

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2013. 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 21-22 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 unreserved 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 67-73 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 23-27 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 75-84 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 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 pages 33-34 of this report, and the combining statement for the agency fund can be found on page 85.

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 35 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		Business type		Total	
	Activities		Activities			
	2013	2012 *	2013	2012 *	2013	2012 *
Current and other assets	\$ 368,905	\$ 390,196	\$ 814,367	\$ 864,492	\$ 1,183,272	\$ 1,254,688
Capital assets, net	1,318,614	1,271,805	1,454,228	1,413,797	2,772,842	2,685,602
Total assets	1,687,519	1,662,001	2,268,595	2,278,289	3,956,114	3,940,290
Deferred Outflows of Resources	19,763	28,901	40,453	59,604	60,216	88,505
Current liabilities	71,349	85,513	159,173	168,991	230,522	254,504
Long-term liabilities	452,721	419,434	1,130,283	1,161,998	1,583,004	1,581,432
Total liabilities	524,070	504,947	1,289,456	1,330,989	1,813,526	1,835,936
Deferred Inflows of Resources	1,026	-	10,000	-	11,026	-
Net position:						
Net investment in capital assets	1,083,485	1,076,485	609,691	666,919	1,693,176	1,743,404
Restricted	80,712	86,325	69,068	54,923	149,780	141,248
Unrestricted	17,989	23,145	330,833	285,062	348,822	308,207
Total net position	\$ 1,182,186	\$ 1,185,955	\$ 1,009,592	\$ 1,006,904	\$ 2,191,778	\$ 2,192,859

* Certain reclassifications have been made to prior year balances to conform with the current year's presentation.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,191,778 at June 30, 2013, a decrease of \$1,081 from June 30, 2012.

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, \$330,833 is held by the business type activities and \$17,989 is held by the governmental activities.

The City's total net position decreased by \$1,081 during the current fiscal year, which reflects a decline in governmental activities of \$3,769 and growth of \$2,688 in business type activities. Governmental operating results is discussed on page 11 and business-type operating results is discussed on page 14.

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, 2013 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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	Governmental		Business type		Total	
	Activities		Activities			
	2013	2012 *	2013	2012 *	2013	2012 *
Revenues:						
Program Revenues:						
Charge for services	\$ 42,193	\$ 43,653	\$ 487,540	\$ 462,249	\$ 529,733	\$ 505,902
Operating Grants and Contributions	21,485	31,581	2,718	2,738	24,203	34,319
Capital Grants and Contributions	32,202	54,476	11,734	21,164	43,936	75,640
General Revenues:						
Sales taxes	50,222	47,701	-	-	50,222	47,701
Property taxes	52,904	74,179	-	-	52,904	74,179
Other taxes and fees	37,205	35,549	-	-	37,205	35,549
Investment income	2,786	4,440	4,744	11,405	7,530	15,845
Other	9,208	9,273	5,767	3,110	14,975	12,383
Total Revenues	<u>248,205</u>	<u>300,852</u>	<u>512,503</u>	<u>500,666</u>	<u>760,708</u>	<u>801,518</u>
Expenses:						
General government	54,808	48,731	-	-	54,808	48,731
Public safety	147,652	148,605	-	-	147,652	148,605
Highways and streets	35,072	35,342	-	-	35,072	35,342
Culture and recreation	40,077	54,594	-	-	40,077	54,594
Interest on long-term debt	16,627	25,087	-	-	16,627	25,087
Electric	-	-	292,175	288,799	292,175	288,799
Water	-	-	58,768	56,715	58,768	56,715
Sewer	-	-	43,945	43,702	43,945	43,702
Refuse	-	-	20,581	19,979	20,581	19,979
Airport	-	-	2,029	2,646	2,029	2,646
Transportation	-	-	3,745	3,667	3,745	3,667
Public parking	-	-	5,051	4,984	5,051	4,984
Total expenses	<u>294,236</u>	<u>312,359</u>	<u>426,294</u>	<u>420,492</u>	<u>720,530</u>	<u>732,851</u>
Increase (decrease)						
in net position before transfers and extraordinary items	(46,031)	(11,507)	86,209	80,174	40,178	68,667
Transfers, net	42,262	40,679	(42,262)	(40,679)	-	-
Extraordinary items:						
Transfer of assets and liabilities to Successor Agency	-	98,022	-	-	-	98,022
Transfer of assets from Successor Agency	-	56,522	-	-	-	56,522
Assumption of obligation	-	(4,927)	-	-	-	(4,927)
Power Plant Closure	-	-	(41,259)	-	(41,259)	-
Total changes in net position	<u>(3,769)</u>	<u>178,789</u>	<u>2,688</u>	<u>39,495</u>	<u>(1,081)</u>	<u>218,284</u>
Net position - beginning, as restated	<u>1,185,955</u>	<u>1,007,166</u>	<u>1,006,904</u>	<u>967,409</u>	<u>2,192,859</u>	<u>1,974,575</u>
Net position - ending	<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>

* Certain reclassifications have been made to prior year amounts to conform with the current year's presentation.

