NEW ISSUE — BOOK-ENTRY ONLY **RATINGS: S&P – "SP-1+"**
Fitch – "F1+"
(See "RATINGS" herein)

In the opinion of Best Best & Krieger LLP, Riverside, California ("Note Counsel"), under present law, interest on the Notes is exempt from present State of California personal income taxes. Note Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. Interest on the Notes is not excludable from gross income for federal income tax purposes. See "TAX MATTERS" herein.

$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2013 SERIES A

Dated: Date of Delivery Due: June 1, 2014

The City of Riverside, California (the "City") is issuing its Taxable Pension Obligation Refunding Bond Anticipation Notes, 2013 Series A (the "Notes") pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2 of Title 5 of the Government Code of the State of California and a Seventh Supplemental Trust Agreement, dated as of May 1, 2013 (the "Seventh Supplemental Trust Agreement") between Wells Fargo Bank, National Association, as trustee (the "Trustee") and the City, supplementing and amending a Trust Agreement, dated as of June 1, 2004, between the Trustee and the City (the "Original Trust Agreement") as previously supplemented by a First Supplemental Trust Agreement dated as of June 1, 2005, a Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011 and a Sixth Supplemental Trust Agreement dated as of May 1, 2012 (as supplemented and amended, the "Trust Agreement").

The Notes are delivered in book-entry form without coupons, and will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Purchasers of the Notes will not receive instruments representing their interests in the Notes purchased. The Notes will be delivered initially in denominations of $5,000 and any integral multiple thereof. The Notes will bear interest at the rate set forth on the inside cover hereof.

Interest on the Notes will be payable on December 1, 2013, and on their maturity date of June 1, 2014.

Proceeds of the Notes will be used to (i) refund the City's outstanding $30,940,000 aggregate principal amount Taxable Pension Obligation Notes 2012 Series A (the "2012 Notes") issued under the Sixth Supplemental Trust Agreement and (ii) pay the costs of issuing the Notes. The City has covenanted in the Seventh Supplemental Trust Agreement to issue a series of its pension obligation refunding bonds on or prior to the stated maturity of the Notes to refund and pay the Notes in full.

Pursuant to the Retirement Law (as defined herein), the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability which is evidenced by the Notes. The Notes are payable from legally available funds of the City. The Notes are being issued to refund the 2012 Notes, which were issued to refund other outstanding pension obligation bonds originally issued to pay unamortized, unfunded accrued actuarial liability with respect to certain pension benefits of certain City employees under the Retirement Law (the "Unfunded Liability") to California Public Employees' Retirement System ("PERS"), and to pay the costs of issuing the Notes.

The Notes are not subject to optional redemption prior to maturity.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The purchase of the Notes involves various investment risks discussed throughout this Official Statement, including the risks discussed in "RISK FACTORS" herein. The Notes do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. The Notes do not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Notes are offered when, as and if delivered to and received by the Underwriter, subject to an approving legal opinion of Best Best & Krieger LLP, Riverside, California, Note Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Best Best & Krieger LLP, Riverside, California, as disclosure counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is acting as counsel to the Underwriter. It is expected that the Notes in definitive form will be available for delivery to DTC in New York, on or about May 22, 2013.

DE LA ROSA & CO.
INVESTMENT BANKERS

Dated: May 1, 2013

$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2013 SERIES A

MATURITY SCHEDULE

$30,940,000 0.65% Notes Due June 1, 2014; Price – 100% (CUSIP[†]: 769036AT1)

[†] CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of any offer to buy or sale of such securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Notes. This Official Statement is submitted in connection with the sale of the Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City or the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expression of opinions contained in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the City since the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes.

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CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Rusty Bailey, Mayor
Steve Adams, Councilmember
Ken Gutierrez, Councilmember
Paul Davis, Councilmember
Mike Gardner, Councilmember
Nancy Hart, Councilmember
Chris Mac Arthur, Councilmember
Andy Melendrez, Councilmember

CITY STAFF

Scott C. Barber, City Manager
Belinda J. Graham, Assistant City Manager
Deanna Lorson, Assistant City Manager
Colleen J. Nicol, City Clerk
Brent A. Mason, Finance Director
Gregory P. Priamos, City Attorney

SPECIAL SERVICES

Note Counsel and Disclosure Counsel
Best Best & Krieger LLP
Riverside, California

Trustee
Wells Fargo Bank, National Association
Los Angeles, California

$30,940,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BOND ANTICIPATION NOTES
2013 SERIES A

INTRODUCTION

General

This Official Statement, including the cover and the appendices attached hereto (the "Official Statement"), provides certain information concerning the Taxable Pension Obligation Refunding Bond Anticipation Notes, 2013 Series A (the "Notes"), in the principal amount of $30,940,000 issued by the City of Riverside, California (the "City"). The Notes will be issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2 of Title 5 of the Government Code of the State of California and a Seventh Supplemental Trust Agreement, dated as of May 1, 2013 (the "Seventh Supplemental Trust Agreement") between Wells Fargo Bank, National Association, as trustee (the "Trustee") and the City, supplementing and amending a Trust Agreement, dated as of June 1, 2004, between the Trustee and the City (the "Original Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of June 1, 2005, a Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011 and a Sixth Supplemental Trust Agreement dated as of May 1, 2012 (as supplemented and amended, the "Trust Agreement").

Purpose

The City is a member of the California Public Employees' Retirement System ("PERS") and, as such, is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945 and amended on January 1, 1952, June 1, 1953, October 1, 1954, July 1, 1959, September 20, 1963, November 13, 1964, September 17, 1965, September 13, 1968, December 29, 1972, August 16, 1973, November 1, 1974, June 27, 1975, December 12, 1975, November 21, 1980, January 1, 1983, January 13, 1984, September 19, 1986, April 1, 1988, September 21, 1990, May 20, 1994, July 14, 1998, May 15, 1999, September 28, 2001, May 10, 2002, August 30, 2002, December 17, 2004, June 2, 2006, June 11, 2011, and December 16, 2011, (the "PERS Contract"), to make contributions to PERS to (a) fund pension benefits for City employees who are members of PERS, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability which is evidenced by the Notes, which are being issued to redeem at maturity the City's $30,940,000 outstanding aggregate principal amount Taxable Pension Obligation Notes 2012 Series A (the "2012 Notes") and to pay the costs of issuing the Notes. The 2012 Notes were issued under a Sixth Supplemental Trust Agreement dated as of May 1, 2012 between the City and the Trustee (the "Sixth Supplemental Trust Agreement") and were issued to refund prior bonds which were issued to pay unamortized, unfunded accrued actuarial liability with respect to certain pension benefits for certain City employees under the Retirement Law (the "Unfunded Liability") to PERS. See "SECURITY FOR THE NOTES" herein.

The City

The City was incorporated in 1883 and operates under a charter adopted in 1953. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by wards with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council. The City encompasses approximately 81.5 square miles in the western portion of Riverside County (the "County"), about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City is approximately 308,511. For other selected information concerning the City, see "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" hereto.

The Notes

The Notes will bear interest from their date of initial delivery until their stated maturity at the rates of interest set forth on the inside cover page hereof. Interest on the Notes will be payable on June 1 and December 1 of each year, commencing December 1, 2013 (each, an Interest Payment Date").

The Notes, when delivered, will be in book-entry form and registered in the name of CEDE & CO., as nominee of The Depositary Trust Company ("DTC"). The Notes will be delivered initially in denominations of $5,000 and any integral multiple thereof. See "APPENDIX E – BOOK ENTRY PROVISIONS".

Security for the Notes

The obligation of the City to make payments with respect to the Notes is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, and payment of principal of and interest on the Notes is payable from any legally available funds in the City's General Fund including certain interfund transfers. The Notes are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Notes. The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur which are payable from its General Fund. Payment of the Notes is on parity with the obligation of the City pursuant to its City of Riverside Taxable Pension Obligation Bonds, 2004 Series A (the "2004 Bonds"), originally issued pursuant to the Trust Agreement in the principal amount of $89,540,000, of which $73,935,000 currently remains outstanding and the City of Riverside Taxable Pension Obligation Bonds 2005 Series A, (the "2005 Series A Bonds") originally issued pursuant to the First Supplemental Trust Agreement in the aggregate principal amount of $30,000,000, of which $22,605,000 currently remains outstanding. The Trust Agreement provides that in order to meet its obligations thereunder, the City shall deposit or cause to be deposited with the Trustee on or before August 1 of each Fiscal Year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Notes and any parity obligations thereto payable during such Fiscal Year. For purposes of calculating debt service to be paid in a Fiscal Year on the Notes, only the interest due on the Notes in such Fiscal Year is included, as the City has covenanted in the Seventh Supplemental Trust Agreement to prepay the Notes on or prior to their maturity from the proceeds of a future issue of pension obligation refunding bonds or notes of the City. The Seventh Supplemental Trust Agreement further provides that in the event the City fails to timely issue refunding pension obligation bonds to refund the Notes, the interest rate on the Notes shall be adjusted to 12% per annum as of the maturity date of the Notes until repaid. See "RISK FACTORS – Refinancing and Market Access" herein. In addition, if debt service is payable on any of the Notes in July of any year, the deposit shall also include an amount equal to such debt service payable in July of the next succeeding Fiscal Year. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" herein.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM FUNDS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The assets of PERS will not secure or be available to pay principal of or interest on the Notes.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement regarding the financial position, capital resources and status of the City are Forward-Looking Statements. Although the City believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the City (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the City are expressly qualified in their entirety by the Cautionary Statements.

Summaries Not Definitive

Brief descriptions and summaries of the Notes, the Trust Agreement and Validation Judgment (as defined herein) are contained in this Official Statement and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Trustee and, during the offering period, from De La Rosa & Co. Copies of the documents described herein will also be available at the office of the Finance Director, City of Riverside, 3900 Main St. 6th Floor, Riverside, CA 92501. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" for certain of such definitions.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the Notes will be applied as estimated in the following table:

SOURCES:	
Principal Amount of Notes	$30,940,000.00
Plus Interest Deposit for 2012 Notes and other amounts held by 2012 Trustee	121,950.27
City deposit for Costs of Issuance	177,334.05
TOTAL SOURCES:	$31,239,284.32
USES:	
Deposit to Escrow Fund for Refunding of 2012 Notes	$31,056,025.00
Costs of Issuance Fund [(1)]	183,259.32
TOTAL USES:	$31,239,284.32

(1) Includes Underwriter's fee, legal, printing, trustee, consultant and other miscellaneous fees, and other costs associated with the issuance and delivery of the Notes.

REFUNDING PLAN

All of the proceeds of the Notes will be used to refund and defease the 2012 Notes by deposit into an escrow account established under an Escrow Deposit and Trust Agreement dated as of May 1, 2013 by and between the City and Wells Fargo Bank, National Association, as escrow bank. Additionally, the City will direct the 2012 Trustee to deposit with the escrow bank from moneys held by the 2012 Trustee the amount of $116,025.00, representing interest on the 2012 Notes for deposit to the Escrow Fund for payment of interest on the 2012 Notes on June 1, 2013. Amounts so deposited will be sufficient to pay the redemption price at maturity of the 2012 Notes on June 1, 2013.

THE NOTES

General

The Notes will be dated the date of delivery thereof and delivered as fully registered notes. The Notes will be delivered initially in denominations of $5,000 and any integral multiple thereof. The Notes will be transferable and exchangeable as set forth in the Trust Agreement and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York

("DTC"). DTC will act as securities depository for the Notes. Ownership interests in the Notes may be purchased in book entry form only, in the denominations set forth above.

The Notes will bear interest from the Closing Date, at the rates and mature in the amounts and years as set forth on the inside cover page hereof. Interest on the Notes, computed on the basis of a 360-day year consisting of twelve (12) 30-day months, will be paid semiannually on each Interest Payment Date, commencing December 1, 2013. Interest on the Notes shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from their dated date; provided, however, that if at the time of authentication of a Note, interest is in default thereon, such Note shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Notes (including the final interest payment upon maturity), is payable by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of Notes delivered to the Trustee prior to the applicable Record Date. The principal of the Notes is payable in lawful money of the United States of America upon surrender of the Notes at the principal office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee.

No Optional Redemption

The Notes are not subject to optional redemption prior to maturity.

Book Entry System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX E - BOOK ENTRY PROVISIONS" herein.

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Notes paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement or the Trust Agreement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

SECURITY FOR THE NOTES

General

Pursuant to the Retirement Law and the PERS Contract, the City is obligated to appropriate and make payments to PERS for certain amounts arising as a result of retirement benefits accruing to members of PERS. Pursuant to the Retirement Law and PERS Contract, the City is obligated to make appropriations to pay (i) the normal annual contributions to fund pension and other retirement benefits for City employees who are members of PERS, and (ii) the Unfunded Liability (over a period not to exceed thirty (30) years).

The obligation of the City to make payments with respect to the Notes (and the Bonds issued under the Trust Agreement) is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, and payment of principal of and interest on the Notes and the Bonds is payable from any legally available funds in the City's General Fund and from certain interfund transfers. The Notes are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Notes. The City has other obligations payable from its General Fund, and the Trust

Agreement does not impose any limit on other obligations the City may incur which are payable from its General Fund. The Trust Agreement provides that in order to meet its obligations thereunder (including with respect to the 2004 Bonds and the 2005 Series A Bonds and the Notes), the City shall deposit or cause to be deposited with the Trustee on or before August 1 of each Fiscal Year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Notes and any parity obligations thereto payable during such Fiscal Year. For purposes of calculating debt service to be paid in a Fiscal Year on the Notes, only the interest due on the Notes in such Fiscal Year is included, as the City has covenanted in the Seventh Supplemental Trust Agreement to prepay the Notes on or prior to their maturity from the proceeds of a future issue of pension obligation refunding bonds of the City. See "RISK FACTORS – Refinancing and Market Access" herein. In addition, if debt service is payable on any of the Notes and the Bonds in July of any year, the deposit shall also include an amount equal to such debt service payable in July of the next succeeding Fiscal Year. For other selected information concerning the City, see "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" hereto. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" hereto for a description of the flow of funds under the Trust Agreement.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM FUNDS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW. PURSUANT TO THE RETIREMENT LAW AND THE VALIDATION ACTION, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Issuance of Additional Bonds

Under the Trust Agreement, the City may at any time issue Additional Bonds on a parity with the Notes, the 2004 Bonds and the 2005 Series A Bonds, but only subject to the following conditions:

(i) The City shall be in compliance with all agreements and covenants contained in the Trust Agreement; and

(ii) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify, among other requirements set forth in the Trust Agreement, the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the City to make payments to PERS relating to pension benefits accruing to PERS pursuant to the Retirement Law members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds or Additional Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) Whether such Additional Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(3) The authorized principal amount and designation of such Additional Bonds;

(4) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The interest payment dates for such Additional Bonds; and

(6) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

At any time after the sale of any Additional Bonds in accordance with the Act, the City shall execute such Additional Bonds for issuance pursuant to the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the City, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(i) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(ii) A Written Request of the City as to the delivery of such Additional Bonds;

(iii) An Opinion of Counsel to the effect that (1) the City has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the City, and (2) such Additional Bonds are valid and binding obligations of the City;

(iv) A Certificate of the City stating that all requirements of the provisions related to Additional Bonds under the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(v) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

PERS PENSION PLANS

General

The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Notes and Bonds issued under the Trust Agreement, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street Sacramento, California 95814 or (888) 225-7377, www.calpers.ca.gov for other information, including information relating to its financial position and investments.

The City provides retirement benefits to certain of its employees through contracts with PERS, a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains two pension plans (each, a "PERS Plan") for the City based on type of employee (i.e., a PERS Plan for "Safety Employees" and a separate PERS Plan for "Miscellaneous Employees"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

Actuarial Valuations

The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the Fiscal year immediately following the Fiscal year in which the actuarial valuation is prepared. PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which include two components, the normal cost and the unfunded actuarial accrued liability (the "**UAAL**"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under their respective PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "**Actuarial Value**") of the PERS Plans at the end of the Fiscal Year. The PERS actuary assumes, among other things, that the rate of return during that Fiscal Year, which assumed rate of return is established by PERS and the City has no ability to predict the assumed rate of return from time to time. The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in April 2005, affecting the Actuarial Value calculation for Fiscal Year 2006-07 and beyond.

PERS Actuarial Assumptions and Policies

As a result of the economic downturn in 2008 and 2009, PERS experienced a negative investment return of approximately 24% for its Fiscal Year ended on June 30, 2009. The PERS Board has adopted policies aimed at stabilizing rising employer costs and mitigating the impact of such investment declines. These policies are used to set employer contribution rates for each city. Current policies, as described in Circular Letter #200-056-09 dated August 25, 2009, include, but are not limited to:

- Using a 3 year phase in for Fiscal Year 2008-09 investment losses and allowing time for the economy to recover. This phased in approach will be achieved by temporarily relaxing the constraints on the smoothed value of assets around the actual market value of assets. This corridor which constrains the smoothed value of assets will be allowed to expand and then contract with the following conditions:

    1. Increase the corridor limits for the actuarial value of assets from 80-120% of the market value on June 30, 2009, which impacts the Fiscal Year 2011-12 contribution rate.
    2. Reduce the corridor limits for the actuarial value of assets to 70-130% of market value on June 30, 2010, which impacts the Fiscal Year 2012-13 and Fiscal Years beyond contribution rates.
    3. Return to the 80-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereunder which impacts the Fiscal Year 2013-14 and Fiscal Years beyond contribution rates.

- Isolate the asset loss outside of the 80-120% corridor and pay for it with a disciplined fixed and certain 30 year amortization schedule.

On April 17, 2013, the PERS Board adopted staff recommendations to modify both smoothing and amortization policies in response to concerns about future funded levels and increases in employer contribution rates. The changes adopted by the PERS Board modify the smoothing approach used by PERS and shorten smoothing and amortization periods. The PERS staff report states that over time, these methods are designed to improve funding levels and help reduce the overall funding level risk. The proposed changes will impact employer contribution rates for the City starting with fiscal year 2015-16. These changes are expected to result in a significant increase in contribution rates for the City in the future that will need to be addressed in future budgets. Further information on this PERS Board action is set forth in Circular Letter #200-19-13 dated April 26, 2013.

Except as otherwise described herein, the City, as advised by its provider of Actuarial Services, is not aware of any measures similar to those provided in Circular Letters #200-056-09 and 200-019-13 that have been utilized by PERS to mitigate the impact of any prior economic downturns.

For complete updated inflation and actuarial assumptions, please contact PERS at the above-referenced address.

PERS Discount Rate Adjustment

On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.50%. As a result of such discount rate decrease, among other things, the amount of the City's required contributions to PERS will increase in fiscal year 2013-14, subject to other factors that also negatively or positively impact the City's required contributions.

2012 Legislation Relating to Pension Reform: AB 340

On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 **("PEPRA"**) and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. PEPRA (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS which the City does).

The provisions of PEPRA went into effect on January 1, 2013 with respect to State employees hired on that date and after. The same is true for local agency employers, except that local government employee associations will have a five-year window to negotiate compliance with the cost-sharing provisions of PEPRA through collective bargaining. Under PEPRA, if no deal is reached by January 1, 2018 which meets the terms set forth in PEPRA, a city, public agency or school district could force employees to pay one half of the normal costs of PERS pension benefits, but not to exceed 8% of pay for miscellaneous workers and 12% for public safety workers.

PERS predicts that the impact of AB PEPRA on employers and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from PEPRA could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about PEPRA can be accessed through PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City nor the Underwriter and is not incorporated herein by reference.*

As of the date of this Official Statement, the City is evaluating the requirements of PEPRA in order to determine what effects, if any, PEPRA will have on its retirement programs and employment contracts.

Funding Status

As of June 30, 2011, the date of the most recent PERS actuarial valuation report, the actuarial value of assets in the Safety Plan was approximately $650,954,000 and the actuarial accrued liability was approximately $731,074,000. The Safety Plan was approximately 89.0% funded as of June 30, 2011, with an Unfunded Actuarial Accrued Liability of approximately $80,120,000. As of June 30, 2011, the date of the most recent actuarial valuation report, the actuarial value of assets in the Miscellaneous Plan was approximately $887,857,000, and the actuarial accrued liability was approximately $998,216,000. The Miscellaneous Plan was approximately 88.9% funded as of June 30, 2011, with an Unfunded Actuarial Accrued Liability of approximately $110,359,000.

Historical Funding Status

The following two tables, for the Safety Plan and the Miscellaneous Plan respectively, set forth the actuarial value of the plans' assets, the market value of the plans' assets and funded status as of the valuation dates from June 30, 2007 through June 30, 2011 and the total employer contributions made by the City for Fiscal Year 2010-11 through Fiscal Year 2013-14. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30	Accrued Liability	Actuarial Value of Assets (AVA) (1)	Unfunded Actuarial Accrued Liability	Market Value of Assets (MVA) (1)	Funded Status AVA	Funded Status MVA	Affects City Contribution Rate for Fiscal Year	Annual Covered Payroll	City Contribution Amount (2)	UAAL as a Percentage of Payroll
2007	$ 770,088,775	$ 731,549,949	$ 38,538,826	$ 847,867,117	95.0%	110.1%	2009-10	$ 102,434,585	$ 16,031,746	37.6%
2008	828,351,283	779,480,566	48,870,717	795,222,167	94.1%	96.0%	2010-11	110,869,947	17,703,358	44.1%
2009	921,349,334	810,928,831	110,420,503	590,044,979	88.0%	64.0%	2011-12	110,317,579	22,388,660	100.1%
2010	952,499,597	846,368,121	106,131,476	660,844,061	88.9%	69.4%	2012-13	106,590,492	21,443,082	99.6%
2011	998,216,259	887,857,014	110,359,245	786,080,314	88.9%	78.7%	2013-14	108,106,192	21,634,175	102.1%

(1) The actuarial value of assets is used to establish the funding requirements for the plan, while the market value of assets is an indication of the short-term condition of the plan. The difference results from the actuarial smoothing of gains and losses to avoid unnecessary spikes in the rates charged to member agencies.

(2) Amounts are the actuarially required employer contribution amounts from the CalPERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30	Accrued Liability	Actuarial Value of Assets (AVA) (1)	Unfunded Actuarial Accrued Liability/ (Surplus)	Market Value of Assets (MVA) (1)	Funded Status AVA	Funded Status MVA	Affects City Contribution Rate for Fiscal Year	Annual Covered Payroll	City Contribution Amount (2)	UAAL as a Percentage of Payroll
2007	$ 567,733,437	$ 536,773,931	$ 30,959,506	$ 621,800,044	94.5%	109.5%	2009-10	$ 61,058,007	$ 13,658,571	50.7%
2008	608,192,283	570,661,361	37,530,922	581,830,357	93.8%	95.7%	2010-11	63,965,548	14,614,012	58.7%
2009	660,741,891	595,018,160	65,723,731	432,337,915	90.1%	65.4%	2011-12	63,924,022	17,803,503	102.8%
2010	685,213,243	621,106,901	64,106,342	483,775,810	90.6%	70.6%	2012-13	61,777,656	17,061,368	103.8%
2011	731,074,004	650,953,914	80,120,090	575,005,790	89.0%	78.7%	2013-14	62,538,051	18,378,574	128.1%

(1) The actuarial value of assets is used to establish the funding requirements for the plan, while the market value of assets is an indication of the short-term condition of the plan. The difference results from the actuarial smoothing of gains and losses to avoid unnecessary spikes in the rates charged to member agencies.

(2) Amounts are the actuarially required employer contribution amounts from the CalPERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

The following table shows the percentage of salary which the City was responsible for contributing to PERS from Fiscal Year 2008-09 through Fiscal Year 2012-13 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30	Affects Contribution Rate for Fiscal Year	Safety Plan	Miscellaneous Plan
2006	July 1, 2008	20.026	14.169
2007	July 1, 2009	20.323	14.219
2008	July 1, 2010	20.756	14.507
2009	July 1, 2011	25.303	18.438
2010	July 1, 2012	25.091	18.277
2011	July 1, 2013	26.894	18.314

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2011.

For a further discussion of the City's retirement programs and post-employment benefits, see "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – Retirement Programs."

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Notes. However, the following does not purport to be an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Notes. Additionally, there can be no assurance that other risk factors will not become evident at any future time.

No Tax Pledge

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM FUNDS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE NOTES DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations which would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Notes may be decreased.

Refinancing and Market Access

The City intends to refinance the Notes on or prior to their maturity on June 1, 2014, either with a long-term bond issue or another short-term note issue. It is possible that the City would be unable to refinance the Notes at that time because of higher interest rates, a change in market conditions, a change in law or changes in the City's credit ratings or its financial condition. Moreover, bankruptcies in the City of Stockton and the City of San Bernardino have brought scrutiny to Pension Obligation Bonds. The City's financing plan with respect to the Notes relies upon market access. A variety of events including, but not limited to rulings adverse to the interests of bond owners in the Stockton and San Bernardino bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect access to the municipal securities market. If the City was unable to refinance the Notes, it would be obligated to pay off the full amount of the Notes at that time. The Seventh Supplemental Trust Agreement further provides that in the event the City fails to timely issue refunding pension obligation bonds to refund the Notes, the interest rate on the Notes shall be adjusted to 12% per annum as of the maturity date of the Notes until repaid.

Reduction in Allowed Inflationary Rate; Initiatives Affecting Assessed Valuation

Article XIIIA of the California Constitution provides that the base value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given calendar year, or may be reduced to reflect a reduction in the consumer price index ("CPI") or comparable local data. Such a reduction, if instituted by the County Assessor of Riverside County, could have the effect of slowing growth in assessed valuation within the City.

In addition to a reduction in base value as a result of a decrease in the CPI, in the event the market value of real property declines such that it becomes less than the base value under Article XIIIA, such decline in market value may be recognized for taxing purposes. Proposition 8, passed by the electors in 1978, permits enrollment of the lesser of the base value described above or the market value as of the January 1 lien date. In cases where the market value is less than the base value, such market value is reviewed annually as of the January 1 lien date to determine each year's valuation and enrollment. Properties enrolled at market value are not subject to the 2% increase limitation under Article XIIIA such that the value of such properties may be increased by more than 2% from year to year for taxing purposes. Reassessments of property value under Proposition 8 may be instituted by a property owner or by the Assessor. The Assessor will review any facts justifying reassessment and compare the base value plus inflationary increases with the January 1 market value. A property owner may subsequently file an assessment appeal if they feel the value was not lowered sufficiently.

Article XIIIA was adopted pursuant to the constitutional initiative process in the State. From time to time, other initiative measures are adopted by the voters in California, and it may be possible that one such initiative might alter the taxable value, reduce the permitted property tax rate or broaden property tax exemptions.

Impact of State Budget

State Budget. The State of California has experienced significant financial and budgetary stress in recent years. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Each State budget contains a number of measures which impact the City's finances.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior years. Following the submission of the Governor's Budget, the California Legislature takes up the proposal.

Under the California State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the

Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

2012-13 Governor's Budget. On June 28, 2012, the Governor signed the State Budget Act for Fiscal Year 2012-13 (the "2012-13 State Budget Act") to address a then-projected \$16.6 billion deficit through June 30, 2013. The 2012-13 State Budget Act estimated fiscal year 2012-13 revenues and transfers of \$95.89 billion, total expenditures of \$91.34 billion and a year-end surplus of \$1.67 billion (net of the negative \$2.88 billion prior-year State General Fund balance). The 2012-13 State Budget Act allocates \$719 million of the projected surplus to the reserve for the liquidation of encumbrances and \$948 million of the projected surplus to the special fund for economic uncertainties. The 2012-13 State Budget Act also sets forth \$5.95 billion in trigger cuts that were scheduled to go into effect on January 1, 2013, should a proposed ballot measure (the "California Sales and Income Tax Increase Initiative") seeking to temporarily raise the State's sales tax to 7.5 percent from 7.25 percent and temporarily raise State income tax on those whose annual income exceeds \$250,000 fail to pass, including reduced funding for schools, community colleges and other higher education institutions, and reduced funding for a variety of public safety programs. The 2012-13 State Budget Act further states that under current projections and assuming voter approval of the California Sales and Income Tax Increase Initiative, the State's budget for fiscal year 2012-13 will be balanced in an ongoing manner. See "- Governor's Tax Initiative" herein.

Governor's Tax Initiative. Proposition 30, which was approved by California voters in the November 2012 election, temporarily increases the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The income tax increases set forth in Proposition 30 will be in effect from January 1, 2012 through the end of 2018. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from January 1, 2013 through the end of 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the General Fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new General Fund revenues into an Education Protection Account to be established to support funding for schools and community colleges. The reminder of the new General Fund revenues will be available to help the State balance its budget through fiscal year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amends the State Constitution as described below to address certain provisions relating to the realignment of State program responsibilities to local governments:

- Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local government from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

- Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs.

- The State will be required to pay part of any new local costs that result from certain court actions and changes in federal statues or regulations that are related to the realigned program responsibilities.

- Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. Pursuant to Proposition 30, the State will not be required to provide mandate reimbursements to local governments.

- Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

The Legislative Analyst's Office ("LAO") estimates that Proposition 30 could increase revenues available to local governments because the State would continue to provide funds to local governments to pay for realigned the program responsibilities and to pay all or part of the costs associated with future changes in State and federal law and court cases. The LAO projects that the project cost increases to the State and revenue increases for local governments could be impacted by changes relating to mandate reimbursements and Brown Act reimbursements.

2013-14 Governor's Budget. On January 10, 2013, the Governor released his 2013-14 Proposed Budget (the "2013-14 Governor's Budget"). The 2013-14 Governor's Budget projects improvement in the State's finances, due to the economic recovery, prior budgetary restraint, and the approval of Proposition 30.

For fiscal year 2012-13, the administration estimates that General Fund revenues will be $95.4 billion and expenditures will be $93 billion, resulting in a $2.4 billion operating surplus. This $2.4 billion surplus is expected to erase the $2.2 billion deficit remaining after fiscal year 2011-12 and leave the General Fund with a small reserve as it enters fiscal year 2013-14. The 2013-14 Governor's Budget projects fiscal year 2013-14 General Fund revenues and transfers of $98.5 billion and total expenditures of $97.7 billion, producing an $851 million operating surplus. The 2013-14 Governor's Budget also estimates that the General Fund will end fiscal year 2013-14 with a $1 billion reserve. The 2013-14 Governor's Budget is projected to be balanced by a small margin and cautions that the occurrence of certain events, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs pose risks to the State's budget performance.

LAO Analysis of the 2013-14 Governor's Budget. On January 14, 2013, the LAO released its Overview of the Governor's Budget (the "LAO Overview"). The LAO Overview notes that the 2013-14 Governor's Budget reflects a significant improvement in the State's finances, and that the State has now reached a point where its underlying expenditures and revenues are roughly in balance, meaning that State-supported program and service levels established in fiscal year 2012-13 will generally continue "as is" in fiscal years 2013-14 and 2014-15. The LAO believes that the Governor's focus on fiscal restraint and paying off debts is appropriate as there are still considerable risks to revenue estimates given uncertainty surrounding federal fiscal policy and the volatility inherent in the revenue system. Additionally, the LAO notes that under the Governor's multiyear plan, the State would still have no sizeable reserve at the end of fiscal year 2016-17 and would not have begun the process of addressing huge unfunded liabilities associated with the teachers' retirement system and State retiree health benefits. As such, the LAO believes the State faces daunting budget choices even in a much-improved fiscal environment.

Future Updates and State Budgets. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future States budgets will be affected by national and State economic conditions and other factors, including the current economic downturn over which the City has no control.

The Governor may release additional details of the proposals through subsequent revisions or updates to the State budget. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An analysis of the budget is posted by the California Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated hereby by these references.

Redevelopment Agency Dissolution.

City of Riverside Redevelopment Agency Dissolution. The Redevelopment Agency of the City of Riverside ("Redevelopment Agency") was established in 1967 to provide affordable housing, revitalize communities, eliminate blight and fuel economic growth through focused reinvestment of local funds back into local projects and programs that supported job growth and private investment.

There are six Redevelopment Project Areas throughout the City including Arlington, Casa Blanca, merged Downtown/Airport/Industrial/HunterPark/Northside, La Sierra/Arlanza, Magnolia Center, and University Corridor/Sycamore Canyon (Project Areas). Over the years, the Redevelopment Agency was active in implementing housing programs, business incentive programs, commercial improvement programs, planning and development of projects, capital improvement projects, and property acquisition in the Project Areas.

On June 29, 2011, Governor Brown signed Assembly Bill 1X 26 (AB 1X 26) eliminating redevelopment agencies throughout the State. On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a lawsuit against the State of California in response to the passage of AB 1X 26. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26. The bill provided that upon dissolution of the Redevelopment Agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

Pursuant to City Council actions taken by the City on March 15, 2011 and January 10, 2012 the City elected to serve as the Successor Agency to the Redevelopment Agency (the "Successor Agency"). The Successor Agency is a separate legal entity, which serves as a custodian for the assets and liabilities of the dissolved Redevelopment Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities on January 31, 2012. The Successor Agency statements reflect the five months of activity since the date of dissolution, February 1, 2012 (effectively the same date as January 31, 2012), through June 30, 2012. The City of Riverside's Comprehensive Annual Financial Report for the year ended June 30, 2012 reflects the respective activities of the former Redevelopment Agency and the Successor Agency during the period as further explained in its footnote 1. See "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012."

Impact on City. The Redevelopment Agency's operating budget for 2011-12 was $4.5 million, which included allocated costs for City staff, related non-personnel expenses, and internal service costs related to the operations of the Agency. Previously, the Redevelopment Agency's practice was to reimburse the City for these amounts annually with tax increment funds. The City historically loaned funds to the Redevelopment Agency for various capital projects and land acquisitions. Several of these loans remain outstanding and the City believes them to be enforceable obligations as each has a valid loan agreement executed prior to the enactment of AB1X 26.

Under AB1X 26, the City will receive additional property tax revenues to offset some of the expenses of the former Agency and other payments that the City would expect to receive from the Redevelopment Agency. Additionally, as the City is a taxing entity within the jurisdiction of the former Redevelopment Agency, a portion of any former redevelopment tax increment that is not required by the Successor Agency to pay enforceable obligations will be received by the City once distributed by the County.

The funding of the Redevelopment Agency's budget, interest and other payments to the City and City reimbursements are subject to reduction or elimination based on the ultimate interpretations of the terms of

AB1X 26. The City has asserted that the payments to be received by it pursuant to loans and other arrangements with the Agency should be treated as "enforceable obligations," but if this treatment is not upheld, the City could lose in future fiscal years the related principal and interest payments and other reimbursements. There can be no assurances that AB1X 26 will not interfere with the receipt by the City from the Redevelopment Successor Agency of the amounts contemplated to be received by it. No Redevelopment Successor Agency monies or payments received by the City from the Redevelopment Successor Agency are pledged to the Notes. The Redevelopment Agency does contribute a small amount to the City annually to pay a portion of the debt service on the Notes related to former employees of the Agency, however this amount is not material and represents only 1.3% of the debt service payment. It has to date been deemed an enforceable obligation by the State. The City believes that the potential impact on the availability of Redevelopment funds under AB1X 26 will not materially adversely affect the City's ability to make payments on the Notes when due.

As of the date of this Official Statement, approximately $19 million in loans between the City and the Agency remain in dispute between the City, as Successor Agency, and the State, as to whether they are enforceable obligations. On February 27, 2013, the City, as Successor Agency, filed a lawsuit against the California Department of Finance ("DOF") seeking to validate the remaining $19 million in interagency loan principal and interest due from the Agency as enforceable obligations. A hearing on the matter is expected in the summer of 2013.

Water General Fund Transfer

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS OF TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID of the State Constitution – Water Utility Revenue Transfer under the City Charter" herein for a discussion of certain transfers from the City's water enterprise to the General Fund and related litigation and ballot resolution.

Vehicle License Fees

Vehicle license fees ("VLF") imposed for the operation of vehicles on state highways are collected by the State Department of Motor Vehicles. VLFs were historically assessed in the amount of two percent of a vehicle's depreciated market value for the privilege of operating a vehicle on the State's public highways. Beginning in 1999, the VLF paid by vehicle owners was offset (or reduced) to the effective rate of 0.65 percent.

In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient State General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be underfunded.

