City of Riverside
Statement of Net Assets
June 30, 2007
(amounts expressed in thousands)

Assets	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and investments	$ 210,719	$ 188,816	$ 399,535
Receivables, net	69,821	53,772	123,593
Inventory	5,916	1,061	6,977
Nuclear material inventory	-	1,535	1,535
Prepaid items	8,728	6,433	15,161
Deferred charges	130,332	45,385	175,717
Internal balances	9,560	(9,560)	-
Land and improvements held for resale	40,090	-	40,090
Restricted assets:			
Cash and cash equivalents	-	86,260	86,260
Cash and investments at fiscal agent	313,648	79,569	393,217
Other	-	878	878
Capital leases receivable	26,165	-	26,165
Land and other capital assets not being depreciated	256,680	126,365	383,045
Capital assets (net of accumulated depreciation)	535,856	821,941	1,357,797
Total assets	1,607,515	1,402,455	3,009,970
Liabilities			
Accounts payable and other current liabilities	46,586	33,568	80,154
Accrued interest payable	10,205	2,781	12,986
Unearned revenue	3,456	1,524	4,980
Deposits	30,737	3,924	34,661
Current liabilities payable from restricted assets	-	181	181
Claims and judgments payable	27,989	-	27,989
Decommissioning liability	-	50,606	50,606
Noncurrent liabilities:			
Due within one year	23,400	28,507	51,907
Due in more than one year	678,604	460,726	1,139,330
Total liabilities	820,977	581,817	1,402,794
Net Assets			
Invested in capital assets, net of related debt	712,801	520,059	1,232,860
Restricted for:			
Expendable:			
Capital projects	379,942	-	379,942
Debt service	2,660	48,800	51,460
Public works	6,505	3,217	9,722
Low mod housing	25,196	-	25,196
Programs	-	5,596	5,596
Nonexpendable	1,315	-	1,315
Unrestricted	(341,881)	242,966	(98,915)
Total net assets	$ 786,538	$ 820,638	$ 1,607,176

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30,2007
(amounts expressed in thousands)

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business type Activities**	**Total**
Governmental activities:								
General government	$ 111,439	$ (15,543)	$ 10,245	$ 6,550	$ 1,375	$ (77,726)		$ (77,726)
Public safety	114,312	9,875	12,410	3,916	-	(107,861)		(107,861)
Highways and streets	22,556	3,194	30,563	65	7,879	12,757		12,757
Culture and recreation	28,016	2,474	8,302	1,570	1,303	(19,315)		(19,315)
Interest on long-term debt	26,378		-	-	-	(26,378)		(26,378)
Total governmental activities	302,701	-	61,520	12,101	10,557	(218,523)		(218,523)
Business type activities:								
Electric	232,346		278,888	-	9,781		$ 56,323	56,323
Water	42,108		47,080	-	20,074		25,046	25,046
Sewer	29,510		24,057	-	5,036		(417)	(417)
Refuse	16,490		15,833	-	7		(650)	(650)
Airport	1,201		1,263	-	4,959		5,021	5,021
Transportation	2,831		302	1,939	209		(381)	(381)
Public parking	3,762		3,431	-	-		(331)	(331)
Total business type activities	328,248		370,854	1,939	40,066		84,611	84,611
Total	$ 630,949		$ 432,374	$ 14,040	$ 50,623	(218,523)	84,611	(133,912)
General revenues:								
Taxes:								
Sales						55,666	-	55,666
Property						106,114	-	106,114
Utility users						25,384	-	25,384
Franchise						5,031	-	5,031
Other						3,581	-	3,581
Intergovernmental, unrestricted						1,863	-	1,863
Grants and contributions not restricted to specific programs						29,743	-	29,743
Investment income						18,582	16,988	35,570
Miscellaneous						4,228	3,498	7,726
Subtotal						250,192	20,486	270,678
Transfers, net						31,171	(31,171)	-
Total general revenues, special items, and transfers						281,363	(10,685)	270,678
Change in net assets						62,840	73,926	136,766
Net assets - beginning - restated						723,698	746,712	1,470,410
Net assets - ending						$ 786,538	$ 820,638	$ 1,607,176

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2007
(amounts expressed in thousands)

Assets	**General Fund**	**Redevelopment Debt Service**	**Capital Outlay**	**Redevelopment Capital Projects**	**Other Governmental Funds**	**Total Governmental Funds**
Cash and investments	$ 82,012	$ 3,631	$ 22,262	$ 40,978	$ 57,558	$ 206,441
Cash and investments at fiscal agent	15,778	7,495	113,048	147,053	30,274	313,648
Receivables (net of allowance for uncollectibles)						
Interest	955	107	382	231	660	2,335
Property taxes	16,080	-	-	-	517	16,597
Sales tax	10,221	-	-	-	-	10,221
Utility billed	706	-	-	-	-	706
Accounts	4,140	787	1,651	115	4	6,697
Intergovernmental	6,585	-	4,633	180	3,726	15,124
Notes	70	-	-	3,933	13,839	17,842
Capital lease receivable	-	26,165	-	-	-	26,165
Prepaid items	691	-	-	-	1	692
Deposits	-	-	176	7,852	-	8,028
Due from other funds	7,435	-	-	4,122	-	11,557
Advances to other funds	31,626	-	-	-	-	31,626
Land & improvments held for resale	2,593	-	-	31,509	5,988	40,090
Total assets:	$ 178,892	$ 38,185	$ 142,152	$ 235,973	$ 112,567	$ 707,769
Liabilities and fund balances						
Liabilities:						
Accounts payable	$ 8,064	$ 763	$ 2,384	$ 14,949	$ 2,094	$ 28,254
Accrued payroll	11,457	-	-	-	15	11,472
Retainage payable	164	-	13	994	4,699	5,870
Intergovernmental	163	-	-	-	-	163
Unearned revenue	15,208	26,165	1,554	3,882	14,472	61,281
Deposits	30,727	-	-	-	10	30,737
Due to other funds	50	529	-	-	4,998	5,577
Advances from other funds	18,293	-	3,001	15,310	3,104	39,708
Total liabilities:	84,126	27,457	6,952	35,135	29,392	183,062
Fund balances:						
Reserved	50,631	10,728	28,586	39,846	29,221	159,012
Unreserved, designated for economic contingencies	34,000	-	-	-	-	34,000
Unreserved, designated for future operations						
General fund	7,288	-	-	-	-	7,288
Special revenue funds	-	-	-	-	7,714	7,714
Capital project funds	-	-	20,751	154,923	17,798	193,472
Unreserved, undesignated						
General fund	2,847	-	-	-	-	2,847
Special revenue funds	-	-	-	-	15,017	15,017
Capital project funds	-	-	85,863	6,069	13,425	105,357
Total fund balances	94,766	10,728	135,200	200,838	83,175	524,707
Total liabilities and fund balances	$ 178,892	$ 38,185	$ 142,152	$ 235,973	$ 112,567	$ 707,769

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

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007
(amounts expressed in thousands)

Total fund balances - governmental funds		$524,707
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.		788,346
Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.		9,021
Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalizaton and amortization in the Statement of Net Assets.		119,668
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		57,825
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	$ (451,949)	
Accrued Interest Payable	(10,205)	
Certificates of Participation Payable	(192,874)	
Notes Payable	(9,759)	
Capital Leases Payable	(4,929)	
Bond Premiums	(8,431)	
Compensated Absences	(33,488)	
		(711,635)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		(1,394)
Net assets of governmental activities		$786,538

City of Riverside

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the fiscal year ended June 30, 2007

(amounts expresed in thousands)