Governmental activities. Net position for governmental activities decreased by \$3,769 accounting for 0.3 percent decrease in total net position. Governmental net position in the prior fiscal year increased by \$178,789. 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 decrease was approximately \$53 million, which is largely attributable to a decrease in grants and property taxes. Overall grants and contributions declined by \$32 million or 38% and property tax revenue decreased by \$21 million or 29%. The decrease in grant related revenue was attributable to the completion of several grade separation projects. The decrease in property tax revenue relates to the dissolution of the Redevelopment Agency.

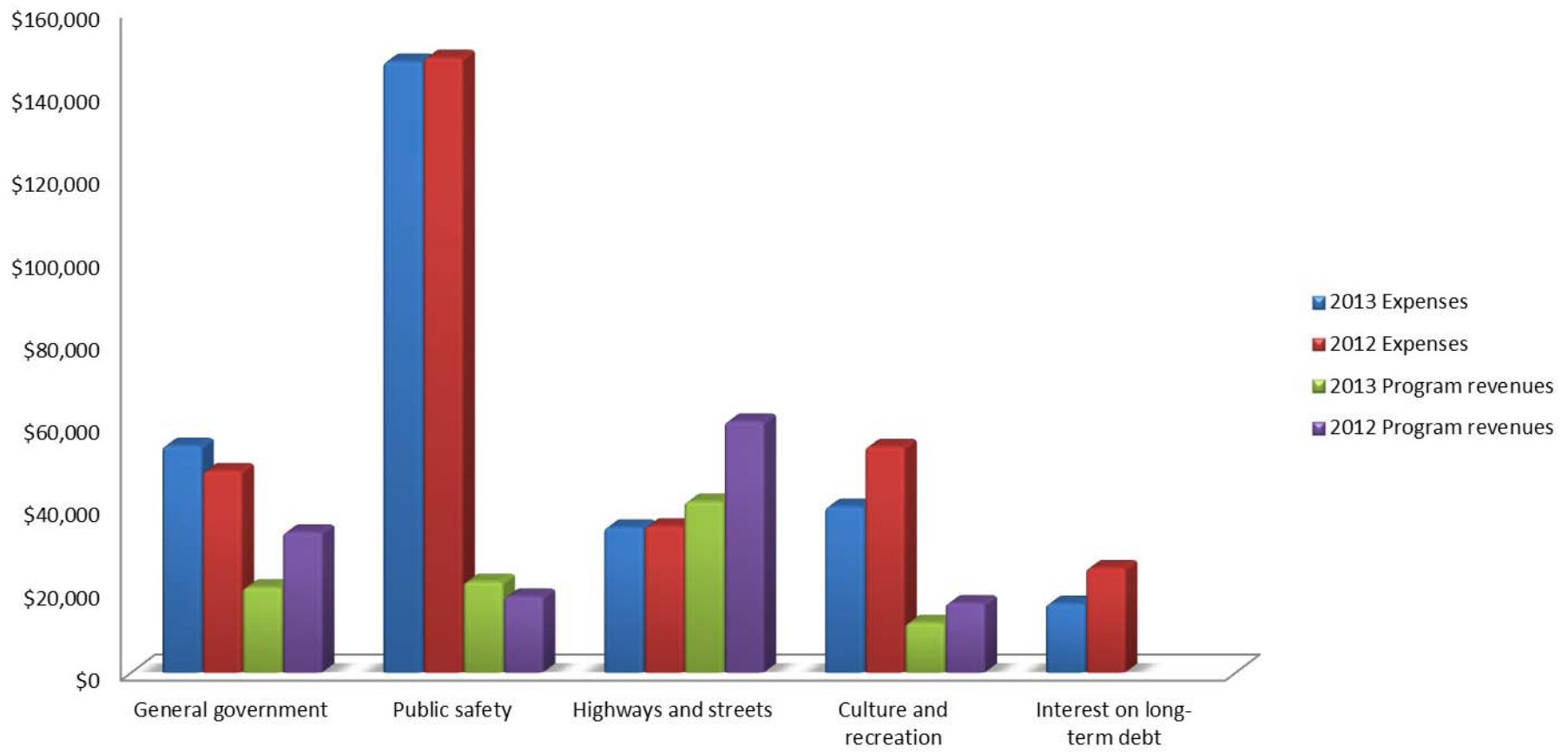
Expenses:

