Note 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

The 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. In 2018, the oversight was transferred to the Riverside Countywide Oversight Board, as a result of state legislation that consolidated all oversight boards to successor agencies. The Countywide Oversight Board was created to oversee the winddown activities of the various successor agencies in Riverside County. 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 non-fiduciary 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 fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. 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.

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 General Debt Service fund accounts for the accumulation of resources and payment of long-term debt obligations of the City and related entities.

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:

> Special Revenue funds account for proceeds of specific revenue sources that are legally restricted or otherwise committed or assigned for specific purposes.
>
> Capital Projects funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.
>
> Internal Service funds account for self-insurance, central stores, and central garage on a cost reimbursement basis.
>
> Fiduciary funds include private-purpose trust and custodial 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 custodial funds are 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 $1.6 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 Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach.

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. Allowance for Doubtful Accounts

Management determines the allowance for doubtful accounts by analyzing customer accounts for all balances over 60 days old. The allowance for doubtful accounts is then adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices after 60 days are sent to customers with outstanding balances. After 120 days, accounts still outstanding are referred to the City's collection agency. As of June 30, 2023, the City had an allowance for doubtful account balance of $10,750 for all accounts receivables.

G. Land and Improvements Held of 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.

H. Inventory

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

I. Prepaid Items

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

J. 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; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets or donated works of art and similar items are recorded at acquisition cost at the date of donation. Capital assets received in a service concession arrangement are recorded at acquisition value. 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 expensed in the period incurred.

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

K. Leases and Subscription-Based Information Technology Arrangements

Leases are defined by the general government as the right-to-use an underlying asset. As lessee, the City recognizes a lease liability and an intangible lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The City calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. As lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference. For lease contracts that are short-term, the City recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period. Leases between the Airport

System and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASBS No. 87, paragraph 43, the Airport System recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies do not apply to regulated leases.

Subscription-Based Information Technology Arrangements (SBITAs) are contracts that convey control of the right-to-use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. To determine whether a contract conveys control of the right-to-use the underlying IT assets, the City assesses both the right to obtain the present service capacity from use of the underlying IT assets and the right to determine the nature and manner of use of the underlying IT assets as specified in the contract. Contracts that solely provide IT support services are excluded from the definition of a SBITA. The subscription term is the period during which the City has a noncancellable right-to-use the underlying IT assets, plus the periods covered by the City's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the government will exercise that option. Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term.

L. 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, any excess vacation must be used in accordance to policy, 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.

M. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, 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. 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. See Note 7 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.

N. Long-Term Obligations

<u>Long-Term Debt</u>

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 funds 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

The City has a 1.79 percent undivided ownership interest in Units 2 and 3 of San Onofre Nuclear Generating Station (SONGS), located south of the City of San Clemente in northern San Diego County. Both Units 2 and 3 of SONGS were permanently retired on June 2013. 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 (see Note 13 for nuclear decommissioning liability).

The other owners are SCE, with a 78.21 percent interest (including the 3.16 percent interest it acquired from the City of Anaheim in 2006), and San Diego Gas & Electric Company (SDG&E), with a 20.00 percent interest.

In 2005, the California Public Utilities Commission (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. The Electric Utility's share of the cost to replace the steam generators was approximately $13.4 million. 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 NRC.

In January 2012, a water leak occured 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 was found. Units 2 and 3 remained offline for extensive inspections, testing and analysis of their system generators. On June 7, 2013, SCE unilaterally announced its plan to retire Units 2 and 3 permanently.

As a result of SCE's decision to permanently retire SONGS Units 2 and 3, the decommissioning phase of the plant began in June 2013. The process of decommissionining the nuclear power plant is expected to take many years and is governed by NRC regulations. According to SCE's decommissioning cost estimate document as of March 2018 in 2017 dollars, total decommissioning costs for Units 2 and 3 were estimated at $4.7 billion, of which the Electric Utility's share was $84 million.

In August 2021, SCE provided the updated decommissioning cost estimate document in 2020 dollars. According to the update, total decommissioning costs for Units 2 and 3 are estimated at $5.2 billion, of which the Electric Utility's share is $93.8 million.

As of June 30, 2023, the Electric Utility has set aside $47,110 in cash investments with the trustee and $8,644 in an designated decommissioning reserve for the Electric Utility's estimated share of the decommissioning costs. Increases to the funds held for decommissioning liability are from investment earnings. The investment earnings are included in investment income in the Electric Utility's financial statements. An equivalent amount is reflected as decommissioning expense, which is considered part of production and purchased power. Decreases to the funds held for decommissioning liability are from actual funds drawn from the trust for decommissioning costs invoiced by SCE.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. The Electric Utility began drawing decommissioning trust funds to pay for decommissioning costs in the fiscal year ended June 30, 2017. As of June 30, 2023, the Electric Utility has paid to date $45,884 in decommissioning obligations which have been reimbursed by the trust funds.

O. 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, 2023, the City had an obligation related to claims and judgments which is reflected as a liability on the government-wide statements and is more fully described in Note 11.

P. 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. On September 6, 2016, the City Council approved the General Fund Reserve Policy setting a 10% minimum in the Emergency Reserve and 5% in the Contingency Reserve with an aspirational goal of 15% in the Emergency Reserve. The Emergency Reserve was established for the purpose of addressing any extremely unusual and infrequent occurrences, such as a major natural disaster or a major unforeseen settlement. Utilization of the Emergency Reserve requires declaration of an emergency by a two-thirds majority of the City Council, and specification of the maximum dollar amount to be used. The Contingency Reserve was established for the purpose of providing a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget reductions without the time for proper evaluation. Utilization of the Contingency Reserve, including specification of the maximum dollar amount to be used, requires approval by a two-thirds majority of the City Council. The reserves committed at June 30, 2023 were calculated utilizing fiscal year 2023-2024 adopted General Fund expenditure budget, including appropriation adjustments, of $327,087.

  On April 2, 2019, the City Council approved the General Fund - Measure Z Contingency Reserve Policy setting a required $5,000 in the Contingency Reserve. The Contingency Reserve was established to cover necessary expenses in order to provide time for a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget reductions without the time for proper evaluation. Utilization of the Contingency Reserve, including specification of the maximum dollar amount to be used, requires the affirmative votes of at least five members of the City Council.

- 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.

Q. 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, lease and subscription assets, net of amortization 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.

R. 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 nonspendable fund balance 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.”

S. 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.

T. 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.

U. 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 assets) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

V. 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.

W. 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 January 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.

X. 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.

Y. Pensions

For purposes of measuring the net pension asset/liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Z. Other Post-Employment Benefit (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The OPEB liability is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

AA. New Accounting Pronouncements

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective and have been implemented for fiscal year 2022-2023 audit:

GASB Statement No. 91, *Conduit Debt Obligations* - This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* - A Public-Private and Public-Public Partnerships (PPP) is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA) in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement defines Subscription-Based Information Technology Arrangements (SBITA) as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement establishes that a SBITA results in a subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

The following GASB pronouncements are effective in the following fiscal years:

Fiscal Year 2024

GASB Statement No. 99, Omnibus 2022 - This Statement- provide clarification on previously issued Statement including classification and reporting of derivative instruments within the scope of Statement No. 53 Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument, clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and terminology used in Statement 53 to refer to resource flows statements.

GASB Statement No. 100, Accounting Changes and Error Corrections. - This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. It prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

Fiscal Year 2025

GASB Statement No. 101, Compensated Absences - This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. It also requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Further, this Statement establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

Note 2. <u>Legal Compliance - Budgets</u>

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.

Biennually, during the period December through February, department heads prepare estimates of required appropriations for the following two-year budget cycle. 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 budget cycle. At least thirty-five days prior to the beginning of the fiscal year, the City Manager provides the proposed budget in writing to the City Council for review. Following Council review, a public hearing is set to obtain citizen comments. The City Council generally conducts the public hearing and 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 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.

(amounts expressed in thousands)

Note 3. Cash and Investments

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

Investments	$	941,611
Investments with fiscal agent		163,996
		1,105,607
Cash on hand and deposits with financial institutions		69,688
Total	**$**	**1,175,295**

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

Cash and investments	$	872,790
Restricted cash and cash equivalents		145,412
Restricted cash and investments		109,949
Total per statement of net position		**1,128,151**
Fiduciary fund cash and investments		35,501
Fiduciary fund cash and investments with fiscal agent		11,643
Total	**$**	**1,175,295**

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	Max % in One Issuer
Local Agency Investment Fund (State Pool)	N/A	N/A	N/A
Money Market Mutual Funds	N/A	20 %	N/A %
Mutual Funds	N/A	20 %	10 %
Joint Powers Authority Pools	N/A	N/A	N/A
Medium-Term Corporate Notes[1]	5 years	30 %	5 %
Municipal Bonds[1]	5 years	30 %	5 %
Negotiable Certificates of Deposit[2]	5 years	30 %	5 %
Mortgage Pass-Through and Asset-Backed Securities[3]	5 years	20 %	5 %
Certificates of Deposit Placement Services[4]	5 years	30 %	5 %
Collateralized Time Deposits[4]	5 years	30 %	5 %
Federally Insured Time Deposits	5 years	30 %	5 %
Supranational Securities[3]	5 years	30 %	10 %
Federal Agency Obligations	5 years	N/A	25 %
U.S. Treasury Obligations	5 years	N/A	N/A
Repurchase Agreements	1 year	N/A	N/A
Commercial Paper of "prime" quality[5]	270 days	25 %	5 %
Bankers' Acceptance[2]	180 days	10 %	5 %
Reverse Repurchase Agreements[6]	92 days	20 %	N/A

[1] Minimum credit rating of A (or its equivalent) by at least one nationally recognized statistical rating organization at the time of purchase

[2] Issued by organizations having short-term obligations rated A-1 (or its equivalent) and long-term obligations rated A (or its equivalent) by at least one nationally recognized statistical rating organization

[3] Minimum credit rating of AA (or its equivalent) by at nationally recognized statistical rating organization

[4] Or no more than 15% of the portoflio may be invested in any combination of non-negotiable certificates of deposit as set forth in Federally Insured Time Deposits, Collaterized Time Deposits, and Certificate of Deposit Placement Services. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit

[5] Or no more than 10% of outstanding commercial paper of any single issuer may be purchased

[6] Securities sold pursuant to a reverse purchase agreement must have been owned and fully paid for by the City for a minimum of 30 days prior to sale

(amounts expressed in thousands)

The City's investment policy provides the following three exceptions to the above: (1) investments authorized by debt agreements, (2) investments in the City of Riverside - 115 Trust for Pension and (3) 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 with Direct Obligations of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commerical 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 Aa2/AA 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.

