

Management's Discussion and Analysis (Unaudited)

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include the activities of the City and three blended component units, which consist of the Riverside Housing Authority, Riverside Public Financing Authority and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 19-20 of this report.

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

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

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

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Outlay Fund, which are major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 65-69 in this report.

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

The governmental fund financial statements can be found on pages 21-25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 73-81 in this report.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 31-32 of this report, and the combining statement for the agency fund can be found on page 84.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 33 of this report.

Government-wide Financial Analysis

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

| | Governmental Activities | | Business type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|-------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 391,053 | \$ 368,905 | \$ 740,238 | \$ 814,367 | \$1,131,291 | \$1,183,272 |
| Capital assets, net | 1,359,060 | 1,318,614 | 1,587,102 | 1,454,228 | 2,946,162 | 2,772,842 |
| Total assets | 1,750,113 | 1,687,519 | 2,327,340 | 2,268,595 | 4,077,453 | 3,956,114 |
| Deferred Outflows of Resources | 19,880 | 19,763 | 40,444 | 40,453 | 60,324 | 60,216 |
| Current liabilities | 65,949 | 71,349 | 154,937 | 159,173 | 220,886 | 230,522 |
| Long-term liabilities | 503,073 | 452,721 | 1,159,042 | 1,130,283 | 1,662,115 | 1,583,004 |
| Total liabilities | 569,022 | 524,070 | 1,313,979 | 1,289,456 | 1,883,001 | 1,813,526 |
| Deferred Inflows of Resources | 49 | 1,026 | 8,756 | 10,000 | 8,805 | 11,026 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,106,384 | 1,083,485 | 616,844 | 609,691 | 1,723,228 | 1,693,176 |
| Restricted | 96,587 | 80,712 | 68,506 | 69,068 | 165,093 | 149,780 |
| Unrestricted | (2,049) | 17,989 | 359,699 | 330,833 | 357,650 | 348,822 |
| Total net position | \$ 1,200,922 | \$ 1,182,186 | \$ 1,045,049 | \$ 1,009,592 | \$2,245,971 | \$2,191,778 |

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,245,971 at June 30, 2014, an increase of \$54,193 from June 30, 2013.

By far the largest portion of the City's net position (77 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$359,699 is held by the business type activities and \$(2,049) net deficit is held by the governmental activities.

The City's total net position increased by \$54,193 during the current fiscal year, which reflects growth in governmental activities of \$18,736 as well as an increase of \$35,457 in business type activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 12.

On the following page is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2014 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

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(Amount presented in Thousands)