- While variances between years exist for the various expense functions, the total net decrease was approximately \$18 million or 6%. This primarily relates to a decrease in interest expense of approximately \$8.5 million, which primarily relates to the dissolution of the Redevelopment Agency in 2012. Interest expense associated with the Redevelopment Agency during the first 7 months of fiscal year 2011/12 amounted to \$7.7 million, which was included as part of governmental activities. However, the activity of the former Redevelopment Agency since dissolution (February 1, 2012) has been reported in the private purpose trust fund of the Successor Agency.

Extraordinary items:

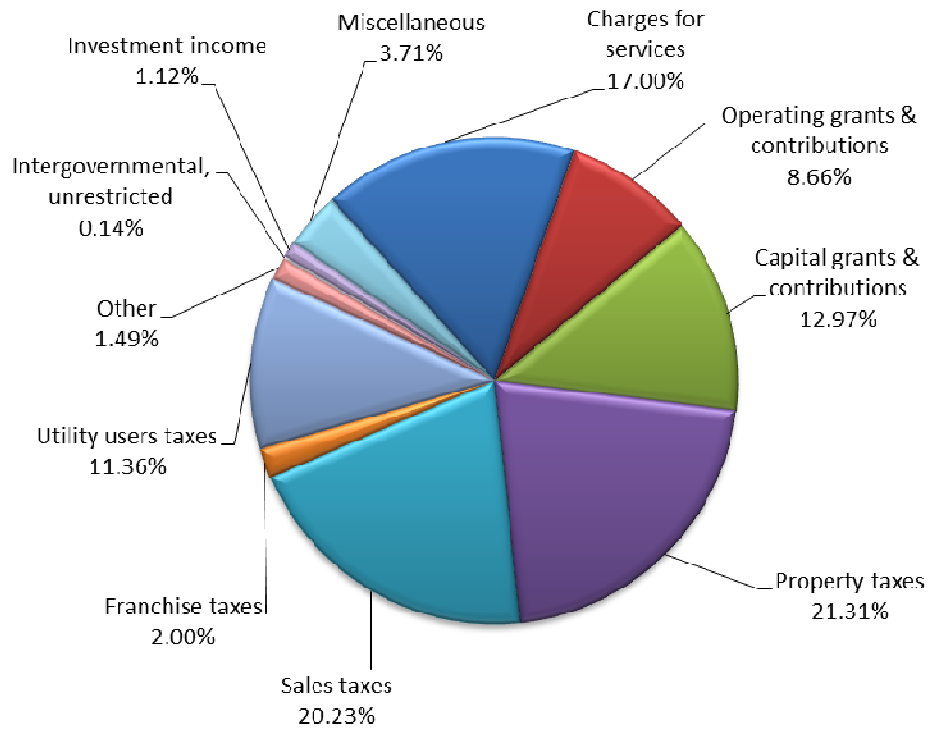
- In the prior year, net position increased by \$149.6 million due to the dissolution of the Redevelopment Agency.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2013 vs. 2012

