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 Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. The Housing Authority's activity has been combined with that of the primary government because City Council members serve as the Housing Authority's commissioners and because the City is financially accountable and operationally responsible for all matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. Pursuant to Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies were dissolved effective February 1, 2012. Subsequently, the City became the Successor Agency to the Redevelopment Agency. The Parking Authority of the City of Riverside was added as an additional member of the Public Financing Authority on August 14, 2012. The Public Financing Authority's activity has been combined with that of the primary government because City Council members serve as the Public Financing Authority's board members and because the Public Financing Authority exclusively provides financing assistance to the primary government. The City is also financially accountable and operationally responsible for all 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. The activity of the Municipal Improvements Corporation has been combined with that of the primary government because three members of the City Council serve as the Municipal Improvements Corporation's directors and because the Municipal Improvements Corporation exists to serve exclusively the primary government. The City is financially accountable and operationally responsible for all matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are generally collected within 60 days after year end, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursement received from Transportation Uniform Mitigation Fees, which is six (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 under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In 2004, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but the bonds are currently estimated to retire in 2016. 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. Since 2004, the final "true-up" payment has been reported in the fiscal year that the revenue was earned and thus provides 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 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 government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

Internal service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust. The agency 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 position on the Statement of Net Position includes $1 million of permanent fund principal which are considered nonexpendable.

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 to report certain investments at fair value in the statement of net position/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 except for investments in investment contracts which are recorded at contract 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 long-term indebtedness, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted cash and investments also include cash set aside for nuclear decommissioning, public benefit programs, regulatory requirements and rate stabilization because their use is legally restricted to a specific purpose. 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 were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

For the year ended June 30, 2014 (amounts expressed in thousands)

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

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 activities and business-type activities of the government-wide financial statements and in the proprietary funds and the fiduciary private-purpose trust fund statements of net position. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2014, business-type activities capitalized net interest costs of $8,608 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was $50,234.

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. Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciable	3-15 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

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, Electric and Water funds have been primarily used to liquidate such balances.

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

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments (GASB 53)," which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net position.
The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net position. In 2012, the City also entered into an additional interest rate swap agreement, which has a positive fair value and is recorded

and deferred on the statement of net position. See Note 10 for further discussion related to the City's interest rate swaps.

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

L. Long-Term Obligations

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns in the government-wide financial statements and in the proprietary funds and fiduciary private-purpose trust fund statements of net position. Bond premiums and discounts are deferred 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 has established trust accounts to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Based on the most recent site specific cost estimate as of July 2013, prepared by ABZ Incorporated, the Electric Utility has fully funded the San Onofre Nuclear Generating Station ("SONGS") decommissioning liability. With the recent retirement of SONGS units 2 and 3, there is much uncertainty as to future unknown costs to decommission SONGS. Although management believes the current cost estimate is the upper bound of decommissioning obligations, the Electric Utility has conservatively decided to continue to set aside $1,581 per year in an internally restricted cash reserve for unexpected costs not contemplated in the current estimates.

Increases to the funds held for the decommission liability are from amounts set aside and investment earnings. The investment earnings are included in investment income. These earnings, as well as amounts set aside, are reflected as decommissioning expense which is reflected as a component of maintenance and operation expense in the statement of revenues, expenses and changes in net position. To date, the Electric Utility has set aside $77,897 in cash investments with the trustee and $1,725 in an internally restricted decommissioning reserve as the Electric Utility's estimated share of the decommissioning cost of San Onofre, and these amounts are reflected as restricted assets and unrestricted cash and cash equivalents, respectively, on the Statements of Net Position. The Electric Utility's decommissioning liability is equivalent to the total funds accumulated less $4,323 paid as decommissioning costs for the fiscal year ended June 30, 2014 and is reflected as a non-current liability. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the self-insurance internal service fund. As of June 30, 2014, the City had an obligation related to a judgment, which is reflected as a liability on the government-wide statements and is more fully described in Note 8.

N. Fund Equity

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

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, and notes receivable, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

- Committed fund balance is the portion of fund balance that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. No amounts have been reported within this category of fund balance.
- Assigned fund balance reflects the City's intended use of resources. Intent can be expressed by the City Council or by an official to which the City Council delegates the authority. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer, which authorized the assignment of fund balance for specific programs or purposes in accordance with City Council directives. The City also uses budget and finance policy to authorize the assignment of fund balance, which is done through the adoption of the budget and subsequent budget amendments throughout the year.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

O. Net Position

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

P. Interfund Transactions

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

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as advances and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable is not in spendable form.

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

Q. Unearned Revenue

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

R. Unavailable Revenue

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

S. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

For the year ended June 30, 2014 (amounts expressed in thousands)

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

T. Regulatory Assets and Deferred Regulatory Charges

In accordance with GASB Statement No. 62, enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the City is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges have been recorded in the Electric, Water, Sewer and Refuse funds.

U. 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 after December 10. The second installment is due February 1 and is delinquent after April 10. The City generally accrues only those taxes, which are received within sixty days after the year-end. Under the Teeter plan, the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

V. 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.

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	$ 391,630
Investments at fiscal agent	305,464
	697,094
Cash on hand and deposits with financial institutions	74,962
Non-negotiable certificates of deposit	1,000
	$ 773,056

For the year ended June 30, 2014 (amounts expressed in thousands)

The amounts are reflected in the statements of net position of the government-wide and fiduciary fund financial statements:

Cash and investments	$ 384,768
Restricted cash and cash equivalents	46,506
Restricted cash and investments at fiscal agent	277,297
Total per statement of net position	708,571
Fiduciary fund cash and investments	64,485
	$ 773,056

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

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

Authorized Investments

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

	Max Maturity	Max % of Portfolio
Money Market Funds	N/A	20%
Securities of the U.S. Government and its sponsored agencies	5 Years	N/A
Corporate Medium-Term Notes	5 Years	30%
Local Agency Investment Fund (State Pool)	N/A	100%
Negotiable Certificates of Deposit	5 Years	30%
Repurchase Agreements	1 Year	N/A
Reverse Repurchase Agreements	90 Days	20%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Bonds	N/A	N/A

Investments in Corporate Medium Term 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 AA or higher at the time of purchase
Investments in money market funds rated in the single highest classification, except for certain debt proceeds which have no minimum rating requirement
Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
Investment Agreements

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

Disclosures Relating to Interest Rate Risk

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

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

For the year ended June 30, 2014 (amounts expressed in thousands)