| | Governmental Activities | | Business type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charge for services | \$ 46,112 | \$ 42,193 | \$ 485,462 | \$ 487,540 | \$ 531,574 | \$ 529,733 |
| Operating Grants and Contributions | 14,341 | 21,485 | 2,524 | 2,718 | 16,865 | 24,203 |
| Capital Grants and Contributions | 48,433 | 32,202 | 11,486 | 11,734 | 59,919 | 43,936 |
| General Revenues: | | | | | | |
| Sales taxes | 55,096 | 50,222 | - | - | 55,096 | 50,222 |
| Property taxes | 51,323 | 52,904 | - | - | 51,323 | 52,904 |
| Other taxes and fees | 37,327 | 37,205 | - | - | 37,327 | 37,205 |
| Investment income | 2,759 | 2,786 | 8,005 | 4,744 | 10,764 | 7,530 |
| Other | 5,688 | 9,208 | 7,081 | 5,767 | 12,769 | 14,975 |
| Total Revenues | <u>261,079</u> | <u>248,205</u> | <u>514,558</u> | <u>512,503</u> | <u>775,637</u> | <u>760,708</u> |
| Expenses: | | | | | | |
| General government | 39,331 | 54,808 | - | - | 39,331 | 54,808 |
| Public safety | 149,555 | 147,652 | - | - | 149,555 | 147,652 |
| Highways and streets | 36,564 | 35,072 | - | - | 36,564 | 35,072 |
| Culture and recreation | 42,252 | 40,077 | - | - | 42,252 | 40,077 |
| Interest on long-term debt | 17,741 | 16,627 | - | - | 17,741 | 16,627 |
| Electric | - | - | 304,416 | 292,175 | 304,416 | 292,175 |
| Water | - | - | 60,030 | 58,768 | 60,030 | 58,768 |
| Sewer | - | - | 40,385 | 43,945 | 40,385 | 43,945 |
| Refuse | - | - | 20,831 | 20,581 | 20,831 | 20,581 |
| Airport | - | - | 1,662 | 2,029 | 1,662 | 2,029 |
| Transportation | - | - | 4,067 | 3,745 | 4,067 | 3,745 |
| Public parking | - | - | 4,610 | 5,051 | 4,610 | 5,051 |
| Total expenses | <u>285,443</u> | <u>294,236</u> | <u>436,001</u> | <u>426,294</u> | <u>721,444</u> | <u>720,530</u> |
| Increase (decrease) in net position before transfers and extraordinary items | (24,364) | (46,031) | 78,557 | 86,209 | 54,193 | 40,178 |
| Transfers, net | 43,100 | 42,262 | (43,100) | (42,262) | - | - |
| Extraordinary items: | | | | | | |
| Power Plant Closure | - | - | - | (41,259) | - | (41,259) |
| Total changes in net position | <u>18,736</u> | <u>(3,769)</u> | <u>35,457</u> | <u>2,688</u> | <u>54,193</u> | <u>(1,081)</u> |
| Net position - beginning | <u>1,182,186</u> | <u>1,185,955</u> | <u>1,009,592</u> | <u>1,006,904</u> | <u>2,191,778</u> | <u>2,192,859</u> |
| Net position - ending | <u>\$ 1,200,922</u> | <u>\$ 1,182,186</u> | <u>\$ 1,045,049</u> | <u>\$ 1,009,592</u> | <u>\$ 2,245,971</u> | <u>\$ 2,191,778</u> |

Governmental activities. Total net position for governmental activities increased by \$18,736 or 2% over prior year. Governmental net position in the prior fiscal year decreased by \$3,769. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