In June 2003, the State Director of Finance ordered the suspension of VLF offsets due to a determination that insufficient State General Fund moneys would be available for this purpose, and, beginning in October 2003, the VLF paid by vehicle owners were restored to the two percent level. However, the offset suspension was rescinded by the Governor on November 17, 2003, and State offset payments to local governments resumed.

As part of the 2004 Budget Act negotiations, an agreement was made between the State and local government officials (the "State-local agreement") under which the VLF rate was permanently reduced from two percent to 0.65 percent. In order to protect local governments, the reduction in VLF revenue to cities and counties from this rate change was replaced by an increase in the amount of property tax they receive. Under the State-local agreement, for Fiscal Years 2004-05 and 2005-06 only, the replacement property taxes that cities and counties receive were reduced by $700 million. Commencing in Fiscal Year 2004-05, local governments began to receive their full share of replacement property taxes, and those replacement property taxes now enjoy constitutional protection against certain transfers by the State due to the approval of Proposition IA at the November 2004 election.

In fiscal year 2009-10, the City received $953,000 in VLF revenues and $22,481,000 in replacement property taxes from the State. In fiscal year 2010-11, the City received $1,286,000 in VLF revenues and $21,792,000 in replacement property taxes from the State. In fiscal year 2011-12, the City received $152,000 in VLF revenues and $21,859,000 in replacement property taxes from the State. As part of the 2012 budget process, SB89 was approved by the legislature effective July 1, 2011. SB89 eliminates the Vehicle License Fee revenue allocation to cities under California Revenue and taxation Code Section 11005. The City addressed the loss of this revenue as part of its mid-year budget process completed in February 2012.

Impact of Sales and Use Tax Redirection

As described in "APPENDIX A - City of Riverside General Demographic and Financial Information," the State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a corresponding amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues of the City. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Additionally, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City, the City may not know the exact amount of revenue available to repay the Notes.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Notes; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Notes, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

The opinions of counsel, including Note Counsel, delivered in connection with the execution and delivery of the Notes will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See - CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIIB of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City's Charter, in a manner that could result in a reduction of the City's revenues. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIIIC and Article XIIID of the State Constitution."

Secondary Market Risk

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that any Notes can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of the City's pension system. Any of these factors could give rise to additional liability of the City to its pension system as a result of which the City would be obligated to make additional payments to its pension system over the amortization schedule for full funding of its obligation to its pension system. See "PERS Pension Plans" above.

Seismic, Topographic and Climatic Conditions

The financial stability of the City can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and floods and wild fires).

The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active faults. The San Jacinto Fault, the Glen Helen Fault, the San Andreas Fault and the Lytle Creek Fault are all located within the vicinity of the City. Although the City believes that no active or inactive fault lines pass through the City, if there were to be an occurrence of severe seismic activity in or around the City, there could be an adverse impact on the City's ability to pay the Bonds. Portions of the City are also located in a 100-year flood plain.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City.

Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of public and private improvements within the City in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of any hazardous substance that would limit the beneficial use of a property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the operations and finances of the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIIIA defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See “Litigation Relating to Two Percent Limitation” below. Legislation implementing Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For Fiscal Year 2011-12 the City's appropriations limit was $243,798,121, and its actual appropriations in Fiscal Year 2011-12 were approximately $163,729,000. The City's appropriations limit for Fiscal Year 2012-13 is $254,368,971. The City is subject to and is operating in conformity with Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax," but specifically exclude, among other things:

> "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
>
> (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
>
> …
>
> (6) A charge imposed as a condition of property development.
>
> (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Property-Related Fees and Charges. Under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Articles XIIIC and XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances.

In Richmond v. Shasta Community Services District (2004) 32 Cal. 4th409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In Richmond, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In Howard Jarvis Taxpayers Association v. City of Fresno (2005) 127 Cal.App4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in Bighorn-Desert View Water Agency v. Verjil (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in Richmond that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in Bighorn specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Risks Relating to Certain Special Assessments. With the exception of assessments levied in Street Lighting District No. 1 of the City (see "APPENDIX A – City of Riverside General Demographic and Financial Information") and the water-related revenue transfer described below, none of the property-related fees or assessments currently collected by the City are deposited in the General Fund. If the City is unable to continue to collect the assessments, other than Street Lighting District No. 1, the services and programs funded with such assessments would have to be curtailed and/or the City General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the assessments in light of Articles XIIIC and XIIID or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Water Utility Revenue Transfer Under the City Charter. Section 1204 of the Riverside City Charter requires the City's water enterprise (the "**Water Utility**") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility ("**Water Revenue Transfer**"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. Prior to 1968, the Water Utility was obligated to transfer, after all required expenditures had been made at the end of each fiscal year, all excess funds. In 1968, the electorate approved a change requiring a transfer of 11.5% of gross operating revenues. In 1977, the electorate approved a change to an amount "not to exceed" 11.5% of gross operating revenues.

The holdings in Big horn and Fresno make it clear that the City's water service charges are property-related fees or charges that must comply with Article XIIID. This means that the revenues derived from these charges may not exceed the cost to the City of providing the related services unless voters approve the differential as tax. To the City's knowledge, no California appellate court has considered whether payments like the Water Revenue Transfer are a cost of providing the related service although the Fresno case involved arguably similar facts. As of the date of this Official Statement, one claim has been filed with the City regarding the legality of including the Water Revenue Transfer as a cost of providing the related services (see the discussion below of *Javier Moreno, et al v. City of Riverside*), and no other litigation has been threatened. The statute of limitations for filing a claim is one year from the date that the City collected a water service charge that was used to make the Water Revenue Transfer payments. The California Supreme court recently held in Ardon v. Los Angeles 52 Cal.4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds. A case is pending in the California Supreme Court, McWilliams v. City of Long Beach, Case No. S202037, on that question and decision is anticipated by June 3, 2013.

If a court were to conclude that the Water Revenue Transfer is not a cost of providing the service of the Water Utility, then the City might be required to return the challenged Water Revenue Transfer, subject to the appropriate statute of limitations, and the City could be prohibited from making any future Water Revenue Transfers absent further voter approval. As noted below, that voter approval may be obtained at the June 4, 2013 election.

In fiscal year 2011-12, the Water Revenue Transfer was in the amount of $6,257,800, and the City has budgeted for a fiscal year 2012-13 Water Revenue Transfer of $6,579,300, up slightly from the adopted budget of $6,467,200.

On July 6, 2012, a writ of mandate lawsuit entitled *Javier Moreno, et al v. City of Riverside* was filed against the City asserting that the Water Revenue Transfer is a violation of Proposition 218. On March 5, 2013, the City Council unanimously voted to place a ballot resolution before the voters on June 4, 2013 entitled "Riverside Local Services and Clean Water Measure," to allow the voters to decide upon the continuance of the Water Revenue Transfer, which had been previously approved by voters in 1907, 1968 and 1977. In the event that the election fails, the General Fund would lose up to approximately $6.5 million per year of revenue, which is just under 3% of the General Fund operating budget for fiscal year 2012/13. On April 15, 2013, the City entered into a settlement agreement and release in the *Moreno* case. Under the terms of that agreement, the City agreed to cease any future Water Revenue Transfers until the voters approve Measure A. If Measure A is approved, the City would be required to return, over a three year period, the sum of $10 million to the Water Fund. If Measure A is not approved, the City obligation to refund $10 million will be extended over a 10 year period, and the Water Revenue Transfer calculated for fiscal year 2012-13 would not be transferred to the General fund. This reduction in available revenue will likely require the City to undertake additional cost cutting measures to balance the General Fund budget, subject to the decision of City Council as to the more appropriate cost cuts. However, these measures would be related to staffing and service delivery and any required cost cutting measures should not impact the payment of debt service on outstanding General Fund obligations.

Transfers from the City's Electric Enterprise. Although the City also makes a revenue transfer to the City's general fund from the City's electric utility, that transfer is not subject to Article XIIIC of the California Constitution, which expressly excludes electric rates from its scope. It is, however, subject to regulation under other provisions of State law. See " – Revenue Transfer from Electric Utility" below.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Revenue Transfer from Electric Utility

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the City's electric utility (the "**Electric Utility**"), after payment of Operating and Maintenance Expenses and debt service, are limited by Article XII of the City Charter, as approved by the voters and adopted by the City Council on November 15, 1977. Such transfers are limited to 12 equal monthly installments during each fiscal year constituting a total amount not to exceed 11.5% of the Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor.

The transfers to the General Fund of the City for the fiscal year ending June 30, 2012 (unaudited) were $33,645,300, equal to approximately 11.5% of the prior fiscal year's Gross Operating Revenues. The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2013 is $34,423,500, equal to approximately 11.5% of the prior fiscal year's Gross Operating Revenues.

In general, California law (Government Code §50076) provides that any fee that exceeds the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is levied for general revenue purposes is a special tax. To the City's knowledge, no California appellate court has considered whether payments like the transfer to the General Fund are a cost of providing the related service. As of the date of this Official Statement, no claim has been filed with the City regarding the legality of including the General Fund transfer as a cost of providing the related services and no litigation has been threatened.

The statute of limitations for filing a claim is one year from the date that the City collected an electric service charge that was used to make the revenue transfer payments from the Electric Utility. The California Supreme Court recently held in Ardon v. Los Angeles 52 Cal4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

If a court were to conclude that the General Fund transfer from the Electric Utility is not a cost of providing the service of the Electric Utility, then the Electric Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Electric Utility most likely would require the City to return the challenged General Fund transfer and the Electric Utility would be prohibited from making any future General Fund transfers.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1 A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

See the section entitled "RISK FACTORS — Impact of State Budget" for information about the State's fiscal year 2012-13 budget and proposed fiscal year 2013-14 budget.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

The City expects Proposition 22 to result in more stable revenues for the City. See "RISK FACTORS — Impact of State Budget — Prohibitions on Diverting Local Revenues for State Purposes" above.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIIIA, Article XIIIB, XIIIC and XIIID were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

VALIDATION

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds, additional bonds (such as the Notes) and obligations issued to refund such Bonds (such as the Notes) and certain other matters. On May 3, 2004, the court entered a default judgment to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. Pursuant to Section 870 of the California Code of Civil Procedure, the period during which a notice of appeal to this judgment could have been timely filed has expired and the judgment is binding and conclusive in accordance with California law. As with any judgment, there can be no assurance that this judgment will not be challenged. No such challenge has been filed, and the City is unaware of any pending challenge to this judgment. In issuing the opinion as to the validity of the Notes, Note Counsel will rely upon the entry of the foregoing default judgment.

THE CITY

For certain financial, demographic and statistical information on the City and the surrounding area, see "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" attached hereto.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to issue and pay the Notes.

On July 12, 2012, the City was served with a petition for writ of mandate entitled Javier Moreno, et al. v. City of Riverside, Riverside Superior Court Case No. RIC 1210249, challenging the validity of the Water Revenue Transfer. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID of the State Constitution – Water Utility Revenue Under the City Charter".

On February 27, 2013, the City, as Successor Agency, filed an action against the California Department of Finance, seeking to validate approximately $19 million in loans between the City and the Agency as enforceable obligations. See "RISK FACTORS – Redevelopment Agency Dissolution-Impact on City."

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2012, included in APPENDIX B to this Official Statement, have been audited by Moss Adams LLP, Los Angeles, California, independent certified public accountants, as stated in their report appearing in APPENDIX B.

Copies of the audited financial statements for the City's other Fiscal Years can be obtained at the office of the Finance Director at City Hall.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Notes to provide notices of the occurrence of certain enumerated events. The notices of material events will be filed, or cause to be filed, by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the notices of material events by the City is contained in "APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

To assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings. Specifically, in some instances an annual report or a material event notice was not filed on a timely basis and, in some instances, an annual report or a material event notice was not properly filed with the applicable information repository. The City believes that each failure to file an annual report on a timely basis was the result of dissemination agent error; the City had prepared compliant annual reports and submitted them to the dissemination agent on or before the applicable deadline. Prior to February 2009, the City failed to file some bond insurer-related material event notices on a timely basis, but only when it was not aware of the underlying event; the City filed a corrective notice regarding bond insurer-related rating downgrades in February 2009 and has filed bond insurer-related rating downgrade notices on a timely basis ever since. Additionally, although the City has timely made continuing disclosure filings with respect to the City's long-term pension obligation bonds, being the 2004 Bonds and the 2005 Series A Bonds, the City failed to make a similar filing with respect to the 2012 Notes.

The City and its affiliated governmental entities have made filings to correct all known instances of non-compliance during the last five years.

The City believes that it has established internal processes that will ensure that the City and its related governmental entities will meet all material obligations under their continuing disclosure undertakings. It also now handles its and its related governmental entities' continuing disclosure obligations internally, and no longer uses third-party dissemination agents for that purpose.

TAX MATTERS

Circular 230 Disclosure

The following subsections of this "TAX MATTERS" section were written by Note Counsel to assist the City in marketing the Notes, and is not intended or written to be used, and cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service (the "Service"). Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Note Counsel will receive a non-refundable fee contingent upon the successful marketing of the Notes, but not contingent on any taxpayer's realization of tax benefits from the Notes. No limitation has been imposed by Note Counsel on disclosure of the tax treatment or tax structure of the transaction.

General

No attempt has been or will be made to comply with certain requirements relating to the exclusion from gross income for Federal income tax purposes of interest on the Notes. A complete copy of the proposed form of Note Counsel opinion is contained in APPENDIX D hereto.

Investors should consult their own tax advisors in determining the Federal, State, local, foreign and any other tax consequences to them from the purchase, ownership and disposition of the Notes.

The following is a general summary of the federal income tax consequences of the purchase and ownership of the Notes. This discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change, or possibly differing interpretations. No assurances can be given that future changes in the law will not occur or alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Notes in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, broker-dealers and persons who have hedged the risk of owning the Notes). The summary is therefore limited to certain issues relating to initial investors who will hold the Notes as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986 (the "Code"), and acquire such Notes for investment and not as a dealer or for resale. Prospective investors in the Notes should note that no rulings have been or will be sought from the Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Payments of Interest on the Notes

The interest paid on the Notes will be included in the gross income, as defined in section 61 of the Code, of the owners thereof and be subject to federal income taxation when received or accrued, depending on the tax accounting method applicable to such owners.

The interest paid on the Notes will be exempt from personal income taxation of the State of California.

Sale and Exchange of Notes

Upon a sale or exchange of a Note, an owner generally will recognize gain or loss on the Notes equal to the difference between the amount realized on the sale and its adjusted tax basis in such Note. Such gain or loss generally will be capital gain (although any gain attributable to market discount of the Note accruing during the period the Note is owned by that owner and not yet taken into income will be ordinary income). The adjusted basis of the owner in a Note will (in general) equal its purchase price and decreased by any payments (other than of interest) received on the Note. In general, if the Note is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Backup Withholding

Under Section 3406 of the Code, an owner of the Notes who is a United States person, as defined in Section 7701(aX3) of the Code, may, under certain circumstances, be subject to "backup withholding" (currently at a rate of 28 percent) on payments of current or accrued interest on the Notes. This withholding applies if such owner of Notes: (i) fails to furnish to DTC such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes DTC an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide DTC or such owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to DTC is correct and that such owner is not subject to backup withholding. To establish status as an exempt person, an owner will generally be required to provide certification on IRS Form W-9 (or substitute form).

Backup withholding will not apply, however, if the owner is a corporation or falls within certain tax-exempt categories and, when required, demonstrates such fact. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the Service.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations ("non-US Person") are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by an owner of the Notes that is a non-US Person is not treated as effectively connected income within the meaning of Section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate applicable under an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the owner provides a statement to DTC certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Notes is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of Section 957 of the Code; and (vi) such owner is not a bank receiving interest on the Notes pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Notes are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no backup withholding under Sections 1441 and 1442 of the Code and no backup withholding under Section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided neither the City nor DTC has actual knowledge that such person is a United States person.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to owners with respect to the Notes will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and TIN of the owner. A copy of Form 1099 will be sent to each owner of a Notes for federal income tax purposes. The failure to furnish a tax reporting form to an owner of a Note does not necessarily mean that such owner has no taxable income.

ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code (the "Code"), prohibit employee benefit plans ("Plans") subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest") with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriter, as a result of its own activities or because of the activities of an affiliate, may be considered Parties in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Notes are acquired by a Plan with respect to which the Underwriter or any of their affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by "qualified professional asset managers," and transactions affected by certain "in-house asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Bond, or (ii) the acquisition of such Note is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Notes should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable, and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

APPROVAL OF LEGALITY

Certain legal matters incident to the execution and delivery of the Bonds are subject to the approving opinion of Best Best & Krieger LLP, Riverside, California, as Note Counsel. Except with respect to certain legal matters, Note Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Note Counsel's fee for delivery of its opinion is contingent on successful execution and delivery of the Notes.

RATINGS

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned their municipal bond short-term rating of "SP-1+" and Fitch Ratings Group has assigned a short-term rating of "F1+" to the Notes.

The rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from Standard & Poor's or Fitch Ratings Group. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Notes are being purchased by De La Rosa & Co. (the "Underwriter") at a price of $30,940,000 (the principal amount of the Notes). The Underwriter is being paid an underwriting fee of $108,284.32 by the City in connection with the sale of the Notes. The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Notes if any such Notes are purchased. The public offering prices of the Notes may be changed from time to time by the Underwriter without notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

MISCELLANEOUS

The summaries or descriptions of provisions of the Notes, the Trust Agreement, the Validation Action, the PERS Contract, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Trust Agreement may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee.

This Official Statement does not constitute a contract with the purchasers of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF RIVERSIDE

By: /s/ Brent A. Mason
Finance Director

APPENDIX A

CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

The City is the county seat of Riverside County (the "**County**") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "**PMSA**"). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. As of January 1, 2012, Riverside County had a population estimated at 2,227,577 and San Bernardino County had a population estimated at 2,063,919. With a population of over 4.3 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. Riverside County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 2,690 full time equivalent ("**FTE**") personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs 358 FTE sworn officers and the Fire Department employs 217 FTE sworn fire fighters operating out of 14 fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to the City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City's cultural institutions and activities are a convention center, the Riverside Art Museum, a Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community; Riverside Community; and Kaiser Permanente.

Population

As of January 1, 2012 the population of the City was estimated to be 308,511, an increase of approximately 0.8% percent over the estimated population of the City in 2011. The following table presents population data for both the City and County.

Table 1
POPULATION

Year	City of Riverside	Riverside County
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2003	275,867	1,730,219
2004	279,829	1,814,485
2005	284,715	1,895,695
2006	286,720	1,975,913
2007	289,674	2,049,902
2008	293,988	2,102,741
2009	298,721	2,140,626
2010	302,597	2,179,692
2011	306,069	2,205,731
2012	308,511	2,227,577

Sources: 1950-2000 and 2010 U.S. Census; 2003-2012 California Department of Finance (Demographic Research Unit)

Accounting Policies and Financial Reporting

The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City's general fund and other governmental fund types use the modified accrual basis of accounting. All of the City's other funds, including proprietary fund types and fiduciary fund types, use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the "Notes to the Basic Financial Statements" contained in "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012."

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she will determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General fund revenues are derived from such sources as taxes; licenses and permits, fines, forfeits and penalties; use of money and property; aid from other governmental agencies; charges for current services; and other revenue. General Fund expenditures are classified by the functions of general government, public safety, highways and streets, culture and recreation and community development.

City Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, General Fund revenues, expenditures, transfers, and ending fund balances.

Table 2
CITY OF RIVERSIDE
GENERAL FUND BALANCE SHEET (As of June 30) (Amounts Expressed in Thousands)

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
ASSETS:					
Cash and Investments	$ 64,347 (1)(6)	$ 48,202 (6)	$ 47,835 (6)	$ 42,944 (6)	$ 47,677 (6)
Cash and investments at fiscal agent	13,042	12,355	8,630	5,349	1,405
Receivables (net)					
Interest	526	255	260	416	214
Property taxes	8,316 (2)	5,389	5,685	6,203	6,851
Sales taxes	8,032	6,295	8,496	9,641	11,140
Utilities billed	885	764	767	736	1,171
Accounts	5,323	7,803	3,981	9,187	10,034
Intergovernmental	4,576	3,803	2,610	3,032	3,375
Notes	246	277	180	35	1
Prepaid items	512	293	373	411	320
Due from other funds	5,911 (6)	15,981 (6)	23,846 (6)	31,980 (6)	16,287 (6)
Advances to other funds	27,946	27,465	26,884	26,200	24,706
Advances to Successor Agency	--	--	--	--	693
Land & Improvements held for resale	2,593	--	--	76,334 (7)	118
Total Assets	$142,255	$128,882	$129,623	$212,468	$123,992
LIABILITIES:					
Accounts Payable	$ 10,334	$ 11,400	$ 5,666	$ 5,319	$ 5,454
Accrued payroll	13,829	12,060	13,484	15,013	11,036
Retainage payable	647	44	12	362	799
Intergovernmental	146	140	136	169	182
Deferred revenue	6,094 (2)	3,580	4,093	6,455	7,118
Deposits	20,367	24,062	26,927	23,872	24,804
Due to other funds	50	--	--	--	--
Advances from other funds	9,571 (1)	217	115	435	349
Total Liabilities	$ 61,038	$ 51,503	$ 50,433	$ 51,625	$ 49,742
FUND BALANCE: (5)					
Nonspendable	--	--	--	$ 26,646	$ 25,720
Restricted	--	--	--	82,249 (7)	2,803
Assigned	--	--	--	15,589	6,380
Unassigned	--	--	--	36,359	39,347
Reserved (3)	$ 36,025	$ 34,400	$ 33,234	--	--
Reserved for Debt Service	--	7,000	7,500	--	--
Unreserved, designated for economic contingencies (4)	34,000	30,000	30,000	--	--
Unreserved, designated for future operations	10,253	2,888	6,433	--	--
Unreserved, undesignated	939	3,091	2,023	--	--
Total fund balances	$ 81,217	$ 77,379	$ 79,190	$160,843	$ 74,250
Total Liabilities and Fund Balances	$142,255	$128,882	$129,623	$212,468	$123,992

(1) The reduction in "Cash and Investments" and "Advances from other funds" in fiscal year 2008-09 reflects efforts by the City to repay interfund advances and spend down project-related appropriations.
(2) In fiscal year 2007-08, Property taxes receivable and Deferred revenue, which partially represents deferred property taxes, have been restated to reflect a presentation consistent with the subsequent presentation.
(3) Reserved for encumbrances, long-term receivables and advances to other funds.
(4) The City's policy is to maintain this fund in an amount equal to a minimum of 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion. Beginning in fiscal year 2010-11, under GASB Statement No. 54 as more specifically described in Note #7 (see APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012"), the City is no longer permitted to segregate the contingency reserve as a separate component of fund balance. The amount is now shown as a component of unassigned fund balance.
(5) GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund.
(6) Amount includes a decrease in cash and increase due from other funds related to short term borrowing by other funds to address negative cash positions in those funds.
(7) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties were transferred back to the Redevelopment Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: City Audited Financial Statements (except as noted).

Table 3
CITY OF RIVERSIDE
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES (Fiscal Year Ending June 30)
(Amounts Expressed in Thousands)

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Revenues:					
Taxes	$135,991	$126,838	$119,299	$123,505	$129,303
Licenses and permits	7,144	6,381	6,166	6,717	7,119
Intergovernmental (1)	10,628	10,802	8,391	11,104	9,168
Charges for services	11,325	9,003	9,521	10,687	11,770
Fines and forfeitures	4,573	4,649	4,503	5,244	6,293
Special assessments	4,110	4,235	4,039	3,954	4,509
Rental and Investment Income	5,787	3,635	3,162	2,964	2,662
Miscellaneous (2)	11,316	5,857	1,451	6,731	4,725
Total Revenues	$190,874	$171,400	$156,532	$170,906	$175,549
Expenditures					
Current:					
General Government (3)	$ 7,764	$ 8,148	$ 8,174	$ 9,347	$ 11,717
Public safety (3)	151,773	145,802	137,331	138,620	147,086
Highways and streets (3)	25,209	18,452	14,987	14,587	16,651
Culture and recreation (3)	30,483	26,646	23,182	25,360	28,814
Capital Outlay (3)	19,798 (4)	4,836	1,609	1,617	1,140
Debt service; principal	5,683	5,369	8,424	6,244	6,845
Debt service; interest	12,118	9,060	7,536	7,207	7,015
Bond issuance costs	160	259	231	174	169
Total Expenditures	$252,988	$218,572	$201,474	$203,156	$219,437
Revenues over (under) expenditures	($ 62,114)	($ 47,172)	($ 44,942)	($ 32,250)	($ 43,888)
Other Financing Sources (Uses)					
Transfers in	$ 33,526	$ 50,650	$ 45,256	$121,348 (5)	40,266
Transfers out	--	(7,776)	(2,679)	(9,539)	(83,292) (5)
Proceeds from issuance of long-term debt	36,108	30,425	33,716	32,775	30,940
Payment to escrow account for advance refunding	(30,000)	(30,200)	(30,425)	(30,600)	(30,775)
Sales of capital assets	8,931	235	885	(81)	156
Total other financing sources (uses)	$ 48,565	$ 43,334	$ 46,753	$113,903	($ 42,705)
Net change in fund balances	(13,549)	(3,838)	1,811	81,653	(86,593)
Fund balances, July 1	94,766	81,217	77,379	79,190	160,843
Fund balances, June 30	$81,217	$77,379	$ 79,190	$160,843	$ 74,250

(1) Reflects revenue received from grants and motor vehicle in-lieu fees.
(2) Higher amount in fiscal year 2007-08 reflects one-time receipts associated with the reimbursement of funds previously expended related to completed public works projects and one-time contributions by a City utility fund for a public works project, the cost of which will be recovered from collection of fees and charges.
(3) Prior to fiscal year 2008-09, Capital outlay expenditures were classified with the related functional expenditures in the audited financial statements. Beginning in fiscal year 2008-09, Capital outlay expenditures have been segregated from their functional categories. Prior year capital outlay expenditures have been reclassified in the table above to enhance comparability.
(4) Higher amount in fiscal year 2007-08 reflects expenditure of a portion of proceeds of City bonds/certificates of participation. Proceeds of the City's 2004 Measure G Fire Facilities General Obligation bonds were spent on fire stations and a new Emergency Operation Center. 2003 certificates of participation were executed and delivered to finance a parking garage (lease payments are charged to the Parking Fund), a project for the Redevelopment Agency (lease payments are charged to the Successor Agency to the Redevelopment Agency) and several General Fund projects, including the Arlington Branch Library, the City Hall remodeling project, the Magnolia Police Station and the Airport Fire Station.
(5) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties were transferred back to the Redevelopment Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: Annual City Audits (except as noted).

Budgetary Process and Administration

The City uses the following procedures when establishing the budgetary data reflected in its financial statements:

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed revenue and expenditures and historical data for the two preceding fiscal years. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. Budgets for the funds are adopted on a basis consistent with generally accepted accounting principles.

Table 4 summarizes the final budget and audited actual results of the General Fund of the City for fiscal year 2011-12.

Table 4
CITY OF RIVERSIDE
GENERAL FUND BUDGET
(Fiscal Year 2011-12)
(000's Omitted)

	2011-12 Final Budget	2011-12 Actual	Variance
Revenues			
Taxes	$128,121	$129,303	$ 1,182
Licenses and permits	7,421	7,119	(302)
Intergovernmental (1)	18,716	9,168	(9,548)
Charges for services	11,220	11,770	550
Fines and forfeitures	8,794	6,293	(2,501)
Special assessments	4,536	4,509	(27)
Rental and investment income	1,580	2,662	1,082
Miscellaneous	7,702	4,725	(2,977)
Total revenues	$188,090	$175,549	($ 12,541)
Expenditures			
General government	$ 65,547	$ 56,995	$ 8,552
Allocated expenditures	(55,368)	(45,278)	(10,090)
Public Safety	163,454	147,086	16,368
Highways and streets	20,441	16,651	3,790
Culture and recreation	32,069	28,814	3,255
Capital Outlay	2,202	1,140	1,062
Debt service: Principal	6,930	6,845	85
Debt service: Interest	7,208	7,015	193
Bond issuance costs	169	169	--
Total expenditures	$242,652	$219,437	$ 23,215
Deficiency of revenue under expenditures	($ 54,562)	($ 43,888)	$ 10,674
Other financing sources (uses):			
Transfers in (4)	$ 39,791	$ 40,266	$ 475
Transfers out (4)	(83,273)	(83,292)	(19)
Proceeds from issuance of long-term debt (2)	30,940	30,940	--
Payment to Escrow for Advance Refunding (3)	(30,775)	(30,775)	--
Sales of capital assets	65	156	91
Total other financing sources (uses)	($ 43,252)	($ 42,705)	$ 547
Net change in fund balance	($ 97,814)	($ 86,593)	$ 11,221
Fund balance, beginning	$160,843	$160,843	--
Fund balance, ending	$ 63,029	$ 74,250	$ 11,221

(1) The variance between budgeted and actual revenues resulted because anticipated grants were not received until the following fiscal year.
(2) $30,940,000 reflects Proceeds of the City's 2012 Pension Obligation Notes, the proceeds of which were used to refund outstanding 2011 Pension Obligation Notes.
(3) Reflects refunding of the City's 2011 Pension Obligation Notes.
(4) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the fiscal year 2010-11 financial statements, these properties were transferred back to the Redevelopment Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Success Agency Oversight Board.

Source: City of Riverside.

Fiscal Year 2012-13 Budget. The adopted fiscal year 2012-13 budget included General Fund revenues of $219.8 million. The year-end forecast of General Fund revenue as of January 31, 2013, is $220.8 million as a result of the following major variances: (i) tax revenues are slightly below the amount originally forecasted, resulting in a shortfall of $1.5 million; and (ii) non-tax revenues are slightly above the amount originally forecasted, resulting in an additional $2.1 million of revenue. The net current revenue forecast is less than one half of one percent higher than the adopted revenue budget.

In fiscal year 2012-13, the adopted General Fund expenditure budget was $220.7 million. The year-end forecast of General Fund expenditures as of January 31, 2013, is $222.5 million as a result of the following major variances: (i) mid-year appropriations of $1.0 million were approved by the City Council for a variety of purposes; and (ii) expenditures increased by $719,000 as a result of departmental variances, primarily related to additional overtime and payout costs in the Police Department and Fire Department. With its action to approve the fiscal year 2013-14 budget, it is anticipated that the City Council will authorize supplemental appropriations to cover the minor over-budget amounts.

If the revenue and expenditure forecast described above is realized, the General Fund reserve balance would decrease to approximately $38.4 million at the end of fiscal year 2012-13. However, City staff continually works to identify new revenue sources and reduce expenditures throughout each fiscal year, both of which could result in a General Fund reserve balance of approximately $40 million as has been the case in recent years.

The following table summarizes the fiscal year 2012-13 adopted budget and the fiscal year 2012-13 projected actual results as of January 31, 2013.

Table 5
CITY OF RIVERSIDE
SUMMARY OF GENERAL FUND BUDGETS
(Fiscal Year 2012-13)

	Adopted Budget 2012-13	Projected Actuals 2012-13 [1]	Projected Variance
Revenues:			
Sales & Use Taxes	$ 51,079,000	$ 50,690,569	($ 388,431)
Property Taxes	47,265,758	46,633,106	(632,652)
Utilities Users Tax	28,397,050	28,103,000	(294,050)
Charges for Services	11,758,858	12,064,625	305,767
Licenses and Permits	7,456,234	7,769,233	312,999
Franchises	5,099,000	4,999,000	(100,000)
Other	5,044,881	5,684,465	639,584
Fines and Forfeitures	4,955,437	5,855,563	900,126
Special Assessments	4,749,395	4,408,138	(341,257)
Transient Occupancy Tax	3,912,000	3,800,000	(112,000)
Property Transfer Tax	1,500,000	1,535,000	35,000
Intergovernmental Revenues	1,220,000	1,505,947	285,947
One-Time Revenues [2]	5,000,000	5,000,000	--
Set-Aside Prior Year Revenue [3]	1,422,322	1,422,322	--
Interfund Transfers [4]	40,890,700	41,340,400	449,700
Total Revenues	$219,750,635	$220,811,368	$1,060,733
Expenditures:			
City Attorney [5]	$ 3,400,266	$3,400,266	$ --
City Clerk [5]	1,016,697	1,016,697	--
City Council [5]	1,074,080	991,080	(83,000)
City Manager [5]	5,242,083	4,889,083	(353,000)
Community Development [5]	9,602,122	9,356,122	(246,000)
Finance [5]	5,254,254	3,878,254	(1,376,000)
Fire	41,853,704	43,176,704	1,323,000
General Services [5]	4,488,342	4,255,342	(233,000)
Human Resources [5]	2,483,473	2,326,473	(157,000)
Information Technology [5]	9,809,017	9,580,017	(229,000)
Library	5,652,415	5,472,415	(180,000)
Mayor [5]	726,976	726,976	--
Non-Departmental [5]	16,455,815	16,204,815	(251,000)
Museum	2,863,640	2,863,640	--
Parks, Recreation & Comm Svcs	15,459,648	14,748,648	(711,000)
Police	79,970,286	81,212,286	1,242,000
Public Works	12,883,075	11,933,075	(950,000)
Mid-Year Appropriations [6]	--	1,017,085	1,017,085
Net Debt Allocation [8]	23,253,711	23,253,711	--
Managed Savings [7]	(2,923,000)	--	2,923,000
Net Cost Allocation [9]	(17,851,693)	(17,851,693)	--
Total Expenditures	$220,714,911	$222,450,996	$1,736,085
Opening Reserves	$ 39,126,055	$ 40,014,760	$ 888,705
Revenue	219,750,635	220,811,368	1,060,733
Expenditures	(220,714,911)	(222,450,996)	(1,736,085)
Ending Reserves	$ 38,161,779	$ 38,375,132	$ 213,353

(1) As of January 31, 2013.
(2) Reflects $2,000,000 of projected one-time revenues that will be identified during the course of the fiscal year, which is a normal occurrence, as well as $3,000,000 from the planned sale of property tax receivables.
(3) Reflects surplus revenues on hand at the close of the prior fiscal year that were not added to the General Fund reserve balance.
(4) Interfund Transfers are composed of the transfers to the General Fund from the Water Utility and the Electric Utility.
(5) The "General Government" expenditure line item in Table 4 is not shown in Table 5 because the budgeted "General Government" expenditures are detailed in the line items "City Clerk", "City Council", "City Manager", "Community Development", "Human Resources", "Information Technology", "General Services", "Non-Departmental", and "Office of the City Attorney".
(6) Reflects mid-year appropriations made by the City Council.
(7) Reflects projected savings that will be realized across the entire General Fund budget during the course of the year. In the "Projected Actuals 2012-13" column, this amount is spread across all departments.
(8) Debt service is budgeted in the Office of the City Manager and is allocated to other General Fund departments based on the use of the debt proceeds. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.
(9) Costs associated with the internal service departments are allocated through the City's cost allocation plan. The total allocation to all departments is presented separately to avoid distorting the true operating budget of each department as presented in this table.

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the general fund reserves of the City for fiscal years 2001-02 through 2011-12, with projected figures for fiscal year 2012-13. The City's policy is to maintain its general fund reserves in an amount equal to 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion.

Table 6
CITY OF RIVERSIDE
GENERAL FUND RESERVES
(As of June 30)

Fiscal Year	(000's Omitted) Ending Reserves	Percent Change	% of Following FY Expenditures
2001-02	$45,170	--	N/A [3]
2002-03	53,700	18.9	N/A [3]
2003-04	50,503	(6.0)	N/A [3]
2004-05	55,650	10.2	N/A [3]
2005-06	46,626	(16.2)	22.8%
2006-07	46,239	(0.8)	20.4
2007-08	44,671	(3.4)	20.7
2008-09	39,921	(10.6)	20.1
2009-10	44,062	10.4	22.6
2010-11	40,369	(8.4)	19.1
2011-12	40,014[1]	(0.9)	18.1
2012-13	38,375[2]	(4.1)	--

(1) The available reserve balance of $40,014 at June 30, 2012 includes "Unassigned" fund balance ($39,347) as well as other budgetary adjustments to the fund balance found in the City's CAFR. The General Fund Reserves are available at the City Council's discretion.
(2) Projected.
(3) Prior to fiscal year 2006-07, the General Fund budget did not include the Riverside Public Library and the majority of the City's general government departments. These departments were budgeted in separate funds, which would render data provided here inconsistent with the presentation in fiscal year 2006-07 and later years.
Source: City of Riverside annual budgets.