	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 135,390	$ 39,811	$ -	$ -	$ 15,930	$ 191,131
Licenses and permits	7,821	-	-	-	5,163	12,984
Intergovernmental	12,069	200	21,434	242	13,989	47,934
Charges for services	11,903	-	-	-	11	11,914
Fines and forfeitures	2,559	-	-	-	219	2,778
Special assessments	3,963	-	1,784	-	423	6,170
Rental and investment income	6,827	3,820	3,112	3,925	4,903	22,587
Miscellaneous	3,184	393	417	74	2,096	6,164
Total revenues	183,716	44,224	26,747	4,241	42,734	301,662
Expenditures						
Current:						
General government	32,883	3,194	728	9,764	4,844	51,413
Public Safety	153,226	-	-	-	-	153,226
Highways and Streets	20,760	-	-	-	-	20,760
Culture and Recreation	27,090	-	-	-	9,359	36,449
Capital Outlay	-	-	50,668	28,964	37,438	117,070
Debt service:						
Principal	5,826	5,559	-	-	660	12,045
Interest	11,786	7,856	-	-	1,688	21,330
Bond issuance costs	-	805	-	-	1,746	2,551
Total expenditures	251,571	17,414	51,396	38,728	55,735	414,844
Excess (deficiency) of revenues over (under) expenditures	(67,855)	26,810	(24,649)	(34,487)	(13,001)	(113,182)
Other financing sources (uses):						
Transfers in	32,656	11,673	28	45,782	2,562	92,701
Transfers out	(1,922)	(45,782)	-	(9,214)	(4,612)	(61,530)
Issuance of bonds	-	1,390	122,276	154,880	16,644	295,190
Premiums on bonds issued	-	2,024	186	2,213	32	4,455
Sales of capital assets	397	-	288	(760)	616	541
Total other financing sources and uses	31,131	(30,695)	122,778	192,901	15,242	331,357
Net Change in fund balances	(36,724)	(3,885)	98,129	158,414	2,241	218,175
Fund balances -- beginning, as restated	131,490	14,613	37,071	42,424	80,934	306,532
Fund balances -- ending	$ 94,766	$ 10,728	$ 135,200	$ 200,838	$ 83,175	$ 524,707

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

CITY OF RIVERSIDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2007
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		$218,175
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:		
Capital Asset additions	$ 158,436	
Depreciation Expense	(19,817)	138,619
Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds.		6,005
The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(651)
The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:		
Principal repayments	12,045	
Deferred Charges	5,152	
Compensated Absences	(2,475)	
Interest	(6,990)	
Premiums on the issuance of LTD	(4,455)	
Proceeds from LTD	(295,190)	(291,913)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(7,395)
Change in net assets of governmental activities		$ 62,840

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

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 141,917	$ 141,917	$ 135,390	$ (6,527)
Licenses and permits	8,402	8,402	7,821	(581)
Intergovernmental	13,001	18,921	12,069	(6,852)
Charges for services	11,116	11,441	11,903	462
Fines and forfeitures	2,355	4,639	2,559	(2,080)
Special assessments	3,905	3,905	3,963	58
Rental and investment income	3,197	4,389	6,827	2,438
Miscellaneous	1,814	3,961	3,184	(777)
Total revenues	185,707	197,575	183,716	(13,859)
Expenditures				
General government:				
Mayor	574	574	527	47
Council	130	130	0	130
Manager	16,137	17,540	15,502	2,038
Attorney	78	78	60	18
Clerk	184	344	180	164
Community Development	11,736	12,127	10,716	1,411
Human Resources	4,542	4,640	3,828	812
General Services	29,210	32,583	18,049	14,534
Information System	14,809	14,841	14,348	493
Development	4,661	34,873	6,195	28,678
Subtotal	82,061	117,730	69,405	48,325
Allocated expenditures	(36,312)	(36,312)	(36,522)	210
Total general government	45,749	81,418	32,883	48,535

continued

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Public safety:				
Police	87,760	90,681	86,197	4,484
Fire	63,642	64,572	57,049	7,523
Animal regulation	2,967	3,534	2,670	864
Building and zoning inspection	4,043	4,043	3,243	800
Street lighting	4,069	4,069	4,067	2
Total public safety	162,481	166,899	153,226	13,673
Highways and streets	18,911	24,594	20,760	3,834
Culture and recreation	31,922	33,600	27,090	6,510
Debt service:				
Principal	4,560	5,826	5,826	0
Interest	10,956	11,042	11,786	(744)
Total debt service	15,516	16,868	17,612	(744)
Total expenditures	274,579	323,379	251,571	71,808
Deficiency of revenue under expenditures	(88,872)	(125,804)	(67,855)	57,949
Other financing sources (uses)				
Transfers in	31,321	31,399	32,656	1,257
Transfers out	(1,572)	(1,922)	(1,922)	0
Sale of capital assets	100	100	397	297
Total other financing sources	29,849	29,577	31,131	1,554
Net change in fund balances	(59,023)	(96,227)	(36,724)	59,503
Fund balance, beginning	131,490	131,490	131,490	0
Fund balance, ending	$ 72,467	$ 35,263	$ 94,766	$ 59,503

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

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2007
(amounts expressed in thousands)

Assets	**Business-type Activities - Enterprise Funds** Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current assets:						
Cash and investments	$ 105,388	$ 40,127	$ 34,002	$ 9,299	$ 188,816	$ 4,278
Receivables (net allowances for uncollectibles)					-	
Interest	1,311	399	185	111	2,006	246
Utility billed	13,492	2,558	596	548	17,194	-
Utility unbilled	14,238	2,732	817	644	18,431	-
Accounts	7,964	1,390	1,066	395	10,815	32
Intergovernmental	295	448	-	4,583	5,326	21
Nuclear materials inventory	1,535	-	-	-	1,535	-
Inventory	-	-	1,061	-	1,061	5,916
Prepaid items	6,430	2	1	-	6,433	8
Due from other funds	50	-	-	-	50	-
Restricted assets:					-	
Cash and cash equivalents	63,749	15,148	4,127	3,236	86,260	-
Cash and investments at fiscal agent	71,519	8,050	-	-	79,569	-
Public benefit programs receivable	766	-	-	-	766	-
Conservation & reclamation programs receivable	-	112	-	-	112	-
Total current assets	286,737	70,966	41,855	18,816	418,374	10,501
Non-current assets:						
Advances to other funds	3,669	20	22,104	-	25,793	17,079
Deferred charges	27,670	6,841	3,828	7,046	45,385	1,643
Capital assets:						
Land	7,049	9,892	2,698	10,774	30,413	-
Buildings	15,287	14,799	180,254	22,050	232,390	1,488
Accumulated depreciation-buildings	(3,635)	(2,857)	(65,719)	(3,024)	(75,235)	(92)
Improvements other than buildings	621,436	339,087	48,059	7,178	1,015,760	-
Accumulated depreciation-improvements other than buildings	(250,370)	(105,030)	(8,919)	(3,328)	(367,647)	-
Machinery and equipment	17,769	9,741	7,027	13,594	48,131	10,122
Accumulated depreciation-machinery and equipment	(12,132)	(6,303)	(4,676)	(8,348)	(31,459)	(7,328)
Construction in progress	57,308	27,067	713	10,864	95,952	-
Total non-current assets	484,051	293,257	185,369	56,806	1,019,483	22,912
Total assets	770,788	364,223	227,224	75,622	1,437,857	33,413

continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2007
(amounts expressed in thousands)

Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
	Business-type Activities - Enterprise funds					
Current Liabilities:						
Accounts payable	12,098	3,901	2,044	1,097	19,140	809
Accrued payroll	5,942	1,959	1,472	1,022	10,395	592
Retainage payable	3,508	423	94	-	4,025	-
Intergovernmental	8	-	-	-	8	-
Claims and judgments	-	-	-	-	-	27,989
Unearned revenue	-	112	210	1,202	1,524	-
Deposits	2,580	1,343	-	1	3,924	-
Due to other funds	-	-	-	2,898	2,898	3,132
Capital leases-current	-	-	42	17	59	-
Water stock acquisitions-current	-	150	-	-	150	-
Landfill capping - current	-	-	-	300	300	-
Current liabilities payable from restricted assets:						
Revenue bonds	19,460	4,355	3,515	-	27,330	-
Accrued interest	1,851	318	612	-	2,781	-
Other payables	180	-	-	-	180	-
Total current liabilities	45,627	12,561	7,989	6,537	72,714	32,522
Non-current liabilities:						
Revenue bonds	334,751	90,745	21,506	-	447,002	-
Arbitrage payable	927	416	-	-	1,343	-
Notes payable	-	-	9,211	-	9,211	-
Capital leases	-	-	28	166	194	-
Advances from other funds	13,390	5,761	3,685	9,669	32,505	2,285
Decommissioning liability	50,606	-	-	-	50,606	-
Water stock acquisitions	-	823	-	-	823	-
Landfill capping	-	-	-	2,821	2,821	-
Total non-current liabilities	399,674	97,745	34,430	12,656	544,505	2,285
Total liabilities	445,301	110,306	42,419	19,193	617,219	34,807
Net Assets						
Invested in capital assets, net of related debt	132,605	193,589	169,293	22,061	517,548	4,190
Restricted for debt service	46,830	12,525	5,978	-	65,333	-
Restricted for other purposes	-	-	-	3,217	3,217	-
Restricted for programs	8,344	853	-	-	9,197	-
Unrestricted	137,708	46,950	9,534	31,151	225,343	(5,584)
Total net assets	$ 325,487	$ 253,917	$ 184,805	$ 56,429	$ 820,638	$ (1,394)

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

City of Riverside
Statement of Revenues, Expenses, and Changes in fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2007
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Electric	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities- Internal Service Funds**
Operating revenues:						
Charges for services	$ 278,888	$ 47,080	$ 24,057	$ 20,829	$ 370,854	$ 14,148
Operating expenses:						
Personal services	17,274	7,528	8,406	6,055	39,263	3,122
Contractual services	4,370	2,137	780	4,444	11,731	130
Maintenance and operation	158,230	9,007	7,349	6,139	180,725	1,445
General	16,110	10,293	3,839	4,164	34,406	2,030
Materials and supplies	529	658	1,955	842	3,984	380
Insurance	395	233	276	193	1,097	14,859
Depreciation and amortization	20,836	7,783	5,333	2,137	36,089	819
Total operating expenses	217,744	37,639	27,938	23,974	307,295	22,785
Operating income (loss)	61,144	9,441	(3,881)	(3,145)	63,559	(8,637)
Nonoperating revenues (expenses):						
Operating grants	-	-	-	1,939	1,939	-
Interest income	11,118	2,931	2,439	500	16,988	1,283
Other	1,351	1,062	16	738	3,167	48
Gain (loss) on retirement of capital assets	485	(74)	(38)	(42)	331	(10)
Capital improvement fees	-	-	5,014	-	5,014	-
Interest expense and fiscal charges	(14,602)	(4,469)	(1,572)	(310)	(20,953)	(79)
Total non-operating revenues (expenses)	(1,648)	(550)	5,859	2,825	6,486	1,242
Income before capital contributions and transfers	59,496	8,891	1,978	(320)	70,045	(7,395)
Capital contributions	9,781	20,074	22	5,175	35,052	-
Transfers in	-	-	-	150	150	-
Transfers out	(27,393)	(3,928)	-	-	(31,321)	-
Change in net assets	41,884	25,037	2,000	5,005	73,926	(7,395)
Total net assets -- beginning	283,603	228,880	182,805	51,424	746,712	6,001
Total net assets -- ending	$ 325,487	$ 253,917	$ 184,805	$ 56,429	$ 820,638	$ (1,394)

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2007
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	$ 271,148	$ 48,527	$ 23,181	$ 20,559	$ 363,415	$ 14,519
Cash paid to employees for services	(16,591)	(7,681)	(8,366)	(6,004)	(38,642)	(3,175)
Cash paid to other suppliers of goods or services	(174,648)	(21,510)	(13,904)	(15,620)	(225,682)	(11,508)
Other receipts	1,351	1,062	23	738	3,174	51
Net cash provided (used) by operating activities	81,260	20,398	934	(327)	102,265	(113)
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	150	150	-
Transfers out	(27,393)	(3,928)	-	-	(31,321)	-
Operating grants	-	-	-	2,765	2,765	-
Advances from interfund receivables	-	-	-	5,912	5,912	-
Payments on interfund receivables	-	8	12,710	-	12,718	-
Advances to other funds	(144)	(62)	(2,044)	(1,229)	(3,479)	(16,771)
Net cash provided (used) by noncapital financing activities	(27,537)	(3,982)	10,666	7,598	(13,255)	(16,771)
Cash flows from capital and related financing activities:						
Purchase of capital assets	(43,733)	(25,469)	(11,974)	(8,220)	(89,396)	(1,457)
Purchase of nuclear fuel	(632)	-	-	-	(632)	-
Proceeds from the sale of capital assets	555	103	4	-	662	-
Principal paid on long-term obligations	(18,815)	(4,305)	(3,959)	(20)	(27,099)	-
Interest paid on long-term obligations	(14,656)	(3,445)	(1,687)	(310)	(20,098)	(79)
Capital improvement fees	-	-	5,014	-	5,014	-
Capital contributions	6,263	5,611	22	819	12,715	-
Net cash used for capital and related financing activities	(71,018)	(27,505)	(12,580)	(7,731)	(118,834)	(1,536)
Cash flows from investing activities:						
Purchase of investments	(5,371)	(4)	-	-	(5,375)	-
Income from investments	12,051	3,276	2,702	544	18,573	1,310
Net cash provided by investing activities	6,680	3,272	2,702	544	13,198	1,310
Net change in cash and cash equivalents	(10,615)	(7,817)	1,722	84	(16,626)	(17,110)
Cash and cash equivalents, ending (including $69,801 for Electric, $29,327 for Water and $3,993 for Sewer in restricted accounts)	169,169	63,092	36,407	12,451	281,119	21,388
Cash and cash equivalents, ending (including $53,166 for Electric, $15,148 for Water and $4,127 for Sewer in restricted accounts)	$ 158,554	$ 55,275	$ 38,129	$ 12,535	$ 264,493	$ 4,278

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2007
(amounts expressed in thousands)

continued

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	$ 61,144	$ 9,441	$ (3,881)	$ (3,145)	$ 63,559	$ (8,637)
Other receipts	1,351	1,062	16	738	3,167	32
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	20,836	7,783	5,333	2,137	36,089	819
Amortization of pension costs	87	38	24	14	163	9
Amortization (burn) of nuclear fuel	4,456	-	-	-	4,456	-
(Increase) in utility billed receivables	(1,249)	(840)	(41)	(96)	(2,226)	-
(Increase) in utility unbilled receivables	(1,687)	(178)	(18)	(12)	(1,895)	-
(Increase) decrease in accounts receivable	(5,256)	2,128	(890)	(189)	(4,207)	(21)
(Increase) decrease in intergovernmental receivables	603	(342)	73	29	363	412
(Increase) decrease in prepaid items	121	366	2	-	489	(1)
(Increase) in nuclear materials inventory	-	-	(508)	-	(508)	-
(Increase) decrease in inventory	(160)	-	-	-	(160)	1,227
Increase (decrease) in accounts payable	-	-	-	479	479	(595)
Increase (decrease) in accrued payroll	(3,059)	1,110	726	35	(1,188)	(62)
Increase (decrease) in retainage payable	596	(191)	16	-	421	-
Increase in intergovernmental receivables	165	79	75	-	319	-
Increase (decrease) in deferred revenue	(64)	-	-	6	(58)	-
Increase (decrease) in deposits	-	(1)	7	-	6	-
(Decrease) in due to other funds	(151)	(57)	-	-	(208)	(1,301)
Increase in claims and judgments	-	-	-	-	-	8,005
Increase in decommissioning liability	3,527	-	-	-	3,527	-
(Decrease) in landfill capping	-	-	-	(323)	(323)	-
Net cash provided by operating activities	$ 81,260	$ 20,398	$ 934	$ (327)	$ 102,265	$ (113)
Schedule of noncash financing and investing activities:						
Contribution in aid	$ 3,518	$ 14,462	$ 22	$ 49	$ 18,051	$ -

