquisition Rights	949	-	2	947	150
Net OPEB Obligation	4,063	2,352	790	5,625	-
Total	$990,212	$315,728	$ 142,330	$1,163,610	$29,157

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.

Long-Term Obligations at June 30, 2011:

Revenue Bonds:	Principal Outstanding
Electric	
$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 and 2009, with final maturity in 2013).	$ 7,525
$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.	23,665
$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.	13,125
$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from $1,325 to $8,560 through October 1, 2035.	140,965
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $125 to $24,960 through October 1, 2038.	209,740
$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from $450 to $6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	27,425
$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 4.9%, due in annual installments from $2,300 to $33,725 through October 1, 2040.	140,380
$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from $725 to $5,175 through October 1, 2035.	56,450
Subtotal	619,275
Add: Unamortized bond premium	10,091
Less: Unamortized deferred bond refunding costs	(13,813)
	$615,553
Water	
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $585 through October 1, 2031 (partially advance refunded in 2005 and 2009, with final maturity in 2014).	$ 1,470

For the year ended June 30, 2011 (amounts expressed in thousands)

$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	58,235
$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from $500 to $3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.	31,370
$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.33% to 4.13%, due in annual installments from $2,475 to $4,985 through October 1, 2039.	67,790
$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from $800 to $3,950 through October 1, 2035.	59,000
Subtotal	217,865
Add: Unamortized bond premium	4,797
Less: Unamortized deferred bond refunding costs	(9,802)
	$212,860

Sewer

$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from $5,555 to $13,350 through August 1, 2039.	$240,910
Add: Unamortized bond premium	2,231
	$243,141
Total Revenue Bonds	$1,071,554

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

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	$ 20,940	$ 26,531	$ 47,471	$ 4,545	$ 8,840	$ 13,385
2013	21,905	25,551	47,456	4,695	8,678	13,373
2014	20,685	24,543	45,228	4,870	8,487	13,357
2015	14,480	23,745	38,225	5,015	8,276	13,291
2016	15,415	23,113	38,528	5,260	8,046	13,306
2017-2021	68,380	108,340	176,720	28,175	36,753	64,928
2022-2026	81,705	94,398	176,103	33,990	30,773	64,763
2027-2031	99,720	75,736	175,456	41,110	23,417	64,527
2032-2036	122,650	51,670	174,320	49,955	14,296	64,251
2037-2041	153,395	19,753	173,148	40,250	3,234	43,484
Premium (Discount)	10,091	-	10,091	4,797	-	4,797
Refunding Costs	(13,813)	-	(13,813)	(9,802)	-	(9,802)
Total	$615,553	$473,380	$1,088,933	$ 212,860	$150,800	$363,660

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2012	$ -	$ 10,847	$ 10,847
2013	6,760	10,712	17,472
2014	7,035	10,436	17,471
2015	7,325	10,149	17,474
2016	7,660	9,811	17,471
2017-2021	39,810	43,746	83,556
2022-2026	31,900	36,416	68,316
2027-2031	40,050	28,260	68,310
2032-2036	50,520	17,796	68,316
2037-2041	49,850	4,802	54,652
Premium	2,221	-	2,221
Total	$243,131	$182,975	$426,106

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).	$ 130

For the year ended June 30, 2011 (amounts expressed in thousands)

$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; $6,205 serial bonds, 3.4% to 4.7% due in annual installments from $40 to $570 through August 1, 2014; $4,810 term bonds at 4.75% due August 1, 2021; and $6,010 term bonds at 5.0% due August 1, 2027.	12,950
$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.	4,700
$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.	14,395
$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.	4,310
$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024.	2,385
$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.	20,710
$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.	3,540
$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.	31,285
$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.	20,555
$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.	8,280
$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.	675
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due August 1, 2017; $10,800 term bonds at 5.8% due August 1, 2028.	13,785
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through August 1, 2025; $17,955 term bonds at 4.5% due August 1, 2030; $47,775 term bonds at 5.0% due August 1, 2037.	88,675
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter	

For the year ended June 30, 2011 (amounts expressed in thousands)