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 7,398	$ 7,398	$ -	$ -	$ -
Federal Agency Securities	79,715	-	53,445	26,270	-
U.S. Treasury Notes/Bonds	138,374	-	23,306	115,068	-
Corp. Medium Term Notes	54,569	12,317	20,480	21,772	-
State Investment Pool	99,435	99,435	-	-	-
Negotiable CDs	12,139	3,967	5,437	2,735	-
Held by Fiscal Agent					
Money Market Funds	40,607	40,607	-	-	-
State Investment Pool	19,332	19,332	-	-	-
Investment Contracts	150,332	24,173	25,726	89,672	10,761
Commercial Paper	12,877	12,877	-	-	-
Fed. Agency Securities	61,634	1,193	10,323	50,118	-
Corp. Med. Term Notes	20,682	-	2,057	18,625	-
Total	$697,094	$221,299	$140,774	$324,260	$10,761

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of year-end for each investment type:

		Ratings as of Year End			
Investment Type	Total	AAA	AA	A	Unrated
Money Market Funds	$ 7,398	$ 1,062	$ 1,290	$ 5,046	$ -
Federal Agency Securities	79,715	79,715	-	-	-
U.S. Treasury Notes/Bonds	138,374	138,374	-	-	-
Corporate Medium Term Notes	54,569	-	44,301	10,268	-
State Investment Pool	99,435	-	-	-	99,435
Negotiable CDs	12,139	-	-	-	12,139
Held by Fiscal Agent					
Money Market Funds	40,607	9,232	-	29,650	1,725
State Investment Pool	19,332	-	-	-	19,332
Investment Contracts	150,332	-	-	-	150,332
Commercial Paper	12,877	-	-	12,877	-
Federal Agency Securities	61,634	61,634	-	-	-
Corporate Medium Term Notes	20,682	-	10,338	10,344	-
Total	$697,094	$290,017	$55,929	$68,185	$282,963

Concentration on Credit Risk

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

Issuer	Investment Type	Reported Amount
Deutsche Bank Securities Inc.	Investment Contract	$82,249

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. Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term.

For the year ended June 30, 2014 (amounts expressed in thousands)

The lease calls for semi-annual payments not less than the debt service owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2015	$ 2,507
2016	2,533
2017	2,561
2018	2,598
2019	2,626
Thereafter	16,443
Total Due	29,268
Less: amount applicable to interest	(8,758)
Total direct financing lease receivable	$20,510

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2014.

Governmental activities:	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Ending Balance
Capital assets, not depreciated:				
Land	$ 325,215	$ 8,628	$ (44)	$ 333,799
Construction in progress	38,515	23,656	(29,160)	33,011
Total capital assets not depreciated	363,730	32,284	(29,204)	366,810
Capital assets being depreciated:				
Buildings	180,337	469	(152)	180,654
Improvements other than buildings	250,021	49,324	-	299,345
Machinery and equipment	79,782	6,449	(3,669)	82,562
Infrastructure	910,700	24,244	(331)	934,613
Total capital assets being depreciated	1,420,840	80,486	(4,152)	1,497,174
Less accumulated depreciation for:				
Buildings	(50,286)	(4,618)	119	(54,785)
Improvements other than buildings	(67,772)	(11,389)	-	(79,161)
Machinery and equipment	(60,170)	(4,567)	3,191	(61,546)
Infrastructure	(287,728)	(21,704)	-	(309,432)
Total accumulated depreciation	(465,956)	(42,278)	3,310	(504,924)
Total capital assets being depreciated, net	954,884	38,208	(842)	992,250
Governmental activities capital assets, net	$1,318,614	$70,492	$(30,046)	$1,359,060

Business type activities:	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Ending Balance
Capital assets, not depreciated:				
Land	$ 42,636	$ 10,558	$ (2,079)	$51,115
Intangibles, non-depreciable	21,492	-	-	21,492
Construction in progress	149,385	174,847	(63,351)	260,881
Total capital assets not depreciated	213,513	185,405	(65,430)	333,488
Capital assets being depreciated:				
Buildings	267,232	1,778	-	269,010
Improvements other than buildings	1,475,267	58,011	(3,883)	1,529,395
Intangibles, depreciable	645	185	-	830
Machinery and equipment	74,526	3,405	(1,791)	76,140
Total capital assets being depreciated	1,817,670	63,379	(5,674)	1,875,375
Less accumulated depreciation for:				
Buildings	(108,804)	(6,289)	-	(115,093)
Improvements other than buildings	(422,435)	(38,404)	4,022	(456,817)
Intangibles, depreciable	(247)	(111)	-	(358)
Machinery and equipment	(45,469)	(5,722)	1,698	(49,493)
Total accumulated depreciation	(576,955)	(50,526)	5,720	(621,761)
Total capital assets being depreciated, net	1,240,715	12,853	46	1,253,614
Business type activities capital assets, net	$1,454,228	$198,258	$(65,384)	$1,587,102

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	$ 4,490
Public safety	4,113
Highways and streets, including depreciation of general infrastructure assets	22,989
Culture and recreation	10,686
Total depreciation expense – governmental activities	$42,278
Business type activities:	
Electric	$27,260
Water	12,799
Sewer	6,861
Refuse	1,223
Special Transportation	612
Airport	698
Public Parking	1,073
Total depreciation expense – business type activities	$50,526

For the year ended June 30, 2014 (amounts expressed in thousands)

6. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$15,314	$ -	$ 854	$14,460	$ 900
Pension Obligation Bonds	122,005	30,940	37,170	115,775	37,990
Certificates of Participation	158,697	36,446	3,697	191,446	4,210
Capital Leases	8,424	6,625	1,881	13,168	2,635
Lease Revenue Bonds	43,762	-	1,418	42,344	1,330
Loan Payable	28,652	19,650	691	47,611	2,036
Compensated Absences	21,761	12,480	12,245	21,996	12,372
Claims Liability	31,569	13,582	9,984	35,167	11,122
Judgment	10,000	-	3,333	6,667	3,333
Net OPEB Obligation	12,537	2,566	664	14,439	-
Total	$452,721	$122,289	$71,937	$503,073	$75,928