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, each of these sources of local tax revenue is described in greater detail.

Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE

	Fiscal Year				
	2007-08	2008-09	2009-10	2010-11	2011-12
Property Taxes [1]	$ 50,432,000	$ 50,937,000	$ 46,714,000	$ 44,989,000	$ 46,385,000
Sales & Use Tax	50,526,000	41,881,000	39,645,000	44,157,000	47,701,000
Utility Users Tax	26,265,000	25,964,000	25,831,000	26,691,000	27,319,000
Other Taxes [2]	8,659,000	8,050,000	6,964,000	7,670,000	7,879,000
Total Taxes	$135,882,000	$126,832,000	$119,154,000	$123,507,000	$129,285,000

(1) Property Taxes includes Property Transfer Tax and Library Operations Tax.
(2) Other Taxes includes Transient Occupancy Tax and Franchise Fees.
Source: City of Riverside Annual Financial Reports.

Sales Taxes

Sales and use taxes represent the largest source of general fund revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the City to the State (see " – Impact of State Budget" below).

Sales Tax Rates. The City's sales tax revenue represents the City's share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law (the "**Sales Tax Law**").

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective January 1, 2013

State General Fund	6.50%
City	1.00
Riverside County Transportation Commission	0.50
Total	8.00%

Source: California State Board of Equalization.

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State, of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's May 2003 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/. See also "RISK FACTORS – Sales Taxes."

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Impact of State Budget. The State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a like amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay debt service. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Additionally, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make interest and principal payments on the Notes, the City may not know the exact amount of revenue available to make interest and principal payments on the Notes.

History of Taxable Transactions. In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and 2010 is not comparable to that of prior years. Total taxable sales during the first three quarters of calendar year 2011 in the City were reported to be $2,971,172,000, a 10.03% increase over the total taxable sales of $2,700,228,000 reported during the first three quarters of calendar year 2010. Annual figures are not yet available for 2011.

Table 9
CITY OF RIVERSIDE
TAXABLE TRANSACTIONS
For Calendar Years 2006 Through 2010
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	3,990	4,082,977	7,237	5,034,072
2007	3,812	3,888,251	7,427	4,789,554
2008	3,889	3,209,083	7,578	4,093,218
2009 (1)	5,033	2,734,550	7,202	3,500,514
2010 (1)	5,690	2,889,292	7,907	3,692,302

(1) Not comparable to prior years. “Retail” category now includes “Food Services.”
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

General. In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Historic Secured Property Tax Revenues. Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the "**Teeter Plan**") whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

The County of Riverside adopted this method of distributing taxes; *however, the City has elected not to participate in the Teeter Plan*. Consequently, property tax collections allocated to the City reflect actual collections.

The following table illustrates the secured property tax revenues of the City for fiscal years 2002-03 through 2011-12:

Table 10
CITY OF RIVERSIDE
HISTORICAL SECURED PROPERTY TAX REVENUES (1)
(in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Current Tax Collections(2)	% of Current Taxes Collected	Collections in Subsequent Years	Total Tax Collections as of 6/30/2012	Ratio of Total Tax Collections to Total Tax Levy
2002-03	$25,809	$25,479	98.72%	$ 318	$25,797	99.95%
2003-04	31,829	31,429	98.74	376	31,805	99.93
2004-05	36,825	36,332	98.66	469	36,801	99.94
2005-06	52,532	51,815	98.64	681	52,496	99.93
2006-07	69,246	67,046	96.82	2,141	69,187	99.91
2007-08	83,996	82,345	98.03	1,556	83,901	99.89
2008-09	86,251	84,134	97.55	1,939	86,073	99.79
2009-10	77,228	74,491	96.46	2,476	76,967	99.66
2010-11	74,608	72,327	96.94	1,842	74,169	99.41
2011-12 (3)	46,059	45,379	98.52	--	45,379	98.52

(1) Includes collection of property tax revenue allocated to the City's Redevelopment Agency. The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside
(2) In year of levy. Does not include supplemental taxes, aircraft taxes or other property taxes.
(3) Decrease is the result of the dissolution of the City's Redevelopment Agency.
Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

Taxable Property and Assessed Valuation. Set forth in the table below is assessed valuation for secured and unsecured property within the City for the ten most recent fiscal years.

Table 11
CITY OF RIVERSIDE GENERAL FUND (1)
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in thousands)

Fiscal Year	Secured	Unsecured	Less Exemptions	Total
2001-02	$12,103,179	$ 799,322	$(2,239,115)	$10,773,387
2002-03	13,071,415	980,529	(2,406,961)	11,644,984
2003-04	14,188,658	845,858	(2,526,503)	12,508,013
2004-05	15,540,982	951,211	(2,751,844)	13,740,349
2005-06	17,557,341	1,058,995	(4,002,177)	14,614,159
2006-07	20,672,126	1,140,891	(5,417,388)	16,395,629
2007-08	23,618,776	1,291,972	(6,960,666)	17,950,082
2008-09	24,428,633	1,330,053	(7,515,667)	18,243,019
2009-10	22,644,262	1,299,353	(7,103,040)	16,840,575
2010-11	22,056,793	1,260,923	(6,920,720)	16,396,996
2011-12	22,031,328	1,264,151	(6,952,649)	16,342,830
2012-13	22,313,664	1,244,448	(7,142,401)	16,415,711

(1) Does not include property tax revenues received by the City's former Redevelopment Agency.
Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

The State Legislature adopted a bill, AB1X 26, during the 2011/12 State budget process, that purported to amend the California Community Redevelopment Law to dissolve redevelopment agencies State-wide. On December 29, 2011, the California Supreme Court upheld AB1X 26 in the face of a legal challenge. As a result, all California redevelopment agencies, including the Agency, were dissolved as of February 1, 2012. Certain tax revenues formerly allocable to the Agency will continue to be available to the City, as successor agency to the

Agency, to pay certain obligations, and some of those revenues may be redirected to other taxing agencies, such as the County, school districts and the City.

According to "trailer bill" legislation (AB 1484) effective on July 1, 2012, which further amended the Community Redevelopment Law, the County Auditor-Controller, the State Department of Finance and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB1X 26 and AB 1484, and if funds are not returned within 60 days, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Agency, is the City.

The full extent of the impact of the implementation of AB1X 26 on the City's General Fund is unknown at this time. While certain costs previously charged to the Redevelopment Agency from the General Fund will no longer be supported by the Agency, certain property tax revenues formerly allocated to the Agency will now be received by the City's General Fund. The City has already taken steps to address known impacts of AB1X 26 on the General Fund. The City does not believe it has received material amounts from the Agency or the City, as successor agency to the Agency, which may be asserted to be in violation of AB1X 26. No payment was required to be made by the City, as Successor Agency, to the County Auditor-Controller under AB 1484 (for returning monies improperly utilized by Successor Agencies that have been deemed not to be enforceable obligations) in July 2012. The City does not expect the recent amendments of the Community Redevelopment Law to adversely impact its ability to make the scheduled debt service payments.

Table 12
CITY OF RIVERSIDE
TOTAL AND NET PROPERTY TAX VALUATIONS
(In thousands)

January 1	Gross Assessed Value	Homeowners' and Other Exemptions [1]	Redevelopment Agency Incremental Value	Net Value
2002	$12,902,501	($ 699,429)	($1,429,686)	$10,773,389
2003	14,051,944	(768,037)	(1,638,924)	11,644,983
2004	15,034,516	(819,536)	(1,706,967)	12,508,013
2005	16,492,193	(851,695)	(1,900,149)	13,770,349
2006	18,616,336	(929,544)	(3,072,633)	14,614,159
2007	21,813,017	(954,324)	(4,463,064)	16,395,629
2008	24,910,748	(1,036,591)	(5,924,075)	17,950,082
2009	25,758,686	(1,158,981)	(6,356,686)	18,243,019
2010	23,943,615	(1,205,988)	(5,897,052)	16,840,575
2011	23,317,716	(1,247,918)	(5,672,802)	16,396,996
2012	23,295,479	(1,255,177)	(5,697,472)	16,342,830

(1) Includes homeowner, governmental and non-profit exemptions.
Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report)..

Proposition 8 Reductions. For fiscal year 2008-09, the assessed values of 13,322 properties were reduced by a total of $1.1 billion. For fiscal year 2009-10, the assessed values of 24,286 properties were reduced by a total of $3.2 billion. For the 2010-11 tax year, reductions totaled $3.16 billion, with 24,554 properties reduced. For the 2011-12 tax year, reductions totaled $3.02 billion, with 22,527 properties reduced. Most recently, for the 2012-13 tax year, the Assessor's office reduced the value of 23,596 properties by a total of $3.02 billion. Based on a preliminary estimate of assessed value for fiscal year 2013-14, which shows a 1.41% increase, further Proposition 8 Reductions, if any, are not anticipated to result in negative growth in property tax revenue.

Largest Taxpayers. The 10 largest secured property taxpayers for fiscal year 2011-12 are as follows:

Table 13
CITY OF RIVERSIDE
LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2011-12
(in thousands)

Taxpayer	Assessed Valuation	Percent of Total
Tyler Mall	$186,759	0.8%
La Sierra University	126,273	0.6
Riverside Healthcare System	107,935	0.5
State Street Bank & Trust Co. of California	88,078	0.4
Rohr Inc.	86,512	0.4
Press Enterprise Co.	76,314	0.3
JSP Corona Pointe, LLC	74,739	0.3
BRE Properties, Inc.	69,300	0.3
Canyon Springs Marketplace Corp.	67,991	0.3
Riverside Plaza	67,343	0.3
Total	$951,244	4.3%

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

State Legislative Shift of Property Tax Allocation. The State has, from time to time, shifted property tax revenues from the City in order to balance the State's budget. Although recent amendments to the California Constitution purport to limit future such shifts, except in limited circumstances (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 1A" and "-Proposition 22"), the City can provide no assurances that the State will not, in the future, transfer property tax revenues from the City in a manner that could adversely impact its ability to meet its financial obligations on a timely basis.

Other Taxes

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection, utility franchises, taxi cabs, natural gas piping and ambulance service.

Business License Taxes. The City levies a business license tax based principally on gross receipts and on number of employees.

Transient Occupancy Taxes. The City levies a 12% transient occupancy tax on hotel and motel bills, which will increase to 13% on July 1, 2014, per a previous approval by the voters of a staged 2% increase from 11% to 13%.

Utility Users Taxes. The City levies a tax equal to 6.5% of utility bills, which is collected by the companies providing the services and remitted monthly to the City.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

Library Operations Taxes. The City levies a $19 per year parcel tax for library operations, which was approved by voters in November 2001 and renewed in November 2011. The tax expires on June 30, 2022.

Utility Payments

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID of the State Constitution" for a description of certain transfers to the General Fund from the City's water utility (in the amount of $6,257,800 in fiscal year 2011-12) and the City's electric utility (in the amount of $33,533,280 in fiscal year 2011-12).

Special Assessments

On an annual basis, the City deposits into the General Fund approximately $3.5 million of assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction and maintenance of public lighting and related facilities. The City uses the assessments to pay for a portion of the costs incurred by the City for the authorized public lighting and related facilities.

In-Lieu Payments

Historically, a significant revenue source of the City has been State of California payments and other payments in-lieu of taxes. The City receives a portion of Department of Motor Vehicles fees collected statewide. Payment of State assistance depends on the adoption by the State of its budget, including the appropriations therein providing for local assistance. These revenues are shown in Table 3 and in the accompanying financial statements (see "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012") as "intergovernmental revenues."

Table 14
CITY OF RIVERSIDE
IN-LIEU PAYMENTS (VEHICLE LICENSE FEES)
(Fiscal Year)

Fiscal Year	In-Lieu Payment
1999-00	$12,422,389
2000-01	13,772,065
2001-02	14,848,312
2002-03	15,533,453
2003-04	12,527,520
2004-05	1,795,358
2005-06	1,747,027
2006-07	1,839,093
2007-08	1,359,877
2008-09	1,087,534
2009-10	953,182
2010-11	1,285,891
2011-12	151,771

Source: City of Riverside.

The decline in in-lieu payments for fiscal years 2004-05 and after is primarily due to the State's swapping of property tax revenue for vehicle license fees. SB89 of 2011 eliminated, effective July 1, 2011, Vehicle License Fee revenue allocated under California Revenue and Taxation Code Section 11005 to cities. The City compensated for the loss of this revenue during fiscal year 2011-12 by addressing the loss as a part of its mid-year budget update. See "RISK FACTORS — Vehicles License Fees."

Short-Term Obligations

2012 Pension Obligation Notes. In fiscal year 2011-12, the City issued Taxable Pension Obligation Refunding Bond Anticipation Notes 2012 Series A (the "**2012 Pension Obligation Notes**") in the amount of $30,940,000 to redeem at maturity the City's $30,775,000 outstanding aggregate principal amount of Taxable Pension Obligation Notes 2011 Series A. The 2012 Pension Obligation Notes are due on June 1, 2013. The 2012 Pension Obligation Notes are payable from any legally available funds of the City and are expected to be refunded from proceeds of the Notes. Ultimately the City's intent is to take out the Notes (or future notes) with long-term financing consistent with the original Series 2005-B Pension Obligation Bonds' amortization, which did not begin principal payments until after the Series 2005-A debt has been retired in 2020. (See "Pension Obligation Bonds" below).

Long-Term Obligations

Set forth below is a summary of the City's outstanding general obligation bonds and general fund obligations.

General Obligation Debt. On November 4, 2003, the voters in the City approved the issuance of up to $20 million principal amount of general obligation bonds to finance fire facilities. As of June 30, 2012, the outstanding obligation with respect to the general obligation bonds was $16,107,000 (including $192,000 of unamortized initial issue premium).

Pension Obligation Bonds. In fiscal year 2003-04, the City issued Pension Obligation Bonds (the "**2004 Pension Obligation Bonds**") in the amount of $89,540,000 to fund the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Pension Obligation Bonds were deposited with CalPERS and are reflected as a net pension asset of $88,300,000 for governmental activities in the Government-wide Statement of Net Assets in the City's audited financial statements (see "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012"). As of June 30, 2012, the City had $73,935,000 principal amount of 2004 Pension Obligation Bonds outstanding.

In fiscal year 2004-05, the City issued Pension Obligation Bonds (the "**2005 Pension Obligation Bonds**") in the amount of $60,000,000 to partially fund unfunded actuarial accrued liabilities for non-safety employees. Proceeds from the 2005 Pension Obligation Bonds in the amount of $59,434,000 were deposited with CalPERS and are reflected as a net pension asset in the Government-wide Statement of Net Assets in the City's audited financial statements for fiscal year 2010-11. As of June 30, 2012, $22,605,000 principal amount of the 2005-A Pension Obligation bonds was outstanding. The 2005-B Pension Obligation Bonds (Auction Rate Securities) were refunded

As of June 30, 2012, a total of $133,584,000 of net pension assets (including the 2004 Pension Obligation Bonds, the 2005 Pension Obligation Bonds and the 2012 Pension Obligation Notes) are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses. See Note 14 of the fiscal year 2011-12 audited financial statements for additional information.

Certificates of Participation & Lease Revenue Bonds. The City has made use of various lease arrangements to finance capital projects through the execution and delivery of certificates of participation and issuance of lease revenue bonds.

As of June 30, 2012, the outstanding certificates of participation and their outstanding principal balance were as set forth in the following table:

Table 15
CITY OF RIVERSIDE
SUMMARY OF LONG-TERM GENERAL FUND COP AND LRB OBLIGATIONS

	Original Issue	Outstanding Principal (1)
2003 Certificates of Participation(2)	$ 53,185,000	$ 44,025,000
2006 Certificates of Participation	19,945,000	19,510,000
2008 Certificates of Participation (3)	128,300,000	122,400,000
2010 Certificates of Participation	20,660,000	20,660,000
Subtotal	$222,090,000	$206,595,000
Plus unamortized Premium		764,000
Total		$207,359,000

(1) As of June 30, 2012.
(2) The 2003 Certificates of Participation were refinanced with proceeds of the Series 2012A Lease Revenue Bonds in August 2012. The currently outstanding principal totals $41,240,000.
(3) The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 9 (Derivative Instruments) to the City's fiscal year 2011-12 audited financial statements.

Bank Loan Financings. The City entered into a loan with City National Bank in 2011 to finance the construction of the Fox Entertainment Plaza, a mixed-use project adjacent to the Fox Performing Arts Center in downtown Riverside that contains a parking garage, museum exhibit space, restaurant/retail space, and a small black box theater. While the debt is recorded in the City's Parking Fund (an enterprise fund) and the debt is to be serviced by Parking Fund revenues, the debt is secured by the General Fund. As of June 30, 2012, the total amount outstanding was $23,801,000. Parking Fund revenues are fully expected to make the required debt service payments through maturity of the loan.

On April 5, 2012, the City entered into a lease/leaseback financing arrangement with Pinnacle Public Finance in the principal amount of $4,000,000. Proceeds of this financing arrangement were used to finance improvements to City parks. The City's general fund secures the lease/lease back arrangement.

On July 19, 2012, the City entered into a Lease and Option to Purchase Agreement with Compass Mortgage Corporation for the purpose of financing expansion and renovation of the City's Convention Center. The Lease and Option to Purchase Agreement establishes a variable rate interest component. A concurrent interest rate swap transaction with Compass Bank will produce a long-term "synthetic fixed" interest rate.

The Lease and Option to Purchase Agreement establishes a LIBOR-based variable rate interest rate. During the 21-month construction period, the City will pay interest-only payments from proceeds of the lease financing. At the end of the 21-month construction period, an interest rate swap agreement with Compass Bank commences and the variable interest rate under the Lease and Option to Purchase Agreement is "swapped" to fixed for the remaining 20-year amortization, resulting in equal payments each year of approximately $2,850,000.

In order to enter into the swap transaction, the City waived certain of its Master Swap Policies relating to the requirements for ratings-based termination events and a credit support annex. The City mitigated the risks associated with this waiver by negotiating protections for the City if a credit event by Compass Bank were to occur, including the ability to offset swap payments due to it from Compass Bank pursuant to the swap agreement against current and future lease payments required to be made by the City to Compass Mortgage Corporation under the Lease and Option to Purchase Agreement.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2012 are identified in Note 6 to the City's June 30, 2012 audited financial statements. See Appendix B.

Direct and Overlapping Bonded Debt

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the "**Debt Report**") set forth below was prepared by California Municipal Statistics, Inc. as of March 15, 2012. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Table 16
Direct and Overlapping Bonded Debt
(As of April 1, 2013)

CITY OF RIVERSIDE

2012-13 Assessed Valuation: $22,561,900,077

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/13	
Metropolitan Water District	1.074%	$ 1,773,013	
Riverside City Community College District	30.024	68,863,740	
Alvord Unified School District	70.989	144,083,501	
Riverside Unified School District	86.884	124,513,460	
Corona-Norco Unified School District	0.001	2,673	
Jurupa Unified School District	0.002	981	
Moreno Valley Unified School District	12.787	5,051,955	
City of Riverside	**100.**	**15,135,000**	
Alvord Unified School District Community Facilities District No. 2006-1	79.771	6,505,325	
Riverside Unified School District Community Facilities Districts	89.192 -100.	85,545,309	
City of Riverside Community Facilities Districts	100.	12,235,000	
City of Riverside 1915 Act Bonds	100.	27,865,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$491,574,957	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	11.188%	$ 72,756,682	
Riverside County Pension Obligations	11.188	38,798,865	
Riverside County Board of Education Certificates of Participation	11.188	436,332	
Alvord Unified School District Certificates of Participation	70.989	1,438,990	
Corona Norco Unified School District Certificates of Participation	0.001	300	
Jurupa Unified School District Certificates of Participation	0.002	137	
Moreno Valley Unified School District Certificates of Participation	12.787	2,376,464	
Riverside Unified School District General Fund Obligations	86.884	10,934,351	
City of Riverside General Fund Obligations	**100.**	**204,082,442**	**(1)**
City of Riverside Pension Obligations	**100.**	**127,480,000**	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$458,304,563	
Less: Riverside County supported obligations		1,304,266	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$457,000,297	
OVERLAPPING TAX INCREMENT DEBT:		$267,653,578	
GROSS COMBINED TOTAL DEBT		$1,217,533,098	(2)
NET COMBINED TOTAL DEBT		$1,216,228,832	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2012-13 Assessed Valuation:
Direct Debt ($15,135,000) 0.07%
Total Direct and Overlapping Tax and Assessment Debt......... 2.18%
Combined Direct Debt ($346,697,442)................................. 1.54%
Gross Combined Total Debt... 5.40%
Net Combined Total Debt 5.39%

Ratios to Redevelopment Incremental Valuation ($5,818,541,878):
Total Overlapping Tax Increment Debt 4.60%

Source: California Municipal Statistics, Inc.

Retirement Programs

The City contributes to the California Public Employee's Retirement System ("**CalPERS**"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All permanent and temporary employees who work more than 1,000 hours are eligible to participate in CalPERS. Benefits vest after 5 years of service. Benefits for employees vary based upon final yearly compensation, safety or non-safety status, length of service and age at retirement. CalPERS also provides death and disability benefits.

City employees' contribution rates are 9% for public safety employees and 8% for all other employees, calculated as a percentage of their monthly earnings. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees hired on or before specific dates as outlined in the following table. For any employee hired after those dates, the employee pays their full share. This second tier of pension benefits also included a change in the number of years' salary utilized to compute the retirement benefit and, for certain bargaining units, a change to the formula used to calculate the benefit amount.

The California Legislature passed Assembly Bill 340, The California Public Employees' Pension Reform Act of 2013 (PEPRA) in September 2012. PEPRA implemented mandatory pension reforms for all CalPERS participating agencies as of January 1, 2013. Among the many provisions of PEPRA, the primary changes were to (i) limit the maximum amount of pensions to the federal limit established under section 401(a)(17) of the Internal Revenue Code and prohibits employer contributions to any public retirement plan on any amounts of compensation that exceed the limit; (ii) prohibits benefit replacement plans for members subject to the federal limit on benefits established under section 415(b) of the Internal Revenue Code; (iii) established a cap on pensionable compensation equal to the Social Security wage index limit or 120% of the limit for public agencies not participating in Social Security; (iv) deletes all previously existing retirement formulas to be replaced with a single formula for Miscellaneous members and three formulas for Safety members, all with significantly lower benefit levels; (v) increases the retirement age to 62 (67 for the maximum benefit) for Miscellaneous members and 57 for Safety members; (vi) requires cost sharing of the normal cost of the pension benefit for all members subject to certain limitations; and (vii) prohibits employers from paying the employees' share of pension contributions.

The following table details the three pension tiers applicable to the City's active employees.

Pension Plan	Pension Formula	Benefit Calculation [4]	Effective Date – Formula and Benefit Calculation	Effective Date – Employees Paying Employee Share of Contribution [3]
	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	--
Safety – Fire	Tier 2: 3.0% @ 55	Tier 2: 3 Years	June 11, 2011	June 11, 2011
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	TBD
	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	--
Safety – Police [1]	Tier 2: 3.0% @ 50	Tier 2: 3 Years	February 17, 2012	February 17, 2012
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	TBD
	Tier 1: 2.7% @ 55	Tier 1: 1 Year	--	--
Miscellaneous	Tier 2: 2.7% @ 55	Tier 2: 3 Years	December 16, 2011	October 19, 2011
	Tier 3: 2.5% @ 67 [2]	Tier 3: 3 Years	January 1, 2013	TBD

(1) Currently applies to the Riverside Police Officers Association only. The dates shown apply to the Police Officer, Police Pilot, and Police Detective classifications. The Police Sergeants and Riverside Police Administrators Association (ranks of Lieutenant and above) negotiated separately at a subsequent date, but are now also subject to the provisions of the second tier.

(2) The Miscellaneous plan mandated by PEPRA is commonly known as the "2.0% @ 62 Plan", however the maximum benefit that can be earned under the plan is 2.5% at age 67.

(3) Under the terms of PEPRA, employee cost sharing beyond preexisting levels cannot be imposed upon a bargaining unit until January 1, 2018. Accordingly, cost sharing beyond the previously negotiated levels of 8.0% for the Miscellaneous Plan and 9.0% for the Safety Plans will not occur until the expiration of existing MOUs and/or successful negotiations between the unions and the City that yield additional cost sharing beyond the current levels. PEPRA does not allow imposition of cost sharing beyond 8.0% for the Miscellaneous Plan, but does allow for cost sharing up to 12.0% for the Safety Plans or one half the normal cost, whichever is less. One half the normal cost is currently in excess of 12.0% for the Safety Plans.

(4) The Benefit Calculation refers to the number of years of salary included in the calculation of the amount to which the retirement benefit is applied. In the case of one year, the highest year of salary is utilized. In the case of three years, the highest consecutive three years is utilized.

The employer CalPERS contribution rates for fiscal year 2012-13 are 18.277% for miscellaneous employees and 25.091% for safety employees. For fiscal year 2013-14, the rates will be increasing to 18.314% for miscellaneous employees and 26.894% for safety employees. The City is required to contribute amounts necessary to fund the benefits for its members using the actuarial basis recommended by CalPERS.

The City made a total contribution of $50,486,000 for fiscal year 2011-12 and anticipates a total contribution of $51,137,777 for fiscal year 2012-13. Both of these contributions include employee contributions paid by the City for employees in pension tier 1, but do not take into account any savings for positions budgeted at tier 1 that will move to tier 2 during the fiscal year.

Five-year trend information for CalPERS funding is set forth in the following tables (in thousands of dollars):

MISCELLANEOUS PLAN

Fiscal Year Ending June 30	Plan	Actual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2008	Miscellaneous	$12,457	97.5%	$(58,334)
2009	Miscellaneous	14,735	94.7	(57,548)
2010	Miscellaneous	16,463	93.8	(56,529)
2011	Miscellaneous	16,888	92.4	(55,253)
2012	Miscellaneous	21,661	92.8	(53,694)

SAFETY PLAN

Fiscal Year Ending June 30	Plan	Actual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2008	Safety	$11,134	95.0%	$(87,043)
2009	Safety	12,543	91.0	(85,909)
2010	Safety	13,949	89.0	(84,369)
2011	Safety	14,956	86.7	(82,379)
2012	Safety	18,542	86.6	(79,890)

The City is amortizing its CalPERS unfunded actuarial accrued liability, as set forth in the following table, as a level percentage of projected payroll on a closed basis over 19 years. The following table, excerpted from the City's audited financial statements for fiscal year 2011-12, describes the schedule of funding for CalPERS:

Table 17
Schedule of Funding for CalPERS
($'s in Thousands)

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/08	$828,351	$779,481	$48,870	94.1	$110,870	44.1%
Safety	6/30/08	608,192	570,661	37,531	93.8	63,966	58.7
Misc.	6/30/09	921,349	810,929	110,420	88.0	110,318	100.1
Safety	6/30/09	660,742	595,018	65,724	90.1	63,924	102.8
Misc.	6/30/10	952,499	846,368	106,131	88.9	106,590	99.6
Safety	6/30/10	685,213	621,107	64,106	90.6	61,778	103.8

The following tables, excerpted from CalPERS' actuarial report, dated October 2012, for each of the Miscellaneous Plan and Safety Plan, show market value information for the City's plans' funded status:

MISCELLANEOUS PLAN

	June 30, 2010	June 30, 2011
Market Value of Assets (MVA)	$660,844,061	$786,080,314
Unfunded Liability (MVA)	291,655,536	212,135,945
Funded Status (MVA)	69.4%	**78.7%**

SAFETY PLAN

	June 30, 2010	June 30, 2011
Market Value of Assets (MVA)	$483,775,810	$575,005,790
Unfunded Liability (MVA)	201,437,433	156,068,214
Funded Status (MVA)	70.6%	**78.7%**

See " — Long Term Obligations" for a discussion of the issuance of pension obligation bonds by the City, the use of the bond proceeds and the reflection of the proceeds in the City's audited financial statements.

The City also contributes to defined benefit healthcare plans, pursuant to various collective bargaining agreements. See Note 15 of the audited financial statements attached as Appendix B for additional information.

Other Post-Employment Benefits. The City contributes to two single-employer defined benefit healthcare plans: a Stipend Plan and the Implied Subsidy Plan. The plans provide other post-employment health care benefits ("**OPEB**") for eligible retirees and beneficiaries. For a description of each employee association and applicable benefits – see "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012" – Notes to Basic Financial Statements – Other Post Employment Benefits.

The Stipend Plan is available to eligible retirees and beneficiaries pursuant to their collective bargaining agreements. The City has historically contributed to seven bargaining units through their associations. These seven associations are responsible for the administration of their individual plans. In concert with the implementation of the second pension tier described above, these contributions by the City have ceased for the SEIU, IBEW, and Fire bargaining units. They remain in place for Police bargaining units. As a result of the discontinuation of the stipend plan for the majority of the City's employees, this information is no longer reported in the Comprehensive Annual Financial Report as of fiscal year 2011-12 due to the lack of materiality of the remaining Stipend Plan OPEB costs. The contribution requirements of the City for the Stipend Plan are established and may be amended through the MOU between the City and the unions. The City's contribution is paid on a "pay-as-you-go-basis," which is currently less than the annual required contribution.

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

The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries. Therefore, though the liability is reported in the City's financial statements in compliance with GASB Statement 45, there is no actual related future cash outlay by the City required absent further action by the City Council.

The City's annual OPEB cost (expense) for the Implied Subsidy Plan is reported based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) ("**UAAL**") over a period not to exceed thirty years. The City's annual OPEB costs as reported in its most recent actuarial valuation as of June 30, 2011 were as follows (amounts in thousands).

Table 18
CITY OF RIVERSIDE [(1)]
RESULTS – IMPLIED SUBSIDY
Discount Rate and Amortization Sensitivity
(amounts in 000's)

Valuation Date	**6/30/07**	**6/30/09**	**6/30/11**
Discount Rate	4.5%	4.5%	4.5%
Amortization Period	30 Years	30 Years	30 Years
Present Value of Benefits	$75,665	$82,217	$82,091
Funded Status [(2)]			
AAL (Accrued Actuarial Liability)	50,430	54,869	56,060
Assets	---	---	---
UAAL	50,430	54,869	56,060
Annual Required Contribution			
Normal Cost	2,306	2,762	3,276
UAAL Amortization	2,080	2,529	2,545
ARC	4,386	5,291	5,821
ARC as % of payroll	3%	4%	4%

(1) Based on most recent actuarial valuation performed as of 6/30/11. Valuations are updated every two years.
(2) 30-year amortization.

The City's annual OPEB cost ("**AOC**"), the contribution, and the net OPEB obligation ("**NOO**") for the year ended June 30, 2012 is as follows (dollar amounts in thousands):

Table 19
CITY OF RIVERSIDE
RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation
(amounts in 000's)

Net OPEB Liability, Beginning of Year	$13,433
Annual Required Contribution	5,821
Interest OPEB Obligation	578
Amortization of Net OPEB Obligation	(610)
Contributions [1]	(1,426)
Net OPEB Liability, End of Year	$17,796

(1) Includes benefit payments..

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

Based on the most recent actuarial valuation performed on June 30, 2011, the actuarial accrued liability for Implied Subsidy Plan benefits was $56.0 million:

Three-year trend information for the Implied Subsidy Plan:

Fiscal Year June 30	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2010	$5,101	28%	$(9,853)
2011	5,314	33	(13,433)
2012	5,789	25	(17,796)

Employee Relations and Collective Bargaining

City employees are represented by nine labor union associations, the principal one being the Service Employees International Union, which represents approximately 41% of City full-time employees. Currently approximately 65% all City employees, including part-time employees, are covered by negotiated agreements. Eighty-one percent of full-time employees are covered by these agreements, which have the following expiration dates:

Table 20
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of July 2012)

Bargaining Unit	Contract Expiration Date	Number of Employees
Service Employees International Union - General	6/30/13	830
Riverside Police Officers Assoc.	12/1/14	286
Riverside Police Officers Association - Supervisory	12/1/14	48
Riverside Police Administrators Association	12/1/14	24
International Brotherhood of Electrical Workers	9/30/13	183
International Brotherhood of Electrical Workers - Supervisory	9/30/13	26
Riverside City Firefighters Assoc.	6/30/14	204
Riverside City Fire Management	6/30/14	10
Service Employees Int. Union -- Refuse	6/30/13	36

Source: City of Riverside.

Since 1979 the City has not had an employee work stoppage.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss of public liability claims and worker's compensation.

Property insurance coverage has a limit of $1 billion, with a $50,000 deductible. Earthquake and flood insurance currently have a $25 million limit, with a deductible of 5% for earthquake and $100,000 for flood. Workers' compensation insurance coverage has a limit of $25 million with a deductible of $3 million per occurrence. On July 1, 2011, the City carried commercial insurance in the amount of $20 million for general and auto liability claims greater than $3 million. There were no claims settled during fiscal years 2000 through 2012 above the self-insured amount.

The following tables summarize the working capital and cash balances in the Self-Insurance Fund for fiscal years 2006-07 through 2011-12. The decline in the cumulative balance in the self-insurance fund in recent years was the result of a gradual intentional reduction in cash on hand during the economic downturn. In fiscal year 2011-12 this trend was reversed in the City's budget with larger contributions designed to maintain the balance in the fund. Actual experience in 2011-12 reflects a small decline in the balance due to actual versus budgeted claims. In fiscal year 2012-13, the City began contributing $500,000 per year more than what is required to fund anticipated claims for the fiscal year in an effort to begin to increase the cash balance on hand to pre-recession levels over a reasonable period of time. Due to the long-term nature of the majority of the liabilities of these funds, there is no expectation that cash would ever need to equal the total booked liabilities of the funds.

Table 21
CITY OF RIVERSIDE
SELF-INSURANCE FUND
(in thousands)

Fund	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Self-Insurance Fund Balance (1)	($6,904)	($6,958)	($4,187)	($9,503)	($13,573)	($14,853)
Self-Insurance Fund Cash (2)	20,912	21,809	20,865	16,318	13,185	12,957

(1) Reflects the consolidated obligations of the Liability Workers Compensation, and Unemployment Liability trust funds, less current resources available to pay those obligations shown as "Self-Insurance Fund Cash" in the table.
(2) Reflects the consolidated cash balances for the liability, workers compensation, and unemployment insurance trust funds.
Source: City of Riverside.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds that are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted on February 21, 2012 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of January 31, 2013, had a market value of $401,566,849.56. The following table illustrates the investments as of January 31, 2013:

Table 22
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of January 31, 2013)

Type	Market Value	Cost Basis	% of Portfolio (1)
Certificates of Deposit	$12,348,708.42	$12,277,883.55	3.08%
Money Market Accounts	43,214,993.20	43,214,993.20	10.84%
Medium Term Corporate Notes	71,668,815.00	70,334,475.43	17.65%
U.S. Government Agency	175,095,473.94	173,425,186.90	43.52%
Cash	80,000.00	80,000.00	0.02%
Total	$401,566,849.56	$398,491,398.08	100.00%

(1) Calculated using cost basis.
Source: City of Riverside.

As of January 31, 2013, the average life of the City's investment portfolio was 1.52 years.

Personal Income

The following table is based on effective buying income, as reported in the annual publication "Survey of Buying Power," published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and non-tax payments. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance. The following items are not included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers' compensation programs; (2) imputed personal income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries; and (3) imputed rental income of owner-occupied nonfamily dwellings.

Between 2007 and 2011 the City's median household effective buying power decreased approximately 1.9%, while at the same time, the County's decreased approximately 2.6%, the State's decreased approximately 2.4% and there was a decrease of approximately 1.3% for the United States. The table below summarizes the total effective buying income and the median household effective buying income for the City, the County, the State and the United States from 2007 through 2011.