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007
(amounts expressed in thousands)

		Agency Funds
Assets:		
Cash and investments	$	11,187
Cash and investments at fiscal agent		9,161
Interest receivable		108
Property tax receivables		418
Total assets	$	20,874
Liabilities:		
Accounts payable	$	11
Held for bond holders		20,863
Total liabilities	$	20,874

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting for the proprietary fund financial statements. Agency funds report only assets and liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables. Agency funds report only assets and liabilities, therefore have no measurement focus.

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

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

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

The government reports the following major governmental funds:

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

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

The 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 for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

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

F. Land and Improvements Held for Resale

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

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets and Nuclear Fuel

Capital Assets

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

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

Nuclear Fuel

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

J. Compensated Absences

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

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

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

K. Long-Term Obligations

Long-Term Debt

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

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

Decommissioning

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

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside $50,606 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1,600 per year to fund this obligation. Decommissioning is expected to commence around the year 2014.

L. Claims and Judgments Payable

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

M. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management or the governing board for the future use of financial resources.

N. Net Assets

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

O. Interfund Transactions

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

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

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

P. Unearned Revenues

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The majority of the City's governmental fund unearned revenue for June 30, 2007 relates to unearned revenue on a capital lease. See Note 4.

Q. Property Tax Calendar

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

For the year ended June 30, 2007 (amounts expressed in thousands)

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

R. Use of Estimates

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

S. Implementation of new accounting principles

GASB has issued two pronouncements prior to June 30, 2007 (for years ending after June 30, 2007) that have effective dates that may impact future financial presentations. Management has currently determined that GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB No. 47, "Accounting for Termination Benefits" apply to the City, and are currently evaluating the impacts of implementing the pronouncements.

2. Legal Compliance - Budgets

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

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

3. Cash and Investments

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

Investments	$392,505
Investments at fiscal agent	504,455
	896,960
Cash on hand and in transit	2,400
	$899,360

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

Cash and investments	$399,535
Restricted cash and cash equivalents	86,260
Restricted cash and investments at fiscal agent	393,217
Total per statement of net assets	879,012
Fiduciary fund cash and investments	20,348
	$899,360

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.

For the year ended June 30, 2007 (amounts expressed in thousands)

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first $100 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

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

	Max Maturity	Max % of Portfolio
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%
Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%

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

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

Investments Authorized by Debt Agreements

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

Securities of the U.S. Government and its sponsored agencies
Bankers' Acceptances rated in the single highest classification
Commercial Paper rated in the single highest classification
Investments in money market funds rated in the single highest classification
Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
Investment Agreements

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

Disclosures Relating to Interest Rate Risk

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

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

For the year ended June 30, 2007 (amounts expressed in thousands)

Investment Type		Remaining Maturity (in Months): 12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 31,239	$31,239	$ -	$ -	$ -
Federal Agency Securities	240,712	49,650	34,455	156,607	-
Corp Medium Term Notes	19,654	-	19,654	-	-
State Investment Pool	100,900	100,900	-	-	-
Held by Fiscal Agent					
Money Market Funds	33,514	33,514	-	-	-
Investment Contracts	391,335	59,028	166,216	118,210	47,881
Corp Med Term Notes	984	984	-	-	-
Commercial Paper	26,973	24,539	-	2,434	-
Fed Agency Securities	51,649	19,904	1,697	9,224	20,824
Total	$896,960	$319,758	$222,022	$286,475	$68,705

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:

Investment Type		Rating as of Year End: AAA	Aa	A-1	Unrated
Money Market Funds	$ 31,239	$ -	$ -	$ -	$ 31,239
Federal Agency Securities	240,712	240,712	-	-	-
Corp Medium Term Notes	19,654	-	19,654	-	-
State Investment Pool	100,900	-	-	-	100,900
Held by Fiscal Agent					
Money Market Funds	33,514	33,514	-	-	-
Investment Contracts	391,335	-	-	-	391,335
Corp Med Term Notes	984	984			-
Commercial Paper	26,973	-	-	26,973	-
Fed Agency Securities	51,649	51,649	-	-	-
Total	$896,960	$717,326	$20,522	$26,973	$132,139

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Securities	$158,386

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Capital Lease Receivable

The Redevelopment Agency has a direct financing lease arrangement with the State of California (the State) for a twelve-story office building. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed by the Redevelopment Agency on the lease revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

For the year ended June 30, 2007 (amounts expressed in thousands)

2008	$ 2,298
2009	2,324
2010	2,355
2011	2,381
2012	2,413
Thereafter	34,197
Total Due	45,968
Less: amount applicable to interest	(19,803)
Total capital lease receivable	$26,165

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2007.

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$163,594	$34,265	$(6,165)	$191,694
Construction in progress	55,326	46,233	(36,573)	64,986
Total capital assets not being depreciated	218,920	80,498	(42,738)	256,680
Capital assets being depreciated:				
Buildings	77,724	24,139	-	101,863
Improvements other than Buildings	51,619	9,035	-	60,654
Machinery and Equipment	57,114	15,469	(4,774)	67,809
Infrastructure	521,056	66,801	-	587,857
Total capital assets being depreciated	707,513	115,444	(4,774)	818,183
Less accumulated depreciation for:				
Buildings	(27,917)	(1,767)	-	(29,684)
Improvements other than Buildings	(28,032)	(1,830)	-	(29,862)
Machinery and Equipment	(42,636)	(4,422)	4,548	(42,510)
Infrastructure	(167,654)	(12,617)	-	(180,271)
Total accumulated depreciation	(266,239)	(20,636)	4,548	(282,327)
Total capital assets being depreciated, net	441,274	94,808	(226)	535,856
Governmental activities capital assets, net	$660,194	$175,306	$(42,964)	$792,536

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 30,372	$ 44	$ (3)	$ 30,413
Construction in progress	42,064	103,001	(49,113)	95,952
Total capital assets not being depreciated	72,436	103,045	(49,116)	126,365
Capital assets being depreciated:				
Buildings	228,937	3,452	1	232,390
Improvements other than Buildings	973,640	43,336	(1,216)	1,015,760
Machinery and Equipment	43,645	6,215	(1,729)	48,131
Total capital assets being depreciated	1,246,222	53,003	(2,944)	1,296,281
Less accumulated depreciation for:				
Buildings	(69,862)	(5,375)	2	(75,235)
Improvements other than Buildings	(341,375)	(27,249)	977	(367,647)
Machinery and Equipment	(29,784)	(3,265)	1,591	(31,458)
Total accumulated depreciation	(441,021)	(35,889)	2,570	(474,340)
Total capital assets being depreciated, net	805,201	17,114	(374)	821,941
Business type activities capital assets, net	$877,637	$120,159	$(49,490)	$948,306

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	$ 2,307
Public safety	2,378
Highways and streets, including depreciation of general infrastructure assets	13,401
Culture and recreation	2,550
Total depreciation expense – governmental activities	$20,636