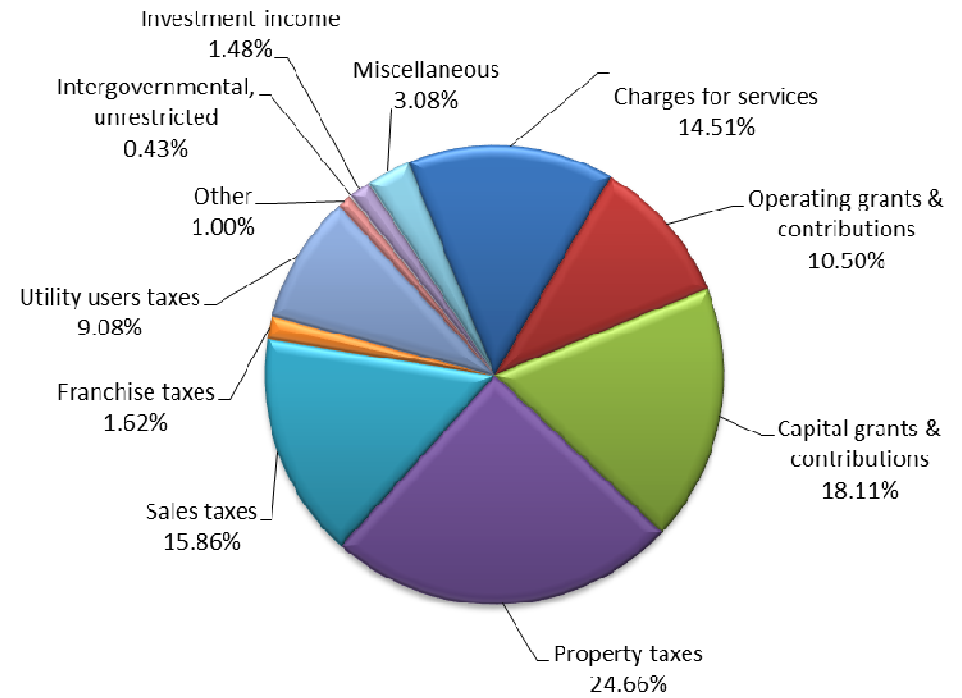


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2013



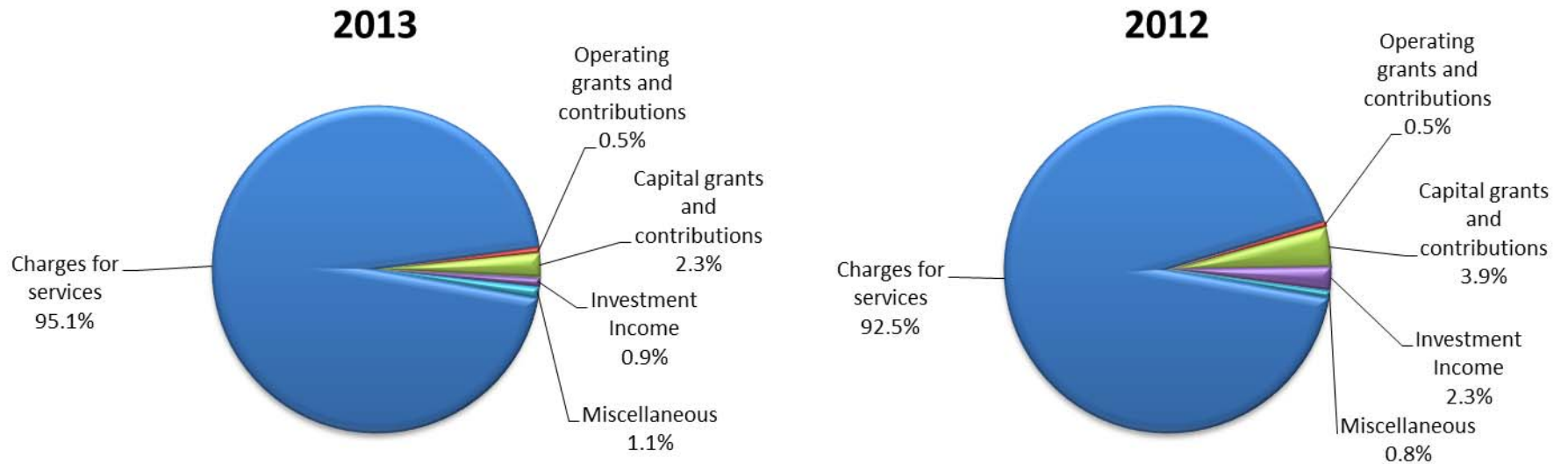
2012



Business-type activities. The net position of business type activities increased by \$2,688, accounting for a 0.3 percent increase in total net position. The net position of business type activities increased by \$39,495 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- In 2013, charges for services increased \$25,291 to \$487,540. The increase primarily related to increases in Electric, Sewer and Water revenues, which is explained in further detail as follows:
 - Electric charges for services increased by \$14,904 (4.5%). The increase was due to expanded customer base, a 3.7% increase in retail consumption and higher transmission revenues authorized by the Federal Energy Regulatory Commission.
 - Sewer charges for services increased by \$6,025 (16%). New rates and charges went into effect on July 1, 2012 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 13%, which is the primary reason for the increase in Sewer charges for services.
- The increase in charges for services was primarily offset by the following:
 - Expenses increased by \$5,802 primarily due to a \$3.4 million increase in electric distribution and purchased power costs.
 - In 2013 there was an extraordinary loss of \$41,259 related to the closure of the San Onofre Nuclear Power Plant.