Table 23

PERSONAL INCOME
For Calendar Years 2007 Through 2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of Riverside	$ 5,065,658	$43,161
	Riverside County	38,631,365	45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Riverside	$ 5,318,760	$45,059
	Riverside County	40,935,408	46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Riverside	$ 5,352,323	$44,974
	Riverside County	41,337,770	47,080
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Riverside	$ 4,967,723	$42,509
	Riverside County	38,492,225	44,253
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Riverside	$ 4,950,100	$42,351
	Riverside County	39,981,683	44,116
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

Source: The Nielsen Company (US), Inc.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 65 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at

Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Employment

The City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 10.9% in December 2012, down from a revised 11.3% in November 2012, and below the year-ago estimate of 12.2%. This compares with an unadjusted unemployment rate of 9.7% for California and 7.6% for the nation during the same period. The unemployment rate was 11.1% in Riverside County, and 10.8% in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

Table 24

**RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)**

	2008	2009	2010	2011	2012
Civilian Labor Force (1)	1,776,000	1,774,800	1,798,200	1,799,000	1,804,800
Employment	1,629,500	1,541,300	1,540,500	1,557,800	1,587,600
Unemployment	146,500	233,500	257,700	241,200	217,200
Unemployment Rate	8.3%	13.2%	14.3%	13.4%	12.0%
Wage and Salary Employment: (2)					
Agriculture	15,900	14,900	15,000	14,900	15,000
Mining and Logging	1,200	1,100	1,000	1,000	1,100
Construction	90,700	67,900	59,700	58,700	58,400
Manufacturing	106,900	88,800	85,100	85,800	86,900
Wholesale Trade	54,100	48,900	48,600	49,400	52,800
Retail Trade	168,600	156,200	155,500	157,200	156,500
Transportation, Warehousing and Utilities	70,200	66,800	66,600	68,500	70,300
Information	14,900	15,100	15,800	15,000	14,900
Finance and Insurance	27,400	26,000	25,500	25,000	25,000
Real Estate and Rental and Leasing	18,700	16,600	15,500	14,200	13,800
Professional and Business Services	137,700	124,300	123,400	126,100	135,600
Educational and Health Services	131,800	133,600	133,800	137,900	141,100
Leisure and Hospitality	131,000	123,800	122,800	124,300	127,100
Other Services	40,800	37,300	38,200	39,300	38,800
Federal Government	19,600	20,600	22,700	21,200	20,500
State Government	29,600	29,800	29,300	29,100	28,400
Local Government	180,700	178,100	182,300	177,000	174,700
Total All Industries	1,239,700	1,149,700	1,140,900	1,144,600	1,160,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

The table below shows the 10 largest employers in the City.

Table 25
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of June 30, 2012)

Employer	Number of Employees	% of Total City-wide Employment
County of Riverside	11,187	7.8%
Riverside Unified School District	5,580	3.9
University of California	5,554	3.9
Kaiser	4,500	3.1
City of Riverside	2,693	1.9
Riverside Community College District	2,087	1.4
Riverside Community Hospital	1,880	1.3
Alvord Unified School District	1,654	1.1
Riverside County Office of Education	1,627	1.1
Parkview Community Hospital	1,350	0.9
Total	38,112	26.5%

Source: City of Riverside (as presented in the City's 2012 Comprehensive Annual Financial Report).

The 25 largest employers in the County are shown below.

Table 26
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of February 2013)

Employer Name	Location	Industry
Abbott Vascular Inc	Temecula	Physicians & Surgeons Equip & Supls-Whls
Agua Caliente Casino Resort	Rancho Mirage	Hotels & Motels
Corrections Dept	Norco	State Govt-Correctional Institutions
Desert Regional Med	Palm Springs	Hospitals
Eisenhower Medical Ctr MD	Rancho Mirage	Orthopedic Surgeons
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
HUB INTERNATIONAL INS SVC-CA	Riverside	Insurance
Inland Valley Medical Ctr	Wildomar	Hospitals
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resort & Club	La Quinta	Hotels & Motels
Morongo Casino Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Ent	Banning	Business Management Consultants
Pechanga Casino	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside County Public Health	Riverside	County Government-Public Health Programs
Riverside County Regional Med	Moreno Valley	Hospitals
Spa Casino	Palm Springs	Casinos
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five years for which information is available.

Table 27
CITY OF RIVERSIDE BUILDING PERMIT ACTIVITY
For Calendar Years 2007 Through 2011
(Valuation in Thousands of Dollars)

	2007	2008	2009	2010	2011
Permit Valuation					
New Single-family	$88,770.6	$23,168.9	$15,420.4	$27,882.4	$ 8,311
New Multi-family	59,369.5	24,410.6	1,711.3	23,278.4	26,764
Res. Alterations/Additions	18,372.3	16,864.6	6,812.3	7,603.4	8,298
Total Residential	166,512.4	64,444.1	23,944.0	58,764.2	$43,372
New Commercial	117,693.6	55,156.5	16,667.4	42,753.6	30,852
New Industrial	45,943.6	13,778.9	0.0	0.0	100
New Other	27,857.2	11,023.8	7,370.9	9,051.8	5,703
Com. Alterations/Additions	67,889.5	59,695.9	21,845.0	35,463.3	56,555
Total Nonresidential	$259,383.9	$139,655.2	$45,883.3	$87,268.7	$93,210
New Dwelling Units					
Single Family	342	69	56	107	43
Multiple Family	599	216	23	266	236
TOTAL	941	285	79	373	279

Source: Construction Industry Research Board, Building Permit Summary

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate $4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

CITY OF RIVERSIDE

City of Arts & Innovation

Comprehensive Annual Financial Report

Year Ended June 30, 2012

SEIZING OUR DESTINY • The Agenda for Riverside's Innovative Future

CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the Finance Department
Brent A. Mason, Finance Director/Treasurer

3900 Main Street, Riverside, California 92522 (951) 826-5660

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CITY OF
RIVERSIDE

CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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FINANCIAL SECTION (CONT.)

STATISTICAL SECTION

October 24, 2012

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Moss Adams LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A

can be found immediately following the report of the independent auditors.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 69.

Local economy: The City is located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.2 million is larger than 24 states. The City leads the Inland Empire in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 308,511, which places it as the sixth largest in Southern California.

Until recently the MSA has experienced a very strong economic environment. However, unemployment is currently at 12.3%. The budget for the City for fiscal year 2012/2013 projects a 4.5% increase in expenditures, but is balanced. The increase in expenditures is largely related to capital outlay.

The MSA is projected to grow rapidly in future years because land values remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Goals and Vision: Seizing Our Destiny is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2012/13 - 2016/17 total approximately $774 million. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; General Fund certificates of participation; Redevelopment Agency tax allocation bonds; and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to parks in the City; railroad grade separations; library, museum, convention center and Municipal Auditorium improvements/expansions/rehabilitations; and, public safety projects.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division, particularly the leadership of Jason Al-Imam, Controller. We would like to express our appreciation to all members of the Division who assisted and contributed to its preparation. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Scott C. Barber
City Manager

Brent A. Mason
Finance Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Riverside California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

Linda C. Davidson

President

Jeffrey R. Emer

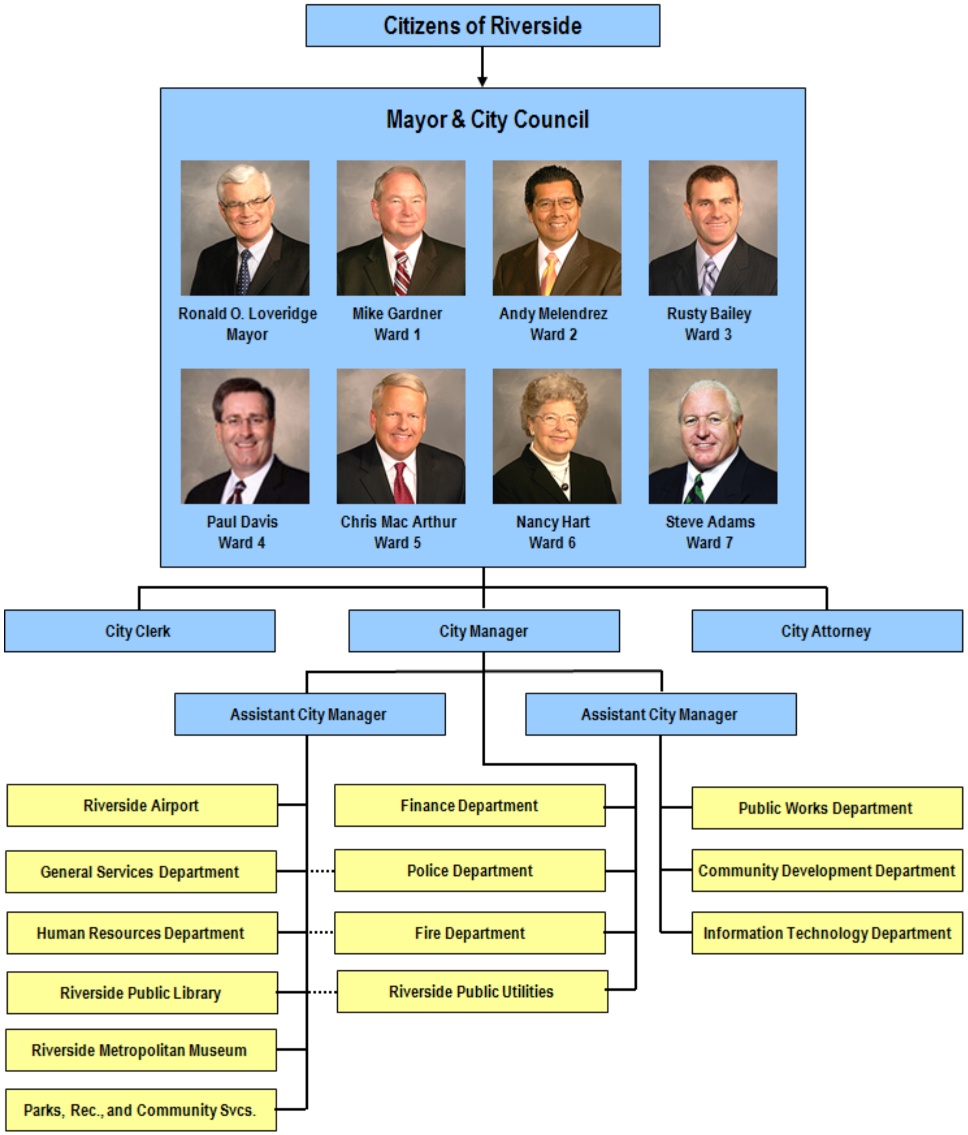
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

Ronald O. Loveridge	Mayor
Mike Gardner	Councilmember – Ward 1
Andy Melendrez	Councilmember – Ward 2
Rusty Bailey	Councilmember – Ward 3
Paul Davis	Councilmember – Ward 4
Chris Mac Arthur	Councilmember – Ward 5
Nancy Hart	Councilmember – Ward 6
Steve Adams	Councilmember – Ward 7

CITY OFFICIALS

Scott C. Barber	City Manager*
Belinda Graham	Assistant City Manager
Deanna Lorson	Assistant City Manager

Mark S. Ripley	Airport Director
Colleen J. Nicol	City Clerk*
Gregory P. Priamos	City Attorney*
Sergio G. Diaz	Chief of Police
Steve Reneker	Chief Information Officer
Al Zelinka	Community Development Director
Emilio Ramirez	Development Director
Brent A. Mason	Finance Director/Treasurer
Steve Earley	Fire Chief
Kris Martinez	General Services Director
Rhonda Strout	Human Resources Director
Tonya Kennon	Library Director
Ennette Morton	Museum Director
Ralph Nuñez	Parks and Recreation Director
David Wright	General Manager - Public Utilities
Tom Boyd	Public Works Director/City Engineer

*Appointed by City Council

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, recent legislation in the State of California called for the dissolution of California redevelopment agencies. The accompanying financial statements reflect certain changes to account for the dissolution, including extraordinary gains and losses impacting governmental activities, the Redevelopment Debt Service and Capital Projects major funds, other governmental funds and the new Successor Agency to the Redevelopment Agency of the City of Riverside, a Private-Purpose Trust fiduciary fund.

MOSS ADAMS LLP

In accordance with *Government Auditing Standards,* we have also issued our report dated October 24, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and other schedules, listed in the table of contents on pages 65 through 85, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, and other schedules, on pages 65 through 85 are fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion or provide any assurance on it.

Moss Adams LLP

Los Angeles, California
October 24, 2012

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, compromised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the activities of the City and four blended component units, which consist of the Riverside Redevelopment Agency (which dissolved on January 31, 2012), Riverside Housing Authority, Riverside Public Financing

Authority and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 21-22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 65-72 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 73-82 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 33-34 of this report, and the combining statement for the agency fund can be found on page 83.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 35 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 417,734	$ 620,030	$ 901,982	$ 930,414	$ 1,319,716	$ 1,550,444
Capital assets, net	1,271,805	1,214,316	1,413,797	1,338,272	2,685,602	2,552,588
Total assets	1,689,539	1,834,346	2,315,779	2,268,686	4,005,318	4,103,032
Current liabilities	85,513	91,317	176,488	137,667	262,001	228,984
Long-term liabilities	414,859	732,476	1,132,387	1,163,610	1,547,246	1,896,086
Total liabilities	500,372	823,793	1,308,875	1,301,277	1,809,247	2,125,070
Net asset:						
Invested in capital assets, net of related debt	1,066,855	1,019,892	666,919	654,974	1,733,774	1,674,866
Restricted	93,818	80,820	54,923	56,397	148,741	137,217
Unrestricted	28,494	(90,159)	285,062	256,038	313,556	165,879
Total net assets	$ 1,189,167	$ 1,010,553	$ 1,006,904	$ 967,409	$ 2,196,071	$ 1,977,962

The City's assets exceeded liabilities by $2,196,071 at June 30, 2012, an increase of $218,109 from June 30, 2011.

By far the largest portion of the City's net assets (79 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, $285,062 is held by the business type activities and $28,494 is held by the governmental activities. Unrestricted net assets for governmental activities increased in total in comparison to the prior year, which is primarily attributable to the dissolution of the Riverside Redevelopment Agency.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity, which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was also reported in the private-purpose trust fund as an extraordinary loss. Because of the different measurement focus of the governmental funds and the measurement focus of the trust funds, the extraordinary loss recognized in the governmental funds was not the same as the extraordinary loss recognized in the fiduciary fund financial statements.

The City's total net assets increased by $218,109 during the current fiscal year, which reflects growth in governmental activities ($178,614) and growth in business type activities ($39,495) activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 12.

On the following page is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2012 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental Activities		Business type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charge for services	$ 43,653	$ 42,481	$ 462,249	$ 434,581	$ 505,902	$ 477,062
Operating Grants and Contributions	31,581	21,127	2,738	2,159	34,319	23,286
Capital Grants and Contributions	54,476	38,138	21,164	7,337	75,640	45,475
General Revenues:						
Sales taxes	47,701	44,157	-	-	47,701	44,157
Property taxes	74,179	100,802	-	-	74,179	100,802
Other taxes and fees	35,549	35,644	-	-	35,549	35,644
Investment income	4,440	7,439	11,405	17,548	15,845	24,987
Other	9,273	9,544	3,110	4,808	12,383	14,352
Total Revenues	300,852	299,332	500,666	466,433	801,518	765,765
Expenses:						
General government	48,731	72,606	-	-	48,731	72,606
Public safety	148,605	139,364	-	-	148,605	139,364
Highways and streets	35,342	32,131	-	-	35,342	32,131
Culture and recreation	54,594	50,017	-	-	54,594	50,017
Interest on long-term debt	25,262	33,638	-	-	25,262	33,638
Electric	-	-	288,799	275,922	288,799	275,922
Water	-	-	56,715	56,390	56,715	56,390
Sewer	-	-	43,702	42,276	43,702	42,276
Refuse	-	-	19,979	20,046	19,979	20,046
Airport	-	-	2,646	2,320	2,646	2,320
Transportation	-	-	3,667	3,493	3,667	3,493
Public parking	-	-	4,984	4,401	4,984	4,401
Total expenses	312,534	327,756	420,492	404,848	733,026	732,604
Increase (decrease) in net assets before transfers and extraordinary items	(11,682)	(28,424)	80,174	61,585	68,492	33,161
Transfers, net	40,679	34,378	(40,679)	(34,378)	-	-
Extraordinary items:						
Transfer of assets and liabilities to Succesor Agency	98,022	-	-	-	98,022	-
Transfer of assets from Successor Agency	56,522	-	-	-	56,522	-
Assumption of obligation	(4,927)	-	-	-	(4,927)	-
Total changes in net assets	178,614	5,954	39,495	27,207	218,109	33,161
Net assets - beginning	1,010,553	1,004,599	967,409	940,202	1,977,962	1,944,801
Net assets - ending	$ 1,189,167	$ 1,010,553	$ 1,006,904	$ 967,409	$ 2,196,071	$ 1,977,962

Governmental activities. Net assets for governmental activities increased by $178,614, accounting for an 18 percent increase in total net assets. Governmental net assets in the prior fiscal year increased by $5,954. Key elements of this year's activity in relation to the prior year are as follows:

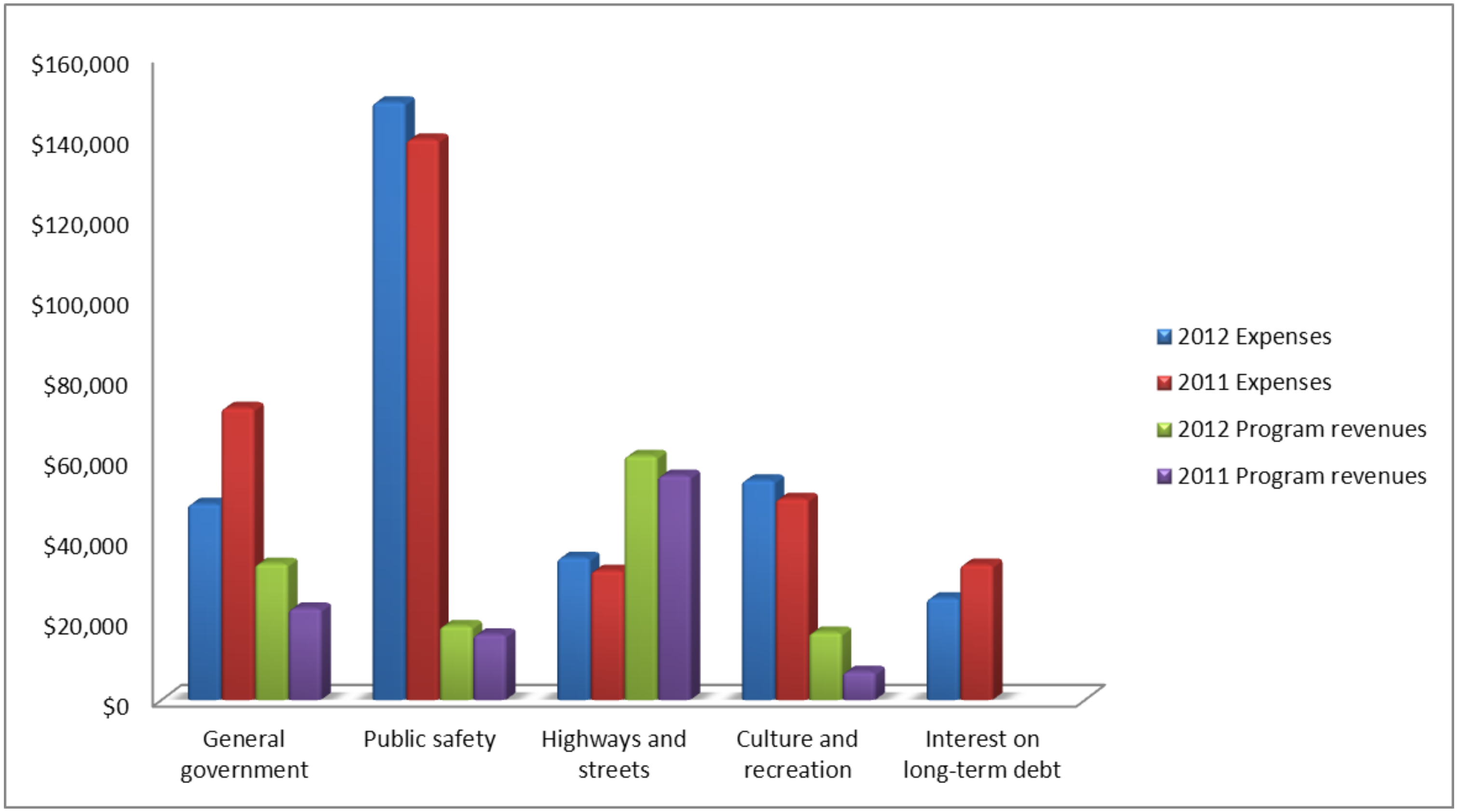
Revenues:

- While variances between years exist for the various revenue categories, the total net increase was approximately $1.5 million, which is largely attributable to an increase in sales tax revenue. Sales tax revenue increased by $3.5 million (8%) due to an increase in taxable sales. Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts.

Expenses:

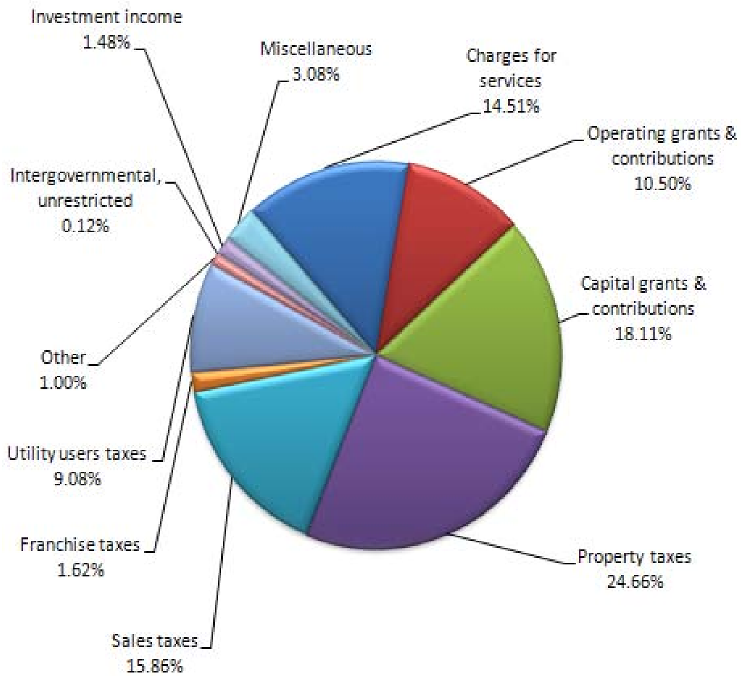
- While variances between years exist for the various expense functions, the total net decrease was approximately $15.2 million. The more significant items are as follows:
  - In fiscal year 2010-11, payments from the redevelopment agency were made to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in the amount of $3.5 million as required by State Legislation. However, no such payment was made in the current fiscal year.
  - Decreased costs associated with interest expense of $8.4 million, which primarily related to the dissolution of the Redevelopment Agency. The last five months of the fiscal year of the Redevelopment Agency was reported in the fiduciary trust fund of the Successor Agency, which reported interest expense of $6.1 million. Additionally, the total amount of principal outstanding on debt decreased by approximately 8 percent (primarily related to the refunding of the 2011 Redevelopment Agency Tax Allocation Bonds) and therefore, the related interest paid decreased accordingly.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2012 vs. 2011

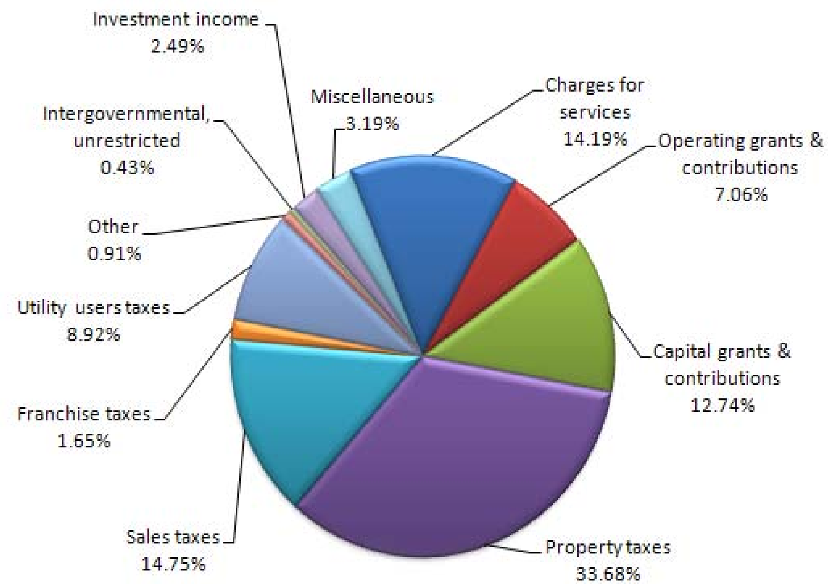


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2012



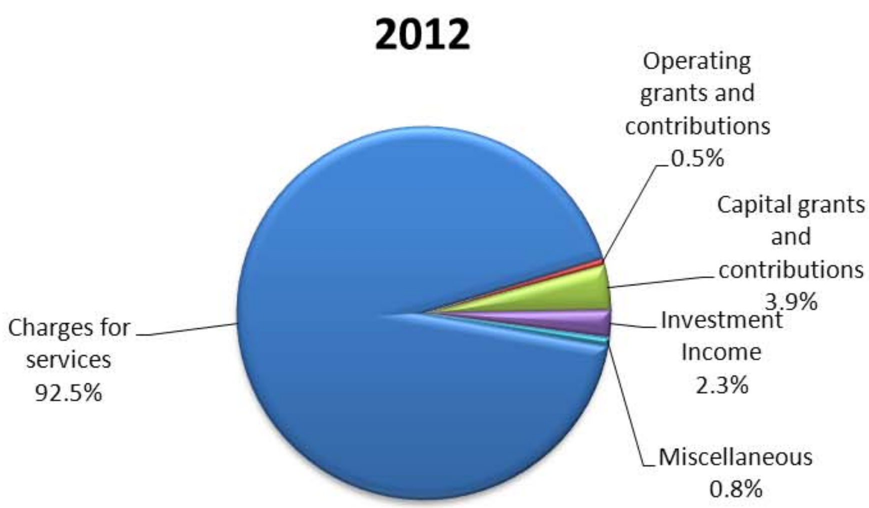
2011

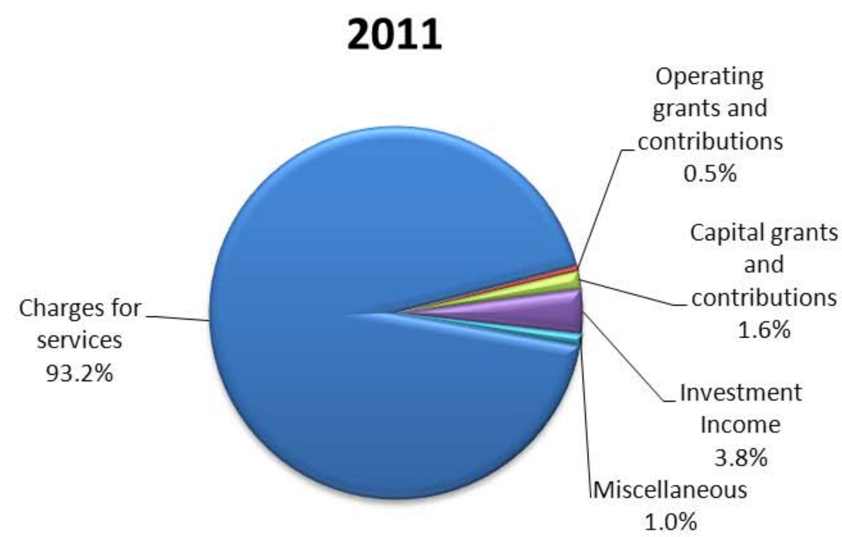


Business-type activities. Business type activities increased the City's net assets by $39,495, accounting for a 4.1 percent increase in total net assets. The net assets of business type activities increased by $27,207 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- In 2012, charges for services increased $27,668 to $462,249. The increase primarily related to increases in Electric, Sewer and Water revenues, which is explained in further detail as follows:
  - Electric charges for services increased by $19,326 (6%). The increase was due to expanded customer base, a 4.6% increase in retail consumption and higher transmission revenues authorized by the Federal Energy Regulatory Commission.
  - Sewer charges for services increased by $4,978 (15%). New rates and charges went into effect on July 1, 2011 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 15%, which is the primary reason for the increase in Sewer charges for services.
  - Water charges for services increased by $3,122 (5%). The increase was primarily due to a full year rate increase to support the Water Utility's Master, Water Supply and Asset Management Plans as well as a 4.4% increase in retail consumption.
- Expenses increased $14,459 primarily due to a $13 million increase in Electric Utility operating expenses, which primarily related to an increase in interest expense, transmission costs and distribution expenses.

Revenues by Source – Business Type Activities – Fiscal Year Comparison





Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Redevelopment Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As previously mentioned, with the dissolution of the Redevelopment Agency all assets and liabilities of the Redevelopment Agency were transferred to the Successor Agency. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		Capital Outlay	
	2012	2011	2012	2011	2012	2011
Total assets	$ 123,992	$ 212,468	$ -	$ 46,531	$ 45,302	$ 48,975
Total liabilities	$ 49,742	$ 51,625	$ -	$ 23,425	$ 26,948	$ 35,468
Fund balances						
Nonspendable	25,720	26,646	-		-	-
Restricted	2,803	82,249	-	23,106	18,354	13,507
Assigned	6,380	15,589	-		-	-
Unassigned	39,347	36,359	-	-	-	-
Total	74,250	160,843	-	23,106	18,354	13,507
Total liabilities and fund balances	$ 123,992	$ 212,468	$ -	$ 46,531	$ 45,302	$ 48,975

	Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2012	2011	2012	2011	2012	2011
Total assets		$ 126,943	$ 121,028	$ 130,744	$ 290,322	$ 565,661
Total liabilities		$ 75,049	$ 49,376	$ 32,996	$ 126,066	$ 218,563
Fund balances						
Nonspendable		1	1,539	1,625	27,259	28,272
Restricted		51,893	70,113	96,123	91,270	266,878
Assigned	-	-	-	-	6,380	15,589
Unassigned	-	-	-	-	39,347	36,359
Total	-	51,894	71,652	97,748	164,256	347,098
Total liabilities and fund balances	$ -	$ 126,943	$ 121,028	$ 130,744	$ 290,322	$ 565,661

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $164,256, a decrease of $182,842 in comparison with the prior year. This was primarily due to the dissolution of the Redevelopment Agency. Additionally, 17% of the fund balance ($27,259) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. Approximately 56% ($91,270) of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. $6,380 (4%) of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, $33,000 has been set aside for future economic contingencies, leaving $6,347; at June 30, 2011 the comparable amount was $4,359.

The City's governmental funds reported combined total assets of $290,322 at June 30, 2012, a decrease of $275,339 in comparison with the prior year which was offset by a decrease of $92,497 in total liabilities. The dissolution of the Redevelopment Agency was the primary reason for the overall decrease in related fund balances.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled $74,250 in comparison to $160,843 in the prior year. The portion of fund balance classified as unassigned was $39,347, most of which was set aside for future economic contingencies. Fund balance decreased during the current year by $86,593 in comparison to an increase of $81,653 in the prior year. The primary reason for this is due to the return of $76,334 of properties to the Redevelopment Agency Capital Projects Fund, which had been previously transferred to the General Fund in fiscal year 2010/11.

Fund balance for the Capital Outlay Fund increased by $4,847. The primary reason for the increase is due to the issuance of debt to finance the Ryan Bonaminio Park improvements at the Tequesquite Arroyo.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to $219,198, $61,859, and $3,343 respectively. The total change in net assets for these funds was an increase of $20,141, $9,678 and $597, respectively as a result of routine operations.

The Electric Fund reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of an expanded customer base and a 4.6% increase in retail consumption which was partially offset by a reduction in investment income. Retail sales (residential, commercial, industrial, and other sales) represent 82.2% of total revenues. Retail sales, net of reserve/recovery were $288,616 and $278,406 for years ended June 30, 2012 and 2011, respectively. Total expenses, excluding transfers, increased $13 million (4.7%), which primarily related to an increase in transmission costs and interest expense.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 80% of total revenues. Retail sales, net of reserve/recovery were $59,620 and $55,186 for years ended June 30, 2012 and 2011, respectively. The increase in sales was primarily due to a full year rate increase of 10% as part of the Water Utility's Master, Water Supply and Asset Management Plans and a 4.4% increase in retail consumption.

Net assets of the Sewer Fund increased by $70 and decreased by $5,418 for years ended June 30, 2012 and 2011, respectively. Total revenues increased by $4,978 (15%) primarily as a result of a rate increase. However, total expenses increased by $1,093 (3%) primarily as a result of an increase in routine operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	$171,238	$188,090	$175,549	($12,541)
Expenditures:				
General Government	3,061	10,179	11,717	(1,538)
Public Safety	148,306	163,454	147,086	16,368
Highways & Streets	18,176	20,441	16,651	3,790
Culture & Recreation	27,405	32,069	28,814	3,255
Capital Outlay	153.00	2,202	1,140	1,062
Debt Service	14,138	45,082	44,804	278
Total Expenditures	211,239	273,427	250,212	23,215
Deficiency of Revenue Under Expenditures	(40,001)	(85,337)	(74,663)	10,674
Other Financing Sources	40,001	(12,477)	(11,930)	547
Net Change in Fund Balances	-	(97,814)	(86,593)	11,221
Beginning Fund Balance	160,843	160,843	160,843	-
Ending Fund Balance	$160,843	$63,029	$74,250	$11,221

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

- Approximately $9.5 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- Approximately $2.9 million of miscellaneous revenue was budgeted but not actually received during the year. This was primarily due to lower than expected one-time revenues.
- Actual tax revenue was more than the amounts budgeted for sales taxes ($4.2 million), property taxes ($1 million), and utility user taxes ($800 thousand) due to higher than anticipated taxable sales, assessed property values, and utility revenues.
- Actual expenditures were less than budgeted amounts by approximately $23 million. This is primarily associated with a decrease in grant related expenditures and capital projects not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2012 amounted to $2,685,556 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was $133,014 ($57,489 for governmental activities including internal service funds and $75,525 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements ($27 million); Sewer system improvements ($8 million); Electric Utility upgrades ($40 million) and Water Utility upgrades ($40 million).

Construction in progress totaled $153,609 at June 30, 2012. Some of the major projects in process are various Sewer system improvements including phase 1 of the Water Quality Control Plant and Santa Ana River Trunk Replacement, and the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Riverside Public Utility's Sub-Transmission System. Depreciation expense during the fiscal year was $39,594 for governmental activities and $49,082 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$322,060	$290,692	$34,924	$34,905	$356,984	$325,597
Nuclear fuel	-	-	8,832	4,878	8,832	4,878
Intangibles	-	-	16,627	16,128	16,627	16,128
Buildings	123,128	123,319	143,678	144,579	266,806	267,898
Improvements other than Buildings	170,236	154,601	1,056,566	1,005,897	1,226,802	1,160,498
Machinery and equipment	20,064	19,754	26,227	29,114	46,291	48,868
Infrastructure	609,651	602,388	-	-	609,651	602,388
Construction in progress	26,666	23,562	126,943	102,771	153,609	126,333
Total	$1,271,805	$1,214,316	$1,413,797	$1,338,272	$2,685,602	$2,552,588

Additional information on the City's capital assets can be found in note 5 on page 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $1,547,245 which includes bonded debt of $1,388,028.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	$0	$305,195	$1,041,739	$1,071,554	$1,041,739	$1,376,749
General Obligation Bonds	16,107	16,845	-	-	16,107	16,845
Pension Obligation Bonds	127,480	132,095	-	-	127,480	132,095
Certificates of Participation	202,703	207,246	-	-	202,703	207,246
Notes Payable	-	7,749	29,680	31,178	29,680	38,927
Loans Payable	4,000	1,100	44,141	45,569	48,141	46,669
Capital Leases	5,220	6,670	1,332	1,720	6,552	8,390
Landfill Capping	-	-	6,695	6,915	6,695	6,915
Arbitrage Liability	-	-	190	102	190	102
Compensated Absences	21,674	21,153	-	-	21,674	21,153
Claims liability	27,542	26,615	-	-	27,542	26,615
Net OPEB Obligation	10,133	7,808	7,663	5,625	17,796	13,433
Water Acquisition Rights	-	-	947	947	947	947
Total	$414,859	$732,476	$1,132,387	$1,163,610	$1,547,246	$1,896,086

The City's total debt decreased by $348,841 (18.4 percent) during the current fiscal year primarily due to the transfer of Redevelopment Agency Revenue Bonds to the Successor Agency Trust fund. The remaining decrease relates to payment of obligations related to Electric and Water Revenue Bonds.