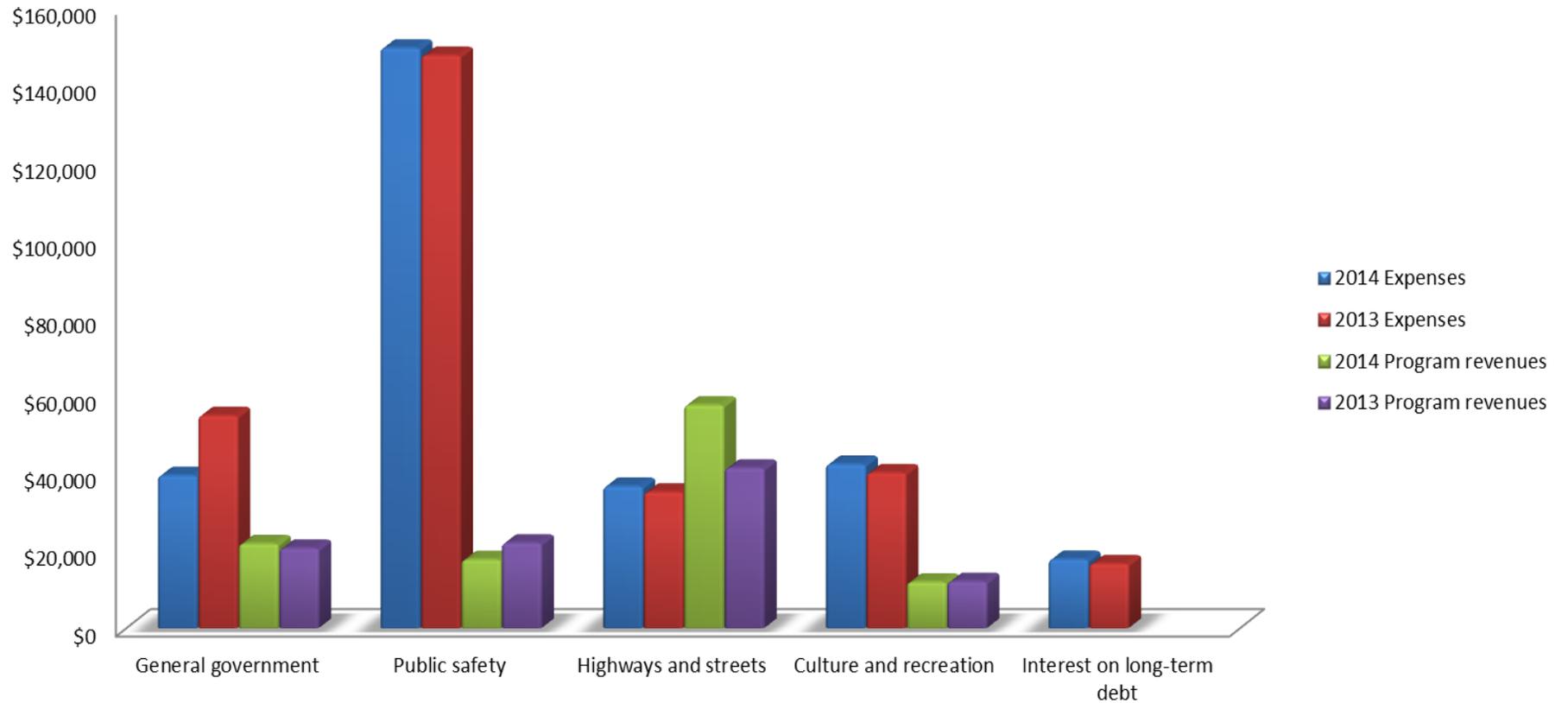
- While variances between years exist for the various revenue categories, the total net increase was approximately \$15 million, which is largely attributable to an increase in grant revenue and sales tax revenue. Overall grants and contributions increased by \$9 million or 17% and sales tax revenue increased by \$4.9 million or 10%. The increase in grants and contributions was primarily attributable to a \$5 million increase in grant revenue associated with the construction of the Streeter grade separation project which began construction in December 2012. The increase in sales tax revenue relates to an increase in general sales and use tax resulting from increased consumer spending.

Expenses:

- While variances between years exist for the various expense functions, the total net decrease was approximately \$8.8 million or less than 3%. This is primarily related to the \$10 million judgment recorded in the prior year related to the water settlement.

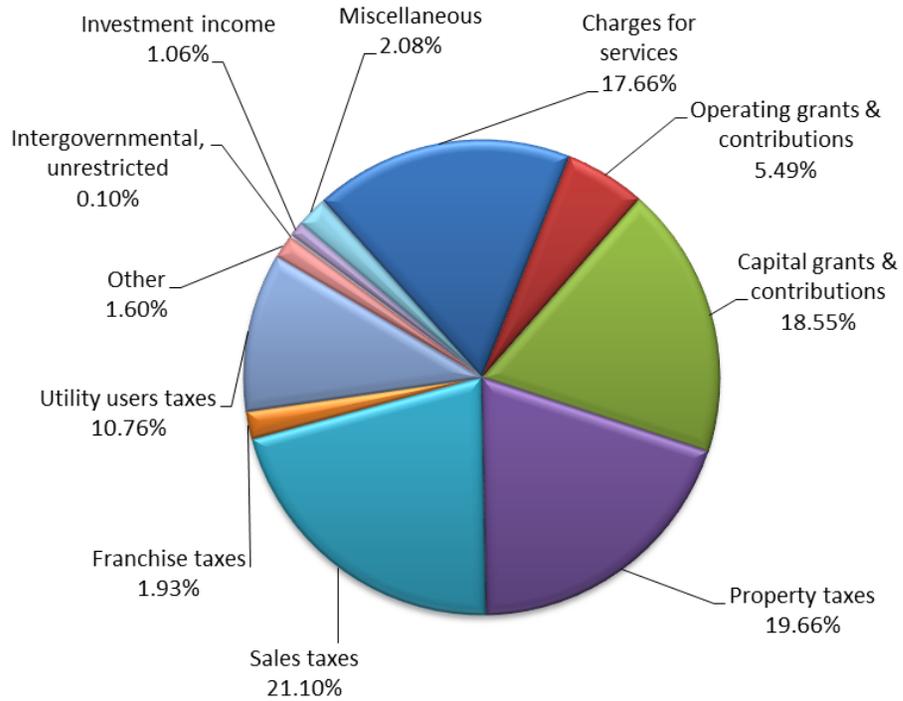
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Expenses and Program Revenues – Governmental Activities – Fiscal Year Comparison 2014 vs. 2013

