City of Riverside
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

Assets	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and investments	$ 200,402	$ 157,607	$ 358,009
Receivables, net	98,659	67,508	166,167
Inventory	6,636	989	7,625
Nuclear material inventory	-	1,921	1,921
Prepaid items	4,086	7,017	11,103
Deferred charges	129,510	44,708	174,218
Internal balances	(6,750)	6,750	-
Land and improvements held for resale	78,950	-	78,950
Restricted assets:			
Cash and cash equivalents	-	40,795	40,795
Cash and investments at fiscal agent	243,838	330,182	574,020
Other	-	970	970
Capital leases receivable	25,585	-	25,585
Land and other capital assets not being depreciated	335,243	145,863	481,106
Capital assets (net of accumulated depreciation)	630,825	904,147	1,534,972
Total assets	1,746,984	1,708,457	3,455,441
Liabilities			
Accounts payable and other current liabilities	58,190	39,327	97,517
Accrued interest payable	7,851	3,878	11,729
Unearned revenue	2,020	1,102	3,122
Deposits	20,377	3,721	24,098
Current liabilities payable from restricted assets	-	225	225
Claims and judgments payable	28,479	-	28,479
Decommissioning liability	-	54,523	54,523
Noncurrent liabilities:			
Due within one year	57,507	30,238	87,745
Due in more than one year	650,572	704,821	1,355,393
Total liabilities	824,996	837,835	1,662,831
Net Assets			
Invested in capital assets, net of related debt	887,964	601,999	1,489,963
Restricted for:			
Expendable:			
Capital projects	306,376	-	306,376
Debt service	4,670	29,821	34,491
Economic development	16,119		
Other purposes		3,217	3,217
Public works	5,699		5,699
Housing	43,041	-	43,041
Programs	-	10,304	10,304
Nonexpendable	1,232	-	1,232
Unrestricted	(343,113)	225,281	(117,832)
Total net assets	$ 921,988	$ 870,622	$ 1,792,610

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 30,2008
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:								
General government	$ 113,897	$ (18,793)	$ 23,969	$ 8,461	$ 280	$ (62,394)		$ (62,394)
Public safety	122,783	10,277	9,924	4,009	-	(119,127)		(119,127)
Highways and streets	26,986	4,996	19,695	319	114,203	102,235		102,235
Culture and recreation	31,659	3,520	4,370	2,235	1,499	(27,075)		(27,075)
Interest on long-term debt	34,075		-	-	-	(34,075)		(34,075)
Total governmental activities	329,400	-	57,958	15,024	115,982	(140,436)		(140,436)
Business type activities:								
Electric	271,411		305,299	-	6,076		$ 39,964	39,964
Water	47,570		49,855		18,116		20,401	20,401
Sewer	31,209		22,525	109	2,672		(5,903)	(5,903)
Refuse	18,430		16,289	107	-		(2,034)	(2,034)
Airport	1,418		1,423	-	1,496		1,501	1,501
Transportation	3,190		313	3,092	855		1,070	1,070
Public parking	4,093		3,717	-	-		(376)	(376)
Total business type activities	377,321		399,421	3,308	29,215		54,623	54,623
Total	$ 706,721		$ 457,379	$ 18,332	$ 145,197	(140,436)	54,623	(85,813)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	50,526	-	50,526
Property	120,646	-	120,646
Utility users	26,267	-	26,267
Franchise	4,972	-	4,972
Other	3,795	-	3,795
Intergovernmental, unrestricted	2,074	-	2,074
Grants and contributions not restricted to specific programs	-	-	-
Investment income	25,670	22,756	48,426
Miscellaneous	9,610	4,931	14,541
Subtotal	243,560	27,687	271,247
Transfers, net	32,326	(32,326)	-
Total general revenues, special items, and transfers	275,886	(4,639)	271,247
Change in net assets	135,450	49,984	185,434
Net assets - beginning	786,538	820,638	1,607,176
Net assets - ending	$ 921,988	$ 870,622	$ 1,792,610

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

City of Riverside
Balance Sheet
Governmental Funds
June 30,2008
(amounts expressed in thousands)

Assets	General Fund	Redevelopment Debt Service	Riverside Municipal Improvements Corporation	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	$ 64,347	$ 15,833	$ 127	$ 3,321	$ 45,561	$ 49,046	$ 178,235
Cash and investments at fiscal agent	13,042	7,752	18,065	82,004	115,335	7,640	243,838
Receivables (net of allowance for uncollectibles)							
Interest	526	145	2	185	372	465	1,695
Property taxes	22,245	-	-	-	-	-	22,245
Sales tax	8,032	-	-	-	-	-	8,032
Utility billed	885	-	-	-	-	-	885
Accounts	5,323	-	-	15,103	7	3	20,436
Intergovernmental	4,576	-	-	14,389	466	4,070	23,501
Notes	246	-	-	-	3,631	17,860	21,737
Capital lease receivable	-	25,585	-	-	-	-	25,585
Prepaid items	512	-	-	4	1	-	517
Deposits	-	-	-	176	3,368	-	3,544
Due from other funds	5,911	-	-	-	3	-	5,914
Advances to other funds	27,946	-	-	-	-	-	27,946
Land & improvments held for resale	2,593	-	-	-	64,658	11,699	78,950
Total assets:	$ 156,184	$ 49,315	$ 18,194	$ 115,182	$ 233,402	$ 90,783	$ 663,060
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ 10,334	$ 8	$ 80	$ 10,827	$ 14,201	$ 1,371	$ 36,821
Accrued payroll	13,829	-	-	-	23	-	13,852
Retainage payable	647	-	-	60	1,950	2,193	4,850
Intergovernmental	146	-	-	-	-	-	146
Unearned revenue	20,023	25,585	-	1,599	3,377	18,024	68,608
Deposits	20,367	-	-	-	-	10	20,377
Due to other funds	50	3	-	-	-	1,185	1,238
Advances from other funds	9,571	-	-	1,980	21,197	606	33,354
Total liabilities:	74,967	25,596	80	14,466	40,748	23,389	179,246
Fund balances:							
Reserved	36,025	23,719	18,114	59,189	73,963	20,097	231,107
Unreserved, designated for economic contingencies	34,000	-	-	-	-	-	34,000
Unreserved, designated for future operations							
General fund	10,253	-	-	-	-	-	10,253
Special revenue	-	-	-	-	-	10,178	10,178
Capital project funds	-	-	-	23,756	118,691	13,713	156,160
Unreserved, undesignated							
General fund	939	-	-	-	-	-	939
Special revenue	-	-	-	-	-	11,893	11,893
Debt service	-	-	-	-	-	54	54
Capital project funds	-	-	-	17,771	-	11,459	29,230
Total fund balances	81,217	23,719	18,114	100,716	192,654	67,394	483,814
Total liabilities and fund balances	$ 156,184	$ 49,315	$ 18,194	$ 115,182	$ 233,402	$ 90,783	$ 663,060

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, 2008
(amounts expressed in thousands)

Total fund balances - governmental funds		$483,814
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.		962,244
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.		7,808
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.		118,588
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		66,588
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(7,851)
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	$ (446,448)	
Certificates of participation payable	(198,855)	
Notes payable	(9,040)	
Capital leases payable	(9,391)	
Bond premiums	(8,158)	
Net OPEB obligation	(1,892)	
Compensated absences	(33,486)	
		(707,270)
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.		(1,933)
Net assets of governmental activities		$921,988