For the year ended June 30, 2007 (amounts expressed in thousands)

Business type activities:

Electric	$20,836
Water	7,783
Sewer	5,333
Refuse	892
Special Transportation	385
Airport	221
Public Parking	439
Total depreciation and amortization expense - business type activities	$35,889

6. Risk Management

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

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

Changes in the funds' claims liability amounts are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Unpaid Claims, June 30, 2005	$11,147	$ 76	$6,326	$17,549
Incurred claims	8,176	-	4,657	12,833
Claim payments	(5,589)	-	(4,809)	(10,398)
Unpaid Claims, June 30, 2006	13,734	76	6,174	19,984
Incurred claims (including IBNR's)	14,251	-	7,432	21,683
Claim payments	(8,298)	-	(5,380)	(13,678)
Unpaid claims, June 30, 2007	$19,687	$ 76	$ 8,226	$27,989

7. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$140,195	$160,507	$4,104	$296,598	$ 4,145
General Obligation Bonds	19,858	-	527	19,331	545
Pension Obligation Bonds	146,470	-	2,020	144,450	2,480
Certificates of Participation	55,571	139,139	1,836	192,874	1,870
Capital leases	6,008	1,103	2,182	4,929	1,656
Notes Payable	10,215	-	456	9,759	517
Compensated Absences	31,656	15,185	12,778	34,063	12,187
Total	$409,973	$315,934	$23,903	$702,004	$23,400

For the year ended June 30, 2007 (amounts expressed in thousands)

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$509,577	$ -	$35,245	$474,332	$27,330
Notes Payable	9,841	-	630	9,211	642
Capital Leases	317	-	64	253	85
Landfill Capping	3,444	-	323	3,121	300
Arbitrage Liability	-	1,343	-	1,343	-
Water Stock Acquisition Rights	979	-	6	973	150
Total	$524,158	$ 1,343	$27,671	$489,233	$28,507

Advance Refunding:

In prior years the City defeased certain Revenue and Tax Allocation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At fiscal year end $62,735 of bonds outstanding are considered defeased.

Long-Term Obligations at June 30, 2007:

Revenue Bonds:	Principal Outstanding
Electric	
$98,730 1998 Electric Revenue Bonds (partial refunding issue); $63,165 serial bonds, 4.25% to 5.38%, due in annual installments from $4,650 to $7,085 through October 1, 2013; $35,565 term bonds, 5%, due October 1, 2022 (partially advance refunded in 2005).	$ 47,315
$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from $2,855 to $4,750 through October 1, 2016 (partially advance refunded in 2005).	29,125
$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.	53,880
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.25%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	24,885
$82,500 2004 Electric Revenue Bonds; Series B Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2007 was 3.7%), due in annual installments from $1,250 to $7,000 through October 1, 2029.	82,500
$115,725 2005 Electric Refunding/Revenue Bonds; Series A and B; Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2007 was 3.7%), due in annual installments from $600 to $10,375 through October 1, 2035.	115,125
Subtotal	352,830
Add: Unamortized bond premium	7,469
Less: Unamortized deferred bond refunding costs	(6,087)
	$360,299
Water	
$69,840 1991 Water Revenue Bonds; $25,050 serial bonds, 4.25% to 9.0%, due in annual installments from $675 to $3,100 through October 1, 2002; $25,900 Capital Appreciation Bonds, due in annual installments from $3,235 to $3,240 from October 1, 2003 to October 1, 2010; (partially advance refunded in 1998)	$ 12,950

For the year ended June 30, 2007 (amounts expressed in thousands)

	Principal Outstanding
$30,965 1998 Water Revenue Bonds (partial refunding issue); $15,055 serial bonds, 4.0% to 5.38%, due in annual installments from $205 to $4,055 through October 1, 2013; $15,910 term bonds, 5%, due October 1, 2027	20,990
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $1,230 through October 1, 2031 (partially advance refunded in 2005)	4,850
$61,125 2005 Water Refunding/Revenue Bonds; Auction Rate Securities, variable rate subject to weekly repricing (rate at June 30, 2007 was 3.6%), due in annual installments from $400 to $3,950 through October 1, 2035	60,725
Subtotal	99,515
Less: Unamortized bond discount	(1,906)
Less: Unamortized deferred bond refunding costs	(2,510)
	$ 97,609

Sewer

$49,145 1993 Sewer Revenue Refunding Serial Bonds; 4.0% to 7.0%, due in annual installments from $335 to $4,745 through August 1, 2012	$ 24,865
Add: Unamortized bond premium	156
	25,021
Total Revenue Bonds	$482,929

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

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2008	$ 19,460	$ 13,602	$ 33,062	$ 4,355	$ 3,194	$ 7,549
2009	20,345	12,735	33,080	4,375	3,153	7,528
2010	21,300	11,781	33,081	4,415	3,109	7,524
2011	22,295	10,810	33,105	4,465	3,063	7,528
2012	21,050	9,744	30,794	4,590	3,110	7,700
2013-2017	86,690	35,085	121,775	22,310	11,338	33,648
2018-2022	41,490	23,520	65,010	11,430	7,889	19,319
2023-2027	38,575	16,388	54,963	14,025	5,806	19,831
2028-2032	42,275	9,587	51,862	15,700	3,447	19,147
2033-2036	39,350	2,366	41,716	13,850	890	14,740
Premium (Discount)	7,469	-	7,469	(1,906)	-	(1,906)
Total	$360,299	$145,618	$505,917	$ 97,609	$44,999	$142,608

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2008	$ 3,515	$1,346	$ 4,861
2009	3,760	1,092	4,852
2010	4,020	819	4,839
2011	4,305	571	4,876
2012	4,520	350	4,870
2013	4,745	119	4,864
Premium	156	-	156
Total	$25,021	$4,297	$29,318

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)	$ 180
$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	14,750

For the year ended June 30, 2007 (amounts expressed in thousands)

	Principal Outstanding
$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; $1,900 serial bonds, 4.5% to 5.5% due in annual installments from $35 to $190 through September 1, 2013; $1,135 term bonds at 5.5% due September 1, 2018; and $3,020 term bonds at 5.625% due September 1, 2027	5,315
$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.	16,865
$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	4,475
$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024	2,800
$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	23,740
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due Oct. 1, 2008; $1,110 term bonds at 4.340% due Oct. 1, 2014 and $2,770 term bonds at 5.480% due Oct. 1, 2024	4,200

	Principal Outstanding
$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	36,680
$24,115 2005 Housing Set-Aside Tax Allocation Bonds; $17,025 serial bonds 3.0% to 4.625% due in annual installments from $505 to $1,165 through August 1, 2025; $2,425 term bonds at 5.0% due August 1, 2028; and $4,665 term bonds at 4.85% due August 1, 2034	23,045
$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of $105 to $180 through August 1, 2015	1,360
$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	8,340
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due August 1, 2017; $10,800 term bonds at 5.8% due August 1, 2028	14,850

For the year ended June 30, 2007 (amounts expressed in thousands)

	Principal Outstanding
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through August 1, 2025; $17,955 term bonds at 4.5% due August 1, 2030; $47,775 term bonds at 5.0% due August 1, 2037	89,205
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, $15,740 term bonds due August 1, 2017; $28,135 term bonds due August 1, 2032	43,875
Subtotal	289,680
Add: Unamortized bond premium	6,918
Total Redevelopment Agency Bonds	$296,598