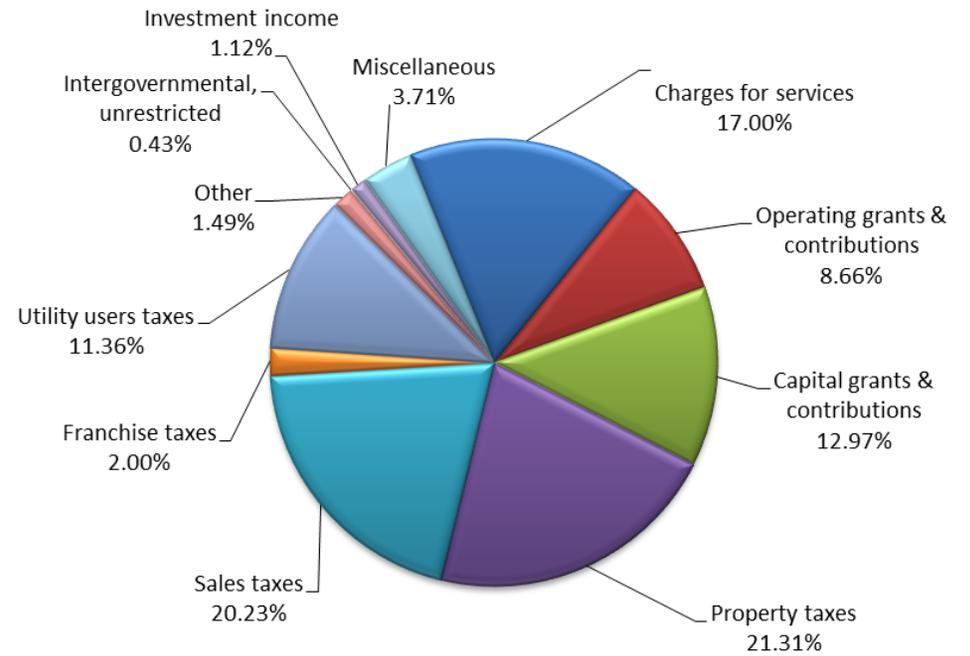


Revenues by Source – Governmental Activities – Fiscal Year Comparison 2014 vs. 2013