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2008
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Riverside Municipal Improvements Corporation	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 135,991	$ 51,559	$ -	$ -	$ -	$ 12,888	$ 200,438
Licenses and permits	7,144	-	-	-	-	2,883	10,027
Intergovernmental	10,628	200	-	54,276	1,026	13,293	79,423
Charges for services	11,325	-	-	-	-	-	11,325
Fines and forfeitures	4,573	-	-	-	-	-	4,573
Special assessments	4,110	-	-	838	-	297	5,245
Rental and investment income	5,787	1,945	1,423	6,399	8,793	3,623	27,970
Miscellaneous	11,316	161	20	137	514	648	12,796
Total revenues	190,874	53,865	1,443	61,650	10,333	33,632	351,797
Expenditures							
Current:							
General government	14,084	722	210	1,822	10,933	4,725	32,496
Public safety	157,816	-	-	-	-	-	157,816
Highways and streets	25,908	-	-	-	-	-	25,908
Culture and recreation	37,219	-	-	-	-	139	37,358
Capital outlay	-	-	-	94,395	29,790	27,970	152,155
Debt service:							
Principal	5,683	4,869	705		-	-	11,257
Interest	12,118	13,848	5,273	-	-	-	31,239
Bond issuance costs	160	9	528	-	-	-	697
Total expenditures	252,988	19,448	6,716	96,217	40,723	32,834	448,926
Excess (deficiency) of revenues over (under) expenditures	(62,114)	34,417	(5,273)	(34,567)	(30,390)	798	(97,129)
Other financing sources (uses):							
Transfers in	33,526	3,254	-	83	24,680	1,298	62,841
Transfers out	-	(24,680)	(83)	-	(2,474)	(3,278)	(30,515)
Issuance of long term debt	36,108	-	128,300	-	-	-	164,408
Payment to escrow account for advance refunding	(30,000)	-	(118,975)	-	-	-	(148,975)
Sales of capital assets	8,931	-	-	-	-	-	8,931
Advances from other fund	-	-	-	-	-	-	-
Total other financing sources and uses	48,565	(21,426)	9,242	83	22,206	(1,980)	56,690
Net change in fund balances	(13,549)	12,991	3,969	(34,484)	(8,184)	(1,182)	(40,439)
Fund balances - beginning	94,766	10,728	14,145	135,200	200,838	68,576	524,253
Fund balances - ending	$ 81,217	$ 23,719	$ 18,114	$ 100,716	$ 192,654	$ 67,394	$ 483,814

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 ACTIVITIE8
For the year ended June 30, 2008
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		($39,827)
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	$ 198,170	
Depreciation Expense	(24,271)	173,899
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.		8,763
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.		(1,080)
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	11,288	
Debt refunding	149,703	
Deferred Charges	(1,153)	
Other post-employment benefit liabilities	(1,809)	
Compensated Absences	4	
Interest	2,354	
Premiums on the issuance of LTD	197	
Proceeds from LTD	(164,411)	(3,827)
Some expenses reorted in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,939)
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.		(539)
Change in net assets of governmental activities		$ 135,450

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, 2008

(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 151,802	$ 151,802	$ 135,991	$ (15,811)
Licenses and permits	8,637	8,637	7,144	(1,493)
Intergovernmental	11,202	17,717	10,628	(7,089)
Charges for services	12,160	12,556	11,325	(1,231)
Fines and forfeitures	6,857	6,857	4,573	(2,284)
Special assessments	3,800	3,800	4,110	310
Rental and investment income	2,897	7,623	5,787	(1,836)
Miscellaneous	6,451	9,630	11,316	1,686
Total revenues	203,806	218,622	190,874	(27,748)
Expenditures				
General government:				
Mayor	749	792	724	68
Council	199	199	149	50
Manager	16,653	21,451	13,064	8,387
Attorney	94	94	45	49
Clerk	340	531	527	4
Community Development	12,153	11,932	9,405	2,527
Human Resources	4,672	4,672	3,855	817
General Services	25,150	26,025	17,672	8,353
Information System	17,583	17,583	14,725	2,858
Development	35,945	5,972	5,885	87
Subtotal	113,538	89,251	66,051	23,200
Allocated expenditures	(53,410)	(53,410)	(51,967)	(1,443)
Total general government	60,128	35,841	14,084	21,757

continued

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Public safety:				
Police	88,674	96,923	93,006	3,917
Fire	51,340	56,879	54,620	2,259
Animal regulation	3,816	3,916	2,716	1,200
Building and zoning inspection	3,778	3,778	3,161	617
Street lighting	4,116	4,313	4,313	0
Total public safety	151,724	165,809	157,816	7,993
Highways and streets	26,352	26,606	25,908	698
Culture and recreation	38,652	42,395	37,219	5,176
Debt service:				
Principal	6,394	12,351	5,683	6,668
Interest	11,158	11,158	12,118	(960)
Bond issuance costs			160	(160)
Total debt service	17,552	23,509	17,961	5,548
Total expenditures	294,408	294,160	252,988	41,172
Deficiency of revenue under expenditures	(90,602)	(75,538)	(62,114)	13,424
Other financing sources (uses)				
Transfers in	31,626	33,525	33,526	1
Transfers out	0	0	0	0
Issuance of long term debt	29,973	1,284	36,108	34,824
Payment to escrow account for advance refunding	0	0	(30,000)	(30,000)
Sale of capital assets	40	8,221	8,931	710
Total other financing sources	61,639	43,030	48,565	5,535
Net change in fund balances	(28,963)	(32,508)	(13,549)	18,959
Fund balance, beginning	94,766	94,766	94,766	0
Fund balance, ending	$ 65,803	$ 62,258	$ 81,217	$ 18,959

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Assets	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current assets:						
Cash and investments	$ 78,687	$ 29,577	$ 43,603	$ 5,740	$ 157,607	$ 22,167
Receivables (net allowances for uncollectibles)						
Interest	2,794	260	249	96	3,399	56
Utility billed	16,478	2,900	792	658	20,828	-
Utility unbilled	13,876	2,960	798	644	18,278	-
Accounts	10,199	1,310	1,251	188	12,948	42
Intergovernmental	58	10,408	109	1,479	12,054	30
Nuclear materials inventory	1,921	-	-	-	1,921	-
Inventory	-	-	989	-	989	6,636
Prepaid items	7,010	6	1	-	7,017	25
Due from other funds	50	-	-	-	50	-
Advances to other funds	1,780	-	-	-	1,780	-
Restricted assets:						
Cash and cash equivalents	27,302	6,111	4,025	3,357	40,795	-
Cash and investments at fiscal agent	273,488	56,694	-	-	330,182	-
Public benefit programs receivable	822	-	-	-	822	-
Conservation & reclamation programs receivable	-	148	-	-	148	-
Total current assets	434,465	110,374	51,817	12,162	608,818	28,956
Non-current assets:						
Advances to other funds	37,724	-	-	-	37,724	-
Deferred charges	26,633	7,484	3,767	6,824	44,708	1,626
Capital assets:						
Land	7,150	13,651	2,698	13,701	37,200	-
Buildings	15,294	14,858	182,389	22,050	234,591	1,488
Accumulated depreciation - buildings	(3,955)	(3,149)	(70,151)	(3,462)	(80,717)	(122)
Improvements other than buildings	678,545	374,605	55,086	16,625	1,124,861	-
Accumulated depreciation - improvements other than buildings	(270,516)	(112,216)	(9,802)	(3,510)	(396,044)	-
Machinery and equipment	18,237	11,984	8,400	15,892	54,513	9,501
Accumulated depreciation - machinery and equipment	(12,652)	(6,975)	(4,736)	(8,694)	(33,057)	(7,044)
Construction in progress	73,341	31,878	-	3,444	108,663	-
Total non-current assets	569,801	332,120	167,651	62,870	1,132,442	5,449
Total assets	1,004,266	442,494	219,468	75,032	1,741,260	34,405