Investments in the City of Riverside - 115 Trust for Pension

The City has established the City of Riverside - 115 Trust for Pension (the Plan) to accumulate resources for future contributions to CalPERS. As of June 30, 2023, the City had $32,695 of restricted cash and investments reported in the General Fund in a Section 115 Trust restricted for future pension contributions. The City has retained US Bank as the trustee. US Bank has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser, with the full investment discretion over the managed assets in the account. The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan.

- Investment Time Horizon: Intermediate-Term 5 - 7 years
- Anticipated Cash Flows: Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS.
- Investment Objective: Moderately - Passive
- Risk Tolerance: Moderate
- Portfolio Type: Index Plus (passive)
- Strategic Asset Allocation:

	Strategic Asset Allocation Ranges	Policy
Cash	0% - 20%	5%
Fixed income	40% - 60%	45%
Equity	40% - 60%	50%

- Investment Limitations: The following investment transactions are prohibited:
  - Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
  - Venture Capital
  - Short sales*
  - Purchases of Letter Stock, Private Placements, or direct payments
  - Leveraged Transactions*
  - Commodities Transactions Puts, calls, straddles, or other option strategies*
  - Purchases of real estate, with the exception of REITs
  - Derivatives, with exception of Exchange Traded Funds (ETFs)*

* Permissible in diversified mutual funds and exchange-traded funds

Disclosures Relating to Fair Value Measurement and Application

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifcal assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

(amounts expressed in thousands)

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). The unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The fair value of the City's investments in categorized within Level 2 of the fair value hierarchy using the institutional bond quotes with evaluations based on various market and industry inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage Pass-Through Securities	$ 31,006	$ -	$ 31,006	$ -
Asset-Backed Securities	78,704	-	78,704	-
U.S. Treasury Obligations	272,588	-	272,588	-
Federal Agency Obligations	130,361	-	130,361	-
Medium-Term Corporate Notes	196,191	-	196,191	-
Supranational Securities	34,071	-	34,071	-
Held by Fiscal Agent:				
Asset-Backed Securities	3,854	-	3,854	-
U.S. Treasury Obligations	34,553	-	34,553	-
Federal Agency Obligations	3,407	-	3,407	-
Medium-Term Corporate Notes	11,263	-	11,263	-
Supranational Securities	3,522	-	3,522	-
Total	**799,520**	**$ -**	**$ 799,520**	**$ -**
Investments not subject to fair value hierarchy:				
Joint Powers Authority	181,643			
Local Agency Investment Fund	1,249			
Mutual Funds	30,925			
Money Market Mutual Funds	81,509			
Investment Contracts	10,761			
Total Investments	**$ 1,105,607**			

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.

(amounts expressed in thousands)

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

		Remaining Maturity (in Months)			
	Total	**12 Months or Less**	**13 to 36 Months**	**37 to 60 Months**	**More than 60 Months**
Money Market Mutual Funds	$ 17,046	$ 17,046	$ -	$ -	$ -
Joint Powers Authority Pools	181,643	181,643	-	-	-
Local Agency Investment Fund	1	1	-	-	-
Mortgage Pass-Through Securities	31,006	4,881	11,256	14,869	-
Asset-Backed Securities	78,704	871	35,109	42,724	-
U.S. Treasury Obligations	272,588	44,859	80,523	147,206	-
Federal Agency Obligations	130,361	30,938	79,192	20,231	-
Medium-Term Corporate Notes	196,191	9,793	106,758	79,640	-
Supranational Securities	34,071	-	34,071	-	-
Held by Fiscal Agent					
Money Market Mutual Funds	64,463	64,463	-	-	-
Mutual Funds	30,925	30,925	-	-	-
Local Agency Investment Fund	1,248	1,248	-	-	-
Asset-Backed Securities	3,854	-	2,066	1,788	-
Investment Contracts	10,761	-	-	-	10,761
U.S. Treasury Obligations	34,553	13,067	13,995	7,301	190
Federal Agency Obligations	3,407	-	3,407	-	-
Medium-Term Corporate Notes	11,263	1,311	8,898	1,054	-
Supranational Securities	3,522	-	3,522	-	-
Total	**$ 1,105,607**	**$ 401,046**	**$ 378,797**	**$ 314,813**	**$ 10,951**

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 *			
	Total	**AAA**	**AA**	**A**	**Unrated**
Money Market Mutual Funds	$ 17,046	$ 17,046	$ -	$ -	$ -
Joint Powers Authority Pools	181,643	-	-	-	181,643
Local Agency Investment Fund	1	-	-	-	1
Mortgage Pass-Through Securities	31,006	31,006	-	-	-
Asset-Backed Securities	78,704	59,518	-	-	19,186
U.S. Treasury Obligations	272,588	272,588	-	-	-
Federal Agency Obligations	130,361	110,378	-	-	19,983
Medium-Term Corporate Notes	196,191	6,203	67,890	95,788	26,310
Supranational Securities	34,071	17,543	-	-	16,528
Held by Fiscal Agent					
Money Market Mutual Funds	64,463	61,098	-	-	3,365
Mutual Funds	30,925	-	-	-	30,925
Local Agency Investment Fund	1,248	-	-	-	1,248
Asset-Backed Securities	3,854	2,815	-	-	1,039
Investment Contracts	10,761	-	-	-	10,761
U.S. Treasury Obligations	34,553	26,060	-	8,493	-
Federal Agency Obligations	3,407	1,376	-	-	2,031
Medium-Term Corporate Notes	11,263	-	2,753	6,612	1,898
Supranational Securities	3,522	1,850	-	-	1,672
Total	**$ 1,105,607**	**$ 607,481**	**$ 70,643**	**$ 110,893**	**$ 316,590**

*Fitch rating used with "-" and "+" removed for simplicity

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. For fiscal year ended June 30, 2023, the City did not have any 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.

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.

(amounts expressed in thousands)

The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository insurance (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the City. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

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.

Investment in Joint Powers Authority

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust and created through a joint powers agency as a pooled short-term porfolio and cash management vehicle for California public agencies under California Government Code Section 53601(p). CAMP is governed by a seven-member Board of Trustees comprised of finance directors and treasurers of California public agencies. The City reports its investments in CAMP at the fair value amounts provided by CAMP, and is exempt from the fair value hierarchy.

Note 4. Direct Financing Receivable

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

Fiscal Year		
2024	$	2,786
2025		2,823
Total due		**5,609**
Less: amount applicable to interest		(364)
Total direct financing receivable	**$**	**5,245**

(amounts expressed in thousands)

Note 5. Capital, Lease, and Subscription Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2023:

Governmental Activities:	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land	$ 376,787	$ 6,629	$ (37)	$ -	$ 383,379
Construction in progress	52,051	27,477	-	(28,526)	51,002
Total capital assets, not depreciated	**428,838**	**34,106**	**(37)**	**(28,526)**	**434,381**
Capital assets, being depreciated:					
Buildings	190,232	2,544	(2,574)	-	190,202
Improvements other than buildings	271,383	78	(44)	2,460	273,877
Machinery and equipment	120,343	7,490	(3,948)	389	124,274
Intangibles, depreciable	219	-	-	-	219
Infrastructure	1,170,193	21,358	-	25,677	1,217,228
Total capital assets, being depreciated	**1,752,370**	**31,470**	**(6,566)**	**28,526**	1,805,800
Less: accumulated depreciation for:					
Buildings	(83,506)	(4,871)	580	-	(87,797)
Improvements other than buildings	(167,734)	(11,283)	24	-	(178,993)
Machinery and equipment	(88,283)	(8,464)	3,666	-	(93,081)
Intangibles, depreciable	(219)	-	-	-	(219)
Infrastructure	(511,668)	(27,810)	-	-	(539,478)
Total accumulated depreciation	**(851,410)**	**(52,428)**	**4,270**	**-**	**(899,568)**
Total capital assets being depreciated, net	**900,960**	**(20,958)**	**(2,296)**	**28,526**	**906,232**
Governmental Activities capital assets, net	**$ 1,329,798**	**$ 13,148**	**$ (2,333)**	**$ -**	**$ 1,340,613**
Lease and subscription assets, being amortized					
Buildings	1,159	82	(341)	-	900
Machinery and equipment	580	-	-	-	580
Subscription-based information technology arrangements	-	3,887	(126)	-	3,761
Total lease and subscription assets	**1,739**	**3,969**	**(467)**	**-**	5,241
Less accumulated amortization					
Buildings	(542)	(274)	314	-	(502)
Machinery and equipment	(145)	(145)	-	-	(290)
Subscription-based information technology arrangements	-	(1,809)	126	-	(1,683)
Total lease and subscription assets accumulated amortization	**(687)**	**(2,228)**	**440**	**-**	(2,475)
Total lease and subscription assets, net	**1,052**	**1,741**	**(27)**	**-**	2,766
Capital, lease, and subscription assets, net	**$ 1,330,850**	**$ 14,889**	**$ (2,360)**	**$ -**	**$ 1,343,379**

Business-Type Activities:	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land	$ 100,111	$ 3,343	$ -	$ 2	$ 103,456
Intangible assets	21,495	-	-	1	21,496
Construction in progress	128,123	57,623	(46)	(53,830)	131,870
Total capital assets, not depreciated	**249,729**	**60,966**	**(46)**	**(53,827)**	**256,822**
Capital assets, being depreciated:					
Buildings	678,569	-	-	179	678,748
Improvements other than buildings	2,007,017	2,778	(10,508)	46,981	2,046,268
Machinery and equipment	113,498	-	(6,234)	5,963	113,227
Intangibles, depreciable	30,263	-	(119)	704	30,848
Total capital assets, being depreciated	**2,829,347**	**2,778**	**(16,861)**	**53,827**	**2,869,091**
Less: accumulated depreciation for:					
Buildings	(212,829)	(14,642)	-	-	(227,471)
Improvements other than buildings	(791,001)	(51,840)	5,992	-	(836,849)
Machinery and equipment	(80,504)	(6,021)	6,010	-	(80,515)
Intangibles, depreciable	(19,920)	(2,971)	112	-	(22,779)
Total accumulated depreciation	**(1,104,254)**	**(75,474)**	**12,114**	**-**	**(1,167,614)**
Total capital assets being depreciated, net	**1,725,093**	**(72,696)**	**(4,747)**	**53,827**	**1,701,477**
Business-Type activities capital assets, net	**$ 1,974,822**	**$ (11,730)**	**$ (4,793)**	**$ -**	**$ 1,958,299**
Lease and subscription assets, being amortized					
Land	312	-	-	-	312
Buildings	348	-	-	-	348
Machinery and equipment	345	-	-	-	345
Subscription-based information technology arrangements	-	257	(96)	-	161
Total lease and subscription assets	**1,005**	**257**	**(96)**	**-**	**1,166**
Less accumulated amortization					
Land	(74)	(75)	-	-	(149)
Buildings	(75)	(74)	-	-	(149)
Machinery and equipment	(78)	(78)	-	-	(156)
Subscription-based information technology arrangements	-	(170)	96	-	(74)
Total lease and subscription assets accumulated amortization	**(227)**	**(397)**	**96**	**-**	**(528)**
Total lease and subscription assets, net	**778**	**(140)**	**-**	**-**	**638**
Capital, lease, and subscription assets, net	**$ 1,975,600**	**$ (11,870)**	**$ (4,793)**	**$ -**	**$ 1,958,937**