2014



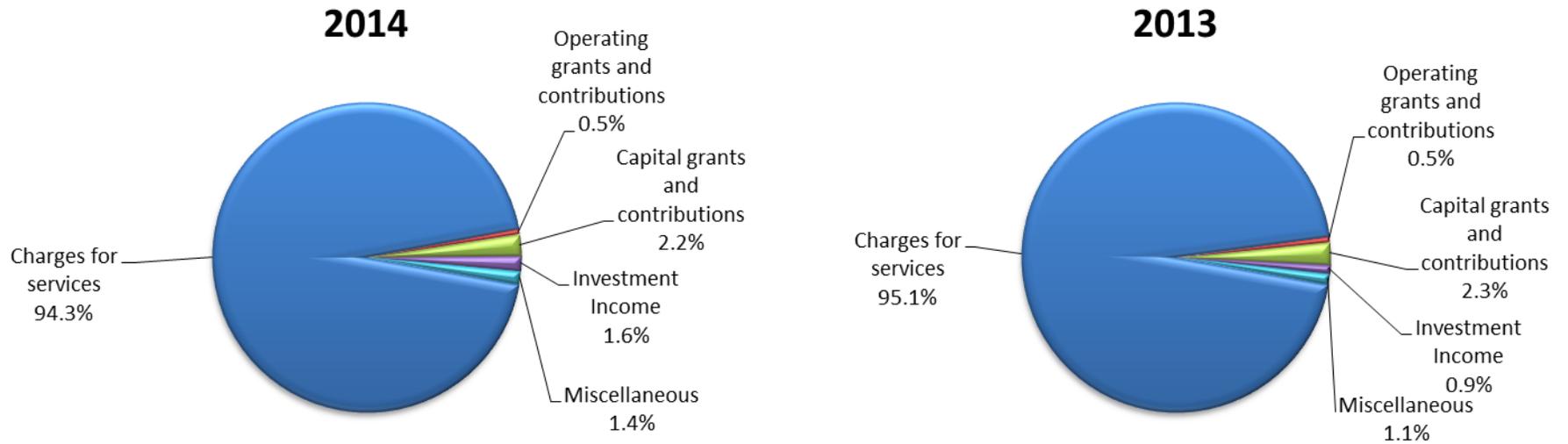
2013



Business-type activities. The net position of business type activities increased by \$35,457, accounting for a 3.5% increase in total net position. The net position of business type activities increased by \$2,688 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- The increase primarily related to a one-time non-recurring expense of \$41,000 incurred in the prior year as a result of the San Onofre Power Plant closure, which was partially offset by the following:
 - Charges for services remained relatively flat along service lines resulting in an overall decrease of \$2,078.
 - Overall expenses increased by \$9,707 primarily in Electric due to production and purchased power expense increase of \$7,361 related to increased energy prices.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

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

The following table summarizes the balance sheet of the City's General, Capital Outlay, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

| | General Fund | | Capital Outlay | | Other Governmental Funds | | Total Governmental Funds | |
|---|--------------|------------|----------------|-----------|--------------------------|------------|--------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Total assets | \$ 109,891 | \$ 114,204 | \$ 71,633 | \$ 42,321 | \$ 121,524 | \$ 120,689 | \$ 303,048 | \$ 277,214 |
| Total liabilities | \$ 26,114 | \$ 30,309 | \$ 29,406 | \$ 34,353 | \$ 15,312 | \$ 15,525 | \$ 70,832 | \$ 80,187 |
| Deferred inflows of resources | | | | | | | | |
| Unavailable revenue | 4,917 | 6,804 | 4,860 | 6,536 | 34,522 | 34,371 | 44,299 | 47,711 |
| Fund balances | | | | | | | | |
| Nonspendable | 24,419 | 26,421 | - | - | 1,460 | 1,441 | 25,879 | 27,862 |
| Restricted | 2,204 | 2,196 | 37,367 | 1,432 | 71,963 | 69,352 | 111,534 | 72,980 |
| Assigned | 14,505 | 10,711 | - | - | - | - | 14,505 | 10,711 |
| Unassigned | 37,732 | 37,763 | - | - | (1,733) | - | 35,999 | 37,763 |
| Total fund balance | 78,860 | 77,091 | 37,367 | 1,432 | 71,690 | 70,793 | 187,917 | 149,316 |
| Total liabilities, deferred inflows and fund balances | \$ 109,891 | \$ 114,204 | \$ 71,633 | \$ 42,321 | \$ 121,524 | \$ 120,689 | \$ 303,048 | \$ 277,214 |

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$187,917 an increase of \$38,601 compared to the prior year. Additionally, 14% of the fund balance (\$25,879) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$111,534 or 59% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. \$14,505 or 8% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$36,000 has been set aside for future economic contingencies at June 30, 2014 whereas \$34,000 had been set aside in the previous year. The City's governmental funds reported combined total assets of \$303,048 at June 30, 2014, an increase of \$25,834 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$115,131, a decrease of \$12,767. This primary reason for the increase in total assets and related fund balances is due to unspent bond proceeds in the Capital Outlay Fund associated with the 2013 Certificates of Participation.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$78,860 in comparison to \$77,091 in the prior year. The portion of fund balance classified as unassigned was \$37,732, most of which was set aside for future economic contingencies.