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Liabilities	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current liabilities:						
Accounts payable	18,866	6,170	2,048	1,014	28,098	996
Accrued payroll	6,227	2,142	1,427	1,003	10,799	762
Retainage payable	19	692	78	102	891	-
Intergovernmental	20	-	-	-	20	-
Claims and judgements	-	-	-	-	-	28,479
Unearned revenue	-	-	-	1,102	1,102	-
Deposits	3,094	626	-	1	3,721	-
Due to other funds	-	-	-	971	971	3,755
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	20,345	4,375	3,760	-	28,480	-
Accrued interest	2,801	568	510	-	3,879	-
Other payables	521	124	85	79	809	40
Total current liabilities	51,893	14,847	7,950	4,589	79,279	34,032
Non-current liabilities:						
Revenue bonds	528,030	146,535	17,704	-	692,269	-
Arbitrage payable	-	-	-	-	-	-
Notes payable	-	-	8,569	-	8,569	-
Other payables	317	129	90	83	619	43
Capital leases	-	-	24	128	152	-
Advances from other funds	13,206	5,682	3,635	9,309	31,832	2,263
Decommissioning liability	54,523	-	-	-	54,523	-
Water stock acquisitions	-	814	-	-	814	-
Landfill capping	-	-	-	2,581	2,581	-
Total non-current liabilities	596,076	153,160	30,022	12,101	791,359	2,306
Total liabilities	647,969	168,007	37,972	16,690	870,638	36,338
Net Assets						
Invested in capital assets, net of related debt	181,966	230,347	133,785	55,901	601,999	3,823
Restricted for debt service	18,981	4,862	5,978	-	29,821	-
Restricted for other purposes	-	-	-	3,217	3,217	-
Restricted for programs	8,910	1,394	-	-	10,304	-
Unrestricted	146,440	37,884	41,733	(776)	225,281	(5,756)
Total net assets	$ 356,297	$ 274,487	$ 181,496	$ 58,342	$ 870,622	$ (1,933)

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, 2008
(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	$ 305,299	$ 49,855	$ 22,525	$ 21,742	$ 399,421	$ 17,063
Operating expenses:						
Personal services	29,521	9,593	9,453	7,231	55,798	3,799
Contractual services	5,909	2,552	665	4,415	13,541	63
Maintenance and operation	180,682	9,363	7,888	5,963	203,896	1,538
General	15,738	11,532	2,678	5,152	35,100	2,652
Materials and supplies	647	818	3,061	1,127	5,653	146
Insurance	749	505	456	278	1,988	9,450
Depreciation and amortization	22,193	8,806	5,684	2,413	39,096	937
Total operating expenses	255,439	43,169	29,885	26,579	355,072	18,585
Operating income (loss)	49,860	6,686	(7,360)	(4,837)	44,349	(1,522)
Non-operating revenues (expenses):						
Operating grants	-	-	109	3,199	3,308	-
Interest income	16,380	3,357	2,342	677	22,756	991
Other	1,666	1,591	221	1,038	4,516	78
Gain (loss) on retirement of capital assets	171	176	31	37	415	142
Capital improvement fees	-	-	2,672	-	2,672	-
Interest expense and fiscal charges	(15,972)	(4,401)	(1,324)	(552)	(22,249)	(228)
Total non-operating revenues (expenses)	2,245	723	4,051	4,399	11,418	983
Income before capital contributions and transfers	52,105	7,409	(3,309)	(438)	55,767	(539)
Cash capital contributions	1,084	3,531	-	980	5,595	-
Noncash capital contributions	4,992	14,585	-	1,371	20,948	-
Transfers out	(27,371)	(4,955)	-	-	(32,326)	-
Change in net assets	30,810	20,570	(3,309)	1,913	49,984	(539)
Total net assets - beginning	325,487	253,917	184,805	56,429	820,638	(1,394)
Total net assets - ending	$ 356,297	$ 274,487	$ 181,496	$ 58,342	$ 870,622	$ (1,933)

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2008
(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	$ 301,858	$ 48,531	$ 22,054	$ 21,732	$ 394,175	$ 17,020
Cash paid to employees for services	(28,500)	(9,104)	(9,287)	(7,064)	(53,955)	(3,529)
Cash paid to other suppliers of goods or services	(192,993)	(22,345)	(14,688)	(16,927)	(246,953)	(13,262)
Other receipts	1,666	1,591	11	1,038	4,306	78
Net cash provided (used) by operating activities	82,031	18,673	(1,910)	(1,221)	97,573	307
Cash flows from noncapital financing activities:						
Transfers out	(27,371)	(4,955)	-	-	(32,326)	-
Operating grants	-	-	109	3,196	3,305	-
Advances from other funds	-	20	22,104	627	22,751	17,079
Advances to other funds	(39,688)	(79)	(50)	(3,240)	(43,057)	(22)
Net cash provided (used) by noncapital financing activities	(67,059)	(5,014)	22,163	583	(49,327)	17,057
Cash flows from capital and related financing activities:						
Proceeds from the sale of revenue bonds	413,404	120,430	-	-	533,834	-
Deposit to escrow account for advance refunding	(197,100)	(60,300)	-	-	(257,400)	-
Issuance costs	(5,100)	(1,435)	-	-	(6,535)	-
Purchase of capital assets	(68,573)	(42,031)	(10,152)	(8,508)	(129,264)	(600)
Purchase of nuclear fuel	(2,046)	-	-	-	(2,046)	-
Proceeds from the sale of capital assets	916	306	52	44	1,318	172
Principal paid on long-term obligations	(19,460)	(4,364)	(4,161)	(38)	(28,023)	-
Interest paid on long-term obligations	(16,192)	(3,820)	(1,443)	(552)	(22,007)	(228)
Capital improvement fees	-	-	2,672	-	2,672	-
Capital contributions	4,030	3,531	-	5,562	13,123	-
Net cash used for capital and related financing activities	109,879	12,317	(13,032)	(3,492)	105,672	(656)
Cash flows from investing activities:						
Purchase of investments	(5,955)	-	-	-	(5,955)	-
Sale of investments	-	27	-	-	27	-
Income from investments	13,970	3,080	2,278	692	20,020	1,181
Net cash provided by investing activities	8,015	3,107	2,278	692	14,092	1,181
Net change in cash and cash equivalents	132,866	29,083	9,499	(3,438)	168,010	17,889
Cash and cash equivalents, ending (including $53,166 for Electric, $15,148 for Water and $4,127 for Sewer in restricted accounts)	158,554	54,849	38,129	12,535	264,067	4,278
Cash and cash equivalents, ending (including $212,733 for Electric, $54,355 for Water and $4,025 for Sewer in restricted accounts)	$ 291,420	$ 83,932	$ 47,628	$ 9,097	$ 432,077	$ 22,167

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2008
(amounts expressed in thousands)

	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)	$ 49,860	$ 6,686	$ (7,360)	$ (4,837)	$ 44,349	$ (1,522)
Other receipts	1,666	1,591	221	1,038	4,516	78
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	22,193	8,806	5,684	2,413	39,096	937
Amortization of pension costs	131	56	36	24	247	17
Amortization (burn) of nuclear fuel	4,437	-	-	-	4,437	-
(Increase) in utility billed receivables	(2,986)	(342)	(196)	(110)	(3,634)	-
(Increase) decrease in utility unbilled receivables	362	(228)	19	-	153	-
(Increase) decrease in accounts receivable	(1,568)	44	(185)	207	(1,502)	(10)
(Increase) decrease in intergovernmental receivables	237	(81)	(109)	(107)	(60)	(2)
(Increase) in prepaid items	(580)	(4)	-	-	(584)	(24)
(Increase) in nuclear materials inventory	(386)	-	-	-	(386)	-
Decrease in inventory	-	-	72	-	72	(720)
Increase (decrease) in accounts payable	6,821	2,269	4	(72)	9,022	187
Increase (decrease) in accrued payroll	285	183	(45)	(19)	404	83
Increase (decrease) in retainage payable	(3,489)	269	(16)	-	(3,236)	-
Increase in other payable	605	253	175	156	1,189	170
Increase in intergovernmental receivables	12	-	-	-	12	-
Decrease in deferred revenue	-	(112)	(210)	-	(322)	-
Increase in deposits	514	(717)	-	-	(203)	-
(Decrease) in due to other funds	-	-	-	326	326	623
Increase in claims and judgments	-	-	-	-	-	490
Increase in decommissioning liabilitity	3,917	-	-	-	3,917	-
(Decrease) in landfill capping	-	-	-	(240)	(240)	-
Net cash provided by operating activities	$ 82,031	$ 18,673	$ (1,910)	$ (1,221)	$ 97,573	$ 307
Schedule of noncash financing and investing activities:						
Contribution in aid	$ 4,992	$ 14,585	$ -	$ 1,371	$ 20,948	$ -

(continued)

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, 2008
(amounts expressed in thousands)

		Agency Funds
Assets:		
Cash and investments	$	11,176
Cash and investments at fiscal agent		9,308
Interest receivable		93
Property tax receivables		286
Total assets	$	20,863
Liabilities:		
Accounts payable	$	-
Held for bond holders		20,863
Total liabilities	$	20,863

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, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following major governmental funds:

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

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

The Riverside Municipal Improvements Corporation fund accumulates monies for the payment of interest, principal and trustee fees on certificates of participation issued by the Corporation. Debt service is financed via lease payments from the City.