(amounts expressed in thousands)

Depreciation expense was charged to various functions as follows:

Governmental Activities:		
General government	$	4,056
Public safety		7,719
Highways and streets		28,524
Culture and recreation		11,193
Internal service funds		936
Total depreciation expense - Governmental Activities	**$**	**52,428**
Business-Type Activities:		
Electric	$	38,189
Water		16,367
Sewer		15,034
Airport		737
Refuse		862
Transportation		281
Public Parking		972
Civic Entertainment		3,032
Total depreciation expense - Business-Type Activities	**$**	**75,474**

Amortization expense was charged to various functions as follows:

Governmental Activities:		
General government	$	1,808
Public safety		94
Highways and streets		11
Culture and recreation		305
Internal service funds		10
Total amortization expense - Governmental Activities	**$**	**2,228**
Business-type Activities:		
Electric	$	214
Water		20
Sewer		77
Airport		3
Refuse		6
Transportation		2
Public Parking		75
Total amortization expense - Governmental Activities	**$**	**397**

Note 6. Leases and Subscription-Based Information Technology Arrangements

Leases Receivable

Leases are financings of the right-to-use an underlying asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City of Riverside has 114 leases as a Lessor for the use of various land, building and equipment as of the end of the fiscal year. The terms range from 2 to 110 years beginning on the contract commencement date. As of June 30, 2023, the value of the lease receivable is $111,261. The leases have interest rates ranging from 0.52% to 3.35%. The value of the deferred inflow of resources as of June 30, 2023 was $109,738, and the City recognized lease revenue of $5,382 during the fiscal year.

	Governmental Activities		
Fiscal Year	**Principal**	**Interest**	**Total Payments**
2024	$ 1,132	$ 158	$ 1,290
2025	1,114	139	1,253
2026	1,145	120	1,265
2027	1,117	101	1,218
2028	1,062	82	1,144
2029-2033	3,150	171	3,321
2034-2038	200	34	234
2039-2043	166	19	185
2044-2048	127	4	131
Total	**$ 9,213**	**$ 828**	**$ 10,041**

(amounts expressed in thousands)

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 2,861	$ 1,739	$ 4,600
2025	2,675	1,699	4,374
2026	2,574	1,664	4,238
2027	2,296	1,630	3,926
2028	1,743	1,612	3,355
2029-2033	5,179	7,780	12,959
2034-2038	4,578	7,367	11,945
2039-2043	3,600	6,997	10,597
2044-2048	3,333	6,711	10,044
2049-2053	3,963	6,381	10,344
2054-2058	4,574	5,996	10,570
2059-2063	5,074	5,565	10,639
2064-2068	5,501	5,084	10,585
2069-2073	3,068	4,704	7,772
2074-2078	3,046	4,433	7,479
2079-2083	3,331	4,148	7,479
2084-2088	3,641	3,838	7,479
2089-2093	3,984	3,494	7,478
2094-2098	4,357	3,121	7,478
2099-2103	4,766	2,711	7,477
2104-2108	5,209	2,267	7,476
2109-2113	5,698	1,777	7,475
2114-2118	6,232	1,243	7,475
2119-2123	6,815	659	7,474
2124-2128	3,950	118	4,068
Total	**$ 102,048**	**$ 92,738**	**$ 194,786**

Lease Liability

Leases are financings of the right-to-use an underlying asset and a lessee is required to recognize a lease liability and an intangible lease asset.

The City of Riverside has 23 leases as Lessee for the use of various land, building and equipment as of the end of the fiscal year. The City is required to make principal and interest payments through fiscal year 2027. As of June 30, 2023, the value of the lease liability is $1,262. The leases have an interest rate of 0.52%. The value of the lease asset as of June 30, 2023 of $2,485 with accumulated amortization of $1,246 and is included with land, buildings, and machinery and equipment on the table below:

	Amount of Lease Assets by Major Classes of Underlying Asset	
Asset Class	Lease Asset Value	Accumulated Amortization
Land	$ 312	$ (149)
Buildings	1,248	(651)
Machinery and equipment	925	(446)
	$ 2,485	$ (1,246)

Governmental Activities:	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Lease liability	$ 1,060	$ 83	$ -	$ (444)	$ 699	$ 379

Business-Type Activities::	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Lease liability	$ 787	$ -	$ -	$ (224)	$ 563	$ 226

	Governmental Activities		
Fiscal Year	Principal	Interest	Total Payments
2024	$ 379	$ 2	$ 381
2025	204	1	205
2026	102	-	102
2027	14	-	14
Total	**$ 699**	**$ 3**	**$ 702**

(amounts expressed in thousands)

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 226	$ 2	$ 228
2025	223	1	224
2026	114	-	114
Total	**$ 563**	**$ 3**	**$ 566**

Subscription-Based Information Technology Arrangements Liability

The City of Riverside has 23 subscription-based information technology arrangement (SBITA) for the use of various software as of the end of the fiscal year. The City is required to make principal and interest payments through fiscal year 2028. An initial lease liability was recorded in the amount of $3,582. As of June 30, 2023, the value of the subscription liability was $2,016. The subscriptions have interest rates ranging from 0.52% to 2.31%. The value of the subscription asset as of June 30, 2023 is $3,922 with accumulated amortization of $1,757.

Governmental Activities:	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
SBITA liability	$ -	$ 3,634	$ -	$ (1,704)	$ 1,930	$ 1,597

Business-Type Activities::	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
SBITA liability	$ -	$ 163	$ -	$ (77)	$ 86	$ 74

	Governmental Activities		
Fiscal Year	Principal	Interest	Total Payments
2024	$ 1,597	$ 13	$ 1,610
2025	185	4	189
2026	103	2	105
2027	43	1	44
2028	2	-	2
Total	**$ 1,930**	**$ 20**	**$ 1,950**

	Business-Type Activities		
Fiscal Year	Principal	Interest	Total Payments
2024	$ 74	$ 1	$ 75
2025	6	-	6
2026	4	-	4
2027	2	-	2
Total	**$ 86**	**$ 1**	**$ 87**

Note 7. 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. 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, 2023:

	Notional Amount	Fair Value as of 06/30/23	Change in Fair Value for Fiscal Year
Governmental Activities			
2008 Renaissance Certificates of Participation*	$ 56,097	$ (3,381)	$ 2,907
Business-Type Activities			
2008 Renaissance Certificates of Participation*	25,203	(1,465)	1,260
2008 Electric Refunding/Revenue Bonds Series A	34,465	(491)	1,394
2008 Electric Refunding/Revenue Bonds Series C	32,150	(1,809)	1,686
2011 Electric Refunding/Revenue Bonds Series A	33,600	(1,797)	1,728
2011 Water Refunding/Revenue Bonds Series A	24,050	(1,377)	1,269
2012 Convention Center Financing	25,849	1,088	820

* The 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect thier proportional share.

(amounts expressed in thousands)

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 2011A Electric Revenue Bonds, $59,000 2011A 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 $41,650 Convention Center financing with PNC Bank, N.A.

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 notional value of the swaps and the principal amounts of the associated debt decline at a smaller rate 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 PNC Bank, N.A. will be paid in full on April 1, 2034.

As of June 30, 2023, 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	(0.69885)%	(0.69911)%	(0.75953)%
Net interest rate swap payments	**2.41215 %**	**2.50489 %**	**2.44147 %**
Variable rate bond coupon payments	0.56351 %	0.57077 %	0.68005 %
Synthetic interest rate on bonds	**2.97566 %**	**3.07566 %**	**3.12152 %**

	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	(0.72101)%	(0.65803)%	(2.26771)%
Net interest rate swap payments	**2.47899 %**	**2.70397 %**	**0.97229 %**
Variable rate bond coupon payments	0.65145 %	0.58813 %	2.26771 %
Synthetic interest rate on bonds	**3.13044 %**	**3.29210 %**	**3.24000 %**

Fair Value: As of June 30, 2023, in connection with all swap arrangements, the transactions had a combined net negative fair value of $9,232. 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 not exposed to substantial credit risk because each swap, with the exception of the Convention Center Financing swap have a negative fair value. The swap counterparties, Bank of America, N.A., Merrill Lynch Capital Services, Inc., PNC Financial Services Group, Inc. and J.P. Morgan Chase & Co. were rated A+, 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, 2023, 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.

(amounts expressed in thousands)

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, 2023, 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.

	Variable-Rate Bonds			
Fiscal Year	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
2024	$ 7,495	$ 1,994	$ 6,177	$ 15,666
2025	7,669	1,828	5,624	15,121
2026	8,662	1,711	5,323	15,696
2027	14,906	1,581	4,963	21,450
2028	15,639	1,444	4,587	21,670
2029-2033	107,314	4,776	15,933	128,023
2034-2038	71,290	771	3,199	75,260
Total	**$ 232,975**	**$ 14,105**	**$ 45,806**	**$ 292,886**

Note 8. Letters of Credit

The City's 2008 Certificates of Participation, 2008 Electric Revenue Bonds (Series A and C), and 2011 Electric Revenue Bonds (Series A) 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.	2026	0.350%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2024	0.395%
2008C Electric Revenue Bonds	Barclays Bank, PLC	2024	0.395%
2011A Electric Revenue Bonds	Bank of America, N.A.	2026	0.350%

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 with principal to be paid quarterly not to exceed a 5-year period. The City would be required to pay annual interest equal to the highest of 8.0%, the Prime Rate plus 2.50%, the Federal Funds Rate plus 2.50% and 150% of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the four 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.

On February 1, 2019, the City entered into a subordinate letter of credit agreement with U.S. Bank, National Association. The agreement was renewed on February 1, 2022. The Subordinate Letter of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Electric Utility and Water Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to $35,000 for purposes of the capital or operating financial needs of the Electric System and $25,000 for purposes of the capital or operating financial needs of the Water System. There were no borrowings against the LOC as of June 30, 2023.