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
2008	$ 4,145	$ 12,585	$ 16,730
2009	6,250	13,931	20,181
2010	6,625	13,670	20,295
2011	6,925	13,380	20,305
2012	7,235	13,071	20,306
2013-2017	41,395	61,397	102,792
2018-2022	54,585	50,746	105,331
2023-2027	63,035	41,885	104,920
2028-2032	49,025	37,746	86,771
2033-2037	43,685	26,262	69,947
2038-2042	6,775	3,997	10,772
Premium	6,918	-	6,918
Total	$296,598	$288,670	$585,268

General Obligation Bonds:	Principal Outstanding
$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from $410 to $1,740 through August 1, 2024	$19,075
Add; Unamortized bond premium	256
Total General Obligation Bonds	$19,331

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
2008	$ 545	$ 1,109	$ 1,654
2009	590	1,130	1,720
2010	625	1,155	1,780
2011	675	1,183	1,858
2012	725	1,212	1,937
2013-2017	4,525	6,597	11,122
2018-2022	6,450	7,908	14,358
2023-2025	4,940	4.683	9,623
Premium	256	-	256
Total	$19,331	$24,977	$44,308

For the year ended June 30, 2007 (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	$85,765
$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	28,685
$30,000 2005 Taxable Pension Obligation Bonds Series B (Auction Rate Securities); variable rate subject to weekly repricing (rate at June 30, 2007 was 5.3%), due in annual installments from $1,475 to $6,750 through June 1, 2025.	30,000
Total Pension Obligation Bonds	$144,450

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
2008	$ 2,480	$ 7,642	$ 10,122
2009	2,985	7,539	10,524
2010	3,535	7,406	10,941
2011	4,130	7,241	11,371
2012	4,780	7,042	11,822
2013-2017	35,565	30,802	63,367
2018-2022	61,635	18,551	80,186
2023-2025	29,340	2,483	31,823
Total	$144,450	$88,706	$233,156

Certificates of Participation:	Principal Outstanding
$6,360 1999 Municipal Improvements Corporation Certificates of Participation; 6.0% to 7.6%, due in annual installments from $310 to $815 through April 1, 2010	$ 2,280
$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	50,200
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 4.5%, due in annual installments from $435 to $735 through September 1, 2024	19,945
$59,475 Riverside Renaissance Certificates of Participation Series 2007A; variable rate subject to weekly repricing (rate at June 30, 2007 was 3.7%), due in annual installments from $1,350 to $3,350 through March 1, 2037	59,475
$59,500 Riverside Renaissance Certificates of Participation Series 2007B; variable rate subject to weekly repricing (rate at June 30, 2007 was 3.7%) due in annual installments from $1,350 to $3,350 through March 1, 2037	59,500
Subtotal	191,400
Add: Unamortized bond premium	1,474
Total Certificates of Participation	$192,874

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:

For the year ended June 30, 2007 (amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2008	$1,870	$ 7,445	$ 9,315
2009	1,950	7,360	9,310
2010	2,045	7,260	9,305
2011	1,275	7,124	11,099
2012	4,500	6,977	11,477
2013-2017	25,355	32,214	57,549
2018-2022	30,755	26,877	57,632
2023-2027	35,820	20,287	56,107
2028-2032	42,495	12,667	55,162
2033-2037	42,655	3,946	46,601
Premium	1,474	-	1,474
Total	$192,874	$132,157	$325,031

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$973

Notes Payable - Redevelopment Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, including principal and interest through June 2020	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	2,700
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	3,595
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	477
Total notes payable – Redevelopment Agency	$ 9,759

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
2008	$ 517	$ 744	$ 1,261
2009	552	711	1,263
2010	593	675	1,267
2011	638	635	1,274
2012	685	592	1,277
2013-2017	3,437	1,656	5,092
2018-2022	1,281	1,293	2,575
2023-2027	777	933	1,709
2028-2032	1,279	430	1,709
Total	$ 9,759	$7,668	$17,427

Notes payable – Sewer Fund:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339,474, beginning January 29, 2003 through January 29, 2022	$ 4,088
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477,387, beginning November 6, 1999 through November 6, 2018	5,123
Total notes payable – Sewer Fund	$9,211

For the year ended June 30, 2007 (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
2008	$ 642	$ 175	$ 817
2009	654	163	817
2010	6666	151	817
2011	679	138	817
2012	692	125	816
2013-2017	3,659	426	4,084
2018-2021	2,220	92	2,313
Total	$9,211	$1,270	$10,481

Capital Leases:

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

Asset	Governmental Activities	Business-Type Activities
Buildings	$8,660	$868
Equipment	6,519	-
Subtotal	15,179	868
Less: Accumulated		
Depreciation	(2,217)	(167)
Total	$12,962	$701

The future minimum lease obligations as of June 30, 2007 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2008	$1,749	$ 92
2009	1,520	75
2010	848	51
2011	809	51
2012	474	0
Total Minimum lease payments	5,400	269
Less: Amount representing interest		
(rates ranging from 2.5% to 9%)	(471)	(16)
Total capital lease payable	$4,929	$253

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, 2007:

General long-term obligations:	
Redevelopment Agency	$ 7,033
Certificates of Participation	5,486
Total	$12,519
Enterprise funds:	
Electric	$30,108
Water	9,427
Total	$39,535

Following are required debt service ratios for the year ended June 30, 2007. The ratio measures operating income in relation to debt service. The City is in compliance with these ratios, except for the Sewer fund. The Sewer fund has not raised sewer rates in over 20 years. Management is in the process of preparing a rate increase that is anticipated to be approved by City Council by fiscal year 07/08.

	Minimum Debt Service Ratio Required
Electric fund	1.10
Water fund	1.25
Sewer fund	1.25

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2007 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost of $4,559 is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 23 years. The estimated cost of meeting the State's requirements was increased by $2.2 million during 2002 based on the engineer's annual review of closure and post-closure maintenance costs.

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2007, the City has several series of Assessment District Bonds outstanding in the amount of $74,508. 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 $16,975 and Industrial Development Revenue Bonds of $11,275 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Interest Rate Swaps on Revenue Bonds

Objective: As a means to lower borrowing costs, when compared against fixed-rate bonds at the time of issuance in September 2005, the City entered into interest rate swap agreements in connection with its $115,725 2005 Electric Refunding/Revenue Bonds (Series A and B) and $61,125 2005 Water Refunding/Revenue Bonds. Also in September 2005, the City entered into the interest rate swap agreement for the $82,500 2004 Electric Revenue Bonds (Series B). The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.11% for the 2004 Electric Revenue Bonds (Series B) and 3.20% for the other respective Revenue Bonds. In March 2007, the City entered into additional interest rate swap agreements in connection with its $59,475 2007 Series A Certificates of Participation, and its $59,500 2007 Series B Certificates of Participation.

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

For the year ended June 30, 2007 (amounts expressed in thousands)

The bonds and the related swap agreements for the 2004 Electric Revenue Bonds mature on October 1, 2029 and the 2005 Electric and Water Refunding/Revenue Bonds both mature on October 1, 2035. The 2007 Series A and B Certificates of Participation mature on March 1, 2037. As of June 30, 2007 rates were as follows:

	Terms	2005 Water Refunding/ Revenue Bonds Series A Rates	2005 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2000%	3.2010%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.26362%)	(3.35345%)
Net interest rate swap payments		(.06362%)	(.15245%)
Variable-rate bond coupon payments	ARS	3.12994%	3.22244%
Synthetic interest rate on bonds		3.06632%	3.06999%

	Terms	2005 Electric Refunding/ Revenue Bonds Series B Rates	2004 Electric Revenue Bonds Series B Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2040%	3.1110%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.37995%)	(3.22906%)
Net interest rate swap payments		(.17595%)	(.11806%)
Variable-rate bond coupon payments	ARS	3.25034%	3.10258%
Synthetic interest rate on bonds		3.07439%	2.98452%

	Terms	COP 2007A T/E Floating Bonds Rates	COP 2007B T/E Floating Bonds Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.396%	3.396%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(3.42160%)	(3.42160%)
Net interest rate swap payments		(.0256%)	(.0256%)
Variable-rate bond coupon payments	ARS	3.60767%	3.63165%
Synthetic interest rate on bonds		3.58207%	3.60605%

Fair Value: As of June 30, 2007, in connection with all swap arrangements, the transactions had a total positive fair value of $17,816. 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, 2007, the City was exposed to credit risk in the amount of $17,816 because the swap had a positive fair value. The swap counterparties, Bear Stearns and Merrill Lynch were rated A+ and AA-, respectively by Standard & Poor's. To mitigate the potential for credit risk, if either counterparties's credit quality falls below A-, the fair value of the swap will be collateralized by the counterparty with U.S. Government securities. Collateral would be posted with a third-party custodian.