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. Non-expendable net assets on the Statement of Net Assets includes $1 million of permanent fund principal which are considered nonexpendable net assets.

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

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

F. Land and Improvements Held for Resale

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

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets and Nuclear Fuel

Capital Assets

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

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

Nuclear Fuel

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

J. Compensated Absences

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

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Redevelopment Agency Capital Projects 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 $54,523 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, 2008 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.

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.

For the year ended June 30, 2008 (amounts expressed in thousands)

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, 2008 (for years ending after June 30, 2008) that have effective dates that may impact future financial presentations. Management has currently determined that GASB Statement No 51, “Accounting and Reporting for Intangible Assets” and GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments” 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	$359,963
Investments at fiscal agent	624,289
	984,252
Cash on hand and deposits with financial institutions	9,056
	$993,308

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

Cash and investments	$358,009
Restricted cash and cash equivalents	40,795
Restricted cash and investments at fiscal agent	574,020
Total per statement of net assets	972,824
Fiduciary fund cash and investments	20,484
	$993,308

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

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first $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:

For the year ended June 30, 2008 (amounts expressed in thousands)

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

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

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

Investments Authorized by Debt Agreements

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

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

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

Disclosures Relating to Interest Rate Risk

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

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

		Remaining Maturity (in Months)			
Investment Type		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 8,474	$ 8,474	$ -	$ -	$ -
Federal Agency Securities	237,930	35,323	91,581	111,026	-
Corp Medium Term Notes	25,168	15,011	10,157	-	-
State Investment Pool	88,391	88,391	-	-	-
Held by Fiscal Agent					
Money Market Funds	28,475	28,475	-	-	-
State Investment Pool	105,582	105,582	-	-	-
Investment Contracts	430,430	15,206	148,033	211,100	56,091
Commercial Paper	714	714	-	-	-
Fed Agency Securities	36,056	3,829	1,080	31,147	-
Corp Med Term Notes	23,032	-	-	5,164	17,868
Total	$984,252	$301,005	$250,851	$358,437	$73,959

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:

For the year ended June 30, 2008 (amounts expressed in thousands)

Investment Type		Rating as of Year End AAA	AA+	AA	A-1+	Unrated
Money Market Funds	$ 8,474	$ 6,988	$ -	$ -	$ -	$ 1,486
Federal Agency Securities	237,930	237,930	-	-	-	-
Corp Medium Term Notes	25,168	10,157	5,011	10,000	-	-
State Investment Pool	88,391	-	-	-	-	88,391
Held by Fiscal Agent						
Money Market Funds	28,475	28,342	-	-	-	133
Investment Contracts	430,430	-	-	-	-	430,430
State Investment Pool	105,582	105,582	-	-	-	-
Corp Med Term Notes	23,032	4,292	-	18,740	-	-
Commercial Paper	714	-	-	-	714	-
Fed Agency Securities	36,056	36,056	-	-	-	-
Total	$984,252	$429,347	$ 5,011	$28,740	$ 714	$520,440

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	$170,413

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:

2009	$ 2,324
2010	2,355
2011	2,381
2012	2,413
2013	2,443
Thereafter	31,754
Total Due	43,670
Less: amount applicable to interest	(18,085)
Total capital lease receivable	$25,585

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2008.

For the year ended June 30, 2008 (amounts expressed in thousands)

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$191,694	$65,017	$(6,129)	$250,582
Construction in progress	64,986	67,364	(47,689)	84,661
Total capital assets not being depreciated	256,680	132,381	(53,818)	335,243
Capital assets being depreciated:				
Buildings	101,863	25,478	(5,010)	122,330
Improvements other than Buildings	60,654	34,648	(38)	95,264
Machinery and Equipment	67,809	9,846	(5,481)	72,175
Infrastructure	587,857	54,802	-	642,659
Total capital assets being depreciated	818,183	124,774	(10,529)	932,428
Less accumulated depreciation for:				
Buildings	(29,684)	(2,593)	1,186	(31,091)
Improvements other than Buildings	(29,862)	(2,381)	1	(32,242)
Machinery and Equipment	(42,510)	(6,254)	4,987	(43,777)
Infrastructure	(180,271)	(14,221)	(2)	(194,494)
Total accumulated depreciation	(282,327)	(25,449)	6,173	(301,603)
Total capital assets being depreciated, net	535,856	99,325	(4,356)	630,825
Governmental activities capital assets, net	$792,536	$231,706	$58,174)	$966,068

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 30,413	$6,785	$2	$37,200
Construction in progress	95,952	144,329	(131,618)	108,663
Total capital assets not being depreciated	126,365	151,114	(131,616)	145,863
Capital assets being depreciated:				
Buildings	232,390	2,201	0	234,591
Improvements other than Buildings	1,015,760	110,956	(1,855)	1,124,861
Machinery and Equipment	48,131	8,853	(2,471)	54,513
Total capital assets being depreciated	1,296,281	122,010	(4,326)	1,413,965
Less accumulated depreciation for:				
Buildings	(75,235)	(5,487)	5	(80,717)
Improvements other than Buildings	(367,647)	(29,397)	1,000	(396,044)
Machinery and Equipment	(31,458)	(4,014)	2,415	(33,057)
Total accumulated depreciation	(474,340)	(38,898)	3,420	(509,818)
Total capital assets being depreciated, net	821,941	83,112	(906)	904,147
Business type activities capital assets, net	$948,306	$234,226	$(132,522)	$1,050,010

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	$ 2,364
Public safety	3,627
Highways and streets, including depreciation of general infrastructure assets	16,265
Culture and recreation	3,193
Total depreciation expense – governmental activities	$25,449
Business type activities:	
Electric	$22,193
Water	8,806
Sewer	5,684
Refuse	1.330
Special Transportation	345
Airport	248
Public Parking	490
Total depreciation and amortization expense - business type activities	$39,096

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.

For the year ended June 30, 2008 (amounts expressed in thousands)

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

Changes in the funds' claims liability amounts are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Unpaid Claims, June 30, 2006	$13,734	$ 76	$6,174	$21,683
Incurred claims	14,251	-	7,432	21,683
Claim payments	(8,298)	-	(5,380)	(16,678)
Unpaid Claims, June 30, 2007	19,687	76	8,226	27,989
Incurred claims (including IBNR's)	2,086	104	6,451	8,641
Claim payments	(2,530)	-	(5,621)	(8,151)
Unpaid claims, June 30, 2008	$19,243	$ 180	$ 9,056	$28,479

7. Long-Term Obligations

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

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects. The City has made a practice of not issuing debt for purposes for covering operational costs. The Redevelopment Agency does issue debt for the above purposes as well as for redevelopment related purposes such as housing and blight removal.