(amounts expressed in thousands)

Note 9. 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	Reclass	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 4,987	$ -	$ -	$ (1,576)	$ 3,411	$ 1,640
Pension obligation bonds	338,264	-	-	(16,851)	321,413	7,624
Certificates of participation	85,477	-	-	(4,893)	80,584	5,054
Lease revenue bonds	68,855	-	-	(3,762)	65,093	3,539
Direct borrowings:						
Financed purchase	22,294	461	-	(3,525)	19,230	3,589
	$ 519,877	$ 461	$ -	$ (30,607)	$ 489,731	$ 21,446

Business-Type Activities:	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 1,139,100	$ 63,596	$ -	$ (39,020)	$1,163,676	$ 36,925
Pension obligation bonds	110,718	-	-	(7,013)	103,705	8,454
Certificates of participation	25,912	-	-	(1,330)	24,582	1,391
Lease revenue bonds	6,625	-	-	(457)	6,168	480
Direct borrowings:						
Notes payable	59,948	-	-	(4,878)	55,070	4,944
Contracts payable	933	-	-	-	933	150
Financed purchase	2,176	-	-	(700)	1,476	342
	$ 1,345,412	$ 63,596	$ -	$ (53,398)	$1,355,610	$ 52,686

Governmental Activities:

General Obligation Bonds - Governmental Activities:	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.	$ 3,380
Add: unamortized bond premium	31
Total general obligation bonds	**$ 3,411**

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
2024	$ 1,640	$ 141	$ 1,781
2025	1,740	48	1,788
Premium	31	-	31
Total	**$ 3,411**	**$ 189**	**$ 3,600**

Pension Obligation Bonds - Governmental Activities:	Principal Outstanding

In 2018, the 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities and the Successor Agency to properly reflect their proportional share. Pension Obligation bonds are not collateralized by assets, nor do they constitute an obligation of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.

In 2020, the 2017 Taxable Pension Obligation Bonds outstanding balances in the Successor Agency were distributed between Governmental Activities and Business-Type Activities.

$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from $2,910 to $3,580 through June 1, 2027; $15,299 relates to Governmental Activities.	$ 6,565

(amounts expressed in thousands)

$432,165 2020 Taxable Pension Obligation Bonds Series A; 1.646% to 3.857% due in annual installments from $2,920 to $28,310 through June 1, 2045. $324,582 relates to Governmental Activities	315,001
Subtotal	**321,566**
Less: unamortized bond discount	(153)
Total pension obligation bonds	**$ 321,413**

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
2024	$ 7,624	$ 11,523	$ 19,147
2025	9,839	11,353	21,192
2026	9,884	11,123	21,007
2027	10,966	10,868	21,834
2028	10,343	10,570	20,913
2029-2033	69,906	47,456	117,362
2034-2038	107,923	31,014	138,937
2039-2043	84,076	10,858	94,934
2044-2048	11,005	537	11,542
Discount	(153)	-	(153)
Total	**$ 321,413**	**$ 145,302**	**$ 466,715**

Certificates of Participation – Governmental Activities:	**Principal Outstanding**
In 2019, the 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect their proportional share.	
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation are secured with collateral of the two level 912 space parking structure located near Tyler Street and Nordstrom store, the Tyler Mall North Plaza, the North Plaza parking, storm drains related to those improvements, and portions of two arterial streets; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036.	$ 5
$128,300 2008 Riverside Renaissance Certificates of Participation are secured with collateral of the Adulka Park, Fairmount Park and Golf Course, Arlington Heights Sports Park, Orange Terrace Park, Orange Terrace Community Center and Orange Terrace Library; 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 6. Due in annual installments from $2,900 to $7,200 through March 1, 2037; $71,159 relates to Governmental Activities.	56,718
$35,235 2013 Pavement Rehab Certificates of Participation are secured by Measure A Sales Tax receipts; 4.0% to 5.0%, due in annual installments from $1,285 to $2,855 through June 1, 2033.	23,225
Subtotal	**79,948**
Plus: unamortized bond premium	636
Total certificates of participation	**$ 80,584**

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:

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2024	$ 5,054	$ 3,031	$ 8,085
2025	5,224	2,826	8,050
2026	5,463	2,612	8,075
2027	5,713	2,389	8,102
2028	5,947	2,171	8,118
2029-2033	33,426	7,163	40,589
2034-2038	19,121	1,475	20,596
Premium	636	-	636
Total	**$ 80,584**	**$ 21,667**	**$ 102,251**

Lease Revenue Bonds - Governmental Activities:	Principal Outstanding
In 2019, the Series 2012A Lease Revenue Refunding Bonds were distributed between Governmental Activities, Business-Type Activities, and Successor Agency to properly reflect their proportional share.	
On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of $41,240. The bonds are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. 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. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated. $23,683 relates to Governmental Activities.	$ 17,724
$15,980 2019A Lease Revenue Refunding Bonds (Galleria at Tyler Public Improvements) are secured by lease payments on the two level 912 space parking structure located near Tyler Street and Nordstrom store, the Tyler Mall North Plaza, the North Plaza parking, storm drains related to those improvements, and portions of two arterial streets. The bonds were issued to refinance all but $5 of the outstanding 2006 Lease Revenue Certificates of Participation (Galleria at Tyler Public Improvements); 2.75% to 4.0%, due in annual installments from $605 to $1,180 through November 1, 2036. The refunding transaction resulted in a total net present value savings of $1,140. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.	13,225
$33,505 2019B Lease Revenue Refunding Bonds (Main Library Project); 3.0% to 5.0%, due in annual installments from $1,245 to $2,645 through November 1, 2036. The bonds are secured by an amendment to the Ground Lease entered into by the City upon issuance of the 2012A Lease Revenue Bonds. It adds the remainder of the City Hall Complex, the Corporation Yard Administration Building and annex, Bobby Bonds Park, and the Main Library site. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.	27,475
Subtotal	**58,424**
Add: unamortized bond premium	6,669
Total lease revenue bonds	**$ 65,093**

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:

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2024	$ 3,539	$ 2,542	$ 6,081
2025	3,587	2,389	5,976
2026	3,733	2,242	5,975
2027	3,896	2,078	5,974
2028	4,074	1,895	5,969
2029-2033	23,311	6,439	29,750
2034-2038	16,284	1,420	17,704
Premium	6,669	-	6,669
Total	**$ 65,093**	**$ 19,005**	**$ 84,098**

Business-Type Activities:

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

Revenue Bonds - Business-Type Activities:	Principal Outstanding
Electric	
All electric revenue bonds are covenanted per the Amended and Restated Resolution No. 17662 (Electric) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.	
\$141,840 2008 Electric Refunding/Revenue Bonds; Series A & 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% and 3.2% for the Series A & C bonds, respectively. See Note 6 for information on the swap agreements. Bonds are due in annual installments from \$700 to \$7,835 through October 1, 2035. In 2019, the Electric Fund refunded \$40,425 of the outstanding balance.	$ 66,615
\$140,380 2010 Electric Revenue Bonds fixed rate bonds, 3% to 7.65%, due in annual installments from \$95 to \$33,725 through October 1, 2040.	126,110
\$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 6. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. Upon event of default, the bank may declare the outstanding amount of the obligations payable to be due immediately. During fiscal year 2019-20, the bonds originally issued as private placement bonds were remarketed as public securities in order to obtain a lower rate. The structure is the same and the existing swap is the same.	33,600
\$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.	35,385
\$283,325 2019 Electric Refunding/Revenue Bonds; Series A, fixed rate bonds, 5.0%, due in annual installments from \$3,545 to \$24,005 through October 1, 2048. The bonds refunded the 2008 Electric Revenue Bonds Series D and partially refunded the 2008 Electric Revenue Bonds Series A and C. The refunding transactions resulted in a total net present value savings of \$36,810.	245,660
Subtotal	**507,370**
Add: Unamortized bond premium	42,457
Subtotal - Electric	**549,827**

Water

All water revenue bonds are covenanted per the Amended and Restated Resolution No. 17664 (Water) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

(amounts expressed in thousands)

$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 5.1% to 6.3%, due in annual installments from $2,475 to $4,985 through October 1, 2039.	62,760
$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 6. Bonds are due in annual installments from $600 to $3,950 through October 1, 2035.	24,050
$114,215 2019 Water Refunding/Revenue Bonds; Series A, fixed rate bonds, 5.0%, due in annual installments from $1,680 to $8,455 through October 1, 2048. The bonds refunded the 2008 Water Revenue Bonds Series B and partially refunded and partially unwound the swap on the 2011 Water Revenue Bonds Series A. The refunding transactions resulted in a total net present value savings of $10,759.	98,465
$58,025 2022 Water Revenue Bonds; Series A fixed rate bonds, 5.0%, due in annual installments from $3,618 to $3,695 through October 1, 2052.	58,025
Subtotal	**243,300**
Add: Unamortized bond premium	21,994
Subtotal - Water	**265,294**

Sewer

All sewer revenue bonds are covenanted per Resolution No. 21860 Sewer Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

$200,030 2015 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from $4,790 to $14,175 through August 1, 2040.	173,610
$153,670 2018 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from $2,905 to $11,775 through August 1, 2039. The bonds advanced refunded the 2009 Direct Pay Build America Bonds Series B. The refunding transaction resulted in a total net present value savings of $18,932.	139,475
Subtotal	**313,085**
Add: unamortized bond premium	35,470
Subtotal - Sewer	**348,555**
Total revenue bonds	**$ 1,163,676**

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		
Fiscal Year	**Principal**	**Interest**	**Total**
2024	$ 17,515	$ 23,362	$ 40,877
2025	18,335	22,488	40,823
2026	19,305	21,580	40,885
2027	20,085	20,742	40,827
2028	20,960	19,864	40,824
2029-2033	118,900	84,562	203,462
2034-2038	138,570	55,605	194,175
2039-2043	121,770	19,283	141,053
2044-2048	26,430	4,532	30,962
2049-2053	5,500	138	5,638
Premium	42,457	-	42,457
Total	**$ 549,827**	**$ 272,156**	**$ 821,983**

(amounts expressed in thousands)

Fiscal Year	Water Principal	Water Interest	Water Total
2024	$ 7,950	$ 11,050	$ 19,000
2025	8,460	10,664	19,124
2026	8,840	10,257	19,097
2027	9,245	9,831	19,076
2028	9,665	9,385	19,050
2029-2033	54,430	39,883	94,313
2034-2038	66,100	27,022	93,122
2039-2043	35,515	13,817	49,332
2044-2048	24,110	7,878	31,988
2049-2053	18,985	2,193	21,178
Premium	21,994	-	21,994
Total	**$ 265,294**	**$ 141,980**	**$ 407,274**