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$1,031,839	$ 134,841	$72,390	$1,094,290	$77,260
Loan Payable	42,661	-	42,661	-	-
Notes Payable	28,137	9,482	1,589	36,030	1,637
Capital Leases	2,558	353	645	2,266	700
Landfill Capping	6,457	-	285	6,172	200
Arbitrage Liability	269	-	255	14	-
Water Stock Acquisition Rights	944	-	2	942	150
Compensated Absences	7,638	6,536	6,249	7,925	6,480
Net OPEB Obligation	9,780	2,190	567	11,403	-
Total	$1,130,283	$153,402	$124,643	$1,159,042	$86,427

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

Long-Term Obligations at June 30, 2014:

Revenue Bonds:	Principal Outstanding
Electric	
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, due in a final principal installment of $2,645 on October 1, 2014, interest of 5.0%.	$ 2,645
$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 10. Bonds are due in annual installments from $700 to $7,835 through October 1, 2035.	112,515
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $3,460 to $25,345 through October 1, 2038.	209,740
$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,150 to $7,035 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	13,815
$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 5.0%, due in annual installments from $95 to $33,725 through October 1, 2040.	140,380
$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 10. Bonds are due in annual installments from $725 to $5,175 through October 1, 2035.	41,925

For the year ended June 30, 2014 (amounts expressed in thousands)

$79,080 2013 Electric Revenue Refunding Bonds; Series A fixed rate bonds, 3% to 5.25%, due in annual installments from $795 to $12,685 through October 1, 2043.	76,560
Subtotal	597,580
Add: Unamortized bond premium	10,434
	$608,014

Water

$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	$58,235
$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 3.0% to 5.0%, due in annual installments from $2,360 to $4,335 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.	21,205
$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.3% to 4.1%, due in annual installments from $2,475 to $4,985 through October 1, 2039.	67,790
$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 10. Bonds are due in annual installments from $600 to $3,950 through October 1, 2035.	56,525
Subtotal	203,755
Add: Unamortized bond premium	3,436
	$207,191

Sewer

$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from $5,555 to $13,350 through August 1, 2039.	$227,115
$50,000 2014 Sewer Revenue Bonds; variable rate financing with Wells Fargo due June 1, 2015. The interest rate is 70% of the LIBOR one-month index plus 50 basis points.	50,000
Subtotal	277,115
Add: Unamortized bond premium	1,970
	$279,085
Total Revenue Bonds	$1,094,290

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

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	$14,920	$ 26,194	$ 41,114	$ 5,015	$ 8,276	$ 13,291
2016	15,825	25,519	41,344	5,260	8,046	13,306
2017	13,320	24,863	38,183	5,180	7,814	12,994
2018	13,795	24,279	38,074	5,415	7,577	12,992
2019	14,445	23,636	38,081	5,635	7,352	12,987
2020-2024	80,575	109,462	190,037	31,580	33,265	64,845
2025-2029	97,715	91,628	189,343	38,055	26,563	64,618
2030-2034	120,155	68,298	188,453	46,200	18,174	64,374
2035-2039	149,040	38,047	187,087	56,430	7,625	64,055
2040-2041	77,790	4,844	82,634	4,985	103	5,088
Premium	10,434	-	10,434	3,436	-	3,436
Total	$608,014	$436,770	$1,044,784	$ 207,191	$124,795	$331,986

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2015	$ 57,325	$ 10,435	$ 67,760
2016	7,660	9,811	17,471
2017	8,055	9,418	17,473
2018	8,410	9,063	17,473
2019	8,725	8,747	17,472
2020-2024	32,885	39,244	72,129
2025-2029	36,560	31,749	68,309
2030-2034	46,010	22,306	68,316
2035-2039	58,135	10,180	68,315
2040	13,350	312	13,662
Premium	1,970	-	1,970
Total	$279,085	$151,265	$430,350

For the year ended June 30, 2014 (amounts expressed in thousands)

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.	$14,295
Add: Unamortized bond premium	165
Total General Obligation Bonds	$14,460

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
2015	$ 900	$ 671	$ 1,571
2016	965	634	1,599
2017	1,040	592	1,632
2018	1,110	544	1,654
2019	1,195	492	1,687
2020-2024	7,345	1,485	8,830
2025	1,740	48	1,788
Premium	165	-	165
Total	$14,460	$4,466	$18,926

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.	$ 66,320
$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.	18,515
$30,940 2014 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2014 was 0.60%, $30,940 due June 1, 2015.	30,940
Total Pension Obligation Bonds	$115,775

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
2015	$ 37,990	$ 4,950	$ 42,940
2016	7,930	4,391	12,321
2017	8,880	3,971	12,851
2018	9,920	3,482	13,402
2019	11,035	2,936	13,971
2020-2023	40,020	5,891	45,911
Total	$115,775	$25,621	$141,396

Certificates of Participation:	Principal Outstanding
$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.	$18,585
$128,300 2008 Riverside Renaissance Certificates of Participation; issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see note 10. Due in annual installments from $2,900 to $7,200 through March 1, 2037.	116,100
$20,660 2010 Recovery Zone Facility Hotel Project Certificates of Participation; 4.0% to 5.5%, due in annual installments from $415 to $1,410 through March 1, 2040.	20,660
$35,235 2013 Pavement Rehab Certificates of Participation; 4.0% to 5.0%, due in annual installments from $1,285 to $2,855 through June 1, 2034	35,235
Subtotal	190,580
Plus: Unamortized bond premium	866
Total Certificates of Participation	$191,446

For the year ended June 30, 2014 (amounts expressed in thousands)

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

Fiscal Year	Principal	Interest	Total
2015	$ 4,210	7,495	11,705
2016	5,730	7,345	13,075
2017	5,920	7,137	13,057
2018	6,110	6,922	13,032
2019	6,310	6,700	13,010
2020-2024	35,955	29,521	65,476
2025-2029	43,720	21,734	65,454
2030-2034	50,650	12,141	62,791
2035-2039	30,565	2,943	33,508
2040	1,410	78	1,488
Premium	866	-	866
Total	$191,446	$102,016	$293,462

Lease Revenue Bonds – Governmental Activities:	Principal Outstanding
On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of $41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from $1,295 to $2,840 commencing November 1, 2013 and ending November 1, 2033. The refunding transaction resulted in an economic gain of $2,455 and a reduction of $3,034 in future debt service payments.	$39,945
Add: Unamortized bond premium	2,399
Total Lease Revenue Bonds – Governmental Activities	$42,344