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$296,598	$ -	$4,354	$292,244	$ 6,250
General Obligation Bonds	19,331	-	557	18,774	590
Pension Obligation Bonds	144,450	30,200	32,480	142,170	*33,185
Certificates of Participation	192,874	128,300	120,901	200,273	1,950
Capital leases	4,929	6,057	1,595	9,391	1,795
Notes Payable	9,759	-	719	9,040	319
Compensated Absences	34,063	13,924	13,692	34,295	12,500
Net OPEB Obligation	-	2,680	788	1,892	918
Total	$702,004	$181,161	$175,086	$708,079	$57,507

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$474,332	$533,835	$287,418	$720,749	$28,480
Notes Payable	9,211	-	642	8,569	654
Capital Leases	253	43	85	211	70
Landfill Capping	3,121	-	240	2,881	300
Arbitrage Liability	1,343	481	1,343	481	-
Water Stock Acquisition Rights	973	-	10	963	150
Net OPEB Obligation	-	1,706	502	1,204	584
Total	$489,233	$536,065	$ 290,240	$735,058	$30,238

Prior Year Defeasance of Debt:

The City entered into a series of refunding transactions during the fiscal year in response to unusual market conditions brought about by the downgrade of several of the leading municipal bond insurers. These companies provided insurance for the City's various Auction Rate Securities ("ARS"). The market that routinely absorbed these instruments through a weekly auction process discontinued their interest in the product and the result was excessively high interest rates, often to the default rate (defined in the bond documents) as the auction "failed," having insufficient bids to clear the auction.

For the year ended June 30, 2008 (amounts expressed in thousands)

All of the City's ARS debt was layered with "synthetic fixed rate" swaps designed to maintain the overall cost of funds at a level considered to be in the City's best interest. The unusual market conditions resulted in the swaps not performing as intended and thus the ARS debt was refunded with Variable Rate Demand Notes ("VRDNs"). The transactions were completed (as described individually below), and the variable rates received on the VRDNs as of June 30, 2008 have resulted in the swaps again functioning as intended, to control the cost of funds on the outstanding variable rate debt.

Because one variable rate debt product was exchanged for another, the typical refunding disclosure measuring the difference in aggregate debt service and calculating an economic gain or loss is less relevant, as the future cash flows of each leg of the calculation are uncertain. For this reason, the calculations were only made for the first refunding transaction described below because in this case, the principal amount of the new debt was larger than that of the refunded debt. In the other case, only the terms of the transaction are described.

On April 17, 2008, $128,300 of Certificates of Participation were sold with a true interest cost of 3.88% to refund $118,975 of previously outstanding 2007 Certificates of Participation. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,428. The difference is being charged to operations using the proportional method. The City completed the refunding to eliminate its investment in auction rate securities, resulting in a net increase in aggregate debt service payments of $11,882. The refunding resulted in an economic gain (difference between present value of the old and new debt service payments) of $3,923.

On April 25 and May 8, 2008, $84,515 of Electric Revenue Bonds were sold with a true interest cost of 3.14% to refund $82,500 of previously outstanding 2004 Electric Revenue Bonds. Also on May 1, 2008, $114,600 of Electric Revenue Bonds were sold with a true interest cost of 3.22% to refund $114,600 of previously outstanding Electric Revenue Bonds. The refunding resulted in a combined difference between the reacquisition prices and the net carrying amounts of the old debt of $5,435. The difference is being charged to operations using the proportional method. The City completed the refunding to eliminate its investment in auction rate securities.

On May 7 and May 15, 2008 $60,300 of Water Revenue Bonds were sold with a true interest cost of 3.22% to refund $60,300 of previously outstanding 2005 Water Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,905. The difference is being charged to operations using the proportional method. The City completed the refunding to eliminate its investment in auction rate securities.

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects. The City has made a practice of not issuing debt for purposes for covering operational costs. The Redevelopment Agency does issue debt for the above purposes as well as for redevelopment related purposes such as housing and blight removal.

Long-Term Obligations at June 30, 2008:

Revenue Bonds:	Principal Outstanding
Electric	
$98,730 1998 Electric Revenue Bonds (partial refunding issue); $63,165 serial bonds, 4.25% to 5.38%, due in annual installments from $4,650 to $7,085 through October 1, 2013; $35,565 term bonds, 5%, due October 1, 2022 (partially advance refunded in 2005, with final maturity in 2018).	$ 41,410
$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from $2,855 to $4,280 through October 1, 2016 (partially advance refunded in 2005, with final maturity in 2014).	25,990
$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.	46,710
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	22,160
$199,115 2008 Electric Refunding/Revenue Bonds; Series A, B, and C; variable rate subject to weekly repricing (rate at June 30, 2008 was 3.1%), due in	

For the year ended June 30, 2008 (amounts expressed in thousands)

annual installments from $1,800 to $9,285 through October 1, 2035.	199,115
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $125 to $24,960 through October 1, 2038.	209,740
Subtotal	545,125
Add: Unamortized bond premium	10,932
Less: Unamortized deferred bond refunding costs	(7,682)
	$548,375

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)	$ 9,710
$30,965 1998 Water Revenue Bonds (partial refunding issue); $15,055 serial bonds, 4.0% to 5.38%, due in annual installments from $205 to $4,080 through October 1, 2013; $15,910 term bonds, 5%, due October 1, 2027 (with final maturity in 2018).	20,705
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $585 through October 1, 2031 (partially advance refunded in 2005, with final maturity in 2016).	4,445
$60,300 2008 Water Refunding/Revenue Bonds; Series A variable rate subject to weekly repricing (rate at June 30, 2008 was 3.2%), due in annual installments from $425 to $3,950 through October 1, 2035	60,300
$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	58,235
Subtotal	153,395
Less: Unamortized bond premium	713
Less: Unamortized deferred bond refunding costs	(3,198)
	$ 150,910

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	$ 21,350
Add: Unamortized bond premium	114
	21,464
Total Revenue Bonds	$720,749

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
2009	20,345	21,295	41,640	4,375	5,534	9,909
2010	21,300	21,735	43,035	4,415	5,939	10,354
2011	22,295	20,709	43,004	4,465	5,892	10,357
2012	21,050	19,693	40,743	4,590	5,939	10,529
2013	22,040	18,692	40,732	4,820	5,709	10,529
2014-2018	75,780	81,337	157,117	22,440	24,204	46,644
2019-2023	61,825	69,802	131,627	18,600	20,371	38,971
2024-2028	74,090	57,153	131,243	22,310	16,550	38,860
2029-2033	90,305	40,555	130,860	27,000	11,744	38,744
2034-2038	110,750	19,581	130,331	32,875	5,712	38,587
2039-2043	25,345	633	25,978	7,505	188	7,693
Premium (Discount)	10,932	-	10,932	713	-	731
Refunding Costs	(7,682)	-	(7,682)	(3,198)	-	(3,198)
Total	$548,375	$371,184	$919,559	$ 150,910	$107,781	$258,709

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2009	3,760	1,092	4,852
2010	4,020	819	4,839
2011	4,305	571	4,876

For the year ended June 30, 2008 (amounts expressed in thousands)

2012	4,520	350	4,870
2013	4,745	119	4,864
Premium	114	-	114
Total	$21,464	$2,951	$24,415

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)	$ 170
$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	14,325
$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	5,175
$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.	16,285
$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	4,435
$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	2,705
$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	23,060
$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	4,040
$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	35,375
$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	22,460
$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	1,235
$8,340 Downtown/Airport Merged Project Area and	

For the year ended June 30, 2008 (amounts expressed in thousands)

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
$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	285,535
Add: Unamortized bond premium	6,709
Total Redevelopment Agency Bonds	$292,244

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
2009	6,250	13,931	20,181
2010	6,625	13,670	20,295
2011	6,925	13,380	20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,318
2014-2018	43,490	58,185	101,675
2019-2023	57,795	45,783	103,578
2024-2028	60,745	29,782	90,527
2029-2033	46,985	16,173	63,158
2034-2038	41,920	4,976	46,896
Premium	6,709	-	6,918
Total	$292,244	$221,705	$513,948

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	$18,530
Add; Unamortized bond premium	244
Total General Obligation Bonds	$18,774

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
2009	590	840	1,430
2010	625	819	1,444
2011	675	794	1,469
2012	725	766	1,491
2013	780	737	1,517
2014-2018	4,855	3,148	8,003
2019-2023	6,900	1,837	8,737
2024-2028	3,380	189	3,569
Premium	244	-	244
Total	$18,774	$9,128	$27,902