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.	39,210
$5,000 Magnolia Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from $80 to $920 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool.	1,000
$17,700 University Corridor/Sycamore Canyon Merged Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from $845 to $3,480 through November 1, 2037. The bonds were purchased by the City and are held in the City's investment pool.	10,000
$17,300 Downtown/Airport/Hunter Park/Northside Merged Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from $285 to $1,365 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool.	17,300
$20,000 La Sierra/Arlanza Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds Series A; Interest at the rate of 5% per annum paid semi-annually on May 1 and November 1, commencing May 1, 2012. Bonds are due in annual installments from $1,870 to $3,130 through November 1, 2041. The bonds were purchased by the City and are held in the City's investment pool.	5,000
Subtotal	298,885
Add: Unamortized bond premium	5,956
Add: Unamortized deferred bond refunding costs	354
Total Redevelopment Agency Bonds	$305,195

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

Fiscal Year	Principal	Interest	Total
2012	$ 7,240	$ 15,417	$ 22,657
2013	7,575	14,415	21,990
2014	7,930	14,073	22,003
2015	8,310	13,712	22,022
2016	8,520	13,330	21,850
2017-2021	52,430	59,516	111,946
2022-2026	65,955	43,997	109,952
2027-2031	56,480	28,092	84,572
2032-2036	51,730	14,875	66,605
2037-2041	27,300	3,468	30,768
2042-2046	5,415	135	5,550
Premium	5,956	-	5,956
Refunding Costs	354	-	354
Total	$305,195	$221,030	$526,225

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.	$16,640
Add: Unamortized bond premium	205
Total General Obligation Bonds	$16,845

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
2012	$ 725	$ 766	$ 1,491
2013	780	737	1,517
2014	840	706	1,546
2015	900	671	1,571
2016	965	634	1,599
2017-2021	6,015	2,438	8,453
2022-2025	6,415	724	7,139
Premium	205	-	205
Total	$16,845	$6,676	$23,521

For the year ended June 30, 2011 (amounts expressed in thousands)

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.	$ 77,055
$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.	24,265
$30,775 2011 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2011 was 1.33%, $30,775 due June 1, 2012.	30,775
Total Pension Obligation Bonds	$132,095

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
2012	$ 35,555	$ 5,901	$ 41,456
2013	5,475	5,357	10,832
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016	7,930	4,391	12,321
2017-2021	49,410	14,442	63,852
2022-2023	20,445	1,837	22,282
Total	$132,095	$41,767	$173,862

Certificates of Participation:	Principal Outstanding
$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.	$45,340
$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; issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see note 9. Due in annual installments from $2,900 to $7,200 through March 1, 2037.	125,400
$20,660 2010 Recovery Zone Facility Hotel Project Certificates of Participation; 4.0% to 5.5%, due in annual installments from $415 to $1,410 through March 1, 2040.	20,660
Subtotal	211,345
Add: Unamortized bond premium	727
Less: Unamortized deferred bond refunding costs	(4,826)
Total Certificates of Participation	$207,246

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
2012	$ 4,750	$ 8,326	$ 13,076
2013	4,920	8,155	13,075
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016	5,990	7,560	13,550
2017-2021	33,490	34,172	67,662
2022-2026	39,675	26,930	66,605
2027-2031	46,730	18,453	65,183
2032-2036	51,335	8,264	59,599
2037-2040	13,690	950	14,640
Premium	727	-	727
Refunding Costs	(4,826)	-	(4,826)
Total	$207,246	$128,574	$335,820

For the year ended June 30, 2011 (amounts expressed in thousands)

Loan Payable – Electric Fund:	Principal Outstanding
The City entered into the Clearwater Power Plant Purchase and Sale Agreement dated March 3, 2010 with the City of Corona for the acquisition of Clearwater Cogeneration Facility (Clearwater) located in Corona. The total purchase price for Clearwater is $46,569, and will be funded through a series of semi-annual payments ranging from $1,158 to $2,664 through 2013, and $182 to $413 in 2014 and 2015. In addition, two payments of $36,406 and $7,367 are due in 2013 and 2015, respectively, and will be funded primarily from bond proceeds.	$45,569

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, subject to recording of completion.	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	1,740
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	2,695
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	$ 7,749