Remaining lease revenue bond debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2015	$1,330	$ 1,743	$ 3,073
2016	1,370	1,702	3,072
2017	1,420	1,653	3,073
2018	1,485	1,588	3,073
2019	1,560	1,511	3,071
2020-2024	9,080	6,271	15,351
2025-2029	10,540	4,058	14,598
2030-2034	13,160	1,370	14,530
Premium	2,399	-	2,399
Total	$42,344	$19,896	$62,240

Loans Payable – Governmental Activities:	Principal Outstanding
In March 2012 the City entered into a financing arrangement in the amount of $4,000 with Pinnacle Public Finance, Inc. for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately $468 per year over a 10 year period, which includes interest at an annualized rate of 3.05%.	$ 3,294
On July 19, 2012, the City secured financing in the amount of $41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. In March 2014, the financing arrangement with BBVA was increased to $44,650. The financing consists of an initial 21-month variable rate interest only period during construction that has a swap transaction layered over the remaining 20-year amortization resulting in a “synthetic fixed” rate of 3.24% for 20 of the 22 years. For information on the swap agreement see note 10. At the end of the construction period, principal and interest are due on the first of each month, with equal payments each year of approximately $2,850.	44,317
Total Loans Payable – Governmental Activities	$47,611

For the year ended June 30, 2014 (amounts expressed in thousands)

Remaining loans payable debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 2,036	$ 1,467	$ 3,503
2016	2,094	1,409	3,503
2017	2,157	1,346	3,503
2018	2,222	1,281	3,503
2019	2,283	1,220	3,503
2020-2024	11,579	5,004	16,583
2025-2029	11,921	3,261	15,182
2030-2034	13,319	1,293	14,612
Total	$47,611	$16,281	$63,892

Notes Payable – Enterprise Funds:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339, beginning January 29, 2003 through January 29, 2021	$ 2,191
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477, beginning November 6, 1999 through November 6, 2018	2,265
Public parking fund loan from City National Bank for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011 through December 16, 2031	22,092
In 2014, the Water fund purchased property from Hillwood Enterprises, L.P. (Hillwood). The property was subsequently leased back to Hillwood, which is to be developed into a logistics center. In consideration of the costs to purchase the property the Water fund will make payments to Hillwood in the form of a credit equal to Hillwood's rental payments to the Water fund for the first 15 years of the lease. Rent will commence the earlier of when Hillwood starts construction of the logistic center or May 20, 2016.	9,482
Total notes payable – Enterprise Funds	$36,030

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
2015	$ 731	$ 85	$ 816
2016	745	72	817
2017	759	58	817
2018	774	43	817
2019	788	29	817
2020-2021	659	20	679
Total	$4,456	$307	$4,763

Public Parking Fund

Fiscal Year	Principal	Interest	Total
2015	$ 906	$ 841	$ 1,747
2016	940	807	1,747
2017	977	770	1,747
2018	1,014	733	1,747
2019	1,054	693	1,747
2020-2024	5,917	2,817	8,734
2025-2029	7,160	1,574	8,734
2030-2032	4,124	241	4,365
Total	$22,092	$8,476	$30,568

Water Fund

Fiscal Year	Principal	Interest	Total
2015	$ -	$ -	$ -
2016	40	156	196
2017	483	152	635
2018	492	144	636
2019	512	136	648
2020-2024	2,900	543	3,443
2025-2029	3,522	279	3,801
2030-2031	1,533	26	1,559
Total	$ 9,482	$ 1,436	$10,918

For the year ended June 30, 2014 (amounts expressed in thousands)

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$941

Current Year Refunding:

On July 25, 2013 the City issued $79,080 of 2013A Electric Revenue Refunding Bonds, which refunded previously outstanding debt. The refunding resulted in an increase in debt service payments of $10,962 over the next 30 years and an economic gain of $2,961.

Letters of Credit:

The City's 2008 Certificates of Participation and 2008 Electric Revenue Bonds (Series A and C) require an additional layer of security between the City and the purchaser of the bonds. The City has entered into the following letters of credit ("LOC") in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

Debt Issue	LOC Provider	LOC Expiration Date	Annual Commitment Fee
2008 Certificates of Participation	Bank of America, N.A.	2015	0.450%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2017	0.275%
2008C Electric Revenue Bonds	Bank of America, N.A.	2017	0.390%

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOC that are not repaid will be converted to an installment loan over a 5-year period. The City would be required to pay $63,420 a year for 5 years (assuming a 12 percent interest rate) if $116,100 of 2008 Certificates of Participation and $112,515 of 2008 Electric Revenue Bonds (Series A and C) were "put" and not resold. No amounts have ever been drawn against the three letters of credit due to a failed remarketing.

The various indentures allow the City to convert the mode of the debt in the case of a failed remarketing.

Capital Leases:

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

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	$1,103	$ -
Equipment	9,722	4,830
Subtotal	10,825	4,830
Less: Accumulated depreciation	(3,315)	(1,738)
Total	$7,510	$3,092

The future minimum lease obligations as of June 30, 2014 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2015	$2,854	$ 751
2016	2,854	387
2017	2,232	322
2018	2,232	322
2019	1,927	322
Thereafter	1,771	309
Copiers	20	1
Total Minimum lease payments	13,890	2,414
Less: Amount representing interest (rates ranging from 1.2% to 9%)	(722)	(148)
Total capital lease payable	$13,168	$2,266

For the year ended June 30, 2014 (amounts expressed in thousands)

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, 2014:

Governmental long-term obligations:	
Certificates of Participation	$10,281
Total	$10,281
Enterprise funds:	
Electric	$14,833
Sewer	20,142
Total	$34,975

The City has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/14
Electric revenues	$106,405	$49,207	2.16
Water revenues	36,761	13,110	2.80
Sewer revenues	23,168*	18,534	1.25

* Includes $2,425 of cash set-aside in a rate stabilization account in accordance with applicable bond covenants.

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, 2014 was 100%. The remaining post closure period is currently 19 years.