For the year ended June 30, 2008 (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	$84,090
$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	27,880
$30,200 2008 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2008 was 3.18%, $30,200 due May 30, 2009	30,200
Total Pension Obligation Bonds	$142,170

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
2009	*33,185	7,050	40,235
2010	3,535	5,957	9,492
2011	4,130	5,792	9,922
2012	4,780	5,592	10,372
2013	5,475	5,357	10,832
2014-2018	40,010	21,683	61,693
2019-2023	51,055	8,827	59,882
Total	$142,170	$88,706	$202,428

* Principal payment includes the refunding

Certificates of Participation:	Principal Outstanding
$6,360 1999 Municipal Improvements Corporation Certificates of Participation; 6.0% to 7.6%, due in annual installments from $310 to $815 through April 1, 2010	$ 1,575
$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	49,035
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036	19,945
$128,300 2008 Riverside Renaissance Certificates of Participation; rate at June 30, 2008 was 3.62%, due in annual installments from $2,900 to $7,200 through March 1, 2037	128,300
Subtotal	198,855
Add: Unamortized bond premium	1,418
Total Certificates of Participation	$200,273

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the Debt Service funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2009	1,950	7,633	9,583
2010	2,045	7,533	9,578
2011	4,175	7,403	11,578
2012	4,750	7,250	12,000
2013	4,920	7,079	11,999
2014-2018	27,605	32,475	60,080
2019-2023	33,555	26,677	60,232
2024-2028	38,550	19,651	58201
2029-2033	46,340	11,473	57,813
2034-2038	34,965	2,671	37,636
Premium	1,418	-	1,418
Total	$200,273	$129,846	$330,119

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$964

For the year ended June 30, 2008 (amounts expressed in thousands)

Notes Payable - Redevelopment Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, including principal and interest through June 2020	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	2,260
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	3,390
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	403
Total notes payable – Redevelopment Agency	$ 9,040

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
2009	319	589	908
2010	589	598	1,187
2011	636	570	1,206
2012	681	539	1,220
2013	732	505	1,237
2014-2018	3,136	1,935	5,071
2019-2023	891	1,252	2,143
2024-2028	777	933	1,710
2029-2033	1,279	430	1,709
Total	$ 9,040	$7,351	$16,391

Notes payable – Sewer Fund:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339,474, beginning January 29, 2003 through January 29, 2022	$ 3,833
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477,387, beginning November 6, 1999 through November 6, 2018	4,736
Total notes payable – Sewer Fund	$8,569

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
2009	654	163	817
2010	666	151	817
2011	679	138	817
2012	692	125	817
2013	705	112	817
2014-2018	3,727	357	4,084
2019-2021	1,446	49	1,495
Total	$8,569	$1,095	$9,664

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:

For the year ended June 30, 2008 (amounts expressed in thousands)

Asset	Governmental Activities	Business-Type Activities
Buildings	$8,660	$868
Equipment	6,558	-
Subtotal	15,218	868
Less: Accumulated Depreciation	(3,639)	(196)
Total	$11,579	$672

The future minimum lease obligations as of June 30, 2008 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2009	2,227	74
2010	1,598	51
2011	1,598	51
2012	1,081	43
2013	938	-
Thereafter	2,844	-
Copiers	745	-
Total Minimum lease payments	11,032	219
Less: Amount representing interest (rates ranging from 2.5% to 9%)	(1,640)	(8)
Total capital lease payable	$9,391	$211

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, 2008:

General long-term obligations:	
Redevelopment Agency	$ 7,033
Certificates of Participation	12,908
Total	$19,941
Enterprise funds:	
Electric	$31,398
Water	8,923
Total	$40,321

Following are required debt service ratios for the year ended June 30, 2008. 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 08/09.

	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, 2008 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 $4,361 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.

For the year ended June 30, 2008 (amounts expressed in thousands)

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

As of June 30, 2008, the City has several series of Assessment District Bonds outstanding in the amount of $69,384. 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 $13,545 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 May 2008, the City entered into interest rate swap agreements in connection with its $198,115 2008 Electric Revenue Bonds (Series A, B, and C) and $61,300 2008 Water Revenue Bonds. In 2008, the City entered into additional interest rate swap agreements in connection with its $128,300 2008 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 2009, the notional value of the swaps and the principal amounts of the associated debt decline by $975 to $7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029 and the 2008B and C Electric and 2008 Water Revenue/Refunding Bonds both mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. As of June 30, 2008 rates were as follows:

	Terms	2008 Water Refunding/ Revenue Bonds Series A Rates	2008 Electric Refunding/ Revenue Bonds Series B Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2000%	3.2010%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.0527%)	(3.08345%)
Net interest rate swap payments		(.1473%)	(.1176%)
Variable-rate bond coupon payments	ARS	3.3219%	3.46701%
Synthetic interest rate on bonds		3.4692%	3.58456%

	Terms	2008 Electric Refunding/ Revenue Bonds Series C Rates	2008 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate Swap:			
Fixed payment to counterparty	Fixed	3.2040%	3.1110%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(3.09446%)	(3.03682%)
Net interest rate swap payments		(.1095%)	(.0742%)
Variable-rate bond coupon payments	ARS	3.49539%	3.35081%
Synthetic interest rate on bonds		3.60493%	3.42499%

	Terms	COP 2008 Bonds Rates
Interest rate Swap:		
Fixed payment to counterparty	Fixed	3.362%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(1.71919%)
Net interest rate swap payments		(1.6428%)
Variable-rate bond coupon payments	ARS	1.79154%
Synthetic interest rate on bonds		3.43435%

For the year ended June 30, 2008 (amounts expressed in thousands)

Fair Value: As of June 30, 2008, in connection with all swap arrangements, the transactions had a total negative fair value of <$6,179>. 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, 2008, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, Bear Stearns/J.P. Morgan and Merrill Lynch were rated AA+, AA- and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2008, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the City to basis risk should the relationship between LIBOR and the 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.

Swap payments and associated debt: As of June 30, 2008, 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.

Variable-Rate Bonds

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2009	975	8,954	2,387	12,316
2010	1,000	8,919	2,385	12,304
2011	1,025	8,884	2,384	12,293
2012	6,350	8,760	2,332	17,442
2013	6,575	8,632	2,279	17,486
2014-2018	59,225	39,204	10,470	108,899
2019-2023	72,875	30,560	8,687	112,122
2024-2028	64,500	17,810	5,292	87,602
2029-2033	104,275	15,148	4,699	124,122
2033-2037	68,900	1,536	747	71,183
Total	$385,700	$148,407	$ 41,662	$575,769

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2008 for the General Fund, Redevelopment Debt Service Fund, RMIC, Capital Outlay Fund and the Redevelopment Debt Service Fund consist of the following:

Reserved for:		
Encumbrances	$	67,793
Interfund receivable		27,946
Debt service		41,833
Prepaid items		511
Notes receivable		3,701
Fire bond		1,975
Capital Assets		67,251
Total reserved fund balance	$	211,010

For the year ended June 30, 2008 (amounts expressed in thousands)

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, 2008:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental Funds	$1,185
	Airport	645
	Refuse	326
	Central stores *	3,755
		5,911
RDA Capital Projects	RDA Debt Service	3
Electric	General	50
Total		$5,964

* Internal service funds

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

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2008:

Receivable Fund	Payable Fund	Amount
General	Electric	$13,206
	Water	5,682
	Sewer	3,635
	Nonmajor governmental Funds	1,367
	Nonmajor enterprise funds	2,443
	Workers' compensation *	238
	Central stores *	250
	Central garage *	1,125
		27,946
Electric	General	9,571
	Nonmajor governmental funds	22,416
	Nonmajor enterprise funds	6,867
	Central stores *	650
		39,504
Total		$67,450

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, 2008:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$27,371
	Water	4,955
	RDA Capital Projects	1,125
	Nonmajor governmental funds	75
		33,526
RDA Special Revenue	RDA Capital Projects	1,298
		1,298
RDA Debt Service	Nonmajor governmental funds	3,203
	RDA Capital Projects	51
		3,254
RDA Capital Projects	RDA Debt Service	24,680
		24,680
Capital Outlay	RMIC COPS Debt Service	83
		83
Total		$62,841

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Workers Compensation ($3,159), and the Public Liability ($4,348) 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 continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

On January 1, 2003, the City became a Participating Transmission Owner (PTO) with the ISO, entitling the City to receive compensation for use of its transmission facilities committed to the ISO's operational control. The compensation is based on the City's Transmission Reserve Requirements (TRR) as approved by the FERC. 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 this 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.