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
2012	$ 588	$ 544	$ 1,132
2013	636	513	1,149
2014	1,011	503	1,514
2015	743	440	1,183
2016	782	346	1,128
2017-2021	1,461	1,596	3,057
2022-2026	471	1,238	1,709
2027-2031	777	933	1,710
2032-2036	1,280	430	1,710
Total	$ 7,749	$6,543	$14,292

Notes payable – Enterprise Funds:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339, beginning January 29, 2003 through January 29, 2021	$3,038
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477, beginning November 6, 1999 through November 6, 2018	3,532
Public parking fund loan from City National Bank for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011 through December 16, 2031	24,608
Total notes payable – Enterprise Funds	$31,178

For the year ended June 30, 2011 (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
2012	$ 692	$ 125	$ 817
2013	705	112	817
2014	718	99	817
2015	731	86	817
2016	745	72	817
2017-2021	2,979	150	3,129
Total	$6,570	$644	$7,214

	Public Parking Fund		
Fiscal Year	Principal	Interest	Total
2012	$ 807	$ 940	$ 1,747
2013	838	909	1,747
2014	871	876	1,747
2015	905	842	1,747
2016	940	807	1,747
2017-2021	5,277	3,457	8,734
2022-2026	6,386	2,348	8,734
2027-2031	7,727	1,007	8,734
2032	857	17	874
Total	$24,608	$11,203	$35,811

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$947

Commercial Loan:

The City has a $20,000 commercial loan with City National Bank, which is being used to purchase, rehabilitate and resell foreclosed homes. As of June 30, 2011, the City had borrowed $1,100 and had $18,900 available for future borrowing. The interest rate is based on “prime” less 75 basis points, which was 2.5% as of June 30, 2011. Interest is paid monthly. Principal is due in full on July 1, 2012.

Current Year Refundings:

On April 28, 2011, $56,450 of Electric Refunding/Revenue Series A Bonds were sold with an all-in true interest cost of 3.89% to refund $56,450 of previously outstanding 2008 Electric Refunding/Revenue Series B Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $193. The difference is being charged to operations using the proportional method.

On May 26, 2011, $59,000 of Water Refunding/Revenue Series A Bonds were sold with an all-in true interest cost of 3.33% to refund $59,000 of previously outstanding 2008 Water Refunding/Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $434. The difference is being charged to operations using the proportional method.

Capital Leases:

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

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	$1,103	$ -
Equipment	5,595	2,763
Subtotal	6,698	2,763
Less: Accumulated depreciation	(1,789)	(579)
Total	$4,909	$2,184

For the year ended June 30, 2011 (amounts expressed in thousands)

The future minimum lease obligations as of June 30, 2011 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2012	$1,568	$ 442
2013	1,425	442
2014	1,190	442
2015	1,098	428
2016	1,099	65
Thereafter	744	-
Copiers	319	29
Total Minimum lease payments	7,443	1,848
Less: Amount representing interest (rates ranging from 2.5% to 9%)	(773)	(128)
Total capital lease payable	$6,670	$1,720

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, 2011:

General long-term obligations:	
Redevelopment Agency	$ 7,034
Certificates of Participation	13,765
Total	$20,799
Enterprise funds:	
Electric	$22,237
Water	5,684
Sewer	20,142
Total	$48,063

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 on the following page. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/11
Tax increment:			
Non-Housing	$39,165	$15,372	2.55
Housing	6,997	2,771	2.53
Electric revenues	106,299	48,116	2.21
Water revenues	49,108	14,063	3.49
Sewer revenues	10,197	817	12.48

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, 2011, the following amounts are considered defeased:

2001 Electric Revenue Bonds	$17,600
2001 Water Revenue Bonds	14,995
1993 Sewer Revenue Bonds	9,265

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, 2011 was 100%.

For the year ended June 30, 2011 (amounts expressed in thousands)

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 22 years.