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

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

For the year ended June 30, 2007 (amounts expressed in thousands)

Swap payments and associated debt: As of June 30, 2007, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2008	$ 950	$ 8,056	$ (164)	$ 8,842
2009	975	8,026	(163)	8,838
2010	1,000	7,995	(163)	8,832
2011	3,725	11,602	(236)	15,091
2012	6,200	11,408	(160)	17,448
2013-2017	53,700	52,862	(742)	105,820
2018-2022	67,400	42,676	(590)	109,486
2023-2027	74,600	31,083	(420)	105,263
2028-2032	84,225	18,709	(246)	102,688
2032-2037	84,550	4,658	(53)	86,155
Total	$377,325	$197,075	$ (2,937)	$571,463

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2007 for the General Fund, Redevelopment Debt Service Fund, Capital Outlay Fund and the Redevelopment Debt Service Fund consist of the following:

Reserved for:	General	RDA Debt Service	Capital Outlay	RDA Capital Projects
Encumbrances	$ 13,803	$ -	$ 28,586	$ 8,046
Interfund receivable	31,627	-	-	-
Debt service	-	2,333	-	-
Prepaid items	691	-	-	-
Notes receivable	70	-	-	291
Fire bond	1,847	-	-	-
Capital Assets	2,593	-	-	31,509
Total reserved fund balance	$ 50,631	$ 2,333	$ 28,586	$ 39,846

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, 2007:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$4,303
	Central stores *	3,132
		7,435
Redevelopment Capital Projects	Non Major Governmental	3,593
	Redevelopment Debt Service	529
		4,122
Electric	General	50
Total		$11,607

* Internal service funds

For the year ended June 30, 2007 (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, 2007:

Receivable Fund	Payable Fund	Amount
General	Electric	$13,390
	Water	5,761
	Sewer	3,685
	Nonmajor governmental Funds	4,350
	Nonmajor enterprise funds	2,805
	Workers' compensation *	242
	Central stores *	253
	Central garage *	1,140
		31,626
Electric	General	3,019
	Central Stores*	650
		3,669
Water	General	20
Sewer	General	15,253
	Nonmajor governmental funds	3,001
	Nonmajor enterprise funds	3,850
		22,104
Workers' compensation*	Nonmajor governmental funds	10,367
Liability Insurance Trust*	Nonmajor governmental funds	3,697
	Nonmajor enterprise funds	3,015
		6,712
Total		$74,498

* Internal service funds

Transfers In/Out: Transfers are used to (1) move revenues to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move the remaining fund balances of closed funds to the General fund and (4) use unrestricted revenues collected in the General fund to finance various programs accounted for in the other funds in accordance with budgetary operations.

The following table shows amounts transferred to/from funds within the City as of June 30, 2007:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$27,393
	Water	3,928
	Special Designation	1,257
	Special Capital Improvement	78
		32,656
RDA Special Revenue	General Fund	200
		200
RDA Debt Service	RDA Special Revenue	3,207
	RDA Capital Projects	8,466
		11,673
RDA Capital Projects	RDA Debt Service	45,782
		45,782
Library	General Fund	1,572
	RDA Capital Projects	748
		2,320
CDBG Community Dev	RDA Rehabilitation	42
		42
COPS 2006	COPS Debt Service	28
		28
Refuse	General Fund	150
		150
Total		$92,851

For the year ended June 30, 2007 (amounts expressed in thousands)

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Workers Compensation ($6,493), and the Public Liability ($806) funds at fiscal year end. The deficit in these funds will be 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 is a defendant in various lawsuits arising in the normal course of operations. City management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material affect on the financial position or results of operations of the City. Management also believes that adequate reserves exist in the internal service funds to cover outstanding lawsuits.

On January 1, 2003, the City became a Participating Transmission Owner with the California Independent System Operator (ISO), entitling the City to receive compensation for use of its transmission facilities committed to the ISO's operational control. The compensation is based upon the City's Transmission Revenue Requirement (TRR) as approved by the Federal Energy Regulatory Commission (FERC). The California Investor Owned Utilities (IOU's), the California Department of Water Resources (CDWR), and the CPUC, among others, objected to various aspects of the City's TRR at the FERC. The City and the objecting parties submitted a settlement agreement for filing. The settlement agreement disposes of all City TRR issues except for CDWR's and CPUC's contention that the City is not entitled to its TRR for the majority of the transmission facilities committed to the ISO's control. After numerous FERC hearings, briefings, and decisions on this TRR issue, FERC issued a final order in favor of the City in late 2006. CDWR appealed this order to the U.S. Court of Appeals for the D.C. Circuit, but CDWR subsequently withdrew this petition, and the court issued an order dismissing the case on July 9, 2007. As a result of the dismissal, approximately $49 million collected from the ISO through June 30, 2007 but previously held in reserves, has now been released to the Electric Utility's unrestricted operating cash reserve account, and is available for current operations or other strategic purposes upon approval of the Public Utilities Board and the City Council.

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. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the fiscal year 2006-2007 rate was 13.181% for non-safety employees, and 19.015% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. For 2007, the City's annual pension cost of $35,053 for CalPERS was equal to its annual required contribution of $34,226 plus the effect of amortization of the net pension asset of $826. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2005	$28,948	305%	($147,842)
2006	30,684	100%	($147,546)
2007	35,053	100%	($147,521)

For the year ended June 30, 2007 (amounts expressed in thousands)

A total of $147,521 of net pension assets are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses.

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.	6/30/03	568,712	511,281	57,431	89.9	75,838	75.7
Safety	6/30/03	413,125	329,673	83,452	79.8	44,611	187.1
Misc.	6/30/04	611,841	537,352	74,489	87.8	77,960	95.5
Safety	6/30/04	454,795	440,172	14,623	96.8	48,635	30.1
Misc.	6/30/05	655,642	634,694	30,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2

15. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues and requires payment of certain minimum charges, which are based on debt service requirements. Such payments are considered a cost of production and are quantified below.

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility is obligated for its proportionate share of the project cost. The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station	5.40%	11.7MW
Southern Transmission System	10.20%	195.0MW
Hoover Dam Uprating	31.91%	30.0MW
Mead – Phoenix Transmission	4.00%	12.0MW
Mead – Adelanto Transmission	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Interest rates on the outstanding debt associated with the take or pay obligations range from 3.0% to 6.125%. The following schedule details the amount of principal and interest, which is due and payable by the Electric Utility for each project in the fiscal year indicated.