Fiscal Year	Sewer Principal	Sewer Interest	Sewer Total
2024	$ 11,460	$ 15,139	$ 26,599
2025	12,050	14,551	26,601
2026	12,670	13,933	26,603
2027	13,320	13,283	26,603
2028	14,000	12,600	26,600
2029-2033	81,540	51,465	133,005
2034-2038	104,525	28,483	133,008
2039-2043	63,520	4,212	67,732
Premium	35,470	-	35,470
Total	**$ 348,555**	**$ 153,666**	**$ 502,221**

Pension Obligation Bonds - Business Type Activities:	**Principal Outstanding**
In 2018, the 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share. Pension Obligation Bonds are not collateralized by assets, nor do they constitute a debt of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.	
In 2020, the 2017 Taxable Pension Obligation Bonds outstanding balances in the Successor Agency were distributed between Governmental Activities and Business-Type Activities.	
$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from $2,910 to $3,580 through June 1, 2027. $16,661 relates to Business Type Activities.	$ 7,150
$432,165 2020 Taxable Pension Obligation Bonds Series A; 1.646% to 3.857% due in annual installments from $2,920 to $28,310 through June 1, 2045. $107,583 relates to Business-Type Activities.	96,555
Total pension obligation bonds	**$ 103,705**

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the Business-Type Activities funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 8,454	$ 3,342	$ 11,796
2025	9,364	3,153	12,517
2026	9,636	2,932	12,568
2027	9,244	2,683	11,927
2028	6,182	2,430	8,612
2029-2033	22,399	9,940	32,339
2034-2038	25,232	5,403	30,635
2039-2043	13,194	1,174	14,368
Total	**$ 103,705**	**$ 31,057**	**$ 134,762**

Certificates of Participation – Business Type Activities:	**Principal Outstanding**
In 2019, the 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect their proportional shares.	

$128,300 2008 Riverside Renaissance Certificates of Participation are secured with collateral of the Andulka Park, Fairmount Park and Golf Course, Arlington Heights Sports Park, Orange Terrace Park, Orange Terrace Community Center, and Orange Terrace Library; 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 6. Due in annual installments from $2,900 to $7,200 through March 1, 2037; $30,841 relates to the Civic Entertainment Fund.	$ 24,582
Total certificates of participation	**$ 24,582**

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

Fiscal Year	Principal	Interest	Total
2024	$ 1,391	$ 815	$ 2,206
2025	1,420	768	2,188
2026	1,482	719	2,201
2027	1,542	669	2,211
2028	1,603	617	2,220
2029-2033	8,859	2,235	11,094
2034-2038	8,285	639	8,924
Total	**$ 24,582**	**$ 6,462**	**$ 31,044**

Lease Revenue Bonds – Business Type Activities:	**Principal Outstanding**

In 2019, the Series 2012A Lease Revenue Refunding Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of $41,240. The bonds are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. 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. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated. $8,242 relates to Governmental Activities.	$ 6,168
Total lease revenue bonds	**$ 6,168**

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

Fiscal Year	Principal	Interest	Total
2024	$ 480	$ 256	$ 736
2025	465	236	701
2026	481	220	701
2027	502	199	701
2028	527	173	700
2029-2033	3,031	461	3,492
2034-2038	682	14	696
Total	**$ 6,168**	**$ 1,559**	**$ 7,727**

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, 2023:

(amounts expressed in thousands)

Governmental Long-Term Obligations:		
Certificates of participation	$	7,504
Total	**$**	**7,504**
Enterprise Funds:		
Electric		10,802
Total	**$**	**10,802**

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 Pledge Revenue	Annual Amount of Pledge Revenue (net of expenses, where required)	Annual Debt Service Payments (all of debt secured by this revenue)	Coverage Ratio for FY 06/30/23
Electric revenues	$ 93,040 *	$ 46,400	2.01
Water revenues	36,362 *	18,848	1.93
Sewer revenues	35,752	25,236	1.42

*Excludes non-cash pension expense

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.

Direct Borrowings: Notes Payable - Business-Type Activities:	Principal Outstanding
Notes payable consists of several agreements with Harvest A OSR, LLC, Stockbridge NLP, LLC and related entities (collectively Hillwood) for their development of logistic centers located in the City of San Bernardino. As part of these agreements, the Water Fund leases land to Hillwood and also purchased land from Hillwood with a subsequent lease-back to the entity. In addition, the agreements require Hillwood to relocate wells located on the properties as well as terminate an existing lease. In consideration of the cost of the land purchase, well relocations and lease termination, the Water Utility will make payments to Hillwood in the form of a credit with Hillwood’s rental payments to the Water Utility for the first 15 years of the leases.	$ 15,100
Public Parking Fund and Civic Entertainment Fund loan for Fox Entertainment Plaza project secured with collateral of the Fox Theater, Fox Entertainment Plaza, and Parking Garage No. 7. 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011 through December 16, 2031. In the event of default, the City would continue to remain liable for the payment of Rental Payments and damages for breach of the Lease.	12,560

(amounts expressed in thousands)

In 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 (Civic Entertainment Fund) secured with collateral of the convention center facility. 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 6. 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 $2,850. In the event of default, the outstanding amount of the site lease payment drawn by the City and not repaid will bear interest at a default rate that will be charged until the default is cured.		27,410
Total notes payable	**$**	**55,070**

Remaining notes payable debt service payments will be made from unrestricted revenues of the Water Fund, Public Parking Fund, and Civic Entertainment Fund. Annual debt service requirements to maturity are as follows:

	Water					
Fiscal Year		**Principal**		**Interest**		**Total**
2024	$	1,499	$	540	$	2,039
2025		1,628		490		2,118
2026		1,765		414		2,179
2027		1,915		342		2,257
2028		2,076		260		2,336
2029-2033		6,217		290		6,507
Total	**$**	**15,100**	**$**	**2,336**	**$**	**17,436**

	Non-Major Enterprise Funds					
Fiscal Year		**Principal**		**Interest**		**Total**
2024	$	3,445	$	1,322	$	4,767
2025		3,568		1,200		4,768
2026		3,688		1,075		4,763
2027		3,811		945		4,756
2028		3,940		811		4,751
2029-2033		19,128		1,932		21,060
2034-2038		2,390		29		2,419
Total	**$**	**39,970**	**$**	**7,314**	**$**	**47,284**

Direct Borrowings: Contracts Payable		**Principal Outstanding**
Water stock acquisition rights payable on demand to various water companies	$	933

Direct Borrowings: Financed Purchase

The City purchased various equipment through financing 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 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 financing arrangements is included with depreciation for financial statement presentation.

The assets acquired through financing arrangements are as follows:

Asset		**Governmental Activites**		**Business-Type Activities**
Buildings and improvements	$	2,353	$	-
Machinery and equipment		32,966		2,985
Subtotal		**35,319**		**2,985**
Less: Accumulated depreciation		(10,418)		(1,026)
Total	**$**	**24,901**	**$**	**1,959**

(amounts expressed in thousands)

The future minimum obligations as of June 30, 2023 were as follows:

Fiscal Year	Governmental Activities	Business-Type Activities
2024	$ 3,972	$ 375
2025	3,972	375
2026	2,876	375
2027	2,836	375
2028	1,990	56
Thereafter	4,953	-
Total minimum installments	**20,599**	**1,556**
Less: Amount representing interest (rates ranging from 1.2% to 9%)	(1,369)	(80)
Total financed purchase	**$ 19,230**	**$ 1,476**

Note 10. Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in compensated absences during the fiscal year:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 29,994	$ 20,209	$ (18,778)	$ 31,425	$ 19,673

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 11,855	$ 9,655	$ (9,426)	$ 12,084	$ 9,602

Note 11. 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% (subject to $100 minimum for earthquake and $100 for flood). Workers' compensation insurance coverage has a limit of $25,000, with a self-insured retention of $3,000. The City has four General Liability policies: a primary and and three excess General Liability policies. The primary General Liability policy coverage has a limit of $4,000 and the Excess General Liability policies provide an additional $21,000 of coverage, with a self-insured retention of $3,000. Both the primary and excess General liability policies cover general and auto liability claims including but not limited to Law Enforcement Liability and Public Officials Errors and Ommissions. There has been one claim settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

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

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

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Claims and judgments	$ 78,790	$ 1,938	$ (27,616)	$ 53,112	$ 12,834

Unpaid claims, June 30,2021	$ 76,603
Incurred claims (including IBNR's)	13,134
Claim payments and adjustments	(10,947)
Unpaid claims, June 30,2022	78,790
Incurred claims (including IBNR's)	1,938
Claim payments and adjustments	(27,616)
Unpaid claims, June 30,2023	$ 53,112

Note 12. 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, 2023 was 100%. The remaining post closure period is currently 16 years.

(amounts expressed in thousands)

The estimated costs as determined and updated by the Public Works 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.

Below is a summary of changes in landfill capping liability during the fiscal year:

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Landfill capping	$ 9,820	$ -	$ (395)	$ 9,425	$ 559

Note 13. Nuclear Decommissioning Liability

As of June 30, 2023, decommissioning liability balance was $48,873 with a portion reflected as current liabilities payable from restricted assets. Due to adequate funding of the liability, the Electric Utility no longer provides additional funding to the trustee. However, since the decommissioning cost estimate is subject to a number of uncertainties including the cost of disposal of nuclear waste, site remediation costs, as well as a number of other assumptions and estimates, the Electric Utility will continue to set aside funds in the designated decommissioning reserve of $2,000 per year, as approved by the Board of Public Utilities and City Council.

Below is a summary of changes in decommissioning liability during the fiscal year:

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Decommissioning liability	$ 53,310	$ 907	$ (5,344)	$ 48,873	$ 10,227

Note 14. Commitments and Contingencies

Intermountain Power Agency

The Electric Utility has 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 central Utah coal-fueled generating station, known as Intermountain Power Project (IPP). 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 and other fixed costs. Such payments are considered a cost of production.

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource.

In order to facilitate the continued participation in the IPP, the IPA Board issued the Second Amendatory Power Sales Contract, which amended the IPP Contract allowing the plant to replace the coal units with combined cycle natural gas units by July 1, 2025. On June 16, 2015, the City Council approved the IPP renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP Repower Project for up to 5 percent in generation capacity or 60 MW. The Second Amendatory Power Sales Contract became effective March 16, 2016.

On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and the Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. Further, under the Renewal Power Sales Contract, the Electric Utility had the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

(amounts expressed in thousands)

On September 11, 2018, the City Council approved "Alternative Repowering" of the IPP Repower Project, which reduced the design capacity of the future plant from 1,200 MW to 840 MW.