7. Risk Management

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

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

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

Unpaid Claims, June 30, 2009	$24,958
Incurred claims (including IBNR's)	11,047
Claim payments and adjustments	(10,464)
Unpaid Claims, June 30, 2010	25,541
Incurred claims (including IBNR's)	10,576
Claim payments and adjustments	(9,502)
Unpaid Claims, June 30, 2011	$26,615

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2011, the City has several series of Assessment District Bonds outstanding in the amount of $53,667. 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 $8,610 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. Derivative Instruments

Interest Rate Swaps

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

For the year ended June 30, 2011 (amounts expressed in thousands)

Below is a summary of the derivative activity for the year ended June 30, 2011:

	Notional Amount	Fair Value as of 6/30/11	Change in Fair Value for Fiscal Year
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(14,822)	3,831
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	84,515	(7,028)	1,719
2008 Electric Refunding/Revenue Bonds Series C	57,325	(5,108)	1,569
2011 Electric Refunding/Revenue Bonds Series A	56,450	(5,080)	1,569
2011 Water Refunding/Revenue Bonds Series A	59,000	(5,448)	1,682

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

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

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

As of June 30, 2011 rates were as follows:

	Terms	2011 Water Refunding/ Revenue Bonds Series A Rates	2011 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(0.24207%)	(0.24534%)
Net interest rate swap payments		2.95793%	2.95566%
Variable-rate bond coupon payments		0.22550%	0.14349%
Synthetic interest rate on bonds		3.18343%	3.09915%

	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	(0.59206%)	(0.58955%)
Net interest rate swap payments		2.61194%	2.52145%
Variable-rate bond coupon payments		0.58498%	0.58891%
Synthetic interest rate on bonds		3.19692%	3.11036%

	Terms	COP 2008 Bonds Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.36200%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(0.57662%)
Net interest rate swap payments		2.78538%
Variable-rate bond coupon payments		0.62476%
Synthetic interest rate on bonds		3.41014%

For the year ended June 30, 2011 (amounts expressed in thousands)

Fair Value: As of June 30, 2011, in connection with all swap arrangements, the transactions had a total negative fair value of <$37,486>. 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, 2011, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase & Co. and Merrill Lynch were rated A+, A+ and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2011, there is no requirement for collateral posting for any of the outstanding swaps.

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

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

Swap payments and associated debt: As of June 30, 2011, 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
2012	$ 6,450	$ 1,825	$ 10,511	$ 18,786
2013	6,675	2,688	17,165	26,528
2014	6,900	2,656	16,978	26,534
2015	8,975	2,623	16,784	28,382
2016	16,700	2,581	16,535	35,816
2017-2021	68,850	12,520	80,400	161,770
2022-2026	76,300	10,820	71,045	158,165
2027-2031	85,415	8,497	58,921	152,833
2032-2036	98,350	5,585	43,860	147,795
2037	7,200	45	201	7,446
Total	$381,815	$49,840	$332,400	$764,055

10. Economic Contingency

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

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.
The following table shows amounts receivable/payable between funds within the City at June 30, 2011:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 1,851
	Capital Outlay Fund	30,124
	Nonmajor Enterprise Funds	5
		31,980
Electric	Central Stores *	4,195
Total		$36,175

* Internal service fund

For the year ended June 30, 2011 (amounts expressed in thousands)

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

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2011:

Receivable Fund	Payable Fund	Amount
General	Electric	$12,381
	Redevelopment Capital Projects	704
	Water	5,327
	Sewer	3,408
	Nonmajor Governmental Funds	578
	Nonmajor Enterprise Funds	2,290
	Self-Insurance Trust *	223
	Central Stores *	234
	Central Garage *	1,055
		26,200
COPS Debt Service Fund	Redevelopment Capital Projects	7,410
Nonmajor Governmental	Redevelopment Capital Projects	20,571
Self-Insurance Trust *	Nonmajor Enterprise Funds	1,524
	General	435
	Nonmajor Governmental Funds	3,538
	Redevelopment Capital Projects	6,478
		11,975
Sewer	Redevelopment Capital Projects	18,439
Electric	Redevelopment Capital Projects	5,558
Total		$90,153

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 capital assets transferred between funds, (4) transfer properties to the General Fund to be held as security for advances owed by the Redevelopment Capital Project Fund, (5) 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, 2011:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$33,070
	Water	5,847
	Redevelopment Capital Project	78,896
	Nonmajor Governmental Funds	3,535
		121,348
Redevelopment Debt Service	Redevelopment Capital Project	32,041
	Nonmajor Governmental Funds	3,176
	Nonmajor Enterprise Funds	152
		35,369
COPS Debt Service Fund	General Fund	7,222
	Redevelopment Capital Project	210
	Redevelopment Debt Service	245
	Nonmajor Governmental Funds	3,460
	Nonmajor Enterprise Funds	840
		11,977
Redevelopment Capital Projects	General Fund	108
	Redevelopment Debt Service	28,246
	Nonmajor Governmental Funds	1,200
		29,554
Nonmajor Governmental Funds	General Fund	2,209
	Redevelopment Capital Project	1,200
	Nonmajor Governmental Funds	12,974
		16,383