The City's Water Utility maintains "AA+" and "AA" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA-" and "AA", respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was $612,856 at June 30, 2012, which applies only to general obligation debt. At June 30, 2012, the City had $16,107 of general obligation debt, resulting in available legal debt capacity of $596,749.

Additional information on the City's long-term debt can be found in note 6 beginning on page 46 of this report.

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 13.7% as compared to 14.8% for the prior year.
- The required employer contribution rates for the City's retirement program will remain relatively flat next fiscal year, with the rates (as a percentage of payroll) changing effective July 1, 2012 as follows:
    - Miscellaneous Plan –18.438% to 18.277%. Employees are also required to contribute 8% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.
    - Safety Plan – 25.303% to 25.091%. Employees are also required to contribute 9% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.

At the time of budget preparation for fiscal year 2013, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2013 of approximately $220 million was adopted as balanced. It represents an increase from the prior year of approximately 4%, principally as a result of the absorption of costs previously funded by the Redevelopment Agency.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.

CITY OF
RIVERSIDE

City of Riverside
Statement of Net Assets
June 30, 2012
(amounts expressed in thousands)

Assets	Governmental Activities	Business-type Activities	Total
Cash and investments	$ 76,341	$ 274,546	$ 350,887
Receivables, net	107,482	60,100	167,582
Inventory	6,787	1,992	8,779
Nuclear material inventory	-	1,334	1,334
Prepaid items	320	16,532	16,852
Deposits	176	851	1,027
Deferred charges - other	113,414	40,161	153,575
Deferred charges - derivative instruments	24,326	37,760	62,086
Internal balances	12,908	(12,908)	-
Land and improvements held for resale	5,253	-	5,253
Restricted assets:			
Cash and cash equivalents	-	41,142	41,142
Cash and investments at fiscal agent	25,431	429,710	455,141
Other	-	954	954
Advances to Successor Agency	45,296	9,808	55,104
Nuclear fuel, at amortized cost	-	8,832	8,832
Land and other capital assets not being depreciated	348,726	192,636	541,362
Capital assets (net of accumulated depreciation)	923,079	1,212,329	2,135,408
Total assets	1,689,539	2,315,779	4,005,318
Liabilities			
Accounts payable and other current liabilities	22,988	34,358	57,346
Accrued interest payable	3,574	12,478	16,052
Deferred revenue	4,153	2,049	6,202
Deposits	24,826	3,873	28,699
Current liabilities payable from restricted assets	-	1,130	1,130
Derivative instruments	29,972	50,891	80,863
Decommissioning liability	-	71,709	71,709
Noncurrent liabilities:			
Due within one year	59,613	33,288	92,901
Due in more than one year	355,246	1,099,099	1,454,345
Total liabilities	500,372	1,308,875	1,809,247
Net Assets			
Invested in capital assets, net of related debt	1,066,855	666,919	1,733,774
Restricted for:			
Expendable:			
Capital projects	19,784	-	19,784
Debt service	-	45,714	45,714
Economic development	13,934	-	13,934
Landfill capping	-	2,295	2,295
Public works	12,692	-	12,692
Housing	45,869	-	45,869
Programs	-	6,914	6,914
Nonexpendable	1,539	-	1,539
Unrestricted	28,494	285,062	313,556
Total net assets	$ 1,189,167	$ 1,006,904	$ 2,196,071

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

			Program Revenues			**Net (Expense) Revenue and Changes in Net Assets**		
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business type Activities**	**Total**
Governmental activities:								
General government	$ 48,731	$ (11,782)	$ 14,662	$ 11,695	$ 7,530	$ (3,062)		$ (3,062)
Public safety	148,605	6,270	7,837	8,213	2,335	(136,490)		(136,490)
Highways and streets	35,342	3,008	16,532	859	43,279	22,320		22,320
Culture and recreation	54,594	2,504	4,622	10,814	1,332	(40,330)		(40,330)
Interest on long-term debt	25,262	-	-	-	-	(25,262)		(25,262)
Total governmental activities	312,534	-	43,653	31,581	54,476	(182,824)		(182,824)
Business type activities:								
Electric	288,799		333,029	-	9,744		$ 53,974	53,974
Water	56,715		65,206	-	7,627		16,118	16,118
Sewer	43,702		37,747	-	2,280		(3,675)	(3,675)
Refuse	19,979		19,588	-	-		(391)	(391)
Airport	2,646		1,524	-	174		(948)	(948)
Transportation	3,667		352	2,738	1,339		762	762
Public parking	4,984		4,803	-	-		(181)	(181)
Total business type activities	420,492		462,249	2,738	21,164		65,659	65,659
Total	$ 733,026		$ 505,902	$ 34,319	$ 75,640	(182,824)	65,659	(117,165)
General revenues:								
Taxes:								
Sales						47,701	-	47,701
Property						74,179	-	74,179
Utility users						27,320	-	27,320
Franchise						4,883	-	4,883
Other						2,995	-	2,995
Intergovernmental, unrestricted						351	-	351
Investment income						4,440	11,405	15,845
Miscellaneous						9,273	3,110	12,383
Subtotal						171,142	14,515	185,657
Transfers, net						40,679	(40,679)	-
Total general revenues and transfers						211,821	(26,164)	185,657
Extraordinary items:								
Transfer of assets and liabilities to Successor Agency						98,022	-	98,022
Transfer of assets from Successor Agency						56,522	-	56,522
Assumption of obligation						(4,927)	-	(4,927)
Change in net assets						178,614	39,495	218,109
Net assets - beginning						1,010,553	967,409	1,977,962
Net assets - ending						$ 1,189,167	$ 1,006,904	$ 2,196,071

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2012
(amounts expressed in thousands)

Assets	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	$ 47,677	$ -	$ -	$ -	$ 23,470	$ 71,147
Cash and investments at fiscal agent	1,405	-	7,493	-	16,533	25,431
Receivables (net of allowance for uncollectibles)						
Interest	214	-	73	-	88	375
Property taxes	6,851	-	-	-	-	6,851
Sales tax	11,140	-	-	-	-	11,140
Utility billed	1,171	-	-	-	-	1,171
Accounts	10,034	-	823	-	373	11,230
Intergovernmental	3,375	-	36,737	-	4,901	45,013
Notes	1	-	-	-	31,386	31,387
Prepaid items	320	-	-	-	-	320
Deposits	-	-	176	-	-	176
Due from other funds	16,287	-	-	-	-	16,287
Advances to other funds	24,706	-	-	-	-	24,706
Advances to Successor Agency	693	-	-	-	39,142	39,835
Land & improvements held for resale	118	-	-	-	5,135	5,253
Total assets:	$ 123,992	$ -	$ 45,302	$ -	$ 121,028	$ 290,322
Liabilities and fund balances						
Liabilities:						
Accounts payable	$ 5,454	$ -	$ 2,203	$ -	$ 935	$ 8,592
Accrued payroll	11,036	-	-	-	27	11,063
Retainage payable	799	-	24	-	1,487	2,310
Intergovernmental	182	-	-	-	-	182
Deferred revenue	7,118	-	10,218	-	32,902	50,238
Deposits	24,804	-	-	-	22	24,826
Due to other funds	-	-	14,503	-	1,436	15,939
Advances from other funds	349	-	-	-	12,567	12,916
Total liabilities:	49,742	-	26,948	-	49,376	126,066
Fund balances:						
Nonspendable:						
Inventories, prepaids and noncurrent receivables	321	-	-	-	-	321
Advances	25,399	-	-	-	-	25,399
Permanent fund principal	-	-	-	-	1,539	1,539
Restricted for:						
Housing and redevelopment	118	-	-	-	26,911	27,029
Debt service	1,992	-	-	-	29,080	31,072
Transportation and public works	-	-	18,354	-	12,721	31,075
Other purposes	693	-	-	-	1,401	2,094
Assigned to:						
General government	3,129	-	-	-	-	3,129
Public safety	628	-	-	-	-	628
Highways and streets	508	-	-	-	-	508
Culture and recreation	877	-	-	-	-	877
Continuing projects	1,238	-	-	-	-	1,238
Unassigned	39,347	-	-	-	-	39,347
Total fund balances	74,250	-	18,354	-	71,652	164,256
Total liabilities and fund balances	$ 123,992	$ -	$ 45,302	$ -	$ 121,028	$ 290,322

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

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012
(amounts expressed in thousands)

Total fund balances - governmental funds		$164,256
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.		1,268,494
Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.		3,212
Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalization and amortization in the Statement of Net Assets.		108,706
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		46,085
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(3,574)
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (143,395)	
Certificates of participation payable	(202,020)	
Capital leases payable	(5,220)	
Loan payable	(4,000)	
Bond premiums	(875)	
Net OPEB obligation	(9,667)	
Compensated absences	(21,181)	
		(386,358)
The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Assets.		
Fair value of interest rate swap	$ (29,972)	
Deferred amount related to the hedgeable portion of the derivative instrument	24,326	
		(5,646)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		(6,008)
Net assets of governmental activities		$1,189,167

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 129,303	$ 27,258	$ -	$ -	$ 32	$ 156,593
Licenses and permits	7,119	-	-	-	2,173	9,292
Intergovernmental	9,168	-	31,774	170	25,506	66,618
Charges for services	11,770	-	-	-	4	11,774
Fines and forfeitures	6,293	-	-	-	-	6,293
Special assessments	4,509	-	352	-	1,415	6,276
Rental and investment income	2,662	1,659	446	1,333	1,995	8,095
Miscellaneous	4,725	-	1,462	276	4,148	10,611
Total revenues	175,549	28,917	34,034	1,779	35,273	275,552
Expenditures						
Current:						
General government	11,717	837	-	4,090	2,191	18,835
Public safety	147,086	-	-	-	3,792	150,878
Highways and streets	16,651	-	-	-	-	16,651
Culture and recreation	28,814	-	-	17,444	11,280	57,538
Capital outlay	1,140	-	33,187	15,811	25,344	75,482
Debt service:						
Principal	37,620	41,008	-	-	4,750	83,378
Interest	7,015	7,117	-	538	9,463	24,133
Bond issuance costs	169	-	-	-	-	169
Total expenditures	250,212	48,962	33,187	37,883	56,820	427,064
Excess (deficiency) of revenues over (under) expenditures	(74,663)	(20,045)	847	(36,104)	(21,547)	(151,512)
Other financing sources (uses)						
Transfers in	40,266	43,541	-	96,428	16,624	196,859
Transfers out	(83,292)	(20,094)	-	(41,799)	(11,120)	(156,305)
Issuance of long term debt	30,940	-	4,000	-	-	34,940
Sales of capital assets	156	-	-	-	-	156
Total other financing sources and uses	(11,930)	23,447	4,000	54,629	5,504	75,650
Extraordinary items						
Dissolution of Riverside Redevelopment Agency:						
Transfer of assets and liabilities to Successor Agency	-	(26,508)	-	(70,419)	(33,247)	(130,174)
Transfer of assets from Successor Agency	-	-	-	-	28,121	28,121
Assumption of obligation	-	-	-	-	(4,927)	(4,927)
Total extraordinary items	-	(26,508)	-	(70,419)	(10,053)	(106,980)
Net change in fund balances	(86,593)	(23,106)	4,847	(51,894)	(26,096)	(182,842)
Fund balances - beginning	160,843	23,106	13,507	51,894	97,748	347,098
Fund balances - ending	$ 74,250	$ -	$ 18,354	$ -	$ 71,652	$ 164,256

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

CITY OF RIVERSIDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2012
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		($182,842)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:		
Capital Asset additions	$ 96,331	
Depreciation Expense	(38,876)	57,455
Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds.		34,509
The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(3,333)
The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:		
Principal repayments	83,378	
Other post-employment benefit liabilities	(2,209)	
Compensated absences	(492)	
Interest	(79)	
Premiums on the issuance of LTD	(667)	
Proceeds from LTD	(34,940)	44,991
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(362)
The difference between the extraordinary loss related to the transfer of assets and liabilities to the Successor Agency as reported in the fund financial statements and the extraordinary gain reported in the government-wide financial statements.		228,196
Change in net assets of governmental activities		$ 178,614

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

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 128,121	$ 128,121	$ 129,303	$ 1,182
Licenses and permits	7,421	7,421	7,119	(302)
Intergovernmental	2,350	18,716	9,168	(9,548)
Charges for services	11,182	11,220	11,770	550
Fines and forfeitures	8,794	8,794	6,293	(2,501)
Special assessments	4,525	4,536	4,509	(27)
Rental and investment income	1,580	1,580	2,662	1,082
Miscellaneous	7,265	7,702	4,725	(2,977)
Total revenues	171,238	188,090	175,549	(12,541)
Expenditures				
General government:				
Mayor	908	1,026	1,014	12
Council	1,252	1,316	1,187	129
Manager	11,072	12,252	11,824	428
Attorney	3,923	4,029	4,031	(2)
Clerk	1,291	1,712	1,314	398
Community Development	8,190	8,401	7,681	720
Human Resources	2,765	3,005	2,571	434
General Services	7,293	8,269	7,354	915
Information System	13,981	16,164	12,032	4,132
Development	7,754	9,373	7,987	1,386
Subtotal	58,429	65,547	56,995	8,552
Allocated expenditures	(55,368)	(55,368)	(45,278)	(10,090)
Total general government	3,061	10,179	11,717	(1,538)

continued

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Public safety:				
Police	91,244	102,282	91,062	11,220
Fire	46,825	50,833	45,893	4,940
Animal regulation	3,416	3,518	3,479	39
Building and zoning inspection	2,343	2,343	2,133	210
Street lighting	4,478	4,478	4,519	(41)
Total public safety	148,306	163,454	147,086	16,368
Highways and streets	18,176	20,441	16,651	3,790
Culture and recreation	27,405	32,069	28,814	3,255
Capital Outlay	153	2,202	1,140	1,062
Debt service:				
Principal	6,930	37,705	37,620	85
Interest	7,208	7,208	7,015	193
Bond issuance costs	-	169	169	-
Total debt service	14,138	45,082	44,804	278
Total expenditures	211,239	273,427	250,212	23,215
Deficiency of revenue under expenditures	(40,001)	(85,337)	(74,663)	10,674
Other financing sources (uses)				
Transfers in	39,936	39,791	40,266	475
Transfers out	-	(83,273)	(83,292)	(19)
Issuance of long term debt	-	30,940	30,940	-
Sale of capital assets	65	65	156	91
Total other financing sources	40,001	(12,477)	(11,930)	547
Net change in fund balances	-	(97,814)	(86,593)	11,221
Fund balance, beginning	160,843	160,843	160,843	-
Fund balance, ending	$ 160,843	$ 63,029	$ 74,250	$ 11,221

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Assets	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current assets:						
Cash and investments	$ 187,541	$ 63,927	$ 17,137	$ 5,941	$ 274,546	$ 5,194
Receivables (net allowances for uncollectibles)						
Interest	825	280	98	28	1,231	34
Utility billed	16,904	4,261	2,109	983	24,257	-
Utility unbilled	13,139	3,423	1,409	599	18,570	-
Accounts	8,041	3,968	566	335	12,910	69
Intergovernmental	475	453	1,185	1,019	3,132	212
Nuclear materials inventory	1,992	-	-	-	1,992	-
Inventory	-	-	1,334	-	1,334	6,787
Prepaid items	16,507	23	2	-	16,532	-
Deposits	851	-	-	-	851	-
Due from other funds	2,277	976	-	-	3,253	-
Restricted assets:						
Cash and cash equivalents	4,221	2,294	-	2,295	8,810	-
Public benefit programs receivable	834	120	-	-	954	-
Total current assets	253,607	79,725	23,840	11,200	368,372	12,296
Non-current assets:						
Restricted assets:						
Cash and cash equivalents	19,808	5,764	6,760	-	32,332	-
Cash and investments at fiscal agent	238,254	41,810	143,049	6,597	429,710	-
Advances to other funds	-	-	7,946	-	7,946	5,489
Advances to Successor Agency	5,558	-	4,250	-	9,808	5,461
Deferred charges - other	18,836	7,209	4,537	9,579	40,161	1,497
Deferred charges - derivative instruments	30,922	6,838	-	-	37,760	-
Capital assets:						
Nuclear fuel, at amortized cost	8,832	-	-	-	8,832	-
Land	7,654	10,996	2,698	13,576	34,924	-
Intangible assets, non-depreciable	9,821	6,307	-	-	16,128	-
Improvements, non-depreciable	14,641	-	-	-	14,641	-
Intangible assets, depreciable	292	353	-	-	645	-
Accumulated depreciation - intangible assets, depreciable	(5)	(141)	-	-	(146)	-
Buildings	21,450	18,209	190,416	16,533	246,608	1,488
Accumulated depreciation - buildings	(5,524)	(4,336)	(88,488)	(4,582)	(102,930)	(241)
Improvements other than buildings	882,340	510,374	84,096	23,994	1,500,804	-
Accumulated depreciation - improvements other than buildings	(291,836)	(145,933)	(14,708)	(6,402)	(458,879)	-
Machinery and equipment	26,240	12,989	10,020	17,817	67,066	9,580
Accumulated depreciation - machinery and equipment	(13,675)	(9,835)	(5,638)	(11,691)	(40,839)	(8,160)
Construction in progress	43,205	10,692	50,759	22,287	126,943	644
Total non-current assets	1,016,813	471,296	395,697	87,708	1,971,514	15,758
Total assets	1,270,420	551,021	419,537	98,908	2,339,886	28,054

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Liabilities	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current liabilities:						
Accounts payable	13,055	3,331	2,269	2,821	21,476	755
Accrued payroll	5,460	1,808	1,424	891	9,583	580
Retainage payable	287	319	116	832	1,554	-
Unearned revenue	-	-	-	2,049	2,049	-
Deposits	3,148	724	-	1	3,873	-
Due to other funds	-	-	-	348	348	3,253
Capital leases - current	402	-	-	7	409	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	200	200	-
Notes payable - current	1,481	-	705	838	3,024	-
Claims and judgements - current	-	-	-	-	-	11,750
Current liabilities payable from restricted assets:						
Revenue bonds	18,050	4,695	6,760	-	29,505	-
Accrued interest	6,100	1,858	4,520	-	12,478	-
Other payables	1,035	95	-	-	1,130	-
Total current liabilities	49,018	12,980	15,794	7,987	85,779	16,338
Non-current liabilities:						
Revenue bonds	572,192	203,729	236,313	-	1,012,234	-
Notes payable	42,660	-	5,174	22,963	70,797	-
Capital leases	901	-	-	22	923	-
Advances from other funds	12,003	5,164	3,304	3,288	23,759	1,466
Decommissioning liability	71,709	-	-	-	71,709	-
Derivative instruments	38,123	12,768	-	-	50,891	-
Claims and judgements	-	-	-	-	-	15,792
Water stock acquisitions	-	797	-	-	797	-
Landfill capping	-	-	-	6,495	6,495	-
Other payables	3,999	1,644	1,135	2,820	9,598	466
Total non-current liabilities	741,587	224,102	245,926	35,588	1,247,203	17,724
Total liabilities	790,605	237,082	261,720	43,575	1,332,982	34,062
Net Assets						
Invested in capital assets, net of related debt	236,789	243,997	133,757	52,376	666,919	3,311
Restricted for debt service	19,808	5,764	20,142	-	45,714	-
Restricted for landfill capping	-	-	-	2,295	2,295	-
Restricted for programs	4,020	2,319	575	-	6,914	-
Unrestricted	219,198	61,859	3,343	662	285,062	(9,319)
Total net assets	$ 479,815	$ 313,939	$ 157,817	$ 55,333	$ 1,006,904	$ (6,008)

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

City of Riverside
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Electric	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Operating revenues:						
Charges for services	$ 333,029	$ 65,206	$ 37,747	$ 26,267	$ 462,249	$ 20,466
Operating expenses:						
Personnel services	38,400	12,635	10,029	8,464	69,528	3,897
Contractual services	6,821	2,314	975	5,177	15,287	228
Maintenance and operation	172,340	8,471	8,901	6,901	196,613	1,867
General	12,593	11,523	6,156	4,282	34,554	1,939
Materials and supplies	792	756	3,114	1,490	6,152	378
Claims/Insurance	1,244	682	457	343	2,726	12,264
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718
Total operating expenses	259,672	48,205	36,232	30,238	374,347	21,291
Operating income (loss)	73,357	17,001	1,515	(3,971)	87,902	(825)
Non-operating revenues (expenses):						
Operating grants	-	-	-	2,738	2,738	-
Interest income	6,196	1,428	3,717	64	11,405	278
Other	3,058	918	28	(899)	3,105	300
Gain (loss) on retirement of capital assets	487	187	(3)	5	676	(10)
Capital improvement fees	-	-	1,098	-	1,098	-
Interest expense and fiscal charges	(29,127)	(8,510)	(7,470)	(1,038)	(46,145)	(105)
Total non-operating revenues (expenses)	(19,386)	(5,977)	(2,630)	870	(27,123)	463
Income before capital contributions and transfers	53,971	11,024	(1,115)	(3,101)	60,779	(362)
Cash capital contributions	7,425	6,892	1,185	1,513	17,015	-
Noncash capital contributions	1,832	548	-	-	2,380	-
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-
Change in net assets	29,695	12,206	70	(2,476)	39,495	(362)
Total net assets - beginning	450,120	301,733	157,747	57,809	967,409	(5,646)
Total net assets - ending	$ 479,815	$ 313,939	$ 157,817	$ 55,333	$ 1,006,904	$ (6,008)

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	$ 329,608	$ 64,610	$ 35,399	$ 25,909	$ 455,526	$ 24,038
Cash paid to employees for services	(38,731)	(12,562)	(9,369)	(8,091)	(68,753)	(3,689)
Cash paid to other suppliers of goods or services	(187,592)	(22,783)	(19,091)	(16,276)	(245,742)	(19,918)
Other receipts	3,058	918	28	920	4,924	301
Net cash provided (used) by operating activities	106,343	30,183	6,967	2,462	145,955	732
Cash flows from noncapital financing activities:						
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-
Operating grants	-	-	-	2,819	2,819	-
Intra-equity property acquisition	-	(976)	-	-	(976)	-
Advances from interfund receivables	-	-	-	326	326	-
Payments on interfund receivables	(378)	(163)	6,243	(508)	5,194	(39)
Advances to other funds	1,918	-	(104)	-	1,814	963
Net cash provided (used) by noncapital financing activities	(31,993)	(7,397)	6,139	1,749	(31,502)	924
Cash flows from capital and related financing activities:						
Purchase of capital assets	(41,752)	(27,794)	(34,247)	(12,114)	(115,907)	(949)
Purchase of nuclear fuel	(4,908)	-	-	-	(4,908)	-
Proceeds from the sale of capital assets	554	208	-	10	772	-
Principal paid on long-term obligations	(26,611)	(4,545)	(1,464)	(807)	(33,427)	-
Interest paid on long-term obligations	(30,764)	(9,273)	(7,470)	(1,038)	(48,545)	(105)
Capital improvement fees	-	-	1,098	-	1,098	-
Capital contributions	6,818	4,810	-	1,513	13,141	-
Net cash (used) for capital and related financing activities	(96,663)	(36,594)	(42,083)	(12,436)	(187,776)	(1,054)
Cash flows from investing activities:						
Sale/(purchase) of investments	(60)	149	-	-	89	-
Income from investments	6,840	1,583	3,679	107	12,209	356
Net cash provided by investing activities	6,780	1,732	3,679	107	12,298	356
Net change in cash and cash equivalents	(15,533)	(12,076)	(25,298)	(8,118)	(61,025)	958
Cash and cash equivalents, beginning (including $198,600 for Electric, $68,532 for Water, $174,524 for Sewer and $17,794 for Other Enterprise Funds in restricted accounts.)	367,505	125,336	192,244	22,951	708,036	4,236
Cash and cash equivalents, ending (including $164,431 for Electric, $49,333 for Water, $149,809 for Sewer and $8,892 for Other Enterprise Funds in restricted accounts.)	$ 351,972	$ 113,260	$ 166,946	$ 14,833	$ 647,011	$ 5,194

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

continued

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	$ 73,357	$ 17,001	$ 1,515	$ (3,971)	$ 87,902	$ (825)
Other receipts	3,058	918	1,213	920	6,109	301
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718
Amortization of pension costs	356	153	98	66	673	134
Amortization (burn) of nuclear fuel	954	-	-	-	954	-
(Increase) in utility billed receivables	(3,209)	(1,136)	(2,348)	-	(6,693)	-
(Increase) in utility unbilled receivables	(153)	(118)	-	(421)	(692)	-
(Increase) decrease in accounts receivable	1,211	612	-	72	1,895	(132)
(Increase) decrease in intergovernmental receivables	(414)	5	-	(9)	(418)	-
(Increase) in prepaid items	(4,698)	(21)	(2)	-	(4,721)	-
(Increase) in nuclear materials inventory	(87)	-	-	-	(87)	-
(Increase) decrease in inventory	-	-	(150)	-	(150)	647
Increase (decrease) in accounts payable	3,129	189	(521)	2,137	4,934	(164)
Increase in accrued payroll	331	73	250	45	699	47
Increase in retainage payable	137	213	-	-	350	-
Increase in other payable	1,034	424	312	262	2,032	20
Increase in deposits	115	46	-	-	161	-
(Decrease) in due to other funds	-	-	-	-	-	(942)
Increase in claims and judgments	-	-	-	-	-	928
Increase in decommissioning liabilitity	3,740	-	-	-	3,740	-
(Decrease) in landfill capping	-	-	-	(220)	(220)	-
Net cash provided by operating activities	$ 106,343	$ 30,183	$ 6,967	$ 2,462	$ 145,955	$ 732
Schedule of noncash financing and investing activities:						
Capital contributions	$ 1,832	$ 548	$ -	$ -	$ 2,380	$ -
Increase (decrease) in fair value of investments	$ 136	$ -	$ -	$ -	$ 136	$ -

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	$ 46,485	$ 7,515
Cash and investments at fiscal agent	31,188	6,569
Receivables:		
Interest	144	28
Accounts	58	-
Notes	21,957	-
Capital lease receivable	22,545	-
Deposits	132	-
Property tax receivables	-	406
Deferred charges	5,215	-
Land & improvements held for resale	15,036	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	$ 142,945	$ 14,518
Liabilities		
Accounts payable	$ 3,362	$ -
Retainage payable	1,174	-
Accrued interest	5,174	-
Advances from City of Riverside	55,104	-
Bonds payable	264,385	-
Notes payable	7,189	-
Loan payable	1,100	-
Held for bond holders	-	14,518
Total liabilities	$ 337,488	$ 14,518
Net Assets/(Deficit)		
Held by Successor Agency	$ (194,543)	-
Total net assets/(deficit)	$ (194,543)	$ -

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

City of Riverside
Statement of Changes in Net Assets
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

		Successor Agency Private-Purpose Trust Fund
Additions		
Property tax revenue	$	17,273
Rental and investment income		1,168
Miscellaneous		168
Total additions		18,609
Deductions		
Professional services and other deductions		1,259
Market value adjustment to land held for resale		45,113
Redevelopment projects		11,056
Interest expense		6,107
Total deductions		63,535
Extraordinary items		
Transfer of assets and liabilities from the former Riverside Redevelopment Agency		(98,022)
Transfer of assets to the City of Riverside		(56,522)
Transfer of obligation to the City of Riverside		4,927
Total extraordinary items		(149,617)
Change in Net Assets		(194,543)
Net Assets/(Deficit) - beginning		-
Net Assets/(Deficit) - ending	$	(194,543)

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1967 by the City. The Redevelopment Agency's primary purpose was to eliminate blighted areas in the City by encouraging commercial development. City Council members served as the Redevelopment Agency's directors and had full accountability for fiscal matters. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

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. City Council members serve as the Housing Authority's commissioners and have full accountability for fiscal matters.

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

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

Fiduciary Component Unit

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In 2004, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but is currently estimated not to exceed eight (8) years. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes, which are paid monthly, three months in arrears. The vast majority of the in-lieu amount will be paid during the applicable fiscal year; however, the final payment of the in-lieu sales taxes will not be paid until the January following the end of the applicable fiscal year. The City has budgeted this final payment in the current fiscal year and will continue this practice during this temporary period, effectively extending the availability period to seven (7) months for the in-lieu sales taxes and thus provide consistency in the reporting of sales tax revenue.

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

The government reports the following major governmental funds:

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

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency through dissolution, January 31, 2012.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities through dissolution, January 31, 2012.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust. The agency fund is used to account for special assessments that service no-commitment debt.

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

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

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

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

D. Cash and Investments

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

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

E. Restricted Cash and Investments

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

F. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value. In the current fiscal year, certain properties that were previously held for resale were transferred to the City upon dissolution of the former Redevelopment Agency and are accounted for as capital assets.

G. Inventory

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

H. Prepaid Items

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

I. Capital Assets and Nuclear Fuel

Capital Assets

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

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

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2012, business-type activities capitalized net interest costs of $5,992 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was $52,137.

Nuclear Fuel

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

J. Compensated Absences

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

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

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

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap was included in the net carrying amount of 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 assets. See Note 9 for further discussion related to the City's interest rate swaps.

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

L. Long-Term Obligations

Long-Term Debt

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

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

Decommissioning

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

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside $71,709 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

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

N. Fund Equity

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

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, 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 is subject to self-imposed constraints due to formal action of the City Council. No amounts have been reported within this category of fund balance.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. 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.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

O. Net Assets

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

P. Interfund Transactions

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

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

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

Q. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. 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. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

R. Property Tax Calendar

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

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

S. 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.

For the year ended June 30, 2012 (amounts expressed in thousands)

T. Dissolution of Riverside Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. The bill provided that upon dissolution of the Redevelopment Agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On March 15, 2011, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the bill as part of City resolution number 22184.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. In the event that the California Department of Finance ultimately maintains that the obligations are not enforceable, the City's legal counsel believes that it is likely that a legal determination will be made at a later date by an appropriate judicial authority that will resolve this issue favorably to the City and confirm the obligations as enforceable.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss related to the transfer of assets and liabilities recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Extraordinary loss reported in governmental funds related to transfer of assets and liabilities to Successor Agency upon dissolution:	$ 130,174
Capital assets (net of accumulated depreciation) reported in the government-wide financial statements	185
Issuance costs reported in the government-wide financial statements	5,312

For the year ended June 30, 2012 (amounts expressed in thousands)

Revenues reported in the government-wide financial statements	45,436
Accrued bond interest reported in the government-wide financial statements	(6,249)
Long-term debt reported in the government-wide financial statements	(272,880)
Net decrease to net assets of the Successor Agency Trust as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	($98,022)

2. Legal Compliance - Budgets

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

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

3. Cash and Investments

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

Investments	$ 435,966
Investments at fiscal agent	480,979
	916,945
Cash on hand and deposits with financial institutions	168
Non-negotiable certificates of deposit	21,814
	$ 938,927

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

Cash and investments	$ 350,887
Restricted cash and cash equivalents	41,142
Restricted cash and investments at fiscal agent	455,141
Total per statement of net assets	847,170
Fiduciary fund cash and investments	91,757
	$ 938,927

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
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%

For the year ended June 30, 2012 (amounts expressed in thousands)

Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of “prime” quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%
Local Agency Bonds	N/A	N/A

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

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

Investments Authorized by Debt Agreements

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

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

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

Disclosures Relating to Interest Rate Risk

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

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

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 74,700	$ 74,700	$ -	$ -	$ -
Federal Agency Securities	193,919	23,587	44,643	125,689	-
Corp Medium Term Notes	59,818	10,128	20,765	28,925	-
State Investment Pool	99,647	99,647	-	-	-
Negotiable CDs	7,882	249	4,931	2,702	-
Held by Fiscal Agent					
Money Market Funds	22,229	22,229	-	-	-
Banker’s Acceptance	274	274	-	-	-
State Investment Pool	31,913	31,913	-	-	-
Investment Contracts	343,725	158,604	148,754	25,606	10,761
Commercial Paper	3,733	3,733	-	-	-
Fed Agency Securities	55,921	4,676	4,187	47,058	-
Corp Med Term Notes	23,184	3,070	-	20,114	-
Total	$916,945	$432,810	$223,280	$250,094	$10,761

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

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

For the year ended June 30, 2012 (amounts expressed in thousands)

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

Investment Type	Total	AAA	AA	A	Unrated
		Ratings as of Year End			
Money Market Funds	$ 74,700	$ 1,816	$43,249	$29,635	$ -
Federal Agency Securities	193,919	193,919	-	-	-
Corp Medium Term Notes	59,818	-	49,101	10,717	-
State Investment Pool	99,647	-	-	-	99,647
Negotiable CDs	7,882	-	-	-	7,882
Held by Fiscal Agent					
Money Market Funds	22,229	15,572	-	-	6,657
Banker's Acceptance	274	-	274	-	-
State Investment Pool	31,913	-	-	-	31,913
Investment Contracts	343,725	-	-	-	343,725
Commercial Paper	3,733	-	-	3,733	-
Fed Agency Securities	55,921	55,921	-	-	-
Corp Med Term Notes	23,184	-	17,552	5,632	-
Total	$916,945	$267,228	$110,176	$49,717	$489,824

Concentration on Credit Risk

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

Issuer	Investment Type	Reported Amount
Trinity Funding	Investment Contract	$195,144
Deutsche Bank Securities Inc.	Investment Contract	$141,213

Custodial Credit Risk

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

Investment in State Investment Pool

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

4. Capital Lease Receivable

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

2013	$ 2,443
2014	2,473
2015	2,507
2016	2,533
2017	2,561
Thereafter	21,666
Total Due	34,183
Less: amount applicable to interest	(11,638)
Total capital lease receivable	$22,545

For the year ended June 30, 2012 (amounts expressed in thousands)

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2012.

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not depreciated:				
Land	$ 290,692	$ 32,387	$ (1,019)	$ 322,060
Construction in progress	23,562	31,868	(28,764)	26,666
Total capital assets not depreciated	314,254	64,255	(29,783)	348,726
Capital assets being depreciated:				
Buildings	165,101	3,998	-	169,099
Improvements other than buildings	202,911	25,010	(370)	227,551
Machinery and equipment	74,503	6,564	(2,189)	78,878
Infrastructure	849,090	27,422	-	876,512
Total capital assets being depreciated	1,291,605	62,994	(2,559)	1,352,040
Less accumulated depreciation for:				
Buildings	(41,782)	(4,189)	-	(45,971)
Improvements other than buildings	(48,310)	(9,208)	203	(57,315)
Machinery and equipment	(54,749)	(6,038)	1,973	(58,814)
Infrastructure	(246,702)	(20,159)	-	(266,861)
Total accumulated depreciation	(391,543)	(39,594)	2,176	(428,961)
Total capital assets being depreciated, net	900,062	23,400	(383)	923,079
Governmental activities capital assets, net	$1,214,316	$87,655	$(30,166)	$1,271,805

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not depreciated:				
Land	$ 34,905	$ 144	$ (125)	$ 34,924
Intangibles, non-depreciable	16,128	-	-	16,128
Improvements, non-depreciable[1]	-	-	14,641	14,641
Construction in progress	102,771	119,582	(95,410)	126,943
Total capital assets not depreciated	153,804	119,726	(80,894)	192,636
Capital assets being depreciated:				
Buildings	241,742	4,867	(1)	246,608
Improvements other than buildings	1,497,956	88,373	(85,525)	1,500,804
Intangibles, depreciable	137	508	-	645
Machinery and equipment	66,200	2,831	(1,965)	67,066
Total capital assets being Depreciated	1,806,035	96,579	(87,491)	1,815,123
Less accumulated depreciation for:				
Buildings	(97,163)	(5,767)	-	(102,930)
Improvements other than buildings	(492,059)	(37,704)	70,884	(458,879)
Intangibles, depreciable	(137)	(9)	-	(146)
Machinery and equipment	(37,086)	(5,602)	1,849	(40,839)
Total accumulated depreciation	(626,445)	(49,082)	72,733	(602,794)
Total capital assets being depreciated, net	1,179,590	47,497	(14,758)	1,212,329
Nuclear fuel, at amortized cost	4,878	4,907	(953)	8,832
Business type activities capital assets, net	$1,338,272	$172,130	$(96,605)	$1,413,797

[1]The San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 were taken offline in January 2012 and remain offline for extensive inspections, testing and analysis resulting from excessive wear of tubes in the steam generators. It is anticipated that Unit 2 could restart months in advance of Unit 3. Due to the uncertainty of the restart date for Unit 3, the capital assets of Unit 3 are reclassified from a depreciable to a non-depreciable plant asset until it is restored to service. Unit 2 will remain classified as a depreciable plant asset since it is anticipated that it could be restored to service in the coming months. See footnote 16 for additional information.