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. However, there is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. The City is recovering such costs in rates charged to its customers. The portion of costs to be recovered through future rates is classified as a regulatory asset and will be amortized over future periods.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of $1,000,000, with a deductible of $100. Earthquake and flood insurance coverage has a limit of $25,000, with a deductible of 5% for earthquake and $100 for flood. Workers' compensation insurance coverage has a limit of $25,000, with a self-insured retention of $3,000 per occurrence. The City carries commercial insurance in the amount of $20,000 for general and auto liability claims greater than $3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss. All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

For the year ended June 30, 2014 (amounts expressed in thousands)

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

Unpaid Claims, June 30, 2012	$27,542
Incurred claims (including IBNR's)	20,897
Claim payments and adjustments	(16,870)
Unpaid Claims, June 30, 2013	31,569
Incurred claims (including IBNR's)	13,582
Claim payments and adjustments	(9,984)
Unpaid Claims, June 30, 2014	$35,167

8. Judgment

In April 2013, the City settled a lawsuit challenging its century-old practice of transferring Water Fund monies to the General Fund. Under the settlement agreement, the General Fund agreed to pay $10 million over a three year period beginning in fiscal year 2013/14. In fiscal year 2013/14, the General Fund paid the first installment of $3,333. The remaining obligation is $6,667, which has been reflected as a liability in the government-wide statements.

9. Other Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):

Successor Agency Trust:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$ 256,222	$ -	$ 8,182	$248,040	$ 8,310
Notes Payable	6,257	-	650	5,607	733
Total	$ 262,479	$ -	$ 8,832	$253,647	$9,043

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 Feb. 1, 2003; and $4,175 term bonds, 8.0%, due in annual installments from $155 to $450 through Feb. 1, 2018 (portion not refunded).	$ 85
$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 Aug. 1, 2014; $4,810 term bonds at 4.75% due Aug. 1, 2021; and $6,010 term bonds at 5.0% due Aug. 1, 2027.	11,390
$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 Sep. 1, 2013; $1,135 term bonds at 5.5% due Sep. 1, 2018; and $3,020 term bonds at 5.625% due Sep. 1, 2027.	4,155
$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 Aug. 1, 2014; $2,565 term bonds at 4.75% due Aug. 1, 2017; $4,035 term bonds at 4.75% due Aug. 1, 2021; and $4,870 term bonds at 5% due Aug. 1, 2025.	12,250
$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; $420 term bonds at 3.8% due Aug. 1, 2014; $615 term bonds at 4.6% due Aug. 1, 2024; $3,515 term bonds at 4.7% due Aug. 1, 2034.	4,175
$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through Aug. 1, 2024.	2,010
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from $545 to $2,230 through Oct. 1, 2024.	17,790
$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through Oct.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.	2,975

For the year ended June 30, 2014 (amounts expressed in thousands)

$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 Aug. 1, 2023; and $7,715 term bonds at 5.0% due in annual installments from $195 to $2,060 through Aug. 2034.	26,780
$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 Aug. 1, 2025; $2,425 term bonds at 5.0% due Aug. 1, 2028; and $4,665 term bonds at 4.85% due Aug. 1, 2034.	18,415
$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from $20 to $590,000 through Aug. 1, 2025; $4,980 term bonds at 4.5% due Aug. 1, 2029; $410 term bonds at 4.375% due Aug. 1, 2037.	8,220
$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 Aug. 1, 2015.	180
$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 Aug. 1, 2017; $10,800 term bonds at 5.8% due Aug. 1, 2028.	12,520
$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 Aug. 1, 2025; $17,955 term bonds at 4.5% due Aug. 1, 2030; $47,775 term bonds at 5.0% due Aug. 1, 2037.	87,110
$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 at 5.24% due Aug. 1, 2017; $28,135 term bonds at 5.89% due Aug. 1, 2032.	34,785
Subtotal	242,840
Add: Unamortized bond premium	5,200
Total Redevelopment Agency Bonds	$248,040

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 8,310	$ 12,047	$ 20,357
2016	8,520	11,665	20,185
2017	8,905	11,256	20,161
2018	9,660	10,799	20,459
2019	10,125	10,299	20,424
2020-2024	61,015	42,744	103,759
2025-2029	58,175	26,736	84,911
2030-2034	45,205	13,826	59,031
2035-2038	32,925	3,110	36,035
Premium	5,200	-	5,200
Total	$248,040	$142,482	$390,522

Notes Payable – Successor Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	$2,987
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, subject to recording of completion.	775

For the year ended June 30, 2014 (amounts expressed in thousands)

HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning Aug. 1, 1996 of $272 to $425 through Aug. 1, 2015 HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning Aug. 1, 1999 of $110 to $420 through Aug. 1, 2018	1,845
Total notes payable – Successor Agency	$ 5,607

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 733	$ 383	$ 1,116
2016	771	357	1,128
2017	399	337	736
2018	428	323	751
2019	462	306	768
2020-2024	286	1,423	1,709
2025-2029	471	1,238	1,709
2030-2034	777	933	1,710
2035-2038	1,280	430	1,710
Total	$ 5,607	$5,730	$11,337

As a result of action by the State of California to dissolve all redevelopment agencies in the state, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the California Department of Finance.

For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios for the Successor Agency also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)*	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/14
Property Taxes:			
Non-Housing	$41,335	$15,298	2.70
Housing	8,667	2,765	3.13

* The computations above are based on the total tax increment generated for the year ended June 30, 2014 for each project area that had been pledged as collateral for the Bonds. As discussed above, only a portion of tax increment has been actually remitted to the Successor Agency and reported as revenue in the accompanying financial statements.

Assessment Districts and Community Facilities Districts Bonds
(Not obligations of the City)

As of June 30, 2014, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of $45,350. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. 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 $5,385 and Industrial Development Revenue Bonds of $1,700 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 loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

For the year ended June 30, 2014 (amounts expressed in thousands)

10. Derivative Instruments

Interest Rate Swaps

The City has six cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011 and against debt issued in 2012. At the time of the refundings, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. Hedge accounting was also applied to the swap associated with the debt issued in 2012, which was also determined to be effective.

The following is a summary of the derivative activity for the year ended June 30, 2014:

	Notional Amount	Fair Value as of 6/30/14	Change in Fair Value for Fiscal Year
Governmental Activities			
2008 Renaissance Certificates of Participation	$116,100	(19,485)	(146)
2012 Convention Center Financing	41,406	49	(977)
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	68,525	(8,845)	800
2008 Electric Refunding/Revenue Bonds Series C	41,975	(6,646)	410
2011 Electric Refunding/Revenue Bonds Series A	41,925	(6,617)	411
2011 Water Refunding/Revenue Bonds Series A	56,525	(8,083)	(199)

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its $141,840 2008 Electric Revenue Bonds (Series A and C), $56,450 2011 Electric Revenue Bonds, $59,000 2011 Water Revenue Bonds and $128,300 2008 Certificates of Participation ("COP"). Also, in 2012, the City entered into an additional interest rate swap agreement in connection with the Convention Center financing with BBVA Compass Bank.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The Convention Center financing consists of an initial 21-month variable rate interest only period during construction, which swaps to a fixed rate for the remaining 20-year amortization whereby the City will pay a fixed payment and will receive a variable payment computed at 65.01% of the LIBOR one month index plus 150 basis points. The lease interest rate on the Convention Center has a cap at the lesser of 12% or the highest rate permitted by applicable law whereas the related swap does not have a cap. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by $975 to $7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. The loan with BBVA Compass Bank will be paid in full on April 1, 2034.