During the California Energy Crisis of 2001-2002, the City made numerous power sales into the California centralized markets. Due to financial problems experienced by numerous market participants, notably Pacific Gas & Electric (PG&E) and the California Power Exchange (PX) who filed for Chapter 11 bankruptcy in 2001, the City was not paid for many of these transactions. The unpaid amounts were fully reserved with an allowance for potentially uncollectible receivables in fiscal year 2001, PG&E was the largest purchaser of electricity from the ISO and the PX, and therefore was the largest creditor of the ISO and PX. PG&E's various creditors' classes and the Bankruptcy Court approved a Settlement Plan under which PG&E paid the PX and ISO 100% of its debts to creditors in the same class as the City. On June 4, 2008, the FERC approved a settlement agreement between the City and numerous California entities, including all of the Investor-Owned Utilities and the California Attorney General, under which the City will be paid all of its unpaid receivables, plus interest, minus $1.2 million in refunds. The net payout to the City will be approximately $4 million, minus approximately $250,000 to be paid to the City of Banning for transactions made on its behalf by the City.

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the Electric Utility are incidental to the ordinary course of operations of the Electric Utility and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the Electric Utility.

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the water utility are incidental to the ordinary course of operations of the Water Utility and are largely covered by the City's self-insurance program. In the opinion of management and the city attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the Water Utility.

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

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

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

For the year ended June 30, 2008 (amounts expressed in thousands)

14. City Employees Retirement Plan

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

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

(C) Annual Pension Cost. For 2008, the City's annual pension cost of $38,579 for CalPERS was equal to its annual required contribution of $37,235 plus the effect of amortization of the net pension asset of $1,344. The required contribution was determined as part of the June 30, 2005 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,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2006	Misc	$18,270	100%	$(59,290)
2006	Safety	12,414	100%	(88,256)
2007	Misc	20,871	100%	(58,908)
2007	Safety	14,182	100%	(87,813)
2008	Misc	22,971	100%	(58,334)
2008	Safety	15,608	100%	(87,043)

A total of $145,377 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.

Determination of Net Pension Obligations as of June 30, 2008:

	Misc	Safety
Annual Required Contribution	$22,971	$15,609
Amortization of Net Pension Asset	(574)	(770)
Annual Pension Cost	22,397	14,839
Contributions made	(22,971)	(15,609)
Increase (Decrease) in Net Pension Obligation	(574)	(770)
Net Pension Asset, beginning of year	58,908	87,813
Net Pension Asset, end of year	$58,334	$87,043

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.	6/30/04	611,841	528,829	83,012	86.4	77,959	106.5
Safety	6/30/04	454,795	454,795	22,685	95.0	48,635	46.6
Misc.	6/30/05	655,642	649,695	5,947	99.1	84,290	7.1
Safety	6/30/05	486,880	481,479	5,401	98.9	50,368	10.7
Misc.	6/30/06	712,552	715,993	3,441	100.5	92,844	3.7
Safety	6/30/06	523,914	528,420	4,506	100.9	53,728	8.4

For the year ended June 30, 2008 (amounts expressed in thousands)

Other Post-Employment Benefits

Plan Description

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

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

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

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

BENEFIT SUMMARY1

Eligibility & Benefit	Trust/Group	Eligibility	Monthly Benefit
	• IBEW General Retiree Health Trust	• DOR>7/1/2000 50 & 5, or disability	• $100 until Medicare eligible
	• RPOA & RPOA Sergeants 1991 Trust	• Active on 6/1/90 or bought in to plan, 20 yrs as Police officer (15 with City), or industrial disability with 5 yrs City Police service	• DOR<6/1/1990: $75 • DOR>6/1/1990: $150
	• RPOA & RPOA Sergeants 2006 Trust	• DOR>7/1/06, 15 yrs City police service, or industrial disability	• $200
	• SEIU General Retiree Health	• 20 yrs City service or industrial disability with 5 yrs service	• DOR<6/30/90: $50 • DOR>6/30/90: $100
	• SEIU Refuse Retiree Health	• 20 yrs City service or industrial disability with 5 yrs service	• $100

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

BENEFIT SUMMARY		
▪ Eligibility	▪ Retire directly from City under CalPERS (age 50, 5 years of service or disability), and meet plan eligibility above	
▪ City Contribution	Trust/Group	Contribution
	• IBEW General Retiree Health Trust	• $50/month for each active
	• RPOA & RPOA Sergeants 1991 Trust	• Initial contribution of $750,000
	• RPOA & RPOA Sergeants 2006 Trust	• $50/month for each active increasing to $100/month beginning 1/1/2008
	• SEIU General Retiree Health	• Each January 1st through 2010, City contributes 0.25% of annual full-time payroll
	• SEIU Refuse Retiree Health	• Each January 1st through 2011, City contributes 0.25% of annual full-time payroll

Funding Policy and Annual OPEB Cost

The contribution requirements of the City for the Stipend Plan are established and may be amended through the memoranda of understanding (MOU) between the City and the unions. The City's contribution is financed on a "pay-as-you-go-basis" and the current contribution is unfunded.

Assets Trust Amounts June 30, 2008		
IBEW General Retiree Health Trust	$	204,858
RPOA 1991 Trust		531,376
RPOA 2006 Trust		230,105
SEIU General Retiree Health		1,839,569
SEIU Refuse Retiree Health		30,317
Total	$	2,836,225

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

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

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

RESULTS – STIPEND PLANS

Annual Required Contribution (ARC) at 4.5%
2007/08 Fiscal Year
(amounts in 000's)

	IBEW	RPOA 1991 Trust	RPOA 2006 Trust	SEIU General	SEIU Refuse
▪ ARC $					
• Normal Cost2	$19	$44	$303	$172	$7
• UAAL Amortization3	4	94	150	128	8
• Total	23	138	453	300	15
▪ Projected 2007/08 Payroll	12,641	8,083	28,234	42,222	1,463
▪ ARC as % of payroll					
• Normal Cost	0.2%	0.5%	1.1%	0.4%	0.5%
• UAAL Amortization	0.0%	1.2%	0.5%	0.3%	0.5%
• Total	0.2%	1.7%	1.6%	0.7%	1.0%
▪ Current Contribution					
• $	$105	-	$3224	$1135	$4
• % of payroll	0.8%	-	1.1%	0.25%	0.25%

2 Level $
3 Amortized as a level percent of payroll over 30 years
4 These numbers reflect the January 1, 2008 increase to $100 per employee (2007/2008 contribution).
5 Provided by City based on actual 2007/08 payroll. If projected payroll had been used, contributions would be $106.