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	
	2013	2012 *	2013	2012 *	2013	2012 *	2013	2012 *
Total assets	\$114,204	\$123,992	\$42,321	\$45,302	\$120,689	\$121,028	\$277,214	\$290,322
Total liabilities	\$ 30,309	\$ 43,038	\$34,353	\$20,469	\$ 15,525	\$ 16,474	\$ 80,187	\$ 79,981
Deferred inflows of resources								
Unavailable revenue	6,804	6,704	6,536	6,479	34,371	32,902	47,711	46,085
Fund balances								
Nonspendable	26,421	25,720	-	-	1,441	1,539	27,862	27,259
Restricted	2,196	2,803	1,432	18,354	69,352	70,113	72,980	91,270
Assigned	10,711	6,380	-	-	-	-	10,711	6,380
Unassigned	37,763	39,347	-	-	-	-	37,763	39,347
Total fund balance	77,091	74,250	1,432	18,354	70,793	71,652	149,316	164,256
Total liabilities, deferred inflows and fund balances	\$114,204	\$123,992	\$42,321	\$45,302	\$120,689	\$121,028	\$277,214	\$290,322

* Certain reclassifications have been made to prior year balances to conform with the current year's presentation.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$149,316 a decrease of \$14,940 in comparison with the prior year. Additionally, 19% of the fund balance (\$27,862) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$72,980 or 49% 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. \$10,711 or 7% 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, \$34,000 has been set aside for future economic contingencies, leaving \$3,763; at June 30, 2012 the comparable amount was \$6,347. The City's governmental funds reported combined total assets of \$274,789 at June 30, 2013, a decrease of \$15,533 in comparison with the prior year. Liabilities and deferred inflows of resources amounted to \$127,898, an increase of \$1,832. This primary reason for the decrease in total assets and related fund balances is due to expenditures related to capital projects in the Capital Outlay Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$77,091 in comparison to \$74,250 in the prior year. The portion of fund balance classified as unassigned was \$37,763, most of which was set aside for future economic contingencies.

Fund balance for the Capital Outlay Fund decreased by (\$16,922). The primary reason for the decrease is due to capital outlays on projects that are expected to be funded with proceeds from future borrowings.

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 \$241,696, \$69,996, and \$18,651 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$219,198, \$61,859 and \$3,343, 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 reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of an expanded customer base and a 3.7% increase in retail consumption which was partially offset by a reduction in investment income. Retail sales (residential, commercial, industrial, and other sales) represent 83.9% of total revenues. Retail sales, net of reserve/recovery were \$300,238 and \$288,616 for years ended June 30, 2013 and 2012, respectively. Total expenses, excluding transfers, increased \$3.4 million (1.2%), which primarily relates to an increase in purchased power and distribution costs. The Electric Fund also recorded a \$41 million loss related to the closure of the San Onofre Nuclear Power Plant, which was reflected as an extraordinary item.

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 84% of total revenues. Retail sales, net of reserve/recovery were \$61,837 and \$59,620

for the years ended June 30, 2013 and 2012, respectively. The increase in sales was primarily due to a 4.1% increase in retail consumption as a result of warmer than normal weather patterns.

Net position of the Sewer Fund increased by \$2,173 and \$70 for the years ended June 30, 2013 and 2012, respectively. Operating revenues increased by \$6,025 or 16% primarily as a result of a rate increase, which was offset by a reduction in investment income and an increase in operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$178,620</u>	<u>\$194,754</u>	<u>\$187,014</u>	<u>(\$7,740)</u>
Expenditures:				
General Government	10,507	17,596	11,841	5,755
Public Safety	134,710	149,699	145,545	4,154
Highways & Streets	18,952	20,472	16,294	4,178
Culture & Recreation	31,433	35,775	32,450	3,325
Capital Outlay	153	4,481	2,942	1,539
Debt Service	15,050	49,248	48,326	922
Total Expenditures	<u>210,805</u>	<u>277,271</u>	<u>257,398</u>	<u>19,873</u>
Deficiency of Revenue Under Expenditures	(32,185)	(82,517)	(70,384)	12,133
Other Financing Sources	<u>31,221</u>	<u>71,095</u>	<u>73,225</u>	<u>2,130</u>
Net Change in Fund Balances	<u>(964)</u>	<u>(11,422)</u>	<u>2,841</u>	<u>14,263</u>
Beginning Fund Balance	<u>74,250</u>	<u>74,250</u>	<u>74,250</u>	<u>-</u>
Ending Fund Balance	<u>\$73,286</u>	<u>\$62,828</u>	<u>\$77,091</u>	<u>\$14,263</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 \$7.8 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- Actual expenditures were less than budgeted amounts by approximately \$20 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, 2013 amounted to \$2,772,842 (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 \$87,240 (\$46,809 for governmental activities including internal service funds and \$40,431 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements of \$34 million; Sewer system improvements of \$45 million; Electric Utility upgrades of \$40 million and Water Utility upgrades of \$27 million.