For the year ended June 30, 2011 (amounts expressed in thousands)

Electric	Redevelopment Capital Project[1]	5,531
Water	Electric	17,114
Total		$237,276

[1] The Electric Fund transferred capital assets with an original carrying value of $27 to the Redevelopment Capital Projects Fund for $5,558. The difference in interfund transfers at the fund level is due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds.

12. Deficit Fund Balances/Net Assets

Deficit net assets exist in the Self-Insurance Internal Service Trust Fund ($13,554). The deficit in this fund will be primarily reduced based on a rate increase implemented in the subsequent fiscal year. Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years.

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 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.

14. City Employees Retirement Plan

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

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City 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, 2008 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 effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

For the year ended June 30, 2011 (amounts expressed in thousands)

Three-year trend information for CalPERS:

Fiscal Year June 30,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2009	Misc	$14,735	94.7%	(57,548)
2009	Safety	12,543	91.0%	(85,909)
2010	Misc	16,463	93.8%	(56,529)
2010	Safety	13,949	89.0%	(84,369)
2011	Misc	16,888	92.4%	(55,253)
2011	Safety	14,956	86.7%	(82,379)

A total of $137,632 of net pension assets is included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets is amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period.

Determination of Net Pension Asset as of June 30, 2011:

	Misc	Safety
Annual required contribution	$ 15,612	12,966
Interest on net pension asset	(4,381)	(6,539)
Adjustment to annual required contribution	5,657	8,529
Annual pension cost	16,888	14,956
Less contributions made	(15,612)	(12,966)
Decrease in net pension asset	1,276	1,990
Net pension asset, beginning of year	(56,529)	(84,369)
Net pension asset, end of year	$(55,253)	(82,379)

Schedule of funding for CalPERS:

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

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

15. Other Post-Employment Benefits

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

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

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

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2011 was $5,617, which consisted of normal cost of $2,852 and UAAL amortization of $2,765. The ARC as a percentage of payroll was 3% for the year ended June 30, 2011.

As of June 30, 2009, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $54.9 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $54.9 million.

For the year ended June 30, 2011 (amounts expressed in thousands)

Determination of the Net OPEB Obligation as of June 30, 2011:

Annual required contribution	$ 5,617
Interest on net OPEB obligation	443
Amortization of net OPEB obligation	(746)
Annual benefit pension cost	5,314
Less contributions made	(1,734)
Increase in net OPEB obligation	3,580
Net OPEB liability, beginning of year	9,853
Net OPEB liability, end of year	$13,433

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.50%, (b) 3% inflation, (c) projected salary increases of 3.25% annually and (d) healthcare cost trend rates ranging from 4.5% to 9.4%.

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

Three-year trend information:

Fiscal Year June 30,	ARC	Actual Contributions	% of ARC Contributed
2009	$4,386	$1,290	29%
2010	5,291	1,440	27%
2011	5,617	1,734	31%

Fiscal Year June 30,	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2009	$4,386	29%	6,192
2010	5,101	28%	9,853
2011	5,314	33%	13,433

16. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

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 2010-11 and 2009-10 fiscal years, the Electric Utility paid approximately $18,725 and $15,151, 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%	12.3MW
Southern Transmission System (STS)	10.20%	244.0MW
Hoover Dam Uprating (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	18.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

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

Interest rates on the outstanding debt associated with the take-or-pay obligations range from variable rates from 0.03 percent to 3.00 percent and fixed rates from 1.0 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.