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciating	3-5 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

For the year ended June 30, 2012 (amounts expressed in thousands)

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	$ 4,571
Public safety	3,997
Highways and streets, including depreciation of general infrastructure assets	21,699
Culture and recreation	9,327
Total depreciation expense – governmental activities	$39,594
Business type activities:	
Electric	$27,482
Water	11,824
Sewer	6,600
Refuse	1,106
Special Transportation	615
Airport	645
Public Parking	810
Total depreciation expense – business type activities	$49,082

6. Long-Term Obligations

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

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$305,195	$ -	$ 305,195	$ -	$ -
General Obligation Bonds	16,845	-	738	16,107	780
Pension Obligation Bonds	132,095	30,940	35,555	127,480	36,415
Certificates of Participation	207,246	-	4,543	202,703	4,920
Capital leases	6,670	-	1,450	5,220	1,248
Notes Payable	7,749	-	7,749	-	-
Loan Payable	-	4,000	-	4,000	-
Commercial Loan	1,100	-	1,100	-	-
Compensated Absences	21,153	4,954	4,433	21,674	4,500
Claims liability	26,615	12,286	11,359	27,542	11,750
Net OPEB Obligation	7,808	3,084	759	10,133	-
Total	$732,476	$55,264	$372,881	$414,859	$59,613

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$1,071,554	$ -	$29,816	$1,041,739	$29,505
Loan Payable	45,569	-	1,428	44,141	1,481
Notes Payable	31,178	-	1,498	29,680	1,543
Capital Leases	1,720	-	388	1,332	409
Landfill Capping	6,915	-	220	6,695	200
Arbitrage Liability	102	88	-	190	-
Water Stock Acquisition Rights	947	-	-	947	150
Net OPEB Obligation	5,625	2,705	667	7,663	-
Total	$1,163,610	$2,793	$ 34,017	$1,132,387	$33,288

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

Long-Term Obligations at June 30, 2012:

Revenue Bonds:	Principal Outstanding
Electric	
$75,405 2003 Electric Revenue Bonds; 2.0% to 5.0%, due in annual installments from $1,035 to $8,535 through October 1, 2013.	$15,415
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	9,845
$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from $1,325 to $8,560 through October 1, 2035.	139,640

For the year ended June 30, 2012 (amounts expressed in thousands)

$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $125 to $24,960 through October 1, 2038.	209,740
$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from $450 to $6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	24,335
$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 4.9%, due in annual installments from $2,300 to $33,725 through October 1, 2040.	140,380
$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from $725 to $5,175 through October 1, 2035.	55,125
Subtotal	594,480
Add: Unamortized bond premium	8,639
Less: Unamortized deferred bond refunding costs	(12,877)
	$590,242

Water

$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $585 through October 1, 2031 (partially advance refunded in 2005 and 2009, with final maturity in 2014).	$ 1,000
$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	58,235
$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from $500 to $3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.	28,095
$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.33% to 4.13%, due in annual installments from $2,475 to $4,985 through October 1, 2039.	67,790
$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from $800 to $3,950 through October 1, 2035.	58,200
Subtotal	213,320
Add: Unamortized bond premium	4,341
Less: Unamortized deferred bond refunding costs	(9,237)
	$208,424

Sewer

$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from $5,555 to $13,350 through August 1, 2039.	$240,910
Add: Unamortized bond premium	2,163
	$243,073
Total Revenue Bonds	$1,041,739

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

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2013	$ 18,050	$ 25,455	$ 43,505	$ 4,695	$ 8,678	$ 13,373
2014	14,685	24,543	39,228	4,870	8,487	13,357
2015	20,480	23,745	44,225	5,015	8,276	13,291
2016	15,415	23,113	38,528	5,260	8,046	13,306
2017	12,745	22,620	35,365	5,180	7,814	12,994
2018-2022	70,800	105,832	176,632	29,315	35,597	64,912
2023-2027	78,415	91,074	169,489	35,270	29,439	64,709
2028-2032	110,365	71,403	181,768	42,730	21,747	64,477
2033-2037	127,900	46,144	174,044	51,960	12,229	64,189
2038-2041	125,625	12,823	138,448	29,025	1,647	30,672
Premium	8,639	-	8,639	4,341	-	4,341
Refunding Costs	(12,877)	-	(12,877)	(9,237)	-	(9,237)
Total	$590,242	$446,752	$1,036,994	$ 208,424	$141,960	$350,384

For the year ended June 30, 2012 (amounts expressed in thousands)

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2013	$ 6,760	$ 10,712	$ 17,472
2014	7,035	10,436	17,471
2015	7,325	10,149	17,474
2016	7,660	9,811	17,471
2017	8,055	9,418	17,473
2018-2022	37,565	42,179	79,744
2023-2027	33,390	34,930	68,320
2028-2032	41,935	26,377	68,312
2033-2037	52,935	15,376	68,311
2038-2040	38,250	2,741	40,991
Premium	2,163	-	2,163
Total	$243,073	$172,129	$415,202

General Obligation Bonds:	Principal Outstanding
$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from $410 to $1,740 through August 1, 2024.	$15,915
Add: Unamortized bond premium	192
Total General Obligation Bonds	$16,107

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
2013	$ 780	$ 737	$ 1,517
2014	840	706	1,546
2015	900	671	1,571
2016	965	634	1,599
2017	1,040	592	1,632
2018-2022	6,450	2,152	8,602
2023-2025	4,940	417	5,357
Premium	192	-	192
Total	$16,107	$5,909	$22,016

Pension Obligation Bonds:	Principal Outstanding
$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from $1,125 to $10,715 through June 1, 2023.	$ 73,935
$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments $630 to $3,860 through June 1,2020.	22,605
$30,940 2012 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2012 was 0.75%, $30,940 due June 1, 2013.	30,940
Total Pension Obligation Bonds	$127,480

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
2013	$ 36,415	$ 5,589	$ 42,004
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016	7,930	4,391	12,321
2017	8,880	3,971	12,851
2018-2022	50,260	11,677	61,937
2023	10,715	632	11,347
Total	$127,480	$36,099	$163,579

Certificates of Participation:	Principal Outstanding
$53,185 2003 Riverside Public Financing Authority Certificates of Participation; 2.0% to 5.0%, due in annual installments from $755 to $2,830 through September 1, 2033.	$44,025

For the year ended June 30, 2012 (amounts expressed in thousands)

$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036.	19,510
$128,300 2008 Riverside Renaissance Certificates of Participation; issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see note 9. Due in annual installments from $2,900 to $7,200 through March 1, 2037.	122,400
$20,660 2010 Recovery Zone Facility Hotel Project Certificates of Participation; 4.0% to 5.5%, due in annual installments from $415 to $1,410 through March 1, 2040.	20,660
Subtotal	206,595
Add: Unamortized bond premium	683
Less: Unamortized deferred bond refunding costs	(4,575)
Total Certificates of Participation	$202,703

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

Fiscal Year	Principal	Interest	Total
2013	$ 4,920	$ 8,155	$ 13,075
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016	5,990	7,560	13,550
2017	6,200	7,332	13,532
2018-2022	34,835	32,849	67,684
2023-2027	40,750	25,340	66,090
2028-2032	48,695	16,544	65,239
2033-2037	50,420	6,254	56,674
2038-2040	4,020	450	4,470
Premium	683	-	683
Refunding Costs	(4,575)	-	(4,575)
Total	$202,703	$120,248	$322,951

Loan Payable – Governmental Activities:	Principal Outstanding
In March 2012 the City entered into a financing arrangement in the amount of $4,000 with Pinnacle Public Finance, Inc. for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately $468 per year over a 10 year period, which includes interest at an annualized rate of 3.05%.	$4,000

Loan Payable – Electric Fund:	Principal Outstanding
The City entered into the Clearwater Power Plant Purchase and Sale Agreement dated March 3, 2010 with the City of Corona for the acquisition of Clearwater Cogeneration Facility (Clearwater) located in Corona. The total purchase price for Clearwater is $46,569, and will be funded through a series of semi-annual payments ranging from $1,158 to $2,664 through 2013, and $182 to $413 in 2014 and 2015. In addition, two payments of $36,406 and $7,367 are due in 2013 and 2015, respectively, and will be funded primarily from bond proceeds.	$44,141

Notes payable – Enterprise Funds:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339, beginning January 29, 2003 through January 29, 2021	$2,761
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477, beginning November 6, 1999 through November 6, 2018	3,118
Public parking fund loan from City National Bank for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011	

For the year ended June 30, 2012 (amounts expressed in thousands)

through December 16, 2031	23,801
Total notes payable – Enterprise Funds	$29,680

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

		Sewer Fund	
Fiscal Year	Principal	Interest	Total
2013	$ 705	$ 112	$ 817
2014	718	99	817
2015	731	86	817
2016	745	72	817
2017	759	58	817
2018-2021	2,221	92	2,313
Total	$5,879	$519	$6,398

		Public Parking Fund	
Fiscal Year	Principal	Interest	Total
2013	$ 838	$ 909	$ 1,747
2014	871	876	1,747
2015	905	842	1,747
2016	940	807	1,747
2017	977	770	1,747
2018-2022	5,483	3,251	8,734
2023-2027	6,634	2,100	8,734
2028-2032	7,153	707	7,860
Total	$23,801	$10,262	$34,063

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$947

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund.

Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	$1,103	$ -
Equipment	5,595	2,763
Subtotal	6,698	2,763
Less: Accumulated depreciation	(2,580)	(859)
Total	$4,118	$1,904

The future minimum lease obligations as of June 30, 2012 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2013	$1,425	$ 442
2014	1,190	442
2015	1,098	428
2016	1,099	65
2017	670	-
Thereafter	74	-
Copiers	188	29
Total Minimum lease payments	5,744	1,406
Less: Amount representing interest (rates ranging from 2.5% to 9%)	(524)	(74)
Total capital lease payable	$5,220	$1,332

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, 2012:

Governmental long-term obligations:	
Certificates of Participation	$13,778
Total	$13,778
Enterprise funds:	
Electric	$22,332
Water	535
Sewer	20,142
Total	$43,009

For the year ended June 30, 2012 (amounts expressed in thousands)

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/12
Electric revenues	118,222	52,804	2.24
Water revenues	38,248	13,580	2.82
Sewer revenues	12,930	6,163	2.10

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.

Defeasance of Debt:

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2012, the following amounts are considered defeased:

1993 Sewer Revenue Bonds $4,745

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, 2012 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 21 years.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of $1,000,000, with a deductible of $50. Earthquake and flood insurance coverage has a limit of $25,000, with a deductible of 5% for earthquake and $100 for flood. Workers' compensation insurance coverage has a limit of $25,000, with a self-insured retention of $3,000 per occurrence. The City carries commercial insurance in the amount of $20,000 for general and auto liability claims greater than $3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

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

For the year ended June 30, 2012 (amounts expressed in thousands)

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

Unpaid Claims, June 30, 2010	$25,541
Incurred claims (including IBNR's)	10,576
Claim payments and adjustments	(9,502)
Unpaid Claims, June 30, 2011	26,615
Incurred claims (including IBNR's)	12,286
Claim payments and adjustments	(11,359)
Unpaid Claims, June 30, 2012	$27,542

8. Other Long-Term Obligations

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

Successor Agency Trust:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$ -	$264,591	$ 206	$264,385	$ 7,575
Notes Payable	-	7,189	-	7,189	960
Commercial Loan	-	1,100	-	1,100	1,100
Total	$ -	$272,880	$ 206	$272,674	$9,635

Redevelopment Agency Bonds:	Principal Outstanding
$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; $1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from $100 to $145 through February 1, 2003; and $4,175 term bonds, 8.0%, due in annual installments from $155 to $450 through February 1, 2018 (portion not refunded).	$ 115
$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; $6,205 serial bonds, 3.4% to 4.7% due in annual installments from $40 to $570 through August 1, 2014; $4,810 term bonds at 4.75% due August 1, 2021; and $6,010 term bonds at 5.0% due August 1, 2027.	12,455
$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; $1,900 serial bonds, 4.5% to 5.5% due in annual installments from $35 to $190 through Sept. 1, 2013; $1,135 term bonds at 5.5% due Sept. 1, 2018; and $3,020 term bonds at 5.625% due Sept. 1, 2027.	4,525
$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; $8,925 serial bonds, 3.4% to 4.7% due in annual installments from $455 to $780 through Aug. 1, 2014; $2,565 term bonds at 4.75% due Aug. 1, 2017; $4,035 term bonds at 4.75% due Aug. 1, 2021; and $4,870 term bonds at 5% due Aug. 1, 2025.	13,710
$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; $420 term bonds at 3.8% due Aug. 1, 2014; $615 term bonds at 4.6% due Aug. 1, 2024; $3,515 term bonds at 4.7% due Aug. 1, 2034.	4,270
$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024.	2,265
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from $545 to $2,230 through October 1, 2024.	19,805
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due Oct. 1, 2008; $1,110 term bonds at 4.340% due Oct. 1, 2014 and $2,770 term bonds at 5.480% due Oct. 1, 2024.	3,360
$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; $32,720 serial bonds 2.0% to 5.25% due in annual installments from $1,220 to $1,955 through August 1, 2023; and $7,715 term bonds at 5.0% due in annual installments from $195 to $2,060 through August 2034.	29,830
$24,115 2005 Housing Set-Aside Tax Allocation Bonds; $17,025 serial bonds 3.0% to 4.625% due in annual	

For the year ended June 30, 2012 (amounts expressed in thousands)

installments from $505 to $1,165 through August 1, 2025; $2,425 term bonds at 5.0% due August 1, 2028; and $4,665 term bonds at 4.85% due August 1, 2034.	19,870
$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from $20 to $590,000 through Aug. 1, 2025; $4,980 term bonds at 4.5% due Aug. 1, 2029; $410 term bonds at 4.375% due Aug. 1, 2037.	8,260
$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of $105 to $180 through August 1, 2015.	520
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due August 1, 2017; $10,800 term bonds at 5.8% due August 1, 2028.	13,380
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through August 1, 2025; $17,955 term bonds at 4.5% due August 1, 2030; $47,775 term bonds at 5.0% due August 1, 2037.	88,170
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, $15,740 term bonds due August 1, 2017; $28,135 term bonds due August 1, 2032.	37,810
Subtotal	258,345
Add: Unamortized bond premium	5,704
Add: Unamortized deferred bond refunding costs	336
Total Redevelopment Agency Bonds	$264,385

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

Fiscal Year	Principal	Interest	Total
2013	$ 7,575	$ 12,750	$ 20,325
2014	7,930	12,408	20,338
2015	8,310	12,047	20,357
2016	8,520	11,665	20,185
2017	8,905	11,256	20,161
2018-2022	54,585	48,646	103,231
2023-2027	63,035	32,971	96,006
2028-2032	49,025	18,606	67,631
2033-2037	43,685	7,122	50,807
2038	6,775	169	6,944
Premium	5,704	-	5,704
Refunding Costs	336	-	336
Total	$264,385	$167,640	$432,025

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.	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	1,445
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	2,430

For the year ended June 30, 2012 (amounts expressed in thousands)

Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	327
Total notes payable – Successor Agency	$ 7,189

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

Fiscal Year	Principal	Interest	Total
2013	$ 960	$ 444	$ 1,404
2014	681	400	1,081
2015	739	377	1,116
2016	778	350	1,128
2017	407	329	736
2018-2022	1,096	1,448	2,544
2023-2027	471	1,238	1,709
2028-2032	777	933	1,710
2033-2037	1,280	430	1,710
Total	$ 7,189	$5,949	$13,138

Commercial Loan – Successor Agency:

The Successor Agency has a $20,000 commercial loan with City National Bank, which is being used to purchase, rehabilitate and resell foreclosed homes. As of June 30, 2012, the Agency had borrowed $1,100. The interest rate is based on “prime” less 75 basis points, which was 2.5% as of June 30, 2012. Interest is paid monthly. Principal is due in full on July 1, 2012.

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/12
Property Taxes:			
Non-Housing	$38,874	$15,311	2.54
Housing	8,247	2,768	2.98

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

As of June 30, 2012, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of $48,360. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

Conduit Debt Obligations

Industrial Development Revenue Bonds of $7,000 are not included in the accompanying financial statements. These bonds are special obligations of a third party and is payable solely from and secured by a pledge of the receipts received from a loan and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Derivative Instruments

Interest Rate Swaps

The City has five 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. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included in the net carrying amount of 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.

For the year ended June 30, 2012 (amounts expressed in thousands)

The following is a summary of the derivative activity for the year ended June 30, 2012:

	Notional Amount	Fair Value as of 6/30/12	Change in Fair Value for Fiscal Year
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(29,972)	(15,150)
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	84,515	(14,985)	(7,957)
2008 Electric Refunding/Revenue Bonds Series C	57,325	(11,584)	(6,476)
2011 Electric Refunding/Revenue Bonds Series A	56,450	(11,554)	(6,474)
2011 Water Refunding/Revenue Bonds Series A	59,000	(12,768)	(7,320)

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

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 again pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by $975 to $7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

As of June 30, 2012 rates were as follows:

	Terms	2011 Water Refunding/ Revenue Bonds Series A Rates	2011 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(0.26684%)	(0.26627%)
Net interest rate swap payments		2.93316%	2.93473%
Variable-rate bond coupon payments		0.21969%	0.13270%
Synthetic interest rate on bonds		3.15285%	3.06743%

	Terms	2008 Electric Refunding/ Revenue Bonds Series C Rates	2008 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(0.51505%)	(0.51321%)
Net interest rate swap payments		2.68895%	2.59779%
Variable-rate bond coupon payments		0.46955%	0.47253%
Synthetic interest rate on bonds		3.15850%	3.07032%

	Terms	COP 2008 Bonds Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.36200%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(0.4932%)
Net interest rate swap payments		2.86880%
Variable-rate bond coupon payments		0.50543%
Synthetic interest rate on bonds		3.37423%

Fair Value: As of June 30, 2012, in connection with all swap arrangements, the transactions had a total negative fair value of <$80,863>. 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.

For the year ended June 30, 2012 (amounts expressed in thousands)

Credit risk: As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase & Co. and Merrill Lynch were rated A, A and A- respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2012, there is no requirement for collateral posting for any of the outstanding swaps.

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

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

Swap payments and associated debt: As of June 30, 2012, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2013	$ 6,675	$ 1,466	$ 10,416	$ 18,557
2014	6,900	1,440	10,222	18,562
2015	8,975	1,408	9,984	20,367
2016	16,700	1,352	9,576	27,628
2017	15,700	1,289	9,136	26,125
2018-2022	68,925	5,646	40,243	114,814
2023-2027	76,485	4,119	29,840	110,444
2028-2032	88,105	2,435	18,546	109,086
2033-2037	86,900	752	5,493	93,145
Total	$375,365	$19,907	$143,456	$538,728

10. Economic Contingency

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

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2012:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 1,436
	Capital Outlay Fund	14,503
	Nonmajor Enterprise Funds	348
		16,287
Electric	Central Stores *	2,277
Water	Central Stores *	976
Total		$19,540

* Internal service fund

For the year ended June 30, 2012 (amounts expressed in thousands)

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

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2012:

Receivable Fund	Payable Fund	Amount
General	Electric	$12,003
	Water	5,164
	Sewer	3,304
	Nonmajor Governmental Funds	549
	Nonmajor Enterprise Funds	2,220
	Self-Insurance Trust *	217
	Central Stores *	227
	Central Garage *	1,022
		24,706
Self-Insurance Trust *	Nonmajor Enterprise Funds	1,068
	General	349
	Nonmajor Governmental Funds	4,072
		5,489
Sewer	Nonmajor Governmental Funds	7,946
Total		$38,141

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

Receivable Fund	Amount
General	$ 693
Nonmajor Governmental Funds	39,142
Electric	5,558
Sewer	4,250
Self-Insurance Trust *	5,461
Total	$55,104

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

The following table shows amounts transferred to/from funds within the City as of June 30, 2012:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$33,533
	Water	6,258
	Redevelopment Capital Project	472
	Nonmajor Governmental Funds	3
		40,266
Redevelopment Debt Service	Redevelopment Capital Project	40,365
	Nonmajor Governmental Funds	3,176
		43,541
Nonmajor Governmental Funds	General Fund	6,958
	Redevelopment Capital Project	962
	Nonmajor Governmental Funds	7,941
	Nonmajor Enterprise Funds	763
		16,624
Redevelopment Capital Projects	General Fund	76,334
	Redevelopment Debt Service	20,094
		96,428
Total		$196,859

In addition, the Public Parking Fund transferred a capital asset with an original carrying value of $125 to the City. The difference in interfund transfers at the fund level is due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds.

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Special Capital Improvement Fund ($963), Self-Insurance Internal Service Trust Fund ($14,901) and Successor Agency Private-Purpose Trust Fund ($194,543). The deficit in the fund Self-Insurance Internal Service Trust Fund will be primarily reduced based on a rate increase implemented in the subsequent fiscal year.

Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years. 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.

13. Litigation

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

The City continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

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

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

14. City Employees Retirement Plan

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

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

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA) - The retirement formula is 3% at age 50 for employees hired before February 17, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 2012 pay their share (9%) of contributions.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 2.7% at age 55 and new employees hired on or after October 19, 2011 pay their share (8%) of contributions.

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

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of

For the year ended June 30, 2012 (amounts expressed in thousands)

3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

Three-year trend information for CalPERS:

Fiscal Year June 30,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2010	Misc	$16,463	93.8%	$ (56,529)
2010	Safety	13,949	89.0%	(84,369)
2011	Misc	16,888	92.4%	(55,253)
2011	Safety	14,956	86.7%	(82,379)
2012	Misc	21,661	92.8%	(53,694)
2012	Safety	18,542	86.6%	(79,890)

A total of $133,584 of net pension assets is included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets is amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period.

Determination of Net Pension Asset as of June 30, 2012:

	Misc	Safety
Annual required contribution	$ 20,102	$ 16,053
Interest on net pension asset	(4,282)	(6,384)
Adjustment to annual required contribution	5,841	8,873
Annual pension cost	21,661	18,542
Less contributions made	(20,102)	(16,053)
Decrease in net pension asset	1,559	2,489
Net pension asset, beginning of year	(55,253)	(82,379)
Net pension asset, end of year	$(53,694)	(79,890)

Schedule of funding for CalPERS:

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/08	$828,351	$779,481	$ 48,870	94.1	$110,870	44.1
Misc.	6/30/09	921,349	810,929	110,420	88.0	110,318	100.1
Misc.	6/30/10*	952,499	846,368	106,131	88.9	106,590	99.6
Safety	6/30/08	608,192	570,661	37,531	93.8	63,966	58.7
Safety	6/30/09	660,742	595,018	65,724	90.1	63,924	102.8
Safety	6/30/10*	685,213	621,107	64,106	90.6	61,778	103.8

* Information presented is for the most recent valuation date available.

15. Other Post-Employment Benefits

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

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

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

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2012 was $5,821, which consisted of normal cost of $3,276 and UAAL amortization of $2,545. The ARC as a percentage of payroll was 3.9% for the year ended June 30, 2012.

For the year ended June 30, 2012 (amounts expressed in thousands)

As of June 30, 2011, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $56 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $56 million.

Determination of the Net OPEB Obligation as of June 30, 2012:

Annual required contribution	$ 5,821
Interest on net OPEB obligation	578
Amortization of net OPEB obligation	(610)
Annual benefit pension cost	5,789
Less contributions made	(1,426)
Increase in net OPEB obligation	4,363
Net OPEB liability, beginning of year	13,433
Net OPEB liability, end of year	$17,796

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.30%, (b) 2.75% inflation, (c) projected salary increases of 3.25% annually and (d) healthcare cost trend rates ranging from 4.5% to 8.0%.

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

Three-year trend information:

Fiscal Year June 30,	ARC	Actual Contributions	% of ARC Contributed
2010	$5,291	$1,440	27%
2011	5,617	1,734	31%
2012	5,821	1,426	24%

Fiscal Year June 30,	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2010	$5,101	28%	9,853
2011	5,314	33%	13,433
2012	5,789	25%	17,796

Fiscal Year June 30,	UAAL	Covered Payroll	UAAL as a % of Covered Payroll
2010	$54,869	$144,621	38%
2011	54,869	149,321	37%
2012	56,060	148,607	38%

16. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

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

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

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2011-12 and 2010-11 fiscal years, the Electric Utility paid approximately $20,855 and $18,725, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

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

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3MW
Southern Transmission System (STS)	10.20%	244.0MW
Hoover Dam Uprating (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	18.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long–term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and the remaining projects have fixed interest rates which range from 1.25 percent to 6.13 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

		SCPPA					
Fiscal Year	IPA	PV	STS	Hoover	MPP	MAT	Total
2013	$ 17,514	$ 672	$ 8,191	$ 717	$ 318	$ 3,090	$ 30,502
2014	22,693	676	8,213	719	274	3,117	35,692
2015	21,114	680	8,242	718	265	3,004	34,023
2016	23,975	683	8,093	718	257	2,901	36,627
2017	14,046	687	8,001	717	258	2,905	26,614
Thereafter	104,377	-	63,175	-	772	8,719	177,043
Total	$203,719	$ 3,398	$103,915	$ 3,589	$ 2,144	$23,736	$340,501

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

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

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2012 and 2011, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPT	Hoover	Total
2011	$29,530	$2,792	$2,460	$ 298	$ 43	$ 100	$35,223
2012	$22,555	$2,843	$2,677	$ 300	$ 40	$ 102	$28,517

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

B. Other Commitments

Power Purchase Agreements:

The Electric Utility executed two firm power purchase agreements with Bonneville Power Administration (BPA). The first agreement with BPA was for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. This agreement terminated on March 3, 2011. The second BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

For the year ended June 30, 2012 (amounts expressed in thousands)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was passed by the State Legislature and signed by the Governor. SBX1-2 revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33% by December 31, 2020 in three stages: average of 20% of retail sales during 2011-2012; 25% of retail sales by December 31, 2016; and 33% of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively. The Utility met SBX1-2 Stage 1 requirement for 2011 requiring an average of 20% of retail sales coming from renewable resources. The Utility does not anticipate it will have significant difficulty in meeting the remaining requirements of SBX1-2.

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

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2013
Wintec	Wind	1.3MW	12/30/2018	$ 205
Salton Sea Power	Geothermal	46.0MW	5/31/2020	21,176
Total		54.0MW		$21,381

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

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

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with additional capacity available upon completion of Wintec's Facility II Wind Turbine Project. The developer is encountering challenges in finding suitable wind turbines to complete the project and the project is expected to continue to be delayed.

The Hoover Uprating project has contractors from Arizona, Nevada, and California. Over the past two years, the Contractors have been meeting to negotiate terms for the renewal of contracts for electric services, which are set to expire on September 30, 2017. The Contractors developed proposed legislation, that became known as the Hoover Power Allocation Act (the Act), which would extend the availability of Hoover power to the existing Contractors for an additional fifty years and create a pool for new entrants.

In December 2011, President Obama approved and signed the Hoover Power Allocation Act of 2011. The new legislation requires the Utility to relinquish 5% (1.5 MW) of their current power for replacement of a new entitlement of 28.5 MW, effective October 1, 2017. The power relinquished will be used to create a new resource pool equal to 5% of the full rated capacity of 2,074,000 KW, and associated firm energy, and would be allocated to new entities as follows: two-thirds to the Western Area Power Administration and one-third allocated equally in Nevada, California and Arizona including fully recognized Indian tribes that do not currently purchase Hoover power. The new entities will be required to execute the Boulder Canyon Project Implementation Agreement which will include a provision requiring them to pay a proportionate share of their State's respective contribution to the cost of the Lower Colorado River Multi-Species Conservation Program and the Uprate Program. Any of the capacity and firm energy not allocated to the new entities and not placed under contract by October 1, 2017, will be returned to the existing contractors in the same proportion as the contractor's allocations.

Construction Commitments:

As of June 30, 2012, the Sewer, Electric and Water Utilities had approximately $225 million, $13.3 million and $8.6 million, respectively, in major construction commitments related to unfinished capital projects. The Capital Outlay Fund also had major construction commitments of approximately $33.7 million related to the renovation and expansion of the Riverside Convention Center. These construction commitments are expected to be funded primarily with bond proceeds.

C. Jointly-Owned Utility Project - SONGS

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. In 2006, Anaheim sought and received approval to transfer its 3.16 percent to SCE for a total of 78.21 percent ownership. The Amended and Restated Operating Agreement was updated to reflect the change in ownership. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042. To date, no final ruling on this extension request has been made.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled $164,945 and $159,907 and accumulated depreciation totaled $135,664 and $133,260 for fiscal years ended June 30, 2012 and 2011, respectively. Capital assets are depreciated through 2022, to include the construction recapture extension period. The Electric Utility sets aside approximately $1,600 per year to fund decommissioning costs. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

<u>Recent Developments</u>

In fiscal years 2010 and 2011, SCE completed the replacement of four steam generators at SONGS Units 2 and 3. The total cost of the project was $758,000 of which approximately $13,600 represented the Electric Utility's share. On January 31, 2012, a water leak was detected in one of the heat transfer tubes in Unit 3 steam generators which required Unit 3 to be taken offline. During this same timeframe, Unit 2 was offline for a planned maintenance and refueling outage. During inspections of Unit 2 in February 2012, similar unexpected wear was observed in some Unit 2 heat transfer tubes albeit much less extensive than Unit 3 tube wear. Both Units 2 and 3 remain offline for extensive inspections, testing and analysis of the steam generators.

In March 2012, the NRC issued a Confirmatory Action Letter that required NRC permission to restart Units 2 and 3 and further outlined actions that SCE must complete before permission to restart either Unit may be considered. SCE is continuing to evaluate repairs and mitigation plans. Each Unit will be restarted only when the repairs and appropriate mitigation plans are completed in accordance with the NRC's letter and SCE is satisfied that it is safe to do so.

On August 3, 2012, SCE declared an "operating impairment", as defined in the Operating Agreement, for SONGS Units 2 and 3 and provided formal notification to the co-owners that the impairment resulted from excessive wear of the tubes in the steam generators. To date, SCE does not have a cost estimate and schedule for completing Restoration Work that will return both Units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators. Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

On October 4, 2012, SCE submitted its response to the NRC Confirmatory Action Letter, along with its restart plan for SONGS Unit 2. The response and restart plans are being submitted simultaneously to provide the NRC with all the relevant information needed to evaluate the full spectrum of repairs, corrective actions and additional safety measures proposed to restart safe operations at the plant. SONGS Unit 3 will remain offline while the utility continues to study the potential solutions that are unique to this unit. The unit cannot be restarted until all plans have been approved by the NRC.

17. Water Utility Revenue Transfer

Section 1304 of the Riverside City Charter requires the City's water enterprise (the "Water Utility") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility

("Water Revenue Transfer"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. On November 5, 1996, California voters approved Proposition 218. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges.

After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID. However, recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances. This means that the revenues derived from these charges may, in certain circumstances, not exceed the cost to the City of providing the related services.

A claim has been filed with the City regarding the legality of including the Water Revenue Transfer as a cost of providing the related services. If a court were to conclude that the Water Revenue Transfer is not a cost of providing the service of the Water Utility, then the Water Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the Water Revenue Transfers, and the Water Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Water Utility most likely would require the City to return the challenged Water Revenue Transfer and the Water Utility would be prohibited from making any future Water Revenue Transfers. In that situation, the City would prepare a cost study calculating the Water Utility's cost impact on the City, and the City would assess the Water Uitlity for such costs. It is unclear if such costs would equal the current Water Revenue Transfer.

18. Subsequent Events

San Onofre Nuclear Generating Station:

On August 3, 2012, SCE, as Operating Agent, declared an Operating Impairment and provided formal notification to the co-owners regarding the impairment for SONGS Units 2 and 3 resulting from excessive wear of the tubes in the steam generators for both units. SCE does not yet have a cost estimate and schedule for completing Restoration Work that will return both units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

2012A Lease Revenue Refunding Bonds:

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of $41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from $1,295 to $2,840 commencing November 1, 2013 and ending November 1, 2033.

Convention Center Financing:

On July 19, 2012, the City secured financing in the amount of $41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. The financing consists of a variable rate lease-leaseback financing that will have a swap transaction layered over the variable rate financing resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years of the financing. The financing consist of an initial 21-month variable rate interest only period during construction in which the required interest payments are made from the borrowed proceeds. At the end of that term, the swap begins and the interest rate "swaps" to fixed for the remaining 20-year amortization with principal and interest due on the first of each month, with equal payments each year of approximately $2,850.

VOIP Capital Lease:

In August 2012, the City entered into a lease purchase agreement in the amount of $1,650 with Pinnacle Public Finance, Inc., for the financing of the City's voice over IP (VOIP) phone system for City Hall and various satellite locations. The lease requires semi-annual debt service payments totaling $186 over a 10-year term at an interest rate of 2.38%, which is payable on February 1 and August 1 of each year, commencing February 1, 2013.

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Special Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvement Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing and Community Development Fund – To account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

Redevelopment Agency Fund – To account for the portion of Redevelopment tax increment monies which California Redevelopment Law requires be set aside for the development of low and moderate income housing.

National Pollution Discharge Elimination System (NPDES) – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Housing Fund – To account for the housing activities for persons with low or moderate income.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvements Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds, other than debt of the Redevelopment Agency which dissolved on January 31, 2012.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System.