Fund balance for the Capital Outlay Fund increased by \$35,935. As mentioned previously, the primary reason for the increase is due to unspent bond proceeds in the Capital Outlay Fund associated with the 2013 Certificates of Participation.

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

Unrestricted net position of the Electric, Water and Sewer Funds at the end of the year amounted to \$258,514, \$78,570, and \$19,066 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$241,696, \$69,996, and \$18,651, respectively. The increase in unrestricted net position for the Electric, Water and Sewer Funds is primarily a result of operating activities as described below.

The Electric Fund operating results experienced a decrease in charges for services of \$3,896 or 1.2%, primarily from the effects of a decrease in retail load as a result of cooler than normal temperatures. Retail sales (residential, commercial, industrial, and other sales) represent 85.9% of total revenues. Retail sales, net of reserve/recovery were \$295,214 and \$300,238 for years ended June 30, 2014 and 2013, respectively. Operating expenses increased \$12,400 or 4.6%, which primarily relates to an increase in purchased power and distribution costs.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 91.5% of total revenues. Retail sales, net of reserve/recovery were \$62,762 and \$61,837

for the years ended June 30, 2014 and 2013, respectively. The increase in sales was primarily due to a 1.7% increase in commercial consumption.

Net position of the Sewer Fund increased by \$10,993 and \$2,173 for the years ended June 30, 2014 and 2013, respectively. Operating revenues increased by \$2,390 or 5.5% primarily as a result of a rate increase and an increase in capital improvement fee revenue coupled with a reduction in interest expense and overall operating expenses.

General Fund Budgetary Highlights

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|----------------------|------------------------|------------------------|-------------------------------|
| Total Revenues | <u>\$179,955</u> | <u>\$197,601</u> | <u>\$196,852</u> | <u>(\$749)</u> |
| Expenditures: | | | | |
| General Government | 10,636 | 15,422 | 10,351 | 5,071 |
| Public Safety | 136,974 | 149,851 | 149,450 | 401 |
| Highways & Streets | 18,369 | 20,213 | 16,944 | 3,269 |
| Culture & Recreation | 30,331 | 36,165 | 34,165 | 2,000 |
| Capital Outlay | 156 | 13,039 | 8,589 | 4,450 |
| Debt Service | 15,846 | 46,786 | 46,564 | 222 |
| Total Expenditures | <u>212,312</u> | <u>281,476</u> | <u>266,063</u> | <u>15,413</u> |
| Deficiency of Revenue Under Expenditures | (32,357) | (83,875) | (69,211) | 14,664 |
| Other Financing Sources | <u>32,357</u> | <u>68,306</u> | <u>70,980</u> | <u>2,674</u> |
| Net Change in Fund Balances | - | (15,569) | 1,769 | 17,338 |
| Beginning Fund Balance | <u>77,091</u> | <u>77,091</u> | <u>77,091</u> | <u>-</u> |
| Ending Fund Balance | <u><u>77,091</u></u> | <u><u>\$61,522</u></u> | <u><u>\$78,860</u></u> | <u><u>\$17,338</u></u> |

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

- Approximately \$3.3 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred, which was offset by property tax revenue and sales tax revenue coming in higher than what was budgeted.

- Actual expenditures were less than budgeted amounts by approximately \$15 million. This is primarily associated with unspent appropriations for grants, capital projects and other special programs that were not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business type activities as of June 30, 2014 amounted to \$2,946,162 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City’s net investment in capital assets for the current fiscal year was \$173,320 (\$40,446 for governmental activities including internal service funds and \$132,874 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements of \$46 million and \$104 million in Sewer capital improvements primarily related to the plant expansion project.

Construction in progress totaled \$293,892 at June 30, 2014. Some of the major projects in process are various Sewer system improvements including phase 1 of the Sewer plant expansion project, the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Riverside Public Utility’s Sub-Transmission System. Depreciation expense during the fiscal year was \$42,278 for governmental activities and \$50,526 for business type activities.