		SCPPA					
Fiscal Year	IPA	PV	STS	Hoover	MPP	MAT	Total
2011	$ 22,118	$ 666	$ 4,680	$ 706	$ 318	$ 3,090	$ 31,578
2012	20,017	669	9,478	704	318	3,087	34,273
2013	22,712	672	8,544	705	318	3,092	36,043
2014	21,154	676	8,565	703	266	3,064	34,428
2015	23,942	680	8,595	702	273	3,061	37,253
Thereafter	118,538	1,369	81,235	1,399	1,287	14,528	218,356
Total	$228,481	$ 4,732	$121,097	$ 4,919	$ 2,780	$29,922	$391,931

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	2027
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, 2011 and 2010, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPP	Hoover	Total
2011	$29,530	$2,792	$2,460	$ 298	$ 43	$ 100	$35,223
2010	$27,458	$2,991	$1,779	$ 265	$ 40	$ 68	$32,601

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

B. Other Commitments

Power Purchase Agreements:

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

The Electric Utility had an agreement with Deseret 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.

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

For the year ended June 30, 2011 (amounts expressed in thousands)

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.

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 2011
Wintec	Wind	8.0MW	11/10/2021	$ 198
Salton Sea Power	Geothermal	46.0MW	5/31/2020	21,139
Total		54.0MW		$21,337

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

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

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

On June 19, 2008, and December 12, 2008, respectively the City of Riverside entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC (Renaissance). The contract term for each agreement is 30 years, and provides a combined 96 megawatts of geothermal energy. Like the majority of renewable projects, Renaissance continues to experience difficulty securing financing due to the meltdown in the financial markets. In November 2010, the City entered into the Amended and Restated PPA I and terminated PPA II. The Amended and Restated PPA I reduced the geothermal power deliveries from 64 MW to 46 MW with the new commercial operation date extended to April 1, 2014. Measurable milestone dates and enforceable agreement termination "off-ramps" for the City were built into this agreement to allow the City the unilateral ability to terminate the Amended and Restated PPA I. On February 15, 2011 Shoshone Renaissance failed the first milestone as established in the Amended and Restated PPA I. The City notified Shoshone Renaissance in March 2011 of the City's intent to terminate the Amended and Restated PPA I by April 1, 2011 and provided an opportunity to Shoshone Renaissance to cure its failure to reach the first milestone. However, Shoshone Renaissance failed to provide evidence to cure its default by April 1, 2011. Thus, the City provided the final termination notice to Shoshone Renaissance and the Amended and Restated PPA I was terminated on April 1, 2011.

Construction Commitments:

As of June 30, 2011, the Electric Utility had major commitments of approximately $19,290, with respect to unfinished capital projects, of which $17,248 is expected to be funded by bonds and $2,042 funded by rates.

As of June 30, 2011, the Water Utility had major commitments of approximately $15,709 with respect to unfinished capital projects which is expected to be funded by bonds.

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.

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 SONGS units 2 and 3.

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. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042, although the City has not approved its participation in the project through the extended term.

SCE, as operating agent, declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would have likely resulted in permanent shutdown of the plant in 2009-2010 timeframe. The estimated cost to replace the steam generators (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 NRC approval is obtained. The City Council has approved participation in the replacement of the SGs. The SG replacement for SONGS Unit 2 was completed in April 2010 and the SG replacement for Unit 3 was completed in February 2011.

Due to the Fukushima nuclear power plant crisis in Japan early this year, NRC has instituted a comprehensive review of disaster preparedness of all nuclear power plants currently in operation in the U.S. SONGS has participated and is continuing to participate in this comprehensive disaster preparedness assessment effort. The ultimate outcome of this assessment is currently undetermined.

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 $159,907 and $152,586 for fiscal years ended June 30, 2011 and 2010, respectively.

All acquisitions or construction of capital assets are depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to $133,260 and $126,837 for the fiscal years ended June 30, 2011 and 2010, 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 $2,836 and $2,898 for fiscal years June 30, 2011 and June 30, 2010, respectively. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

17. State Assembly Bills 1X 26 and 27

On June 29, 2011 Governor Brown signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires that California redevelopment agencies immediately suspend activities and only allows activity to meet existing obligations, preserve its assets and prepare for potential dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate via a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to help alleviate the State budget crisis in fiscal year 2011-12 and annual payments each fiscal year thereafter.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012."

On August 9, 2011, Ordinance No. 7138 was adopted, indicating that the agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be $19.6 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $4.6M will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill 1X 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the agency to assemble sufficient funds to make its initial payments.

CITY OF
RIVERSIDE