Construction in progress totaled \$187,900 at June 30, 2013. Some of the major projects in process are various Sewer system improvements including phase 1 of the Water Quality Control Plant, the Convention Center Expansion Project, and 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 \$40,276 for governmental activities and \$51,384 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$325,215	\$322,060	\$42,636	\$34,924	\$367,851	\$356,984
Nuclear fuel	-	-	-	8,832	-	8,832
Intangibles	-	-	21,890	16,627	21,890	16,627
Buildings	130,051	123,128	158,428	143,678	288,479	266,806
Improvements other than Buildings	182,249	170,236	1,052,832	1,056,566	1,235,081	1,226,802
Machinery and equipment	19,612	20,064	29,057	26,227	48,669	46,291
Infrastructure	622,972	609,651	-	-	622,972	609,651
Construction in progress	38,515	26,666	149,385	126,943	187,900	153,609
Total	\$1,318,614	\$1,271,805	\$1,454,228	\$1,413,797	\$2,772,842	\$2,685,602

Additional information on the City's capital assets can be found in note 5 on page 44 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,583,004 which includes bonded debt of \$1,371,617.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2013	2012 *	2013	2012 *	2013	2012 *
Revenue Bonds	\$ -	\$ -	\$1,031,839	\$1,063,853	\$1,031,839	\$1,063,853
General Obligation Bonds	15,314	16,107	-	-	15,314	16,107
Pension Obligation Bonds	122,005	127,480	-	-	122,005	127,480
Certificates of Participation	158,697	207,278	-	-	158,697	207,278
Notes Payable	-	-	28,137	29,680	28,137	29,680
Loans Payable	28,652	4,000	42,661	44,141	71,313	48,141
Capital Leases	8,424	5,220	2,558	1,332	10,982	6,552
Lease Revenue Bonds	43,762	-	-	-	43,762	-
Landfill Capping	-	-	6,457	6,695	6,457	6,695
Arbitrage Liability	-	-	269	190	269	190
Compensated Absences	21,761	21,674	7,638	7,497	29,399	29,171
Judgment	10,000	-	-	-	10,000	-
Claims liability	31,569	27,542	-	-	31,569	27,542
Net OPEB Obligation	12,537	10,133	9,780	7,663	22,317	17,796
Water Acquisition Rights	-	-	944	947	944	947
Total	<u>\$452,721</u>	<u>\$419,434</u>	<u>\$1,130,283</u>	<u>\$1,161,998</u>	<u>\$1,583,004</u>	<u>\$1,581,432</u>

* Certain reclassifications have been made to prior year balances to conform with the current year's presentation.

The City's total debt increased by \$1,572 or less than 1.0% during the current fiscal year. The net increase primarily resulted from the issuance of new debt, normal scheduled principal maturities, debt refundings, and an increase in claims and judgments payable.

The City's Water Utility maintains "AA+" 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 \$615,589 at June 30, 2013, which applies only to general obligation debt. At June 30, 2013, the City had \$15,314 of general obligation debt, resulting in available legal debt capacity of \$600,275.

Additional information on the City's long-term debt can be found in note 6 beginning on page 45 of this report.

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 9.7% as compared to 13.7% 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, 2013 as follows:
 - Miscellaneous Plan –18.277% to 18.314%.
 - Safety Plan – 25.091% to 26.894%.

At the time of budget preparation for fiscal year 2014, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2014 of approximately \$223 million was adopted as balanced. It represents an increase from the prior year of approximately 1%, largely related to an increase in pension costs.

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.