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(amounts expressed in thousands)

	Special Revenue							
Assets	**Urban Areas Security Initiative**	**Gas Tax**	**Air Quality Improvements**	**Housing & Community Development**	**Redevelopment Agency**	**NPDES Storm Drain**	**Housing**	**Total**
Cash and investments	$ -	$ 13,332	$ 656	$ -	$ -	$ -	$ 1,341	$ 15,329
Cash and investments at fiscal agent	-	-	-	-	-	-	-	-
Receivable (net of allowance for uncollectibles):								
Interest	-	55	3	-	-	-	5	63
Accounts	-	-	28	-	-	-	-	28
Intergovernmental	883	194	-	3,032	-	342	-	4,451
Notes	-	-	-	10,562	-	-	20,824	31,386
Advances to Successor Agency	-	-	-	-	-	-	20,571	20,571
Land & improvements held for resale	-	-	-	1,522	-	-	3,613	5,135
Total assets	$ 883	$ 13,581	$ 687	$ 15,116	$ -	$ 342	$ 46,354	$ 76,963
Liabilities and fund balances								
Liabilities:								
Accounts payable	$ 259	$ 169	$ 10	$ 450	$ -	$ 4	$ 5	$ 897
Accrued payroll	-	-	-	27	-	-	-	27
Retainage payable	-	1,397	-	-	-	-	-	1,397
Deferred revenue	-	-	-	12,085	-	-	20,807	32,892
Deposits	-	-	-	-	-	-	22	22
Due to other funds	624	-	-	156	-	338	-	1,118
Advance from other funds	-	-	-	549	-	-	458	1,007
Total liabilities	883	1,566	10	13,267	-	342	21,292	37,360
Fund balances								
Restricted for:								
Housing and redevelopment	-	-	-	1,849	-	-	25,062	26,911
Transportation and public works	-	12,015	677	-	-	-	-	12,692
Total fund balances	-	12,015	677	1,849	-	-	25,062	39,603
Total liabilities and fund balances	$ 883	$ 13,581	$ 687	$ 15,116	$ -	$ 342	$ 46,354	$ 76,963

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
Assets	**Special Capital Improvement**	**Storm Drain**	**Transportation**	**Total**	**General Debt Service**	**Library Special**	**Total Nonmajor Governmental Funds**
Cash and investments	$ 3,508	$ 2,271	$ -	$ 5,779	$ 823	$ 1,539	$ 23,470
Cash and investments at fiscal agent	2,351	-	-	2,351	14,182	-	16,533
Receivable (net of allowance for uncollectibles):							
Interest	15	10	-	25	-	-	88
Accounts	345	-	-	345	-	-	373
Intergovernmental	-	92	358	450	-	-	4,901
Notes	-	-	-	-	-	-	31,386
Advances to Successor Agency	-	-	-	-	18,571	-	39,142
Land & improvements held for resale	-	-	-	-	-	-	5,135
Total assets	$ 6,219	$ 2,373	$ 358	$ 8,950	$ 33,576	$ 1,539	$ 121,028
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ 1	$ 9	$ 1	$ 11	$ 27	$ -	$ 935
Accrued payroll	-	-	-	-	-	-	27
Retainage payable	90	-	-	90	-	-	1,487
Deferred revenue	-	-	10	10	-	-	32,902
Deposits	-	-	-	-	-	-	22
Due to other funds	-	-	318	318	-	-	1,436
Advance from other funds	7,091	-	-	7,091	4,469	-	12,567
Total liabilities	7,182	9	329	7,520	4,496	-	49,376
Fund balances							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	1,539	1,539
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	26,911
Debt Service	-	-	-	-	29,080	-	29,080
Transportation and public works	-	-	29	29	-	-	12,721
Other purposes	(963)	2,364	-	1,401	-	-	1,401
Total fund balances	(963)	2,364	29	1,430	29,080	1,539	71,652
Total liabilities and fund balances	$ 6,219	$ 2,373	$ 358	$ 8,950	$ 33,576	$ 1,539	$ 121,028

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue							
	Urban Area Security Initiative	**Gas Tax**	**Air Quality Improvement**	**Housing & Community Development**	**Redevelopment Agency**	**NPDES Storm Drain**	**Housing**	**Total**
Revenues								
Taxes	$ -	$ -	$ -	$ -	$ 32	$ -	$ -	$ 32
Intergovernmental	3,792	8,440	363	12,369	-	-	-	24,964
Special assessments	-	-	-	-	-	340	-	340
Rental and investment income	-	110	1	19	41	-	112	283
Miscellaneous	-	-	204	2,105	1,081	-	175	3,565
Total revenues	3,792	8,550	568	14,493	1,154	340	287	29,184
Expenditures								
Current:								
General government	-	-	496	773	716	-	78	2,063
Public Safety	3,792	-	-	-	-	-	-	3,792
Culture and recreation	-	-	-	-	-	-	11,084	11,084
Capital outlay	-	8,853	-	13,232	2	340	-	22,427
Debt service:								
Interest	-	-	-	15	-	-	3	18
Total expenditures	3,792	8,853	496	14,020	718	340	11,165	39,384
Excess (deficiency) of revenues over (under) expenditures	-	(303)	72	473	436	-	(10,878)	(10,200)
Other financing sources (uses)								
Transfers in	-	-	-	962	4,215	-	421	5,598
Transfers out	-	-	-	-	(3,597)	-	(4,215)	(7,812)
Total other financing sources (uses)	-	-	-	962	618	-	(3,794)	(2,214)
Extraordinary items								
Dissolution of Riverside Redevelopment Agency:								
Transfer of assets and liabilities to Successor Agency	-	-	-	-	(33,247)	-	-	(33,247)
Transfer of assets from Successor Agency	-	-	-	-	-	-	28,121	28,121
Assumption of obligation	-	-	-	-	-	-	(458)	(458)
Total extraordinary items	-	-	-	-	(33,247)	-	27,663	(5,584)
Net change in fund balances	-	(303)	72	1,435	(32,193)	-	12,991	(17,998)
Fund balances - beginning	-	12,318	605	414	32,193	-	12,071	57,601
Fund balances - ending	$ -	$ 12,015	$ 677	$ 1,849	$ -	$ -	$ 25,062	$ 39,603

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	Total Nonmajor Governmental Funds
Revenues							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 32
Licenses and permits	2,035	138	-	2,173	-	-	2,173
Intergovernmental	-	92	450	542	-	-	25,506
Charges for services	4	-	-	4	-	-	4
Special assessments	-	-	-	-	1,075	-	1,415
Rental and investment income	41	-	-	41	1,647	24	1,995
Miscellaneous	26	1	-	27	470	86	4,148
Total revenues	2,106	231	450	2,787	3,192	110	35,273
Expenditures							
Current:							
General government	102	-	-	102	26	-	2,191
Public Safety	-	-	-	-	-	-	3,792
Culture and recreation	-	-	-	-	-	196	11,280
Capital outlay	608	1,859	450	2,917	-	-	25,344
Debt service:							
Principal	-	-	-	-	4,750	-	4,750
Interest	151	-	-	151	9,294	-	9,463
Total expenditures	861	1,859	450	3,170	14,070	196	56,820
Excess (deficiency) of revenues over (under) expenditures	1,245	(1,628)	-	(383)	(10,878)	(86)	(21,547)
Other financing sources (uses)							
Transfers in	19	-	-	19	11,007	-	16,624
Transfers out	(3,308)	-	-	(3,308)	-	-	(11,120)
Total other financing sources (uses)	(3,289)	-	-	(3,289)	11,007	-	5,504
Extraordinary items							
Dissolution of Riverside Redevelopment Agency:							
Transfer of assets and liabilities to Successor Agency	-	-	-	-	-	-	(33,247)
Transfer of assets from Successor Agency	-	-	-	-	-	-	28,121
Assumption of obligation	-	-	-	-	(4,469)	-	(4,927)
Total extraordinary items	-	-	-	-	(4,469)	-	(10,053)
Net change in fund balances	(2,044)	(1,628)	-	(3,672)	(4,340)	(86)	(26,096)
Fund balances - beginning	1,081	3,992	29	5,102	33,420	1,625	97,748
Fund balances - ending	$ (963)	$ 2,364	$ 29	$ 1,430	$ 29,080	$ 1,539	$ 71,652

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	10,394	3,792	(6,602)	8,094	8,440	346	333	363	30
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	150	110	(40)	-	1	1
Miscellaneous	-	-	-	-	-	-	100	204	104
Total revenues	10,394	3,792	(6,602)	8,244	8,550	306	433	568	135
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,034	496	538
Public Safety	10,507	3,792	6,715	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	19,948	8,853	11,095	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	10,507	3,792	6,715	19,948	8,853	11,095	1,034	496	538
Excess (deficiency) of revenues over (under) expenditures	(113)	-	113	(11,704)	(303)	11,401	(601)	72	673
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private-purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	-	-	-	-	-
Net change in fund balances	(113)	-	113	(11,704)	(303)	11,401	(601)	72	673
Fund balances (deficit), beginning	-	-	-	12,318	12,318	-	605	605	-
Fund balances (deficit), ending	$ (113)	$ -	$ 113	$ 614	$ 12,015	$ 11,401	$ 4	$ 677	$ 673

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			**Redevelopment Agency**			**NPDES Storm Drain**		
	Final Budget	**Actual**	**Variance to Final Budget**	**Final Budget**	**Actual**	**Variance to Final Budget**	**Final Budget**	**Actual**	**Variance to Final Budget**
Revenues									
Taxes	$ -	$ -	$ -	$ 10,020	$ 32	$ (9,988)	$ -	$ -	$ -
Intergovernmental	9,804	12,369	2,565	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	574	340	(234)
Rental and investment income	13	19	6	212	41	(171)	-	-	-
Miscellaneous	202	2,105	1,903	29	1,081	1,052	-	-	-
Total revenues	10,019	14,493	4,474	10,261	1,154	(9,107)	574	340	(234)
Expenditures									
Current:									
General government	707	773	(66)	22,909	716	22,193	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	23,518	13,232	10,286	4,857	2	4,855	574	340	234
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	15	(15)	-	-	-	-	-	-
Total expenditures	24,225	14,020	10,205	27,766	718	27,048	574	340	234
Excess (deficiency) of revenues over (under) expenditures	(14,206)	473	14,679	(17,505)	436	17,941	-	-	-
Other financing sources (uses)									
Transfers in	-	962	962	-	4,215	4,215	-	-	-
Transfers out	-	-	-	(14,840)	(3,597)	(11,243)	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	962	962	(14,840)	618	(7,028)	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to Successor Agency	-	-	-	-	(33,247)	33,247	-	-	-
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	(33,247)	33,247	-	-	-
Net change in fund balances	(14,206)	1,435	15,641	(32,345)	(32,193)	44,160	-	-	-
Fund balances (deficit), beginning	414	414	-	32,193	32,193	-	-	-	-
Fund balances (deficit), ending	$ (13,792)	$ 1,849	$ 15,641	$ (152)	$ -	$ 44,160	$ -	$ -	$ -

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue			Capital Projects					
	Housing			Capital Outlay			Redevelopment		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	82,854	31,774	(51,080)	681	170	(511)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	45	352	307	-	-	-
Rental and investment income	-	112	112	175	446	271	1,147	1,333	186
Miscellaneous	-	175	175	3,200	1,462	(1,738)	238	276	38
Total revenues	-	287	287	86,274	34,034	(52,240)	2,066	1,779	(287)
Expenditures									
Current:									
General government	204	78	126	-	-	-	8,166	4,090	4,076
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	11,084	11,084	-	-	-	-	13,050	17,444	(4,394)
Capital outlay	-	-	-	134,790	33,187	101,603	70,792	15,811	54,981
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	3	(3)	-	-	-	-	538	-
Total expenditures	11,288	11,165	123	134,790	33,187	101,603	92,008	37,883	54,663
Excess (deficiency) of revenues over (under) expenditures	(11,288)	(10,878)	410	(48,516)	847	49,363	(89,942)	(36,104)	54,376
Other financing sources (uses)									
Transfers in	-	421	-	-	-	-	96,428	96,428	-
Transfers out	-	(4,215)	4,215	-	-	-	(41,799)	(41,799)	-
Issuance of long-term debt	-	-	-	4,000	4,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(3,794)	4,215	4,000	4,000	-	54,629	54,629	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to Successor Agency	-	-	-	-	-	-	-	(70,419)	-
Transfer of assets from Successor Agency	-	28,121	-	-	-	-	-	-	-
Assumption of obligation	-	(458)	-	-	-	-	-	-	-
Total extraordinary items	-	27,663	-	-	-	-	-	(70,419)	-
Net change in fund balances	(11,288)	12,991	4,625	(44,516)	4,847	49,363	(35,313)	(51,894)	54,376
Fund balances (deficit), beginning	12,071	12,071	-	13,507	13,507	-	51,894	51,894	-
Fund balances (deficit), ending	$ 783	$ 25,062	$ 4,625	$ (31,009)	$ 18,354	$ 49,363	$ 16,581	$ -	$ 54,376

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	2,916	92	(2,824)	815	450	(365)
Licenses and permits	-	2,035	2,035	130	138	8	-	-	-
Charges for services	-	4	4	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	41	41	-	-	-	-	-	-
Miscellaneous	-	26	26	-	1	1	-	-	-
Total revenues	-	2,106	2,106	3,046	231	(2,815)	815	450	(365)
Expenditures									
Current:									
General government	461	102	359	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	5,203	608	4,595	6,681	1,859	4,822	815	450	365
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	106	151	(45)	-	-	-	-	-	-
Total expenditures	5,770	861	4,909	6,681	1,859	4,822	815	450	365
Excess (deficiency) of revenues over (under) expenditures	(5,770)	1,245	7,015	(3,635)	(1,628)	2,007	-	-	-
Other financing sources (uses)									
Transfers in	-	19	19	-	-	-	-	-	-
Transfers out	(3,305)	(3,308)	3	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	(3,305)	(3,289)	22	-	-	-	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private-purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	-	-	-	-	-
Net change in fund balances	(9,075)	(2,044)	7,037	(3,635)	(1,628)	2,007	-	-	-
Fund balances (deficit), beginning	1,081	1,081	-	3,992	3,992	-	29	29	-
Fund balances (deficit), ending	$ (7,994)	$ (963)	$ 7,037	$ 357	$ 2,364	$ 2,007	$ 29	$ 29	$ -

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(amounts expressed in thousands)

Assets	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current assets:					
Cash and investments	$ -	$ 1,250	$ 1,838	$ 2,853	$ 5,941
Receivables (net of allowance for uncollectibles)					
Interest	-	18	5	5	28
Utility billed	-	983	-	-	983
Utility unbilled	-	599	-	-	599
Accounts	88	236	5	6	335
Intergovernmental	-	-	951	68	1,019
Restricted assets:					
Cash and cash equivalents	-	2,295	-	-	2,295
Total current assets	88	5,381	2,799	2,932	11,200
Non-current assets:					
Restricted assets:					
Cash and investments at fiscal agent	-	-	-	6,597	6,597
Deferred charges - other	231	8,571	606	171	9,579
Capital assets:					
Land	9,988	-	-	3,588	13,576
Buildings	2,632	-	22	13,879	16,533
Accumulated depreciation-buildings	(1,113)	-	(9)	(3,460)	(4,582)
Improvements other than buildings	18,032	-	47	5,915	23,994
Accumulated depreciation-improvements other than buildings	(5,342)	-	(6)	(1,054)	(6,402)
Machinery and equipment	412	12,427	3,319	1,659	17,817
Accumulated depreciation-machinery and equipment	(249)	(8,149)	(2,058)	(1,235)	(11,691)
Construction in progress	581	-	1,329	20,377	22,287
Total non-current assets:	25,172	12,849	3,250	46,437	87,708
Total assets	25,260	18,230	6,049	49,369	98,908

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(amounts expressed in thousands)

Liabilities	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current liabilities:					
Accounts payable	41	642	287	1,851	2,821
Accrued payroll	55	631	115	90	891
Retainage payable	-	-	-	832	832
Unearned revenue	-	-	2,049	-	2,049
Deposits	1	-	-	-	1
Due to other funds	348	-	-	-	348
Capital leases-current	-	-	7	-	7
Notes-current	-	-	-	838	838
Landfill capping-current	-	200	-	-	200
Total current liabilities	445	1,473	2,458	3,611	7,987
Non-current liabilities:					
Notes payables	-	-	-	22,963	22,963
Capital leases	-	-	22	-	22
Advances from other funds	226	1,234	594	1,234	3,288
Landfill capping	-	6,495	-	-	6,495
Other payables	67	564	253	1,936	2,820
Total non-current liabilities	293	8,293	869	26,133	35,588
Total liabilities	738	9,766	3,327	29,744	43,575
Net Assets					
Invested in capital assets, net of related debt	24,941	4,278	2,615	20,542	52,376
Restricted for landfill capping	-	2,295	-	-	2,295
Unrestricted	(419)	1,891	107	(917)	662
Total net assets	$ 24,522	$ 8,464	$ 2,722	$ 19,625	$ 55,333

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Transportation	Public Parking	Total
Operating revenues:					
Charges for services	$ 1,524	$ 19,588	$ 352	$ 4,803	$ 26,267
Operating expenses:					
Personnel services	762	4,619	1,997	1,086	8,464
Contractual services	171	3,784	10	1,212	5,177
Maintenance and operation	269	5,568	471	593	6,901
General	278	3,512	349	143	4,282
Materials and supplies	482	839	161	8	1,490
Insurance	29	112	48	154	343
Depreciation and amortization	645	1,511	615	810	3,581
Total operating expenses	2,636	19,945	3,651	4,006	30,238
Operating Income (loss)	(1,112)	(357)	(3,299)	797	(3,971)
Nonoperating revenues (expenses):					
Operating grants	-	-	2,738	-	2,738
Interest income	-	47	16	1	64
Other	3	242	-	(1,144)	(899)
Gain/loss on retirement of capital assets	-	7	3	(5)	5
Interest expense and fiscal charges	(10)	(34)	(16)	(978)	(1,038)
Total non-operating revenues	(7)	262	2,741	(2,126)	870
Income before capital contributions and transfers	(1,119)	(95)	(558)	(1,329)	(3,101)
Cash capital contributions	174	-	1,339	-	1,513
Transfers out	-	-	-	(888)	(888)
Change in net assets	(945)	(95)	781	(2,217)	(2,476)
Total net assets - beginning	25,467	8,559	1,941	21,842	57,809
Total net assets - ending	$ 24,522	$ 8,464	$ 2,722	$ 19,625	$ 55,333

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Trans-portation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	$ 1,542	$ 19,167	$ 356	$ 4,844	$ 25,909
Cash paid to employees for services	(728)	(4,398)	(1,921)	(1,044)	(8,091)
Cash paid to other suppliers of goods or services	(1,299)	(14,085)	(773)	(119)	(16,276)
Other receipts	3	242	-	675	920
Net cash provided (used) by operating activities	(482)	926	(2,338)	4,356	2,462
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(888)	(888)
Operating grants	-	-	2,819	-	2,819
Advances from (to) other funds	344	-	(18)	-	326
Payments on interfund receivables	(7)	(39)	-	(462)	(508)
Net cash provided (used) by noncapital financing activities	337	(39)	2,801	(1,350)	1,749
Cash flows from capital and related financing activities:					
Purchase of capital assets	(21)	(999)	(1,138)	(9,956)	(12,114)
Proceeds from the sale of capital assets	-	7	3	-	10
Principal paid on long-term obligations	-	-	-	(807)	(807)
Interest paid on long-term obligations	(10)	(34)	(16)	(978)	(1,038)
Capital contributions	174	-	1,339	-	1,513
Net cash (used) provided for capital and related financing activities	143	(1,026)	188	(11,741)	(12,436)
Cash flows from investing activities:					
Income from investments	-	59	20	28	107
Net cash provided by investing activities	-	59	20	28	107
Net change in cash and cash equivalents	(2)	(80)	671	(8,707)	(8,118)
Cash and cash equivalents, beginning	2	3,625	1,167	18,157	22,951
Cash and cash equivalents, ending	$ -	$ 3,545	$ 1,838	$ 9,450	$ 14,833

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Trans-portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	$ (1,112)	$ (357)	$ (3,299)	$ 797	$ (3,971)
Other receipts	3	242	-	675	920
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	645	1,511	615	810	3,581
Amortization of pension costs	7	37	18	4	66
Increase in utility unbilled receivable	-	(421)	-	-	(421)
Decrease in accounts receivable	18	-	4	50	72
Increase in intergovernmental receivable	-	-	-	(9)	(9)
Increase (decrease) in accounts payable	(70)	(50)	266	1,991	2,137
Increase in accrued payroll	6	39	(3)	3	45
Increase in other payable	21	145	61	35	262
Decrease in landfill capping	-	(220)	-	-	(220)
Net cash provided (used) by operating activities	$ (482)	$ 926	$ (2,338)	$ 4,356	$ 2,462

CITY OF RIVERSIDE

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Assets
Internal Service funds
June 30, 2012
(amounts expressed in thousands)

Assets	**Self-Insurance Trust**	**Central Stores**	**Central Garage**	**Totals**
Current assets:				
Cash and investments	$ 1,996	$ -	$ 3,198	$ 5,194
Receivables (net of allowance for uncollectibles):				
Interest	22	-	12	34
Accounts	22	-	47	69
Intergovernmental	101	-	111	212
Inventory	-	6,349	438	6,787
Total current assets	2,141	6,349	3,806	12,296
Advances to other funds	5,489	-	-	5,489
Advances to Successor Agency	5,461	-	-	5,461
Deferred charges - other	221	232	1,044	1,497
Capital assets:				
Buildings	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	(241)	(241)
Machinery and equipment	-	139	9,441	9,580
Accumulated depreciation-machinery and equipment	-	(137)	(8,023)	(8,160)
Construction in Progress	-	-	644	644
Capital assets (net of accumulated depreciation)	-	2	3,309	3,311
Total noncurrent assets	11,171	234	4,353	15,758
Total assets	13,312	6,583	8,159	28,054
Liabilities				
Current liabilities:				
Accounts payable	353	229	173	755
Accrued payroll	38	100	442	580
Due to other funds	-	3,253	-	3,253
Claims and judgements - current	11,750	-	-	11,750
Total current liabilities	12,141	3,582	615	16,338
Noncurrent liabilities:				
Other payables	63	76	327	466
Advances from other funds	217	227	1,022	1,466
Claims and judgements	15,792	-	-	15,792
Total noncurrent liabilities	16,072	303	1,349	17,724
Total liabilities	28,213	3,885	1,964	34,062
Net Assets				
Invested in capital assets	-	2	3,309	3,311
Unrestricted	(14,901)	2,696	2,886	(9,319)
Total net assets	$ (14,901)	$ 2,698	$ 6,195	$ (6,008)

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Totals
Operating revenues:				
Charges for services	$ 11,937	$ 1,593	$ 6,936	$ 20,466
Operating expenses:				
Personnel services	473	649	2,775	3,897
Contractual services	113	-	115	228
Maintenance and operation	1	28	1,838	1,867
General	897	344	698	1,939
Materials and supplies	-	14	364	378
Claims/Insurance	12,220	9	35	12,264
Depreciation and amortization	-	4	714	718
Total operating expenses	13,704	1,048	6,539	21,291
Operating income (loss)	(1,767)	545	397	(825)
Non-operating revenues (expenses):				
Interest income	234	-	44	278
Other	257	-	43	300
Gain (loss) on retirement of capital assets	-	-	(10)	(10)
Interest expense and fiscal charges	(71)	(6)	(28)	(105)
Total non-operating revenue (expenses)	420	(6)	49	463
Change in net assets	(1,347)	539	446	(362)
Total net assets - beginning	(13,554)	2,159	5,749	(5,646)
Total net assets - ending	$ (14,901)	$ 2,698	$ 6,195	$ (6,008)

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	$ 11,900	$ 1,593	$ 10,545	$ 24,038
Cash paid to employees for services	(446)	(617)	(2,626)	(3,689)
Cash paid to other suppliers of goods or services	(12,216)	(963)	(6,739)	(19,918)
Other	257	-	44	301
Net cash provided (used) by operating activities	(505)	13	1,224	732
Cash flows from noncapital financing activities:				
Payments on interfund payables	(6)	-	(33)	(39)
Advances to other funds	970	(7)		963
Net cash provided (used) by noncapital financing activities	964	(7)	(33)	924
Cash flows from capital and related financing activities:				
Interest paid on long-term obligation	(71)	(6)	(28)	(105)
Purchase of capital assets	-	-	(949)	(949)
Net cash (used) for capital and related financing activities	(71)	(6)	(977)	(1,054)
Cash flows from investing activities:				
Income from investments	302	-	54	356
	302	-	54	356
Net increase in cash and cash equivalents	690	-	268	958
Cash and cash equivalents, beginning	1,306	-	2,930	4,236
Cash and cash equivalents, ending	$ 1,996	$ -	$ 3,198	$ 5,194

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

Reconciliation of operating income to net cash provided (used) by operating activities:	Self-Insurance Trust	Central Stores	Central Garage	Total
Operating (loss) income	$ (1,767)	$ 545	$ 397	$ (825)
Other	257	-	44	301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	4	714	718
Amortization of pension costs	16	7	111	134
(Increase) in account receivable	(37)	-	(95)	(132)
Decrease in inventory	-	333	314	647
(Decrease) increase in accounts payable	94	41	(299)	(164)
Increase in other payable	-	20		20
Increase in accrued payroll	4	5	38	47
(Decrease) in due to other funds	-	(942)	-	(942)
Increase in claims and judgments	928	-	-	928
Net cash provided (used) by operating activities	$ (505)	$ 13	$ 1,224	$ 732

Agency Fund

The City's Agency Fund is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash and investments	$ 8,655	$ 5,708	$ 6,848	$ 7,515
Cash and investments at fiscal agent	8,962	8,252	10,645	6,569
Interest receivable	58	420	450	28
Property taxes receivable	262	407	263	406
Total assets	$ 17,937	$ 14,787	$ 18,206	$ 14,518
Liabilities				
Accounts payable	$ 28	$ 107	$ 135	-
Held for bond holders	17,909	4,533	7,924	14,518
Total liabilities	$ 17,937	$ 4,640	$ 8,059	$ 14,518

CITY OF
RIVERSIDE

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2012
(amounts expressed in thousands)

Governmental funds capital assets:		
Land	$	322,060
Buildings and improvements		169,099
Improvements other than buildings		227,553
Machinery and equipment		876,513
Infrastructure		78,875
Construction in progress		26,666
Total governmental funds capital assets	$	1,700,766

Investments in governmental funds capital assets by source:		
Certificates of participation	$	121,108
Gifts		312,512
Operating revenue		472,382
General obligation bonds		4,484
Revenue bonds		21,229
County contracts and grants		110
State grants		40,374
Asset forfeiture - state		961
Asset forfeiture - federal		2,501
Housing and community development grants		18,545
Other federal grants		32,667
Community facilities bonds		1,026
Assessment district bonds		397
Capital leases		5,399
RDA tax increment bonds		2,278
Capital projects funds		664,793
Total governmental funds capital assets	$	1,700,766

CITY OF
RIVERSIDE

Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>**Contents**</u> | <u>**Page**</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting) **(in thousands)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012[1]
Governmental activities										
Invested in capital assets, net of related debt	$ 471,380	$ 484,784	$ 515,354	$ 622,336	$ 712,801	$ 850,740	$ 950,496	$ 976,614	$ 1,019,892	$ 1,066,855
Restricted	106,862	137,126	154,957	158,038	107,982	102,677	98,903	108,932	80,820	93,818
Unrestricted	(10,227)	(41,353)	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)	(80,947)	(90,159)	28,494
Total governmental activities net assets	$ 568,015	$ 580,557	$ 623,892	$ 729,113	$ 786,538	$ 921,988	$ 1,007,538	$ 1,004,599	$ 1,010,553	$ 1,189,167
Business-type activities										
Invested in capital assets, net of related debt	$ 323,094	$ 341,041	$ 402,377	$ 425,285	$ 520,059	$ 601,999	$ 659,904	$ 660,619	$ 654,974	$ 666,919
Restricted	40,869	49,242	54,540	71,386	57,613	43,341	38,621	59,863	56,397	54,923
Unrestricted	181,985	217,762	229,462	250,041	242,966	225,281	207,405	219,720	256,038	285,062
Total business-type activities net assets	$ 545,948	$ 608,045	$ 686,379	$ 746,712	$ 820,638	$ 870,621	$ 905,930	$ 940,202	$ 967,409	$ 1,006,904
Primary government										
Invested in capital assets, net of related debt	$ 794,474	$ 825,825	$ 917,731	$ 1,047,621	$ 1,232,860	$ 1,452,739	$ 1,610,400	$ 1,637,233	$ 1,674,866	$ 1,733,774
Restricted	147,731	186,368	209,497	229,424	165,595	146,018	137,524	168,795	137,217	148,741
Unrestricted	171,758	176,409	183,043	198,780	208,721	193,852	165,544	138,773	165,879	313,556
Total primary government net assets	$ 1,113,963	$ 1,188,602	$ 1,310,271	$ 1,475,825	$ 1,607,176	$ 1,792,609	$ 1,913,468	$ 1,944,801	$ 1,977,962	$ 2,196,071

[1] The increase in total governmental activities net assets (and related unrestricted net assets) is due to the due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses										
Governmental activities:										
General government	$ 59,530	$ 63,000	$ 58,460	$ 74,458	$ 105,486	$ 113,897	$ 71,391	$ 85,110	$ 72,606	$ 48,731
Public safety	88,969	102,500	110,969	120,470	114,312	122,783	142,353	137,338	139,364	148,605
Highways and streets	15,625	22,017	20,364	20,757	22,556	26,986	29,700	31,492	32,131	35,342
Culture and Recreation	29,236	22,988	26,353	32,602	28,016	31,659	29,423	44,319	50,017	54,594
Interest on long-term debt	7,696	10,996	15,885	16,358	26,378	34,075	34,361	32,049	33,638	25,262
Total governmental activities expenses	201,056	221,501	232,031	264,645	296,748	329,400	307,228	330,308	327,756	312,534
Business-type activities:										
Electric	186,917	196,727	200,030	226,186	232,346	271,412	269,209	256,860	275,922	288,799
Water	29,715	33,921	36,709	39,486	42,108	47,570	53,931	55,402	56,390	56,715
Sewer	20,053	23,273	26,108	27,299	29,510	31,209	34,853	41,248	42,276	43,702
Refuse	11,577	11,510	12,841	14,546	16,490	18,430	18,425	20,527	20,046	19,979
Airport	1,151	1,088	1,185	1,004	1,201	1,418	1,734	2,206	2,320	2,646
Transportation	2,110	2,286	2,557	2,917	2,831	3,190	3,194	3,368	3,493	3,667
Public parking	1,392	1,389	824	2,701	3,762	4,093	5,095	4,024	4,401	4,984
Total business-type activities expenses	252,915	270,194	280,254	314,139	328,248	377,322	386,441	383,635	404,848	420,492
Total primary government expenses	$ 453,971	$ 491,695	$ 512,285	$ 578,784	$ 624,996	$ 706,722	$ 693,669	$ 713,943	$732,604	$733,026
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 22,675	$ 26,160	$ 25,995	$ 24,683	$ 10,245	$ 23,969	$ 13,691	$ 12,933	$ 14,241	$ 14,662
Public safety	6,427	6,799	6,982	5,845	12,410	9,924	8,414	8,177	8,075	7,837
Highways and streets	20,867	22,286	23,108	25,412	30,563	19,695	14,391	17,847	16,985	16,532
Culture and recreation	8,304	5,056	7,002	7,716	8,302	4,370	3,168	2,367	3,180	4,622
Operating grants and contributions	12,716	12,935	16,140	13,150	12,101	15,024	23,313	32,853	21,127	31,581
Capital grants and contributions	2,144	1,136	5,292	18,618	10,557	115,982	69,745	23,395	38,138	54,476
Total governmental activities program revenues	73,133	74,372	84,519	95,424	84,178	188,964	132,722	97,572	101,746	129,710
Business-type activities:										
Charges for services:										
Electric	204,293	233,102	252,322	259,572	278,888	305,299	314,164	309,910	313,703	333,029
Water	28,637	32,382	34,002	37,613	47,080	49,855	54,923	57,534	62,084	65,206
Sewer	21,172	21,672	21,967	21,510	24,057	22,525	23,247	27,342	32,769	37,747
Refuse	11,795	13,759	14,492	15,160	15,833	16,289	18,394	18,712	19,134	19,588
Airport	1,046	1,051	1,088	1,162	1,263	1,423	1,232	1,315	1,342	1,524
Transportation	170	185	200	238	302	313	336	328	344	352
Public parking	2,385	2,760	2,961	2,837	3,431	3,717	4,332	4,876	5,205	4,803
Operating grants and contributions	3,663	1,723	2,261	2,704	1,939	3,308	1,929	2,487	2,159	2,738
Capital grants and contributions	4,976	26,390	32,317	29,293	40,066	29,215	17,288	6,838	7,337	21,164
Total business-type activities program revenues	278,137	333,024	361,610	370,089	412,859	431,944	435,845	429,342	444,077	486,151
Total primary government program revenues	$ 351,270	$ 407,396	$ 446,129	$ 465,513	$ 497,037	$ 620,908	$ 568,567	$ 526,914	$545,823	$615,861

(continued)

(in thousands) Page 2 of 2

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012[1]**
Net Revenues (Expense)										
Governmental activities	$ (127,923)	$ (147,129)	$ (147,512)	$ (169,221)	$ (212,570)	$ (140,436)	$ (174,506)	$ (232,736)	$ (226,010)	$ (182,824)
Business-type activities	25,222	62,830	81,356	55,950	84,611	54,622	49,404	45,707	39,229	65,659
Total primary government net expense	$ (102,701)	$ (84,299)	$ (66,156)	$ (113,271)	$ (127,959)	$ (85,814)	$ (125,102)	$ (187,029)	$ (186,781)	$ (117,165)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Sales	$ 41,691	$ 46,624	$ 53,348	$ 57,522	$ 55,666	$ 50,526	$ 41,882	$ 39,645	$ 44,157	$ 47,701
Property	33,584	35,911	61,553	80,934	106,114	114,176	116,420	104,087	100,802	74,179
Utility Users	19,928	21,362	22,133	23,502	25,384	26,267	25,964	25,975	26,691	27,320
Franchise	3,811	4,261	4,481	4,813	5,031	4,972	5,144	4,477	4,937	4,883
Other	2,967	3,213	3,828	4,372	3,581	3,795	2,912	2,488	2,731	2,995
Intergovernmental, unrestricted	15,533	12,528	1,795	1,747	1,863	2,074	4,569	1,339	1,285	351
Unrestricted grants and contributions	-	18,710	15,220	39,653	29,743	-	-	-	-	-
Investment earnings	8,064	1,284	7,815	10,150	18,582	25,670	15,941	8,289	7,439	4,440
Miscellaneous	2,241	5,476	5,756	26,173	4,228	9,480	5,137	3,344	9,544	9,273
Transfers	18,218	10,302	14,918	25,576	31,171	32,326	42,087	40,153	34,378	40,679
Extraordinary items	-	-	-	-	-	-	-	-	-	149,617
Contributions	-	(2,800)	-	-	-	-	-	-	-	-
Total governmental activities	146,037	156,871	190,847	274,442	281,363	269,286	260,056	229,797	231,964	361,438
Business-type activities:										
Unrestricted grants and contributions	15,972	-	-	-	-	-	-	-		
Investment income	9,115	5,016	7,548	11,259	16,988	22,756	23,402	21,271	17,548	11,405
Miscellaneous	3,849	4,553	7,362	18,700	3,498	4,931	4,590	7,447	4,808	3,110
Special item	-	-	(3,014)	-	-	-	-	-	-	-
Transfers	(18,218)	(10,302)	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)
Total business-type activities	10,718	(733)	(3,022)	4,383	(10,685)	(4,639)	(14,095)	(11,435)	(12,022)	(26,164)
Total primary government	156,755	156,138	187,825	278,825	270,678	264,647	245,961	218,362	219,942	335,274
Change in Net Assets										
Governmental activities	$ 18,114	$ 9,742	$ 43,335	$ 105,221	$ 68,793	$ 128,850	$ 85,550	$ (2,939)	$ 5,954	$ 178,614
Business-type activities	35,940	62,097	78,334	60,333	73,926	49,983	35,309	34,272	27,207	39,495
Total primary government	$ 54,054	$ 71,839	$ 121,669	$ 165,554	$ 142,719	$ 178,833	$ 120,859	$ 31,333	$ 33,161	$ 218,109

[1] The increase in total governmental activities net assets is due to the dissolution of the Redevelopment Agency.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting, in thousands)

	2011	2012[1,2]
General fund		
Nonspendable	$ 26,646	$ 25,720
Restricted	82,249	2,803
Assigned	15,589	6,380
Unassigned	36,359	39,347
Total general fund	$ 160,843	$ 74,250
All other governmental funds		
Nonspendable	$ 1,626	$ 1,539
Restricted:		
Housing and redevelopment	96,571	26,911
Debt service	56,526	29,080
Transportation and public works	26,459	31,075
Other purposes	5,073	1,401
Total all other governmental funds	$ 186,255	$ 90,006

[1] The decrease in fund balance of the General Fund primarily relates to the transfer of land held for resale (in the amount of $76.3 million) to the Redevelopment Agency Capital Projects Fund, which had been transferred to the General Fund during the fiscal year ended June 30, 2011.

[2] The decrease in fund balance of all other governmental funds relates to the dissolution of the Redevelopment Agency.

The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011.
The City has elected to show two years of data for this schedule.