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

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$333,799 | \$325,215 | \$51,115 | \$42,636 | \$384,914 | \$367,851 |
| Intangibles | - | - | 21,964 | 21,890 | 21,964 | 21,890 |
| Buildings | 125,869 | 130,051 | 153,917 | 158,428 | 279,786 | 288,479 |
| Improvements other than Buildings | 220,184 | 182,249 | 1,072,578 | 1,052,832 | 1,292,762 | 1,235,081 |
| Machinery and equipment | 21,016 | 19,612 | 26,647 | 29,057 | 47,663 | 48,669 |
| Infrastructure | 625,181 | 622,972 | - | - | 625,181 | 622,972 |
| Construction in progress | 33,011 | 38,515 | 260,881 | 149,385 | 293,892 | 187,900 |
| Total | \$1,359,060 | \$1,318,614 | \$1,587,102 | \$1,454,228 | \$2,946,162 | \$2,772,842 |

Additional information on the City’s capital assets can be found in note 5 on page 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,662,115 which includes bonded debt of \$1,588,315.

City of Riverside’s Long-Term Debt

| | Governmental Activities | | Business Type Activities | | Total | |
|-------------------------------|----------------------------|------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue Bonds | \$ - | \$ - | \$1,094,290 | \$1,031,839 | \$1,094,290 | \$1,031,839 |
| General Obligation Bonds | 14,460 | 15,314 | - | - | 14,460 | 15,314 |
| Pension Obligation Bonds | 115,775 | 122,005 | - | - | 115,775 | 122,005 |
| Certificates of Participation | 191,446 | 158,697 | - | - | 191,446 | 158,697 |
| Notes Payable | - | - | 36,030 | 28,137 | 36,030 | 28,137 |
| Loans Payable | 47,611 | 28,652 | - | 42,661 | 47,611 | 71,313 |
| Capital Leases | 13,168 | 8,424 | 2,266 | 2,558 | 15,434 | 10,982 |
| Lease Revenue Bonds | 42,344 | 43,762 | - | - | 42,344 | 43,762 |
| Landfill Capping | - | - | 6,172 | 6,457 | 6,172 | 6,457 |
| Arbitrage Liability | - | - | 14 | 269 | 14 | 269 |
| Compensated Absences | 21,996 | 21,761 | 7,925 | 7,638 | 29,921 | 29,399 |
| Judgment | 6,667 | 10,000 | - | - | 6,667 | 10,000 |
| Claims liability | 35,167 | 31,569 | - | - | 35,167 | 31,569 |
| Net OPEB Obligation | 14,439 | 12,537 | 11,403 | 9,780 | 25,842 | 22,317 |
| Water Acquisition Rights | - | - | 942 | 944 | 942 | 944 |
| Total | <u>\$503,073</u> | <u>\$452,721</u> | <u>\$1,159,042</u> | <u>\$1,130,283</u> | <u>\$1,662,115</u> | <u>\$1,583,004</u> |

The City’s total debt increased by \$79,111 or 5.0% during the current fiscal year. The net increase primarily resulted from the issuance of the 2014A Sewer Bonds and 2013 Certificates of Participation as well as normal scheduled principal maturities, debt refundings, and an increase in claims payable.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$631,942 at June 30, 2014, which applies only to general obligation debt. At June 30, 2014, the City had \$14,460 of general obligation debt, resulting in available legal debt capacity of \$617,482.

Additional information on the City's long-term debt can be found in note 6 beginning on page 43 of this report.

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 8.4% as compared to 9.7% for the prior year.
- The required employer contribution rates as a percentage of payroll for the City's retirement program will be changing effective July 1, 2014 as follows:
 - Miscellaneous Plan – 18.314% to 18.994%.
 - Safety Plan – 26.894% to 29.041%.

At the time of budget preparation for fiscal year 2015, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2015 of approximately \$240 million was adopted as balanced. It represents an increase from the prior year of approximately 8%, largely related to an increase in pension costs and debt service for the Convention Center renovation and expansion project and several capital leases.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.