On May 7, 2019, the City Council authorized termination of the Renewal Power Sales Contract between the IPA and the Electric Utility effective November 1, 2019, and the Electric Utility's exit from the IPP Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027, due to numerous uncertainties surrounding the IPP Repower Project.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in take-or-pay projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

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	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	5.40 %	12.3 MW	2017	2030
Southern Transmission System	10.20 %	244.0 MW	2027	2027
Mead-Phoenix Transmission	4.00 %	18.0 MW	2020	2030
Mead-Adelanto Transmission	13.50 %	118.0 MW	2020	2030

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.

The outstanding debts associated with the take-or-pay obligations have fixed interest rates, which range from 4.00 percent to 5.00 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.

	IPA[1]	SCPPA	Total
Debt Service Payment Year Ending June 30,	**Intermountain Power Project**	**Southern Transmission System**	**All Projects**
2024	$ 3,479	$ 7,125	$ 10,604
2025	2,997	3,261	6,258
2026	2,997	3,257	6,254
2027	4,810	3,253	8,063
2028	-	3,254	3,254
Total	**$ 14,283**	**$ 20,150**	**$ 34,433**

[1] The Electric Utility's contract with IPA expires in 2027. The Electric Utility will not be responsible for the proportionate share of the 2022 Series A & B Revenue bonds after the contract expires.

In addition to debt service, the Electric Utility'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 years ended June 30, 2023 and 2022, are as follows:

Fiscal Year	Intermountain Power Project*	Palo Verde Nuclear Generating Station*	Southern Transmission System	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2023	$ 20,344	$ 3,010	$ 3,839	$ 90	$ 461	$ 27,744
2022	19,522	2,930	4,400	57	415	27,324

* Excludes variable costs

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

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix and Mead-Adelanto Transmission Projects. In return, users of California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

Hoover Uprating Project

The Electric Utility's initial entitlement in the Hoover project through SCPPA terminated on September 30, 2017. On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western), Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western is effective as of October 1, 2017. The ESC extended the Electric Utility's 30 MW entitlement in the Hoover project through 2067. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and process for decision making plant operations.

Nuclear Insurance

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available ($450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective October 5, 2023, the Act limits liability from third-party claims to approximately $16.5 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to $137.6 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to $24.7 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde, the Electric Utility would be responsible for a maximum assessment of $1.4 million, limited to payments of $0.2 million per incident, per year. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

Renewable Portfolio Standards (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was signed into law by the Governor, which officially created the first set of tiered RPS targets of 20% by 2013, 25% by 2016 and 33% by 2020. SBX1-2 specified that publicly owned utilities must meet these defined targets via interim Compliance Period (CP) targets to achieve the end goal of 33% RPS by December 31, 2020 as follows: CP1 - an average of 20 percent of retail sales during the three year period from 2011-2013; CP2 – no less than 25 percent of retail sales by December 31, 2016; and CP3 – no less than 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the RPS Enforcement Program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement Plan (a.k.a. Procurement Policy) implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility met the procurement requirements of SBX1-2 for CP1 (2011-2013) CP2 (2014-2016), and CP3 (2017-2020). The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan. For calendar year 2022, renewable resources provided 43 percent of retail sales requirements.

On October 7, 2015, the Governor signed into law Senate Bill 350 (SB 350) increasing the RPS mandate from 33 percent by 2020 to 50 percent by December 31, 2030. In addition, SB 350 required that an updated RPS Procurement Policy be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility's Integrated Resource Plan. An updated 2018 Renewable Energy Procurement Policy was adopted by the Board and City Council on September 10, 2018 and October 9, 2018, respectively. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the actions described in the updated procurement policy and the portfolio of renewable resources outlined below.

On September 10, 2018, the 100 Percent Clean Energy Act of 2018 (Senate Bill 100) was signed into law by the California Governor. This bill further increases the RPS goals of SBX1-2 and SB 350 while maintaining the 33 percent RPS target by December 31, 2020, but modifying the RPS percentages to be 44 percent by December 31, 2024, 52 percent by December 31, 2027, 60 percent by December 31, 2030, with an end goal of 100 percent of total retail sales of electricity in California generated from eligible renewable energy resources and zero-carbon resources by December 31, 2045. It is expected that the California Energy Commission will have further guidance and enforcement procedures for publicly owned utilities to meet these increased mandates. The Electric Utility will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

(amounts expressed in thousands)

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) and power sales agreements (PSA) with various entities described below in general on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with RPS mandates.

Long-term renewable PPAs and PSAs in operation:

Supplier	Type	Maximum Contract[1]	Contract Expiration	Estimated Annual Cost for 2023
Wintec	Wind	1.3 MW	02/19/2024	$ 150
WKN Wagner	Wind	6.0 MW	12/22/2032	1,358
Terraform Power - AP North Lake	Photovoltaic	20.0 MW	08/11/2040	4,942
Onward Energy - Columbia II	Photovoltaic	11.1 MW	12/22/2034	2,314
GlidePath Power Solutions - GPS Cabazon Wind LLC	Wind	39.0 MW	01/01/2025	4,299
Capital Dynamics - Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036	2,867
AES - Summer Solar	Photovoltaic	10.0 MW	12/31/2041	1,748
AES - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041	1,748
AES - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036	3,826
Arevon - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040	1,434
Roseburg Forest Products[2]	Biomass	N/A MW	02/16/2026	179
CalEnergy - Salton Sea Portfolio	Geothermal	86.0 MW	12/31/2039	56,038
Atlantica - Coso Geothermal	Geothermal	10.0 MW	12/31/2041	6,050
Total[3]		**239.7** MW		**$ 86,953**

1 All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

2 This supply is only available to satisfy SB 859 requirements.

3 American Renewable Power - Loyalton was excluded due to the contract expiring April 2023 and no capacity received.

Long-term renewable PPAs with expected delivery:

Supplier	Type	Maximum Contract[1]	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
Atlantica - Coso Geothermal	Geothermal	20.0 MW	01/01/2027	01/01/2027	15
Total		**20.0 MW**			

1 All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Cap-and-Trade Program

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that it was the State's goal to reduce GHG emissions to 40% below 1990 levels by the year 2020. AB 398 was then enacted in 2017 clarifying that it was the State legislature's intent to continue the Cap-and-Trade Program and regulations until 2030. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal year ended June 30, 2023, the Electric Utility received $18,317, in proceeds related to the sale of the GHG allowances which are included on the Statements of Revenues, Expenses, and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was $21,707 as of June 30, 2023.

The Electric Utility also purchases GHG allowances which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was $485 as of June 30, 2023 and is recorded as inventory in the Statement of Net Position.

Low Carbon Fuel Standard Program

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that it was the State's goal to reduce GHG emissions to 40% below

(amounts expressed in thousands)

1990 levels by the year 2020. Similar to the Cap-and-Trade Program, the Low Carbon Fuel Standard (LCFS) Program is a key component of the market mechanisms authorized by these bills to achieve the State's GHG emissions reduction goals. The LCFS regulation was initially approved by CARB in 2009. The program then underwent some litigation in the State of California and the regulation was re-adopted in 2015 with modifications and went into effect in 2016. LCFS seeks to reduce the carbon intensity (CI) of fuels used for transportation by establishing an annual CI target. Fuels that have a CI greater than the target have a compliance obligation and are required to turn in LCFS credits; fuels with a CI lower than the target may generate credits.

Electricity is considered a fuel subject to the program when it is used as a transportation fuel in electric vehicles. However, because the CI of electricity is substantially lower than the annual CI targets under the program, electricity is a fuel that generates LCFS credits and participation in the Program is voluntary. The City opted into the LCFS program in March 2018 and began generating LCFS credits for the first quarter of 2018. These credits are associated with two sources – unmetered electricity used to charge residents' electric vehicles at their homes (residential base credits) and from electric forklifts charging at private businesses (forklift credits). CARB calculates the credits that the Electric Utility receives, and the Electric Utility submits reports quarterly to receive the credits.

The LCFS regulation was amended in 2018 and required that electric utilities that have opted into the LCFS Program participate in and manage a statewide point-of-sale rebate program for new electric vehicles. This program is called the California Clean Fuel Reward Program (CFR) and the City joined the program in May 2020. To fund the program, electric utilities are required to contribute proceeds received from the sales of residential base credits beginning with the credits the Electric Utility received in Q4 2019 (generated from electricity used for transportation in Q2 2019). Residential base credits the Electric Utility received prior to that time are not subject to the contribution requirements. Additionally, a "start-up" contribution from proceeds is required to be submitted by January 31, 2021. After the initial deposit of funds in November 2020, deposits to the CFR program are required by March 31 annually.

In fiscal year ended June 30, 2023, the Electric Utility's proceeds from the sale of LCFS credits were $683. These proceeds are included on the Statements of Revenues, Expenses and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the LCFS proceeds. The available funds are to be utilized for qualifying programs that support the Electric Utility's customers who are existing and future electric vehicle owners. Total expenses for qualifying programs as of June 30, 2023 was $194. The balance in the Regulatory Requirement reserve as of June 30, 2023 was $3,795.

Note 15. Other Post-Employment Benefits (OPEB)

Plan description - The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided - Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. 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 benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminate when the retirees become covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

Employees covered by benefit terms – At June 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	206
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	2,014
Total	**2,220**

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

(amounts expressed in thousands)

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Funding Policy:	Pay-as-you-go for implicit rate subsidy
Discount Rate:	3.54% per year net of expenses. This is based on the Bond Buyer 20 Bond Index
Inflation Rate:	2.5% per annum
Salary Inflation:	2.75% per annum
Salary Increases:	Since benefits do not depend on salary (as they do for pensions), this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments
Mortality:	Based on the CalPERS 2017 Experience Study

Sensitivity analysis of total OPEB liability for healthcare cost trend rates.