	IPA	SCPPA					
Fiscal Year	Inter-mountain Power Project	Palo Verde Nuclear Generating Project	Trans-mission System Project	Hoover Dam Uprating	Mead– Phoenix Trans-mission	Mead-Adelanto Trans-mission	Total
2008	$ 20,886	$ 849	$ 7,041	$ 704	$ 260	$ 2,819	$ 32,559
2009	21,852	846	6,923	704	259	2,814	33,398
2010	22,626	709	6,677	703	259	2,818	33,792
2011	26,440	706	6,711	702	289	2,814	37,662
2012	24,061	704	6,775	701	287	2,797	35,325
Thereafter	210,212	3,481	91,126	4,167	2,295	25,133	336,414
Total	$326,077	$7,295	$125,253	$7,681	$3,649	$39,195	$509,150

For the year ended June 30, 2007 (amounts expressed in thousands)

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

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

In addition to debt service, Riverside's entitlement requires the payment for fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for 2006 and 2007 fiscal years are as follows:

Fiscal Year	IPA	PV	STS	MAP	MPP	Hoover	Total
2006	24,121	2,122	1,845	220	43	96	28,447
2007	24,227	2,122	1,948	249	49	96	28,691

B. Other Commitments

Power Purchase Agreements:

The City has executed five firm power purchase agreements for non-renewable power. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; CDWR; and Bonneville Power Administration (BPA). The minimum annual obligations under each of these contracts are shown in the table below.

Minimum Obligations 2006-2007

Supplier	Capacity	Energy	Total
Deseret	$3,463	$1,824	$5,287
CDWR III	446	-	446
CDWR IV	581	-	581
BPA	861	-	861
	$5,351	$1,824	$7,175

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation that was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, the Electric Utility paid Deseret $25 million from reserves, which is reflected on the Statement of Net Assets as unamortized purchase power. On July 1, 2002, the Electric Utility began to amortize the related price reductions, and will continue to amortize the remaining balance over the term of the agreement using the straight-line method. As of June 30, 2007, unamortized purchased power was $8,352 and the Electric Utility had recorded amortization of $3,341.

There are two separate agreements with CDWR. The two agreements, CDWR III and IV are for the purchase of 23 and 30 megawatts of capacity and associated energy from May through October. CDWR III and CDWR IV are for a period of 15 years beginning June 1, 1996, subject to termination. In early 2005, CDWR and the City disagreed upon whether the Power Sale Agreements III and IV were still in effect as of December 31, 2004. While CDWR believed the agreements were terminated, the City contended that CDWR did not provide proper notification under the terms of the power sale agreements. During May and June, CDWR continued to provide power under the original terms of the contracts, pending staff's resolution of the dispute. On September 13, 2005, in order to maintain the City's long-term relationship with CDWR and to avoid costly litigation, City Council approved the contract amendments, effectively terminating the contract in 2007 and reducing the final two years of the contracts to a period of May through September.

An agreement with Bonneville Power Administration (BPA) is for a purchase of firm capacity and associated energy of 23 megawatts in the summer and 16 megawatts in the winter for a period of twenty years ending February 1, 2011. A second agreement with BPA was executed in 1996 and is for the purchase of firm capacity (50 megawatts during the summer months and 13 megawatts during the winter months) and associated energy beginning April 30, 1996 for twenty years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 and 15 magawatts, respectively, for the remainder of the second agreement.

For the year ended June 30, 2007 (amounts expressed in thousands)

On July 8, 2003, and June 6, 2003, the City Council and Public Utilities Board, respectively, adopted the Renewable Portfolio Standard to increase procurement of renewable resources to reach a target of 20 percent of the Utility's energy from renewable sources by 2015. The contracts in the following table were executed as part of compliance with this standard. The Electric Utility has agreements with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio. In the current year, renewable resources provided approximately 13 percent of the retail energy requirements, approximately 11 percent of the total power supply.

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2008
Milliken Genco	Landfill Gas	2.3MW	12/31/2007	$ 416
Mid Valley Genco	Landfill Gas	2.3MW	12/31/2007	475
Riverside County				256
(Badlands Landfill)	Landfill Gas	1.2MW	12/31/2008	
Wintec	Wind	1.3MW	4/30/2018	176
Salton Sea	Geothermal	20.0MW	5/31/2013	9,645
Total		27.1MW		$10,968

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

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

Construction Commitments:

As of June 30, 2007, the Electric Utility had major construction commitments of approximately $15,508 with respect to unfinished capital projects. Of these commitments, $11,264 is expected to be funded by bonds, $1,274 funded by rates and $2,970 by others.

As of June 30, 2007, the Water Utility had major construction commitments of approximately $19,276 with respect to unfinished capital projects. Of these commitments, $10,106 is expected to be funded by bonds, $8,099 by other sources and $1,071 funded by rates.

C. Jointly Governed Organizations

On November 1, 1980, the City of Riverside joined with the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale, Pasadena, and Imperial Irrigation District to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the cities of Cerritos and San Marcos were admitted as members of SCPPA. In August 2003, the Authority rescinded the membership of the City of San Marcos, as the City no longer met the criteria for membership. The primary purpose of the Authority is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Authority is governed by a Board of Directors, which consists of one representative for each of the members. During the 2007 fiscal year, the Electric Utility paid approximately $16,854 to SCPPA under various take-or-pay contracts, which are described in greater detail in Note 14A. These payments are reflected as a component of purchased power in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (Agency) by a Joint Powers Agreement under the laws of the State of California. The City of Anaheim joined the Agency on July, 1 1996. The primary purpose of the Agency is to take advantage of economies of scale resulting from the five cities acting in concert. The Agency has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Agency is governed by a Board of Directors (the Board), which consists of one representative for each of the members. The term of the Joint Powers Agreement is fifty years. On April 5, 2001 the Board placed the Agency in an inactive status, effective June 30, 2001. It can only be reactivated with authorization from the Agency Board.

D. Jointly-Owned Utility Project

Pursuant to the Settlement Agreement with Southern California Edison (SCE) dated August 4, 1972, the City was granted the right to acquire a

For the year ended June 30, 2007 (amounts expressed in thousands)

1.79% ownership interest in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3. Pursuant to the Settlement Agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement which sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas and Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remains the responsibility of SCE, as operating agent for the City.

SCE, as operating agent, has declared an “operating impairment” due to deterioration of the steam generators (“SGs”), which would likely result in permanent shutdown of the plant in the 2009-2010 timeframe. The estimated cost to replace the SGs is $680 million, of which approximately $12.2 million would represent the City’s share. The replacement is expected to enable plant operations through at least 2022, and perhaps beyond if Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, the City of Anaheim has opted not to participate. As a result, upon replacement of the SGs, Riverside and San Diego Gas and Electric Company will retain their respective 1.79 and 75.05 percent shares and SCE will assume Anaheim’s interest resulting in a 78.21 percent interest in both units 1 and 2 at SONGS. The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively.

There are no separate financial statements for the jointly-owned utility plant since each participant's interest in the utility plant and operating expenses is included in their respective financial statements. The Electric Utility's share of the capitalized construction cost and operating expenses is included in the financial statements. As of June 30, 2007, Riverside's 1.79% share of the capitalized construction costs for SONGS totaled $138,575 with accumulated depreciation of $108,709. The Electric Utility made provisions during fiscal year 2006 for nuclear fuel burn of $911 and for future decommissioning cost of $1,581 (See Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

As a participant in the SONGS, the Electric Utility could be subject to assessment of additional insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

16. Restatement of Net Assets/Fund Balance

The City’s Net Assets for Governmental Activities and Fund balance at June 30, 2007 have been restated to properly classify land which was purchased from the Water fund as land held for resale rather than as a capital asset and to properly report the asset at their original acquisition cost.

The restatements had the following effect on the Net Assets for Governmental Activities:

Beginning, as previously reported	$729,113
Land Purchase	(5,415)
Beginning, as restated	$723,698

The restatements had the following effect on Beginning Fund Balance:

General Fund	
Beginning, as previously reported	$128,897
Land Purchase	2,593
Beginning, as restated	$131,490

CITY OF
RIVERSIDE