As of June 30, 2014 rates were as follows:

	2008 Electric Refunding/ Revenue Bonds Series A	2008 Electric Refunding/ Revenue Bonds Series C	2011 Electric Refunding/ Revenue Bonds Series A
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	(0.42414%)	(0.42543%)	(0.24925%)
Net interest rate swap payments	2.68686%	2.77857%	2.95175%
Variable-rate bond coupon payments	0.35041%	0.34837%	0.14338%
Synthetic interest rate on bonds	3.03727%	3.12694%	3.09513%

	2011 Water Refunding/ Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.24000%
Variable payment from counterparty	(0.24900%)	(0.39595%)	(1.59857%)
Net interest rate swap payments	2.95100%	2.96605%	1.64143%
Variable-rate bond coupon payments	0.16488%	0.38032%	1.59857%
Synthetic interest rate on bonds	3.11588%	3.34637%	3.24000%

For the year ended June 30, 2014 (amounts expressed in thousands)

Fair Value: As of June 30, 2014, in connection with all swap arrangements, the transactions had a combined net negative fair value of <$49,627>. 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: The City is exposed to credit risk on one of its derivative instruments that has a positive fair value. The counterparty for this swap is BBVA/Compass Bank. To mitigate credit risk, the City has the ability to offset swap payments due to it from BBVA/Compass pursuant to the swap, against current and future rental payments required to be made by the City to Compass Mortgage Corporation under the lease agreement. The City is not exposed to credit risk on the remaining swaps because those swaps have a negative fair value. The swap counterparties, Bank of America, N.A., Bank of America Corp. and J.P. Morgan Chase & Co. were rated A, A- and A respectively by Standard & Poor's. To mitigate the potential for credit risk for these swaps, 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, 2014, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: The city is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the city on these hedging derivative instruments are based on a rate or index other than interest rates the city pays on its hedged variable-rate debt. 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, 2014, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2015	$ 5,842	$ 1,692	$ 10,540	$ 18,074
2016	6,138	1,654	10,389	18,181
2017	5,964	1,614	10,235	17,813
2018	7,217	1,571	10,058	18,846
2019	13,516	1,514	9,736	24,766
2020-2024	86,525	6,418	41,555	134,498
2025-2029	91,151	4,369	29,403	124,923
2030-2034	105,979	2,050	15,391	123,420
2035-2039	49,050	194	1,790	51,034
Total	$371,382	$21,076	$139,097	$531,555

11. Economic Contingency

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

12. 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, 2014:

For the year ended June 30, 2014 (amounts expressed in thousands)

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 602
	Capital Outlay Fund	17,381
	Nonmajor Enterprise Funds	133
		18,116
Electric	Central Stores *	914
Water	Central Stores *	392
Total		$19,422

* Internal service fund

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, 2014:

Receivable Fund	Payable Fund	Amount
General	Electric	$11,284
	Water	4,855
	Sewer	3,106
	Nonmajor Governmental Funds	516
	Nonmajor Enterprise Funds	2,087
	Self-Insurance Trust *	204
	Central Stores *	213
	Central Garage *	961
		23,226
Self-Insurance Trust *	Nonmajor Enterprise Funds	452
	General Fund	166
	Nonmajor Governmental Funds	458
	Central Garage *	1,688
		2,764
Central Garage *	Nonmajor Governmental Funds	3,460
Sewer	Nonmajor Governmental Funds	7,283
Total		$36,733

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

Receivable Fund	Amount
General	$ 652
Nonmajor Governmental Funds	39,739
Electric	5,800
Sewer	4,436
Self-Insurance Trust *	5,634
Total	$56,261

Transfers In/Out: Transfers are primarily used to (1) move revenues to the fund that statute or budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The following table shows amounts transferred to/from funds within the City as of June 30, 2014:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$38,704
	Water	6,991
		45,695
Nonmajor Governmental Funds	General Fund	9,851
	Capital Outlay Fund	2,185
	Nonmajor Enterprise Funds	738
		12,774
Water	General Fund	3,333
Total		$61,802

13. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund ($25,953). In order to begin funding a portion of the deficit in the internal service fund, self-insurance rates were increased in the current year. However, this was offset by unusually large losses incurred during the year combined with an adjustment for the increase in the amount estimated for claims and judgments. Management believes that there are sufficient funds on hand to cover current payment obligations and plans to continue to control

costs and increase rates over the next few years as needed to match expected long-term payment requirements.
Deficit net position exists in the Special Capital Improvement Fund ($1,733). The deficit relates to short-term borrowings, which will be repaid over the next six years as park development fees are expected to increase as the local economy continues to recover

Deficit net position also exists in the Successor Agency Private-Purpose Trust Fund ($205,604). The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

14. Litigation

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

The Water Utility is a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009, and no trial date has been set.

15. 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. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA) - The retirement formula is 3% at age 50 for employees hired before February 16, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 2012 pay their share (9%) of contributions.
- 3rd Tier (RPOA, RPOA Supervisory & RPAA) – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.
- 3rd Tier – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account except for general SEIU employees, which contributed 2% in fiscal year 2013/14, with the City paying the remaining 6% of the employee share.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:

For the year ended June 30, 2014 (amounts expressed in thousands)

  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
  - All other miscellaneous employees hired on or after October 19, 2011 pay their share (8%) of contributions.
- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the employee share ranging from 7-8% based on bargaining group classification. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% per year compounded annually, attributable to inflation, and (c) 2.75% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

Three-year trend information for CalPERS:

Fiscal Year June 30,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2012	Misc	$21,661	92.8%	$(53,694)
2012	Safety	18,542	86.6%	(79,890)
2013	Misc	21,907	91.5%	(51,825)
2013	Safety	18,945	83.9%	(76,846)
2014	Misc	22,361	90.1%	(49,615)
2014	Safety	20,861	82.5%	(73,191)

In 2004 and 2005, the City issued pension obligation bonds to fund the unfunded actuarial accrued liability for safety and miscellaneous employees. The asset related to the net pension asset will be amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period. A total of $122,806 of net pension assets is included in the Government-wide Statement of Net Position and in the proprietary fund statements.