The following presents the total net OPEB liability, calculating using the healthcare cost trend rate of 4.0%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	1% Decrease 3%	Current Healthcare Cost Trend Rate 4%	1% Increase 5%
Total OPEB liability	$ 39,878	$ 45,471	$ 51,830

Sensitivity analysis of total OPEB liability for discount rates

The following presents the total OPEB liability, calculating using the discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$ 49,839	$ 45,471	$ 42,384

Change in total OPEB liability

For fiscal year 2023, the City recognized total OPEB expense of $2,285. The liability for the governmental activities is primarily liquidated from the General Fund. The following table shows the change in the total OPEB liability for the year ended June 30, 2023:

	2023
Beginning total OPEB liability	$ 48,770
Service cost	3,184
Interest	1,070
Changes of assumptions	(5,926)
Benefit of implied subsidy payments	(1,627)
Net changes	**(3,299)**
Ending total OPEB liability	**$ 45,471**

Deferred outflows/inflows of resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 1,836	$ -
Differences between expected and actual experience	163	3,410
Changes of assumptions	6,788	8,501
Total	**$ 8,787**	**$ 11,911**

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (134)
2025	(134)
2026	74
2027	113
2028	113
Thereafter	(4,992)
Total	**$ (4,960)**

Note 16. City Employees Retirement Plan

(A) Plan Description - The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy - The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute various percentages for miscellaneous employees and for safety employees of their annual covered salary based on their Tier. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contributions to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for employees hired on or before February 16, 2012 (RPOA, RPAA Management) or June 8, 2012 (RPOA Supervisory). Effective January 1, 2018, employees were required to pay 1.5% of their pensionable income, with the City contributing the other 7.5%. Only in the event that annual wages increase in excess of 2%, will the following apply: Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three-year increase of 1.5% (2019), 1.5% (2020) and 1.5% (2021). However, the 2021 increase did not take affect. In 2023, RPAA Management had an additional 1% increase and employees are contributing 5.5% pensionable income. RPOA and RPOA Supervisory remained at 4.5% contribution of pensionable income.
- 2nd Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for RPOA and RPAA Management employees hired on or after February 17, 2012 and RPOA Supervisory employees hired on or after June 8, 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 normal cost to CalPERS which is currently at 12.75%. 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. Effective January 1, 2019, employees were required to pay a portion of their pensionable income. This portion is a three-year increase of 2.5% (2019), 2.5% (2020) and 3% (2021). However, the 2021 increase was only 2% with the remaining 1% increase in 2022; therefore, in 2022, employees are contributing 8% of their pensionable income.
- 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. A new member, as defined by the Public Employees' Pension Reform Act (PEPRA), hired on or after January 1, 2013 pay 50% of the normal cost to CalPERS which is currently 12.75% of compensation.

Miscellaneous:

- 1st Tier –
    - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees were required to pay an additional portion of their

pensionable income. This portion is a three-year increase of 2% (2019), 2% (2020) and 2% (2021). As of 2021, employees were contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for SEIU and SEIU Refuse employees hired before June 7, 2011. Currently, employees are required to pay 7% of their pensionable income with the City contributing the other 1%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a two-year increase of 1% (2019) and 1% (2020). As of 2020, employees are contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2018), 2% (2019) and 2% (2020). As of November 2020, employees are contributing the entire 8% of their pensionable income.

- 2nd Tier - The retirement formula is 2.7% at age 55, and:

  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.

  - SEIU and SEIU Refuse employees hired on or after June 7, 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 normal cost to CalPERS which is currently at 7.75%. 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) Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(D) Employees Covered - At June 30, 2022, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,418 and 851 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving benefits are 1,475 and 205 for Miscellaneous and Safety Plans, respectively. Active employees were 1,527 and 564 for Miscellaneous and Safety Plans, respectively.

(E) Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(F) Net Pension Liability - The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The liability for the governmental activities is primarily liquidated from the General Fund.

(amounts expressed in thousands)

A summary of principal assumptions and methods used to determine the net pension liability is shown below. Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increase	Varies by Entry Age and Service	
Mortality Rate Table[1]	Derived using CALPERS' membership data for all funds	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter	

[1] The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class[1]	Assumed Asset Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00)%	(0.59)%

[1] An expected inflation of 2.30% used for this period

[2] Figures are based on the 2021 Asset Liability Management Study

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Assumptions – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

(amounts expressed in thousands)

(G) Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2021	$ 1,549,563	$ 1,638,246	$ (88,683)
Changes recognized for the measurement period:			
Service cost	27,830	-	27,830
Interest on total pension liability	105,283	-	105,283
Changes of Assumptions	19,686	-	19,686
Differences between expected and actual experience	(17,684)	-	(17,684)
Contributions - employer	-	27,329	(27,329)
Contributions - employees	-	10,788	(10,788)
Net investment income	-	(122,366)	122,366
Benefit payments, including refunds of employee contributions	(79,265)	(79,265)	-
Administrative expenses	-	(1,020)	1,020
Net changes	**55,850**	**(164,534)**	**220,384**
Balance at June 30,2022	**$ 1,605,413**	**$ 1,473,712**	**$ 131,701**

Safety

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2021	$ 1,250,329	$ 1,301,939	$ (51,610)
Changes recognized for the measurement period:			
Service cost	25,734	-	25,734
Interest on total pension liability	87,761	-	87,761
Changes of Assumptions	43,994	-	43,994
Differences between expected and actual experience	(3,506)	-	(3,506)
Contributions - employer	-	24,810	(24,810)
Contributions - employees	-	10,557	(10,557)
Net investment income	-	(97,579)	97,579
Benefit payments, including refunds of employee contributions	(63,558)	(63,558)	-
Administrative expenses	-	(812)	812
Net changes	**90,425**	**(126,582)**	**217,007**
Balance at June 30,2022	**$ 1,340,754**	**$ 1,175,357**	**$ 165,397**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Miscellaneous

	Discount Rate -1% (5.90%)	**Current Discount Rate (6.90%)**	**Discount Rate +1% (7.90%)**
Plan's net pension liability/(asset)	$ 350,680	$ 131,701	$ (48,111)

Safety

	Discount Rate -1% (5.90%)	**Current Discount Rate (6.90%)**	**Discount Rate +1% (7.90%)**
Plan's net pension liability/(asset)	$ 349,445	$ 165,397	$ 14,687

(amounts expressed in thousands)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(H) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.

For the year ended June 30, 2023, the City recognized pension expense/(credit) of $(4,303) to Miscellaneous and $12,821 to Safety for a total of $8,518. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	$ 29,144	$ -
Changes of assumptions	13,534	-
Differences between expected and actual experience	893	(12,158)
Net differences between projected and actual earnings on plan investments	75,156	-
Total	**$ 118,727**	**$ (12,158)**

Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	$ 26,195	$ -
Changes of assumptions	33,763	-
Differences between expected and actual experience	7,320	(2,691)
Net differences between projected and actual earnings on plan investments	60,326	-
Total	**$ 127,604**	**$ (2,691)**

The $55,339 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

Amortization of Deferred Outflows and Deferred Inflows of Resources - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The remaining amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Miscellaneous	Safety
2024	$ 13,763	$ 24,201
2025	11,797	20,530
2026	5,097	13,884
2027	46,768	40,103
Total	**77,425**	**98,718**

Events Subsequent to Actuarial Valuation Date - On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021. On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

(amounts expressed in thousands)

Note 17. 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 Fund (a fiduciary fund):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease revenue bonds	$ 9,350	$ -	$ (2,447)	$ 6,903	$ 2,556
Tax allocation bonds	165,342	-	(5,813)	159,529	10,280
Direct borrowings:					
Notes payable	3,918	-	-	3,918	38
	$ 178,610	$ -	$ (8,260)	$ 170,350	$ 12,874

Lease Revenue Bonds - Successor Agency:	Principal Outstanding
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A are secured by lease payments made by the State of Califronia Department of General Services for the California Tower office building; 2% to 5% due in annual installments from $545 to $2,230 through October 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease.	$ 4,315
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B are secured by lease payments made by the State of California Department of General Services for the California Tower office building; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due October 1, 2008; $1,110 term bonds at 4.340% due October 1, 2014 and $2,770 term bonds at 5.480% due October 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease.	680
In 2019, the 2012A Lease Revenue Refunding bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.	
$41,240 Lease Revenue Refunding Bonds, Series 2012A. The bonds are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. 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. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated. $2,415 relates to the Successor Agency.	1,808
Subtotal	**6,803**
Add: Unamortized bond premium	100
Total lease revenue bonds	**$ 6,903**

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:

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2024	$ 2,556	$ 267	$ 2,823
2025	2,717	135	2,852
2026	141	64	205
2027	147	58	205
2028	154	51	205
2029-2033	888	135	1,023
2034-2038	200	4	204
Premium	100	-	100
Total	**$ 6,903**	**$ 714**	**$ 7,617**

Tax Allocation Bonds - Successor Agency:	Principal Outstanding
$62,980 Subordinate Tax Allocation Refunding Bonds (2014 Series A and B). 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.	$ 28,410
$114,815 2018 Tax Allocation Refunding Bonds (Series A and B). The bonds were issued to refund the 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds (Series A, B, C and D). Principal is payable in annual installments from $140 to $9,180 through September 1, 2037. The rate of interest varies from 3.125% to 5% per annum. The refunding transaction resulted in a total net present value savings of $20,000.	114,675
Subtotal	**143,085**
Add: Unamortized bond premium	16,444
Total tax allocation bonds	**$ 159,529**

The Successor Agency Tax Allocation Bonds are secured by tax revenues deposited in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County of Riverside Auditor-Controller pursuant to Section 34813(a)(2) of the Dissolution Act. Upon event of default, the principal due on the Bonds is subject to acceleration.

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

Fiscal Year	Principal	Interest	Total
2024	$ 10,280	$ 6,450	$ 16,730
2025	10,690	5,928	16,618
2026	10,795	5,392	16,187
2027	11,135	4,844	15,979
2028	10,230	4,317	14,547
2029-2033	47,365	14,112	61,477
2034-2038	42,590	4,054	46,644
Premium	16,444	-	16,444
Total	**$ 159,529**	**$ 45,097**	**$ 204,626**

Notes Payable – Successor Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, subject to recording of completion. Interest accrues on the outstanding note balance upon issuance of the Certificate of Completion. Principal and interest on the note are payable solely from Project Property Tax Increment. Payments start upon the time sufficient increment is generated in one year to pay the annual principal and interest on the note. Upon 25 years from the first anniversary date of the certificate of completion, all unpaid principal together with any accrued interest will be forgiven.	$ 2,987
Smith's Food & Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment. The note is secured under a developer agreement.	931
Total notes payable	**$ 3,918**

(amounts expressed in thousands)

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

Fiscal Year	Principal	Interest	Total
2024	$ 38	$ 304	$ 342
2025	42	300	342
2026	46	295	341
2027	51	291	342
2028	57	285	342
2029-2033	385	1,323	1,708
2034-2038	636	1,074	1,710
2039-2043	1,048	661	1,709
2044-2048	1,615	1,025	2,640
Total	**$ 3,918**	**$ 5,558**	**$ 9,476**

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

As of June 30, 2023, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of $38,980. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. The City's only limited commitment on these obligations is that the City Treasurer act 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 government-wide financial statements.