RESULTS – IMPLIED SUBSIDY

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

▪ **Discount Rate**	**4.5%**	
▪ **Amortization Period**	20 Years	30 Years
▪ **Present Value of Benefits**	$75,665	$75,665
▪ **Funded Status**		
• AAL (Accrued Actuarial Liability)	50,430	50,430
• Assets	0	0
• UAAL	50,430	50,430
▪ **2007/2008 ARC**		
• Normal Cost	2,306	2,306
• UAAL Amortization	2,947	2,080
• ARC	5,253	4,386
• ARC as % of payroll	3.8%	3.1%

The City's annual OPEB cost (AOC), the contribution, and the net OPEB obligation (NOO) for the year ended June 30, 2008 for each of the plans were as follows (dollar amounts in thousands):

RESULTS – STIPEND PLANS

Estimated Net OPEB Obligation
(amounts in 000's)

4.5% Discount Rate

	IBEW	RPOA 1991 TRUST	RPOA 2006 TRUST	SEIU GENERAL	SEIU REFUSE	Total
▪ **NOO 6/30/2007**	$ -	$ -	$ -	$ -	$ -	$ -
o AOC6	23	138	453	300	15	929
o Contribution	(105)	-	(322)	(113)	(4)	(544)
▪ **Estimated NOO 6/30/2008**	$ (82)	$ 138	$ 131	$ 187	$ 11	$ 385

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

RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation
(amounts in 000's)

	No Pre-Funding 4.5%
▪ **NOO 6/30/2007**	$ -
o 2007/08 ARC7	4,386
o Contributions8	(1,290)
▪ **Estimated NOO 6/30//20089**	$ 3,096

Funding Status and Funding Progress

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

Implied Subsidy Plan is unfunded. The actuarial accrued liability for benefits was $50.4 million as of June 30, 2008.The funded status of the Stipend Plan as of June 30, 2008, was as follows (amounts in thousands):

Stipend Plan

Actuarial Value of Assets (a)	**Actuarial Accrued Liability (AAL)- Entry Age** (b)	**Unfunded AAL (UAAL)** (b-a)	**Actuarial Valuation Date**	**Funded Ratio** (a/b)	**Covered Payroll** (c)	**UAAL as a Percentage of Covered Payroll** ((b-a)/c)
2,885	12,186	9,301	06/30/2008	24%	92,643	10%

Actuarial Methods and Assumptions

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

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

7 UAAL amortized as a level percent of payroll over 30 years.
8 Includes benefit payments.
9 Actual NOO will depend on actual benefit payment or contribution.

For the year ended June 30, 2008 (amounts expressed in thousands)

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

15. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (see Note 6). 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, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs.

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

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station	5.40%	11.7MW
Southern Transmission System	10.20%	195.0MW
Hoover Dam Uprating	31.90%	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. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long–term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

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

Fiscal Year	IPA: Intermountain Power Project	SCPPA: Palo Verde Nuclear Generating Project	SCPPA: Transmission System Project	SCPPA: Hoover Dam Uprating	SCPPA: Mead–Phoenix Transmission	SCPPA: Mead-Adelanto Transmission	Total
2009	$ 21,852	$ 964	$ 5,108	$ 586	$ 200	$ 2,196	$ 30,906
2010	22,626	810	7,074	717	262	2,858	34,347
2011	26,440	796	7,125	717	301	2,928	38,307
2012	24,061	782	7,203	717	300	2,918	35,981
2013	20,927	768	8,881	718	300	2,915	34,509
Thereafter	189,285	2,919	39,969	3,587	2,089	23,218	309,432
Total	$305,191	$ 7,039	$ 88,334	$ 7,042	$ 3,452	$37,033	$483,482

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 entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2008 and 2007, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAP	MPP	Hoover	Total
2008	27,759	2,758	2,181	248	97	88	33,131
2007	24,227	2,122	1,948	249	49	96	28,691

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

B. Other Commitments

Power Purchase Agreements:

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

Minimum Obligations 2008-2009

Supplier	Capacity	Energy	Total
Deseret	$3,463	$1,966	$5,429
BPA (two agreements)	868	-	868
Total	$4,331	$1,966	$6,297

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret $25,000 from Electric fund reserves, which is reflected on the Balance Sheets as Deferred purchased power. On July 1, 2002, the Electric Utility began to amortize the $25,000, and will continue to amortize the remaining balance over the term of the agreement using the straight-line method.

As of June 30, 2008 and 2007, Deferred purchased power was $5,011 and $8,352, respectively, and the Utility had recorded amortization of $3,340 in both fiscal years.

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

On June 6, 2003 and July 8, 2003, the Public Utilities Board and the City Council respectively, adopted a RPS to increase procurement of renewable resources to reach a target of 20% of the Utility's energy by 2015. On March

For the year ended June 30, 2008 (amounts expressed in thousands)

16, 2007, the Public Utilities Board approved a new RPS, increasing the targets to 20% and 25% by 2010 and 2015, respectively. On May 4, 2007, the Public Utilities added an additional target of 33% by 2020.

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

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2008
Riverside County				255
(Badlands Landfill)	Landfill Gas	1.2MW	12/31/2008	
Wintec	Wind	8.0MW	11/10/2021	182
Salton Sea Power	Geothermal	20.0MW	5/31/2020	10,701
Total		93.2MW		$11,138

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

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

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

On June 24, 2008, the City of Riverside entered into a Renewable Power Purchase Agreement with Shoshone Renaissance, LLC for geothermal power. The contract term is for 30 years with an estimated start date of May 2010. The plant's capacity will be 64 MW upon completion of two geothermal units at 32 MW each.

Construction Commitments:

As of June 30, 2008, the Electric Utility had major commitments of approximately $37,884, with respect to unfinished capital projects, of which $37,240 is expected to be funded by bonds, $644 funded by rates and $0 funded by others.

As of June 30, 2008, the Water Utility had major commitments of approximately $5,520 with respect to unfinished capital projects, of which $2,909 is expected to be funded by bonds, $1,774 funded by other sources and $837 funded by rates.

C. Jointly Governed Organizations

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the 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 SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2007-08 and 2006-07 fiscal years, the Electric Utility paid approximately $17,144 and $16,854, respectively, to SCPPA under various take-or-pay contracts that are described in greater detail in Note 8. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the State of California. The City of Anaheim joined PAC on July 1, 1996. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the five cities acting in concert. PAC 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. PAC is governed by a Board of Directors, which consist of one representative for each of the members. The term of the Joint Powers Agreement is 50 years. Effective June 30, 2001, PAC was placed in an inactive status by the Board of Directors. The Agency can only be reactivated by authorization of the Agency Board.

D. Jointly-Owned Utility Project

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

SCE, as operating agent, has declared an “operating impairment” due to deterioration of the steam generators (“SGs”), which would likely result in permanent shutdown of the plant in the 2009-2010 timeframe. The estimated costs to replace the SGs is $680,000, of which approximately $12,200 would represent the City’s share. Replacement of the SGs is expected to enable plant operations through at least 2022, and perhaps beyond if Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, Anaheim has opted not to participate. During 2006, the FERC, Nuclear Regulatory Commission and the California Public Utility Commission (CPUC) approved the transfer of Anaheim’s shares to SCE, and as a result, SCE’s ownership was increased to 78.21 percent in units 2 and 3 of SONGS.

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

There are no separate financial statements for the jointly-owned utility plant since each participant’s interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility’s 1.79 percent share of the capitalized construction costs for SONGS totaled $142,120 and $138,575 for fiscal years ended June 30, 2008 and 2007, respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. As a result, all acquisitions are now depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to $114,511 and $108,709 for the fiscal years ended June 30, 2008 and 2007, respectively. The Electric Utility made provisions for future decommissioning costs of $1,581 for both fiscal years plus earnings on the Decommissioning Trust Fund of $2,336 and $1,946 for fiscal years June 30, 2008 and June 30, 2007, respectively (see Note 1). The Electric Utility’s portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

16. Subsequent Events

On July 1, 2008, the City as a participant in the California Statewide Communities Development Authority Pool issued $30 million of Tax and Revenue Anticipation Notes in the form of Series A-1 Bonds due June 20, 2009. The stated interest rate is set at 3.0% per annum with a yield of 1.8%.

In accordance with California law, the TRANS Bond is a general obligation of the City and is payable only out of taxes, income, revenues, cash receipts, and other monies of the City attributable to fiscal year 2008-09 and legally available for payment thereof. Proceeds of the Bonds will be used for 2008-09 General Fund expenditures, including current expenditures and prepayment of PERS.

CITY OF
RIVERSIDE