Determination of Net Pension Asset as of June 30, 2014:

	Misc	Safety
Annual required contribution	$ 20,151	$ 17,206
Interest on net pension asset	(3,887)	(5,763)
Adjustment to annual required contribution	6,097	9,418
Annual pension cost	22,361	20,861
Less contributions made	(20,151)	(17,206)
Decrease in net pension asset	2,210	3,655
Net pension asset, beginning of year	(51,825)	(76,846)
Net pension asset, end of year	$(49,615)	(73,191)

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.	6/30/11	$998,216	887,857	110,359	88.9	108,106	102.1
Safety	6/30/11	$731,074	650,954	80,120	89.0	62,538	128.1

16. Other Post-Employment Benefits

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

For the year ended June 30, 2014 (amounts expressed in thousands)

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

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

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2014 was $4,913, which consisted of normal cost of $2,553 and UAAL amortization of $2,360. The ARC as a percentage of payroll was 3.2% for the year ended June 30, 2014.

As of June 30, 2013, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $47 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $47 million.

Determination of the Net OPEB Obligation as of June 30, 2014:

Annual required contribution	$ 4,913
Interest on net OPEB obligation	960
Amortization of net OPEB obligation	(1,116)
Annual benefit pension cost	4,757
Less contributions made	(1,232)
Increase in net OPEB obligation	3,525
Net OPEB liability, beginning of year	22,317
Net OPEB liability, end of year	$25,842

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.30%, (b) 2.75% inflation, (c) projected salary increases of 3.00% annually and (d) healthcare cost trend rates ranging from 5.0% to 7.0%.

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

Three-year trend information:

Fiscal Year June 30,	ARC	Actual Contributions	% of ARC Contributed
2012	$5,821	$1,426	25%
2013	6,011	1,626	27%
2014	4,913	1,232	25%

Fiscal Year June 30,	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2012	$5,789	25%	$17,796
2013	6,147	26%	22,317
2014	4,756	26%	25,842

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Covered Payroll
6/30/13	$47,195	$ -	$47,195	0%	$153,077	31%

For the year ended June 30, 2014 (amounts expressed in thousands)

17. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2013-14 and 2012-13 fiscal years, the Electric Utility paid approximately $17,440 and $16,171, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of maintenance and operation expense in the financial statements.

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

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station (PV)	5.4%	12.3MW
Southern Transmission System (STS)	10.2%	244.0MW
Hoover Dam Uprating (Hoover)	31.9%	30.0MW
Mead – Phoenix Transmission (MPP)	4.0%	18.0MW
Mead – Adelanto Transmission (MAT)	13.5%	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.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and the remaining projects have fixed interest rates which range from 0.35 percent to 6.13 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

		SCPPA					
Fiscal Year	IPA	PV	STS	Hoover	MPP	MAT	Total
2015	$ 14,786	$ 669	$ 8,310	$ 703	$ 269	$ 3,087	$ 27,824
2016	22,127	672	8,364	701	269	3,013	35,146
2017	11,650	675	8,182	701	262	2,952	24,422
2018	16,935	679	8,020	699	258	2,910	29,501
2019	18,827	-	7,927	-	257	2,882	29,893
Thereafter	55,421	-	54,497	-	443	4,995	115,356
Total	$139,746	$ 2,695	$95,300	$ 2,804	$ 1,758	$19,839	$262,142

Final maturities of outstanding debt associated with take-or-pay obligations and related contract expirations are as follows:

Project	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	2017	2030
Southern Transmission System	2027	2027
Hoover Dam Uprating	2017	2017
Mead – Phoenix Transmission	2020	2030
Mead – Adelanto Transmission	2020	2030

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, 2014 and 2013, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	Hoover	MPT	MAT	Total
2014	$24,466	$2,416	$3,296	$ 104	$ 50	$ 312	$30,644
2013	$26,445	$2,528	$2,405	$ 97	$ 41	$ 338	$31,854

These costs are reflected as a component of maintenance and operation expense on the statement of revenues, expenses and changes in net position.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility has a firm power purchase agreement with Bonneville Power Administration (BPA) 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 January 29, 2013, Riverside revised the delivery and return portion of the agreement to allow for a flat 40 MW of delivery during May and June through calendar year 2013, 2014 and 2015. The Agreement with BPA will terminate on May 1, 2016.

On April 12, 2011, the California Renewable Energy Resources Act (SB 2 (1X)) was passed by the State Legislative and signed by the Governor. SB 2 (1X) revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33% by December 31, 2020 in three stages: average of 20% of retail sales during 2011-2013; 25% of retail sales by December 31, 2016; and 33% of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SB 2 (1X) on November 18, 2011 and December 13, 2011, respectively, and further approved the City's RPS Procurement plan implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. It is expected that the City will be able to meet the new mandates with new resource procurement actions as outlined in the City's RPS Procurement Plan. For Calendar year 2013, renewable resources provided 24% of retail sales requirements.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements with various entities described below on a "take-and-pay" basis. The contracts in the following table were executed as part of compliance with this standard.

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2015
Salton Sea Power LLC	Geothermal	46.0MW	5/31/20	$ 23,675
Wintec	Wind	1.3MW	12/30/18	211
WKN Wagner	Wind	6.0MW	12/22/32	1,113
		53.3MW		

Supplier	Type	Maximum Contract[1]	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
CalEnergy	Geothermal	86.0MW	2/11/16	2/11/16	25
AP North Lake	Photovoltaic	20.0MW	6/30/15	12/31/15	25
FTP Solar					
Summer Solar	Photovoltaic	10.0MW	6/30/16	12/31/16	25
Antelope Big Sky Ranch	Photovoltaic	10.0MW	6/30/16	12/31/16	25
First Solar	Photovoltaic	14.0MW	12/31/15	6/30/16	20
Recurrent Clearwater	Photovoltaic	14.9MW	Delayed	12/31/15	20
Dominion Columbia II	Photovoltaic	11.1MW	12/31/14	12/31/15	20
Cabazon Wind	Wind	39.0MW	1/1/15	12/31/15	10
Solar Star	Photovoltaic	7.3MW	9/30/15	12/31/15	25
		212.3MW			

[1]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.