Note 18. 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, 2023:

Receivable Funds	Payable Funds	Amount
General Fund	Non-Major Governmental Funds	$ 1,021
	Internal Service Funds	645
Total		**$ 1,666**

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, 2023:

Receivable Funds	Payable Funds	Amount
Sewer	General Debt Service Fund	$ 1,131

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

Receivable Funds	Amount
Electric	$ 2,003

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 for the year ended June 30, 2023:

(amounts expressed in thousands)

Transfers in Funds	Transfers Out Funds	Amount
General Fund	General Debt Service Fund	$ 584
	Non-Major Governmental Funds	16,149
	Electric Fund	42,326
	Water Fund	8,170
		67,229
Capital Outlay Fund	General Fund	37,900
	Non-Major Enterprise Funds	215
		38,115
General Debt Service Fund	General Fund	43,171
	Capital Outlay Fund	2,999
	Non-Major Governmental Funds	1,958
		48,128
Non-Major Governmental Funds	General Fund	**1,635**
	Capital Outlay Fund	149
		1,784
Non-Major Enterprise Funds	General Fund	17,575
	Non-Major Governmental Funds	7,500
		25,075
	Total	**$ 180,331**

Note 19. Deficit Net Position

Deficit net position exists in the non-major enterprise fund, Transportation $(1,429). The deficit is primarily due to the net pension and OPEB liabilities.

Deficit net position exists in the Self-Insurance Internal Service Fund $(24,729). This City adopted a Self-Insurance Reserve Policy that addresses the on-going deficit in fund balance. In the past, the City began funding a portion of the deficit in the internal service fund via self-insurance rate increases phased in over several years. However, the increases continue to be 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, as needed.

Deficit net position exists in the Successor Agency Private-Purpose Trust Fund $(124,004). 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.

Note 20. Contruction Commitments

As of June 30, 2023, the Electric Utility had commitments (encumbrances) of approximately $25,674 with respect to ongoing capital projects, of which $16,623 is expected to be funded by bonds, $7,676 to be funded by unrestricted cash reserves, and $1,375 to be funded by restricted cash reserves.

Note 21. Forward Purchase/Sale Agreements

In order to meet seasonal energy needs and summer peaking requirements, the Electric Utility contracts on a monthly and/or quarterly basis for the purchase or sale of natural gas, electricity and/or capacity products on a one to four year forward horizon. As of June 30, 2023, the Electric Utility has net natural gas and electricity commitments for fiscal year 2024 and thereafter, of approximately $112,355, with a market value of $112,807.

Note 22. Economic Contingency

A portion of fund balance has been committed within the General Fund and Measure Z fund for future economic contingencies. The amount that has been set aside for the General Fund is $65,500 which equals to approximately 20% of the 2023-2024 General Fund adopted expenditure budget plus appropriation adjustments. For the General Fund Measure Z Fund, $5,000 has been set aside.

Note 23. 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.

Note 24. Tax Abatements

In November 2012, the City entered into a tax sharing agreement with a local business to incentivize an expansion of their facility. Assistance is provided in the form of a rebate of sales and property taxes over fifteen years in an amount not to exceed $4,500. The agreement expires on the earlier of: 1) total cumulative tax rebate of $4,500; or 2) fifteen years in fiscal 2027-28.

Incremental Sales Tax Revenue can be generated from sales, over the fiscal 2011-12 base period, reported to the State Board of Equalization at the business site and from third party vendor transactions occurring using the business site as the point of sale. Incremental Property Tax Revenue is generated from the increase in County assessed valuation over the 2012-13 base period values, for the parcels designated in the agreement. For parcels acquired after 2012-13 in the project area, the acquisition price will become its base year valuation. The initial 2012-13 base year assessed valuation is $114,293 and has been adjusted to $125,043 for the parcels acquired in 2014-15. The business is due 100% of the incremental Property tax revenue due to the City from the project area tax rate. It is calculated as 11% of the value determined from taking 1% of the difference of current net assessed valuation over the adjusted base valuation. The cumulative rebate payment as of June 30, 2023 is $1,664.

Note 25. Subsequent Events

Parada II Litigation

On September 12, 2018, a petition for writ of mandate entitled *Parada v. City of Riverside* ("*Parada II*") was filed against the City seeking to invalidate, rescind and void, under Proposition 26, the Electric System's rates approved by City Council on May 22, 2018, which took effect on January 1, 2019, by challenging the portion of the electric rates that are attributable to the General Fund. The petition did not seek any monetary relief from the General Fund. The trial court divided the case into two stages for hearings: a liability phase and a damages phase. On April 17, 2020, the Court in the liability phase of Parada II litigation entered a tentative ruling finding the City's electric rates attributable to the General Fund transfer violate Article XIII C of the California Constitution. The formal hearing on the matter took place on June 5, 2020, but the Court asked for further briefing on the issue of whether or not the plaintiffs failed to exhaust their administrative remedies. On October 9, 2020, the Court confirmed its tentative ruling and entered an order denying the City's request for interlocutory remand. The court had set a hearing for February 24, 2021, to set a briefing schedule for determining appropriate remedies /damages in the case. The City expected the second phase of the trial relating to plaintiffs' available remedies to occur in the second quarter of 2021.

The ruling by the Court in Parada II was anticipated to likely have a material adverse impact on the City's General Fund. The General Fund receives approximately $40 million annually (up to the maximum amount of 11.5% of Electric Fund revenues) from the Electric Fund. Based on the Court's order in the liability phase of the trial, approximately $19-32 million of the General Fund transfer is potentially attributable to rate payer revenue that was not approved by the voters. However, that amount will be determined during the damages phase of the trial. Additionally, the City might have been required to refund rate payers for the portions of the rates that were determined to violate Article XIII C of the California Constitution from the date the writ of mandate was filed. However, the trial court did not issue any ruling as to what the amount of any damages would be.

Based on the Court's order in the liability phase of the trial, the City estimated that the amount of a refund would be $19 to $32 million per year, beginning January 1, 2019, until date of settlement or issuance of a final, non-appealable judgment by the trial court after anticipated appeals are resolved. This amount could vary depending upon whether or not the City decides to repeal and replace the challenged rates pending appeal.

On May 17, 2021, the City and the Paradas entered into a conditional settlement agreement. This settlement was conditioned on: (1) the Riverside City Council's placement of a ballot measure on City ballots in November 2021 to approve the City's General Fund Transfer practices as a general tax ("Ballot Measure"); and (2) voter approval of the Ballot Measure. The Riverside City Council placed the Ballot Measure on the ballot for the November 2, 2021 election. The Parties stayed the Parada lawsuit until certification of the results of the Ballot Measure. If voters approved the Ballot Measure, the City would refund to customers of its electric utility an amount equal to $24 million less the amount awarded to Plaintiffs' counsel in fees, paid over a five year period beginning no later than February 1, 2022. If voters did not approve the Ballot Measure, this litigation would then resume.

On or about September 16, 2021, a petition for writ of mandate entitled *Riversiders Against Increased Taxes v. City of Riverside, et al.* ("RAIT lawsuit") was filed against the City challenging the Ballot Measure on the grounds that the Ballot Measure cannot be adopted at the November 2021 election because that election is a "special" election and under Proposition 218, a ballot measure to impose a general tax can only be submitted to voters at a general election. On November 9, 2021, the court set a trial date for the RAIT lawsuit for January 7, 2022 and ordered a stay of the certification of the Ballot Measure Election results pending the January 7th hearing but did not otherwise delay or cancel the election for the Ballot Measure.

(amounts expressed in thousands)

The election was held on November 2, 2021, and the Measure C was approved by voters, with 54.52 percent voting in favor.

On April 26, 2022 the RAIT lawsuit trial court determined that the November 2021 election was a “special election” rather than a “general election” and therefore did not comply with Proposition 218. The RAIT lawsuit trial court further ruled that it lacked power to enjoin the certification of election results or to otherwise invalidate the election. Both sides have since appealed that ruling. The case has been fully briefed and the parties are awaiting a date for oral argument.

On May 12, 2022, the City and the Paradas amended the May 17, 2021 Settlement Agreement, with the following additional terms: (a) City agreed to start making refunds to ratepayers by October 1, 2022; (b) if the City prevailed in the appeal of the trial court’s decision in the RAIT lawsuit, no additional refund would be due to the ratepayers; (c) if the City did not prevail in the appeal of the trial court’s decision in the RAIT lawsuit, an additional refund would be implemented in the amount of $705,882 per month, from November, 2021 up to when the City either (i) sets new electric rates; (ii) voters approve a valid ballot measure for the GFT or (iii) the City otherwise stops collecting the electric GFT. The Parada lawsuit was dismissed on May 13, 2022.

The City Council adopted a resolution certifying the results of the Measure C election on July 19, 2022. The plaintiffs from the RAIT lawsuit sought to intervene in the Parada lawsuit and set aside this dismissal. On August 3, 2022, the Parada trial court refused to set aside the dismissal. The City has now begun to implement the settlement agreement.

Simpson v. City of Riverside

On December 19, 2019, a class action lawsuit entitled *Simpson v. City of Riverside* was filed against the City alleging that the City is overcharging customers for water utility service in violation of Article XIIID, Section 6 of the California Constitution, on the grounds that the City is transferring 11.5% of water utility revenues to the City’s general fund. The transfer, also known as the “General Fund Transfer”, was approved by voters on June 4, 2013, as a general tax. The plaintiff is seeking refunds for all customers for monies collected in violation and also that the court set aside the voter’s 2013 approval of the General Fund Transfer. The trial was bifurcated into two phases, liability and damages.

The Court issued its ruling on the liability phase on August 17, 2023, finding that the City’s water rates violated Article XIID, Section 6 of the California Constitution because they were set in an amount sufficient to recover the General Fund Transfer. A trial date of April 3, 2024 has been set for the second phase of the trial regarding damages.

Rate Plan Increases

On September 19, 2023, the City Council approved new 5-year rate plans for the Electric, Water, and Refuse Funds. The rate increases will enhance the financial stability of each of the enterprise funds, supporting increases in operational costs as well as investment in capital infrastructure. In conjunction with the adoption of the water rate plan, the City Council directed that all future Water General Fund Transfer collections be placed in a reserve account pending the outcome of pending litigation (refer to Simpson v. City of Riverside). Staff will consider the impact of the approximate $8.5 million annual loss of revenue in the General Fund during the development of the next biennial budget.

Replacement of London Interbank Offered Rate (LIBOR)

As of July 1, 2023, LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest risk for taxable debt for purposes of GASB Statement 53.

Note 26. Prior Period Adjustment

The Custodial Fund beginning net position has been restated to reflect the cash and investment balances in the fund as due to bond holders. Upon termination of the custodial relationship, the cash and investment balances will be released to bondholders.

	June 30, 2022 as Previously Reported	Changes in Accounting Principle	June 30, 2022 as Restated
Custodial Fund	$ 13,834	$ (9,837)	$ 3,997