Construction Commitments:

As of June 30, 2014, the Sewer and Electric Utilities had approximately $86 million and $11 million, respectively, in major construction commitments related to unfinished capital projects. These construction commitments are expected to be funded primarily with current and future bond proceeds.

C. Jointly-Owned Utility Project - SONGS

The City has a 1.79% undivided ownership interest in Units 2 and 3 of SONGS, located south of the City of San Clemente in northern San Diego County; however, on June 7, 2013, Southern California Edison (SCE) announced in a press release its plan to retire Units 2 and 3 of SONGS permanently. Consequently, the units are no longer a source of supply for the Electric Utility, but remain associated with certain of its costs, including those associated with the units' shutdown and decommissioning.

SONGS was operated and maintained by SCE, under an agreement with the City and San Diego Gas & Electric Company (SDG&E), which expires upon termination of the easement for the plant in 2024. The three-member SONGS Board of Review approved the budget for capital expenditures and operating expenses. The City and the two other owners each had one representative on that board. The participation agreement provided that each owner was entitled to its proportionate share of benefits of, and paid its proportionate share of costs and liabilities incurred by SCE for, construction, operation and maintenance of the project; each owner's obligation was several, and not joint or collective.

In 2005, the CPUC authorized a project to install four new steam generators in Units 2 and 3 at SONGS and remove and dispose of the predecessor generators. SCE completed the installation of these steam generators in 2010 and 2011 for Units 2 and 3, respectively. Replacement of the steam generators was expected to enable plant operations to continue through at least 2022, and perhaps beyond, subject to the approval of the Nuclear Regulatory Commission (NRC).

In January 2012, a water leak occurred in one of the heat transfer tubes of Unit 3's steam generators, causing it to be shut down. At that time, Unit 2 was off-line for a planned outage when unexpected wear in areas of tube-to-support structure were found. Units 2 and 3 remained off-line for extensive inspections, testing and analysis of their steam generators. On June 7, 2013, SCE unilaterally announced its plan to retire Units 2 and 3 permanently.

The current plant site easement for SONGS terminates on May 12, 2024 and would need to be extended in order for the plant to be decommissioned and the site restored.

As a result of SCE's decision to permanently retire SONGS Units 2 and 3, SCE has begun the decommissioning phase of the plant. The process of decommissioning a nuclear power plant is governed by NRC regulations. The regulations categorize the decommissioning activities into three phases: initial activities, major decommissioning and storage activities, and license termination. Initial activities include providing notice of permanent cessation of operations (accomplished on June 12, 2013) and notice of permanent removal of fuel from the reactor vessels (provided by SCE to the NRC on June 28 and July 22, 2013 for Units 3 and 2, respectively). Within two years after the announcement of retirement, SCE, as the operating licensee must submit a post-shutdown decommissioning activities report, an irradiated fuel management plan and a site-specific decommissioning cost estimate. SCE currently estimates that it will provide the other initial activity phase plans and cost estimates to the NRC by the end of 2014.

SCE has prepared a draft decommissioning plan, an environmental evaluation and an updated cost estimate to decommission the San Onofre nuclear plant. The draft plan, called a Post-Shutdown Decommissioning Activities Report (PSDAR), spells out the timetable for major decommissioning work expected to begin in early 2016 and indicates adequate funds exist to pay for the work. SCE estimates that it will cost $4.4 billion to safely complete the 20-year decommissioning of San Onofre.

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 will continue to set aside approximately $1,600 per year to fund decommissioning costs. The Electric Utility's portion of current and long-term debt associated with the decommissioning of SONGS is included in the accompanying financial statements.

Replacement Power Costs

During the outage, the City has procured replacement power to serve its customers' requirements. These costs are in addition to the operating and maintenance expenses paid annually during normal operations. Replacement power costs incurred by the City as a result of the outage (commencing on January 31, 2012 for Unit 3 and March 5, 2012 for Unit 2) were approximately $13.2 million and are reported as regulatory assets on the Statements of Net Position.

Contractual Matters

The replacement steam generators for Units 2 and 3 were designed and manufactured by Mitsubishi Heavy Industries (MHI) and were warranted for an initial period of 20 years from acceptance. MHI was contractually obligated to repair or replace defective items and to pay specified damages for certain repairs. MHI's liability under the purchase agreement is limited to $138 million and excludes consequential damages, defined to include "the cost of replacement power." The limitations are subject to certain exceptions.

There are insurance policies for both property damage and accidental outage issued by Nuclear Electric Insurance Limited (NEIL), and SCE has notified NEIL of claims under the two policies. The City is a named insured on the SCE insurance policies covering SONGS and will assist SCE in pursuing claims recoveries from NEIL, but there is no assurance that the City will recover all or any of its applicable costs under these arrangements. To the extent that any third-party recoveries are made, they will reduce cost to the Electric Utility. In fiscal year 2014, the City continued to collect from customers, through its rates, which paid for the City's share of the ongoing operating costs and replacement power related to SONGS.

As a result of the decision by SCE to permanently retire Units 2 and 3 of SONGS prior to the expiration of the NRC licenses, the City expects to incur certain costs resulting from the early termination of long-term uranium fuel supply contracts. On November 12, 2013, Uranium One Inc. served a Demand for Arbitration on SCE, SDG&E and the City, seeking an award of damages in the approximate amount of $12.5 million. Uranium One, Inc. asserts damages from a purchase agreement to deliver certain amounts of uranium concentrates in 2011, 2012 and 2013. On April 25, 2014, Energy Resources of Australia, Ltd. and Rossing Uranium Ltd. served a Demand for Arbitration on SCE, asserting similar claims as Uranium One Inc. and seeking an award of damages in the approximate amount of $19.5 million. No arbitration dates have been set and the City cannot estimate the outcomes of these pending claims at this time.

18. Subsequent Events

2014 Subordinate Tax Allocation Refunding Bonds

On October 16 2014, the Successor Agency to the Redevelopment Agency of the City of Riverside issued 2014 Subordinate Tax Allocation Refunding Bonds (Series A and B) in the amount of $62,980. The bonds were issued to refund certain obligations of the former Redevelopment Agency of the City of Riverside. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from $160 to $4,745 through September 1, 2034. The rate of interest varies from 0.6% to 5% per annum.

CITY OF
RIVERSIDE