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	$ 102,286	$ 113,118	$ 142,056	$ 170,638	$ 191,131	$ 200,438	$ 192,322	$ 177,255	$ 179,318	$ 156,593
Licenses and permits	14,394	11,343	14,389	16,351	12,984	10,027	7,368	6,899	7,657	9,292
Intergovernmental	43,829	42,609	42,568	55,178	47,934	79,423	86,873	60,550	61,082	66,618
Charges for services	8,878	10,046	11,299	11,538	11,914	11,325	9,099	9,570	10,720	11,774
Fines and forfeitures	2,095	2,188	2,006	2,098	2,778	4,573	6,213	7,512	8,928	6,293
Special assessments	6,324	10,259	6,272	6,247	6,170	5,245	5,431	5,464	6,014	6,276
Use of money and property	11,255	10,587	10,915	14,324	22,587	27,970	18,620	11,173	10,173	8,095
Miscellaneous	5,042	7,133	9,996	8,502	6,164	12,796	7,596	7,082	16,605	10,611
Total revenues	$ 194,103	$ 207,283	$ 239,501	$ 284,876	$ 301,662	$ 351,797	$ 333,522	$ 285,505	$ 300,497	$ 275,552
Expenditures:										
General government	$ 22,031	$ 25,108	$ 21,800	$ 25,193	$ 39,093	$ 26,177	$ 25,995	$ 23,835	$ 26,090	$ 18,835
Public safety	96,487	107,386	117,267	126,007	139,739	151,773	145,802	138,594	140,994	150,878
Highways and streets	12,034	11,990	11,695	11,281	19,722	25,209	18,452	14,987	14,587	16,651
Culture and recreation	27,579	24,836	28,939	31,017	31,039	30,622	26,859	40,373	44,345	57,290
Capital outlay	39,098	50,333	64,127	121,978	149,325	171,952	180,394	131,908	105,689	75,482
Debt Service:										
Principal	4,470	2,422	8,599	9,733	12,045	11,257	44,349	48,078	89,264	83,378
Interest	7,785	9,945	15,025	19,205	21,330	31,239	33,033	31,267	32,611	24,133
Debt issuance costs	-	950	1,538	-	2,551	697	259	231	174	169
Total expenditures	$ 209,484	$ 232,970	$ 268,990	$ 344,414	$ 414,844	$ 448,926	$ 475,143	$ 429,273	$ 453,754	$ 426,816
Excess of revenues over (under) expenditures	$ (15,381)	$ (25,687)	$ (29,489)	$ (59,538)	$ (113,182)	$ (97,129)	$ (141,621)	$(143,768)	$ (153,257)	$ (151,264)

(continued)

(in thousands) Page 2 of 2

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Transfers in	$ 36,202	$ 41,440	$ 49,944	$ 59,545	$ 84,306	$ 62,841	$ 100,797	$ 88,303	$ 214,631	$ 196,859
Transfers out	(17,984)	(31,338)	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)
Sales of general capital assets	1,314	(675)	6,230	1,281	541	8,931	(5,798)	529	(1,629)	(92)
Advances from other funds	81	-	-	-	-	-	-	-	-	-
Long-term obligation proceeds	750	247,594	85,578	20,969	295,190	164,408	30,425	52,360	104,875	34,940
Capital lease proceeds	-	-	-	-	-	-	-	3,116	2,000	-
Premiums (discounts) on bonds issued	-	-	113	-	4,455	-	-	(539)	-	-
Payments to refunded bond agent	-	(58,657)	(9,167)	-	-	(148,975)	-	-	-	-
Total other financing sources (uses)	20,363	198,364	97,672	47,826	331,357	56,690	66,714	95,619	139,597	75,402
Special item - pension contribution	-	(88,300)	(32,141)	-	-	-	-	-	-	-
Extraordinary items:										
Dissolution of Riverside Redevlopment Agency:										
Transfer of assets and liabilities to Successor Agency	-	-	-	-	-	-	-	-	-	(130,174)
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	-	-	28,121
Assumption of obligation	-	-	-	-	-	-	-	-	-	(4,927)
Total extraordinary items	-	-	-	-	-	-	-	-	-	(106,980)
Net change in fund balances	$ 4,982	$ 84,377	$ 36,042	$ (11,712)	$ 218,175	$ (40,439)	$ (74,907)	$ (48,149)	$ (13,660)	$ (182,842)
Debt service as a percentage of noncapital expenditures	6.545%	7.173%	15.301% **(1)**	13.777%	14.011%	16.947% **(2)**	26.058% **(3)**	23.211%	32.757% **(4)**	32.531% **(5)**

(1) Increase in debt service related to the issuance of the 2003 and 2004 Redevelopment Agency Tax Allocation Bonds.
(2) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.
(3) Increase relates to $30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The $30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011 and 2012.
(4) Increase in debt service related to one-time early redemption of $31.7 million of 2011 Redevelopment Tax Allocation Bonds and $9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.
(5) Includes one-time early redemption of $33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2003	$ 68,649	$ 48,974	$ 52,380	$ 17,806	$ 5,619	$ 8,661	$ 2,230	$ 204,319
2004	80,872	57,079	56,117	9,581	6,354	20,917	2,182	233,102
2005	79,786	59,998	59,157	15,249	6,337	20,213	12,697	253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029

The City started receiving Transmission Revenue in 2003.

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Sales Tax	Property Tax[1]	Utility Users Tax	Franchise Tax	Other Tax	Total Taxes
2003	41,691	33,584	19,928	3,811	2,967	101,981
2004	46,624	35,911	21,362	4,261	3,213	111,371
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	101,469	25,384	5,031	3,581	191,131
2008	50,526	114,176	26,267	4,972	3,795	199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078

[1] Decrease in property taxes in fiscal year 2012 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency[1]				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2003	13,071,416	980,529	(2,406,961)	11,644,984	1,390,108	276,506	(27,690)	1,638,924	0.268
2004	14,188,658	845,858	(2,526,503)	12,508,013	1,508,478	228,775	(30,286)	1,706,967	0.264
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	0.266
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	0.309
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	0.304
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.349
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348

Notes:
In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

[1] In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Source: Riverside County Auditor-Controller

Table 8
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per $100 of Assessed Valuation)
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Basic Levy[1]	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service[2]	0.250	0.210	0.234	0.220	0.155	0.185	0.291	0.326	0.334	0.363
City of Riverside Debt Service	-	-	0.011	0.009	0.008	0.006	0.007	0.006	0.006	0.006
Eastern Municipal Water Improvement District	0.024	0.022	0.023	0.010	0.009	0.008	-	-	-	-
Metropolitan Water District Original Area	0.007	0.006	0.006	0.005	0.005	0.005	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	-	-	0.018	0.018	0.018	0.013	0.013	0.012	0.015	0.017
Rubidoux Community Service Debt Service	0.004	0.003	0.003	-	-	-	-	-	-	-
Total Direct & Overlapping[3] Tax Rates	**1.285**	**1.241**	**1.295**	**1.262**	**1.195**	**1.217**	**1.315**	**1.348**	**1.359**	**1.390**
City's Share of 1% Levy Per Prop 13[4]	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	-	-	0.011	0.009	0.009	0.006	0.007	0.006	0.006	0.006
Redevelopment Rate[5,7]	1.007	1.006	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.004
Total Direct Rate[6]	0.268	0.264	0.266	0.309	0.304	0.334	0.343	0.349	0.347	0.348

[1] In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various intergovernmental overlapping debt.

[2] Includes: Alvord Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, Riverside Unified School District and Val Verde Unified School District.

[3] Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

[4] City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

[5] RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statue. RDA direct and overlapping rates are applied only to the incremental property values.

[6] Total Direct Rate is the weighted average of all individual direct rates.

[7] In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Source: Riverside County Assessor 2002/03 - 2011/12 Tax Rate Table.

Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2012 Taxable Assessed Value	2012 Rank	2012 Percentage of Total Taxable Assessed Value	2003 Taxable Assessed Value	2003 Rank	2003 Percentage of Total Taxable Assessed Value
Tyler Mall	$ 186,759	1	0.8%			
La Sierra University	126,273	2	0.6%			
Riverside Healthcare System	107,935	3	0.5%	$ 89,701	3	0.7%
State Street Bank & Trust Co of Calif	88,078	4	0.4%	92,987	2	0.7%
Rohr Inc	86,512	5	0.4%	75,965	5	0.6%
Press Enterprise Co	76,314	6	0.3%	46,941	8	0.4%
JSP Corona Pointe, LLC	74,739	7	0.3%			
BRE Properties, Inc.	69,300	8	0.3%			
Canyon Springs Marketplace Corp	67,991	9	0.3%			
Riverside Plaza	67,343	10	0.3%			
Mountain View Power Partners, LLC				88,300	4	0.7%
Metal Container Corp				48,209	7	0.4%
Ohio Teacher Retirement				146,436	1	0.8%
Toro Company				46,705	9	0.4%
Lyon Corona Pointe				54,743	6	0.4%
Mission Grove Park Apartments				42,833	10	0.3%
Totals	$ 951,244		4.3%	$ 732,820		5.4%

Notes:
The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor 2011/12 and 2002/03 Combined Tax Rolls

Table 10
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years **(in thousands)**

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	$ 25,809	25,479	98.72%	318	25,797	99.95%
2004	31,829	31,429	98.74%	376	31,805	99.93%
2005	36,825	36,332	98.66%	469	36,801	99.94%
2006	52,532	51,815	98.64%	681	52,496	99.93%
2007	69,246	67,046	96.82%	2,141	69,187	99.91%
2008	83,996	82,345	98.03%	1,556	83,901	99.89%
2009	86,251	84,134	97.55%	1,939	86,073	99.79%
2010	77,228	74,491	96.46%	2,476	76,967	99.66%
2011	74,608	72,327	96.94%	1,842	74,169	99.41%
2012	46,059	45,379	98.52%	-	45,379	98.52%

Note:
The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-though to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

Source: Riverside County Auditor Controller's Office and City Finance Department

Table 11
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years **(in millions of kilowatt-hours)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Type of Customer:										
Residential	618.0	707.0	675.0	696.0	748.0	734.0	733.0	701.0	666.0	688.0
Commercial	451.0	522.0	530.0	474.0	456.0	441.0	433.0	406.0	400.0	413.0
Industrial	658.0	687.0	707.0	810.0	924.0	960.0	946.0	906.0	912.0	969.0
Wholesale sales	378.0	354.0	470.0	287.0	295.0	357.0	137.0	44.0	7.0	2.0
Other	49.0	52.0	50.0	58.0	39.0	34.0	33.0	32.0	31.0	31.0
Total	2,154.0	2,322.0	2,432.0	2,325.0	2,462.0	2,526.0	2,282.0	2,089.0	2,016.0	2,103.0
Total direct rate										
Monthly Base Rate [1]	3.18	3.28	3.36	3.36	5.00	11.35	13.06	18.06	18.06	18.06
Rate per 250 KWH [1]	20.98	21.65	22.20	22.20	22.20	25.88	25.88	25.88	25.88	25.88

[1] Rates are based on a monthly base rate plus energy charge for the first 250 KWH.
The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Other
2003	0.10990	0.10779	0.07901	0.11869
2004	0.11439	0.10936	0.08167	0.12271
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938

NOTE:
Rates are based on a monthly base rate plus an energy charge for the first 250 KWH. The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

	2012		2003	
Electricity Customer	**Electricity Charges**	**Percent of Total Electric Revenues**	**Electricity Charges**	**Percent of Total Electric Revenues**
Local University	$10,005,990	3.46%	N/A	N/A
Local Government	7,880,131	2.72%	N/A	N/A
Local Government	7,343,622	2.54%	N/A	N/A
Local School District	4,014,894	1.39%	N/A	N/A
Corporation	3,951,734	1.36%	N/A	N/A
Corporation	2,833,591	0.98%	N/A	N/A
Hospital	2,410,157	0.83%	N/A	N/A
Local School District	2,051,858	0.71%	N/A	N/A
Corporation	1,963,047	0.68%	N/A	N/A
Shopping Mall	1,942,657	0.67%	N/A	N/A
	$44,397,681	15.34%	N/A	N/A

Retail Sales Per Financial Statements $289,587,035

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years **(in thousands)**

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Assessment Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	Notes/Loans Payable
2003	-	109,615	-	-	-	4,650	5,517	11,447
2004	20,285	131,590	-	-	89,540	58,706	8,938	11,057
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	-	127,480	202,703	5,220	4,000

	Business-Type Activities					
Fiscal Year	Revenue Bonds	Notes/Loans Payable	Capital Leases	Total Primary Government	Percentage of Personal Income[1]	Debt Per Capita[1]
2003	342,559	11,524	498	485,810	9.89%	1.79
2004	440,970	11,066	439	772,591	15.02%	2.79
2005	419,581	10,459	392	818,428	14.98%	2.91
2006	509,577	9,841	317	898,052	15.47%	3.13
2007	482,929	9,211	253	1,160,334	18.67%	4.01
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01
2012	1,041,739	73,821	1,332	1,472,402	21.62%	4.77

[1] These ratios are calculated using personal income and population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Statistical Table 19.

Table 15
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years **(in thousands, except per capita amount)**

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds	Total	Percent of Assessed Value [1]	Per Capita[2]
2003	-	-	4,650	109,615	114,265	0.98%	422
2004	20,285	89,540	58,706	131,590	300,121	2.40%	1,083
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,316
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,264
2007	19,331	144,450	192,874	296,598	653,253	3.98%	2,260
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122

Notes:
General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

[1] Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

[2] These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2012

2011-12 Assessed Valuation:	$ 22,040,302,315
Less Dissolved Redevelopment Agency Incremental Valuation:	5,697,472,391
Adjusted Assessed Valuation:	$ 16,342,829,924

	Total Debt	% Applicable (1)	City's Share of Debt
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	$ 1,965,450	0.919%	$ 1,806,249
Riverside City Community College District	230,858,371	28.657	66,157,083
Alvord Unified School District	205,160,854	62.393	128,006,074
Riverside Unified School District	147,135,000	84.115	123,762,605
Corona-Norco Unified School District	274,072,570	0.002	5,481
Jurupa Unified School District	51,252,972	0.003	1,538
Moreno Valley Unified School District	41,983,521	6.075	2,550,499
City of Riverside	**16,107,000**	**100.**	**16,107,000**
Alvord Unified School District Community District No.2006-1	8,340,000	69.778	5,819,485
Riverside Unified School District Community Facilities Districts	92,660,000	89.192-100.	92,508,688
City of Riverside Community Facilities Districts	13,600,000	100.	13,600,000
City of Riverside 1915 Act Bonds	29,360,000	100.	29,360,000
Total Direct and Overlapping Tax and Assessment Debt:			$ 479,684,702

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($16,107,000)……………………………………..0.07%

Total Direct and Overlapping Tax and Assessment Debt…...2.14%

(continued)

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2012

Direct and Overlapping General Fund Debt:			
Riverside County General Fund Obligations	$ 655,042,180	11.440%	$ 74,936,825
Riverside County Pension Obligations	357,540,000	11.440	40,902,576
Riverside County Board of Education Certificates of Participation	5,055,000	11.440	578,292
Alvord Unified School District Certificates of Participation	2,027,061	62.393	1,264,744
Corona-Norco Unified School District Certificates of Participation	30,035,000	0.002	601
Jurupa Unified School District Certificates of Participation	7,220,000	0.003	217
Moreno Valley Unified School District Certificates of Participation	19,535,000	6.075	1,186,751
Riverside Unified School District General Fund Obligations	13,260,000	84.115	11,153,649
City of Riverside General Fund Obligations	**202,703,000** (1)	**100.**	**202,703,000**
City of Riverside Pension Obligations	**127,480,000**	**100.**	**127,480,000**
Total Gross Direct and Overlapping General Fund Debt			460,206,655
Less: Riverside County supported obligations			1,418,092
Total Net Direct and Overlapping General Fund Debt			$ 458,788,563
Total Direct Debt			**$ 346,290,000**
Total Gross Overlapping Debt			$ 593,601,357
Total Net Overlapping Debt			$ 592,183,265
Gross Combined Total Debt			$ 939,891,357
Net Combined Total Debt	(2)		$ 938,473,265

(1) Excludes issues to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($346,290,000)…………..……………2.12%
Gross Combined Total Debt…………………………..…………..….5.75%
Net Combined Total Debt………………………………….…..…….5.74%

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: The information in this table is provided by California Municipal Statistics, Inc., except for the assessed valuation information which was provided by the County of Riverside Auditor-Controller.

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuation	$11,644,984	$12,508,013	$13,740,349	$14,614,159	$16,395,629	$17,950,082	$ 18,243,019	$ 16,840,575	$ 16,396,996	$ 16,342,830
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,911,246	3,127,003	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	436,687	469,050	515,263	548,031	614,836	673,128	684,113	631,522	614,887	612,856
Total net debt applicable to limit:	-	20,285	20,280	19,858	19,331	18,774	18,171	17,533	16,845	16,107
Legal debt margin	436,687	448,765	494,983	528,173	595,505	654,354	665,942	613,989	598,042	596,749
Total net debt applicable to the limit as a percentage of debt limit	0.0%	4.3%	3.9%	3.6%	3.1%	2.8%	2.7%	2.8%	2.7%	2.6%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect a the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 7 and Notes to Financial Statements.

Table 18
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

	Electric Revenue Bonds						Water Revenue Bonds					
		Less:	Net					Less:	Net			
				Debt Service						Debt Service		
Fiscal Year	Pledged Revenue[1]	Operating Expenses[1]	Available Revenue	Principal	Interest	Coverage	Pledged Revenue[1]	Operating Expenses[1]	Available Revenue	Principal	Interest	Coverage
2003	211,553	157,450	54,103	7,840	10,966	2.88	36,837	19,928	16,909	3,895	2,720	2.56
2004	239,842	168,162	71,680	10,780	10,183	3.42	47,093	23,767	23,326	4,010	2,622	3.52
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
2012	340,098	221,876	118,222	25,174	27,630	2.24	73,557	35,309	38,248	4,708	8,872	2.82

	Sewer Revenue Bonds[2]					
		Less:	Net			
				Debt Service		
Fiscal Year	Pledged Revenue[1]	Operating Expenses[1]	Available Revenue	Principal	Interest	Coverage
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation.
[2] $240,910 of Sewer Revenue Bonds were issued August 6, 2009

The City of Riverside does not have any pledged revenue related to Govermental Activities.

Table 19
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population [1]	Personal Income [2] (in thousands)	Per Capita Personal Income [2]	Unemployment Rate [3]
2002	270,805	4,914,404	18,147	6.5
2003	277,177	5,145,118	18,563	6.6
2004	281,192	5,462,823	19,427	6.1
2005	286,572	5,806,339	20,261	5.4
2006	289,045	6,214,628	21,501	5.1
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7

Sources:

[1] California State Department of Finance.
[2] Demographic Estimates for 2002-2009 are based on the last available Census. Projections are devloped by incorporating all fo the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 and later are per the US Cenus Bureau, most recent American Community Survey.
[3] State of California Empolyment Development Department.

Table 20
City of Riverside
Principal Employers
Current Year and Nine Years Ago

	2012			2003		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
County of Riverside	11,187	1	7.8%	N/A	N/A	N/A
Riverside Unified School District	5,580	3	3.9%	N/A	N/A	N/A
University of California	5,554	2	3.9%	N/A	N/A	N/A
Kaiser	4,500	4	3.1%	N/A	N/A	N/A
City of Riverside	2,693	5	1.9%	N/A	N/A	N/A
Riverside Community College District	2,087	7	1.4%	N/A	N/A	N/A
Riverside Community Hospital	1,880	6	1.3%	N/A	N/A	N/A
Alvord Unified School District	1,654	9	1.1%	N/A	N/A	N/A
Riverside County Office of Education	1,627	8	1.1%	N/A	N/A	N/A
Parkview Community Hospital	1,350	10	0.9%	N/A	N/A	N/A
Total	38,112		26.5%	N/A		N/A

N/A - not available

Source: City of Riverside, Development Department

Table 21
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General government	314.39	318.36	331.88	377.15	412.22	436.35	439.10	433.40	431.40	440.40
Public safety										
Police [1]	569.65	567.83	568.83	589.33	618.33	637.33	591.93	589.93	589.93	599.93
Fire	218.65	219.65	221.11	221.73	251.73	254.21	254.21	255.46	255.46	255.46
Firefighters and Police Officers	561.00	557.00	557.46	566.46	620.46	632.46	633.46	632.46	632.46	632.46
Highways and streets	280.10	285.10	281.35	262.35	286.35	318.35	369.65	349.50	348.11	357.11
Sanitation	44.49	48.49	48.49	59.49	60.29	64.29	58.60	59.00	56.00	56.00
Culture and recreation	301.97	302.92	300.92	311.45	324.26	339.52	340.71	328.07	328.07	341.22
Airport	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	9.50	9.50
Water	123.00	130.00	130.00	133.00	142.00	167.00	167.00	177.65	180.15	181.15
Electric	291.60	295.60	305.60	337.60	351.35	404.60	408.10	419.45	448.50	452.50
Total	2,149.85	2,173.95	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27

[1] In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Arrests	10,541	11,951	11,280	10,093	9,827	9,367	10,150	8,690	8,118	7,736
Fire										
Number of calls answered	24,886	25,876	26,505	26,696	27,458	27,429	26,397	26,484	27,322	27,637
Inspections	14,229	16,306	17,028	19,261	7,261	10,812	7,638	7,234	6,505	10,074
Public works:										
Street resurfacing (miles)	67.39	62.37	102.45	51.26	73.40	26.27	18.90	20.00	21.25	18.43
Parks and recreation										
Number of recreation classes	14,787	15,135	15,195	16,272	19,079	22,146	21,884	27,762	37,303	43,318
Number of facility rentals	26,854	27,014	27,074	27,483	32,980	35,076	36,822	34,565	42,638	43,288
Water										
Number of accounts	60,625	61,668	62,492	62,985	63,431	63,494	64,062	64,231	64,349	64,367
Annual consumption (ccf)	29,283,851	30,596,320	27,875,253	28,865,030	32,110,208	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142
Electric										
Number of accounts	99,018	100,766	103,463	104,294	105,226	106,015	106,385	106,335	106,855	107,321
Annual consumption (kwh)	2,154	2,322	2,432	2,359	2,462	2,526	2,282	2,089	2,016	2,103
Sewer:										
New connections	5,825	7,034	9,621	16,717	15,423	16,412	18,765	16,971	17,746	18,166
Average daily sewage treatment (millions of gallons)	33.15	35.24	38.07	35.91	32.50	32.10	33.00	33.29	30.06	29.84

[1] Inspections were not tracked prior to 2003
[2] Amounts expressed in millions
N/A - not available

Source: City of Riverside, various departments

Table 23
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2003	**2004**	**2005 (1)**	**2006**	**2007 (2)**	**2008**	**2009**	**2010**	**2011**	**2012**
Function										
Public Safety										
Police										
Stations	2	2	2	3	3	3	3	3	3	3
Substations	7	11	7	5	4	4	5	4	4	4
Helicopters	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	13	13	13	13	14	14	14	14	14	14
Active apparatus	30	30	30	29	30	30	30	30	26	27
Reserve apparatus	6	5	5	6	6	6	7	7	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	819.00	829.00	836.00	845.35	852.04	864.68	866.89	867.96	868.39	868.70
Streetlights	28,246	28,401	28,581	28,847	29,028	29,312	29,675	29,757	29,868	29,933
Traffic signals	320	322	322	353	358	363	365	362	362	365
Culture and recreation										
Parks acreage	2,534.00	2,500.00	2,534.00	2,534.00	2,773.00	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00
Community centers	10	10	11	11	11	11	11	11	11	11
Playgrounds	30	26	26	27	38	38	41	41	41	41
Swimming pools	6	6	7	6	7	7	7	7	7	7
Softball & baseball diamonds	34	34	35	33	44	44	44	44	49	51
Library branches	7	5	5	6	6	6	7	7	8	8
Museum exhibit-fixed	6	11	8	7	13	8	6	5	8	5
Museum exhibit-special	-	4	1	-	2	5	2	2	2	1
Water										
Fire hydrants	6,763	6,763	6,926	7,127	7,187	7,381	7,523	7,593	7,632	7,682
Sewer										
Sanitary sewers (miles)	745	755	765	775	785	794	794	820	823	829
Electric										
Miles of overhead distribution system	593.3	539.0	531.0	527.0	528.0	523.5	522.0	519.0	517.0	515.0
Miles of underground system	538.2	608.0	622.0	663.0	704.0	741.6	769.0	782.0	791.0	804.0

Source: City of Riverside, various departments

(1) During the 2004/05 fiscal year, four police substations closed.

(2) Museum Fixed Exhibits - In 2007, the Riverside Municipal Museum remodeled a number of the spaces within the museum allowing the museum the opportunity to debut new exhibitions and to display more permanent collections in addition to partnering with others on exhibits that were available that year.

CITY OF
RIVERSIDE

City of Arts & Innovation

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond, plus interest accrued thereon from its date compounded on each Interest Payment Date (through and including the maturity date of such Bond) at the "original issue yield" for such Bond; provided, that the Accreted Value on any date other than an Interest Payment Date shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Interest Payment Date. The term "original issue yield" means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Interest Payment Date.

"Act" means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California.

"Additional Bonds" means all Bonds of the Local Agency authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith.

"Aggregate Principal Amount" means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

"Auction Rate Securities" means all Bonds issued in such mode prior to their fixed rate conversion date, if any.

"Authorized Representatives" means the Mayor, the Finance Director, the City Manager and the Assistant Director of Finance of the City of Riverside.

"Bond Fund" means the Bond Fund established pursuant to the Trust Agreement.

"Bonds" means the 2004 Bonds, the Series 2005A Bonds, the 2013 Notes and all Additional Bonds.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Capital Appreciation Bonds" means Bonds the interest on which is payable at maturity and compounded on each Interest Payment Date through and including the maturity dates thereof as specified in the Accreted Value Table for such Bonds attached to the Trust Agreement as or in a similar exhibit to a Supplemental Trust Agreement.

"Certificate of the Local Agency" means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer's designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to `the Trustee for that purpose. If and to the extent required by the provisions of the Trust Agreement each Certificate of the Local Agency shall include the statements provided for in the Trust Agreement.

"Closing Date" means the date on which the applicable series of Bonds are delivered to the purchaser or purchasers thereof.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Local Agency, initially being Los Angeles, California. The Trustee may designate in writing to the Local Agency and the Holder such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Local Agency and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, premiums for bond insurance, if any, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund established in the Trust Agreement.

"Defeasance Securities" means:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation); and

(2) Obligations of or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:

- U.S. Treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA) State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Local Agency as its Fiscal Year in accordance with applicable law.

"Fixed Rate" means a rate of interest that does not change during a specific term, without adjustment, resetting or variation due to the effects of marketing, remarketing or indices.

"Holder" means any person who shall be the registered owner of any Outstanding Bond.

"Index Bonds" means those Bonds which bear interest at an Index Rate.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Local Agency, and who, or each of whom:

(i) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Local Agency:

(ii) does not have a substantial financial interest, direct or indirect, in the operations of the Local Agency; and

(iii) is not connected with the Local Agency as a member, officer or employee of the Local Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Local Agency.

"Interest Account" means the account by that name established in the Trust Agreement.

"Interest Payment Date" means each date upon which interest is due on the Bonds (or, with respect to Capital Appreciation Bonds, compounded), or such other dates designated in a Supplemental Trust Agreement.

"Local Agency" means the City of Riverside, California.

"Maturity Amount" means the Accreted Value of any Capital Appreciation Bond on its maturity date.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Local Agency.

"Original Purchaser of the Bonds" means the original purchaser or purchasers of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds; means (subject to the provisions of the Trust Agreement) all Bonds except:

(i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(ii) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Local Agency pursuant to the Trust Agreement.

"Permitted Investments" means any of the following to the extent permitted by the laws of the State and as approved by any applicable Bond Insurer or Insurers:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Developer Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following obligations are not fully guaranteed by the full faith and credit America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the applicable Bond Insurer or Insurers;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-l+" by S&P and which matures not more than two hundred seventy (270) calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P

(9) Investment agreements approved in writing by the applicable Bond Insurer or Insurers (supported by appropriate opinions of counsel);

(10) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(11) Other forms of investments (including repurchase agreements) approved in writing by the applicable Bond Insurer or Insurers.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established by prior agreement among the Local Agency, the Trustee and the applicable Bond Insurer or Insurers.

"Principal Account" means the account by that name established in the Trust Agreement.

"Principal Payment Date" means a date on which principal is due on the Bonds as set forth in the Trust Agreement.

"Qualified Swap Agreement" or "Swap Agreement" means (i) any ISDA Master Swap Agreement, by and between the Local Agency and a Qualified Swap Provider, which includes Schedule A thereto and the applicable Commitment, (a) that is entered into by the Local Agency with an entity that is a Qualified Swap Provider at the time the arrangement is entered into: (b) which provides that the Local Agency shall pay to such entity an amount based on the interest accruing at a Fixed Rate on an amount equal to the principal amount of Outstanding Bonds covered by such Swap Agreement, if any, and that such entity shall pay to the Local Agency an amount based on the interest accruing on a principal amount equal to the then Outstanding principal amount of the affected Bonds, at a variable rate of interest computed according to a formula set forth in the Swap

Agreement (which need not be the same formula by which the Auction Rate, if applicable, is calculated) or that one shall pay to the other any net amount due under such arrangement; and (c) which has been designated in writing to the Trustee in a Certificate of the Local Agency as a Qualified Swap Agreement with respect to the affected Bonds.

"Qualified Swap Provider" means with respect to the counterparty under any other Swap Agreement meeting the requirements of the definition thereof, a financial institution approved by the Local Agency, and (A) the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the related Qualified Swap Agreement by at least one Rating Agency as described in clause (i) below and by at least one other Rating Agency as described in clause (ii) below: (i) at least "Aa3" by Moody's or "AA-" by S&P or Fitch and (ii) not lower than "A2" by Moody's or "A" by S&P or Fitch; or (B) the obligations of which under the particular Qualified Swap Agreement and any Swap Policy related thereto are unconditionally guaranteed by a bank or non-bank financial institution, the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Qualified Swap Agreement by at least one Rating Agency as described in clause (i) above and by at least one other rating agency as described in clause (ii) above.

"Rating Agencies" means Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the event that Moody's Investors Service, Inc. or Standard & Poor's Corporation no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's Investors Service, Inc., Standard & Poor's Corporation or other nationally recognized rating agency then maintains a rating on the Bonds.

"Record Date" means the fifteenth day of the month preceding each Interest Payment Date, or such other date designated in a Supplemental Trust Agreement.

"Retirement Law" means the Public Employees' Retirement Law commencing with Section 20000 of the Government Code of the State of California, as amended.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Local Agency and the Trustee amendatory thereof or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Surplus Account" means the account by that name established in the Trust Agreement.

"Swap Payments" means any of the periodic payments due from the Local Agency pursuant to the terms of a Qualified Swap Agreement.

"System" means the California Public Employees' Retirement System.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trust Agreement" means the Trust Agreement, dated as of June 1, 2004, between the Local Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Trustee" means Wells Fargo Bank, National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

"Written Request of the Local Agency" means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer's designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to the Trustee for that purpose.

Bond Fund; Deposits to Bond Fund

(a) In order to meet the Local Agency's obligations under the Retirement Law, the Local Agency shall deposit or cause to be deposited with the Trustee on or before August 1 of each Fiscal Year (or such other date as provided in a Supplemental Trust Agreement) the amount which, together with moneys transferred pursuant to the Trust Agreement, is sufficient to pay the Local Agency's debt service obligations on the Bonds payable during such Fiscal Year; provided that the amount to be deposited with respect to the 2013 Notes shall be an amount equal to the interest coming due on the 2013 Notes in such Fiscal Year (principal of the 2013 Notes shall be payable from proceeds of an issued refunding pension obligation bonds of the Local Agency to be issued under a subsequent supplemental trust agreement). In addition, in the event debt service is payable on the Bonds in July of any year, such deposit shall also include an amount equal to debt service on the Bonds payable in July of the next succeeding Fiscal Year.

In establishing the amounts of the Local Agency's obligations on the Bonds to be prepaid in each Fiscal Year, (i) (A) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of less than 360 Rate Period Days shall be prepaid at the actual average interest rate for the immediately preceding Fiscal Year plus 200 basis points (2.00%) and if such information is not available for the full immediately preceding Fiscal Year, then the debt service for such Auction Rate Securities shall be prepaid at the average one-month LIBOR plus 200 basis points (2.00%) for the immediately preceding Fiscal Year: the debt service for Index Bonds not subject to a Qualified Swap Agreement shall be prepaid at the average one-month LIBOR in effect during the immediately preceding Fiscal Year, plus 200 basis points (2.00%), or (B) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of 360 Rate Period Days or longer shall be prepaid at the actual interest rate in effect for such Auction Rate Securities; and (ii) the debt service for all other Bonds then Outstanding shall be prepaid at (A) the rate prescribed under the applicable Qualified Swap Agreement, if any, for Auction Rate Securities and Index Bonds subject to a Qualified Swap Agreement, and (B) the actual interest rate in effect for Fixed Rate Bonds.

(b) All amounts payable by the Local Agency under the Trust Agreement shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is created and shall be held in trust by the Trustee.

Allocation of Moneys in Bond Fund

On or before each Interest Payment Date or date fixed for redemption of Bonds, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) Interest Account,

(b) Principal Account, and

(c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section.

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount or Accreted Value of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal or Accreted Value of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Local Agency, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Local Agency, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount or Accreted Value thereof, as applicable, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds, as applicable, as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. On the Business Day following the last Interest Payment Date of each Fiscal Year, or on such other date as provided in a Supplemental Trust Agreement, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. So long as no Event of Default has occurred and is continuing, moneys deposited in the Surplus Account shall be transferred by the Trustee to or upon the order of the Local Agency, as specified in a Written Request of the Local Agency.

Deposit and Investments of Money in Accounts and Funds

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted investments at the Written Request of the Local Agency. If no Written Request of the Local Agency is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 6 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Additional Bonds

The Local Agency may at any time issue Additional Bonds on a parity with the Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Local Agency shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the Local Agency to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(ii) Whether such Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(iii) The authorized principal amount and designation of such Additional Bonds;

(iv) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(v) The interest payment dates for such Additional Bonds;

(vi) The denomination or denominations of and method of numbering such Additional Bonds;

(vii) The redemption premiums, if any and the redemption terms, if any, for such Additional Bonds;

(viii) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account; and

(ix) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent with the Trust Agreement.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, the Local Agency shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the Local Agency, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Local Agency as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel to the effect that (1) the Local Agency has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the Local Agency and (2) such Additional Bonds are valid and binding obligations of the Local Agency;

(d) A Certificate of the Local Agency stating that all requirements of the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement;

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Additional Debt

The Local Agency expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue, other obligations for such purposes.

The Trustee

Wells Fargo Bank, National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Local Agency is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The Local Agency agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The Local Agency may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Local Agency and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the Local Agency shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Compensation of Trustee

The Local Agency covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the Local Agency will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes;

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Local Agency other agreements and covenants thereafter to be performed by the Local Agency, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the Local Agency;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising thereunder which the Local Agency may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the Local Agency may deem necessary or desirable in order to conform to common market practices for such bonds; or

(f) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Amendment by Mutual Consent

The Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

Events of Default

The following are "events of default" under the Trust Agreement:

(a) if default shall be made by the Local Agency in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Local Agency in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Local Agency in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the Local Agency, and such default shall have continued for a period of sixty (60) days after the Local Agency shall have been given notice in writing of such default by the Trustee or the Owners of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Local Agency within the applicable period and diligently pursued until the default is corrected: or

(d) if the Local Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Local Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Local Agency or of the whole or any substantial part of its property.

Institution of Legal Proceedings by Trustee Following Event of Default

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant, or agreement contained therein, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the Local Agency, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in Trust Agreement, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Local Agency, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of Bonds

(a) If the Local Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the Local Agency to the Holders of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Local Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Local Agency all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Local Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the Local Agency or the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Local Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

APPENDIX D

FORM OF APPROVING OPINION OF NOTE COUNSEL

Date of Delivery

City of Riverside
3900 Main Street
Riverside, CA 92522

Re: $30,940,000 City of Riverside Taxable Pension Obligation Bond Anticipation Notes, 2013 Series A

Ladies and Gentlemen:

We have acted as note counsel in connection with the issuance by the City of Riverside (the "City") of $30,940,000 aggregate principal amount of the City's Taxable Pension Obligation Bond Anticipation Notes, 2013 Series A (the "Notes"), pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), and a Trust Agreement, dated as of June 1, 2004, between Wells Fargo Bank, National Association, as trustee (the "Trustee"), and the City, as supplemented and amended by a First Supplemental Trust Agreement, dated as of June 1, 2005, between the Trustee and the City, a Second Supplemental Trust Agreement dated as of June 1, 2008, between the Trustee and the City, a Third Supplemental Trust Agreement dated as of May 1, 2009, between the Trustee and the City, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, between the Trustee and the City, a Fifth Supplemental Trust Agreement dated as of May 1, 2011, a Sixth Supplemental Trust Agreement dated as of May 1, 2012 and a Seventh Supplemental Trust Agreement dated as of May 1, 2013 (as supplemented and amended, the "Trust Agreement"). The Trust Agreement provides that the Notes are issued for the purpose of refunding certain obligations of the City to the California Public Employees' Retirement System evidenced by the PERS Contract (as defined in the Trust Agreement).

In such connection, we have reviewed the Trust Agreement, the opinions of counsel to the Trustee and the City, certificates of the City, the Trustee and others, and such other documents, matters and opinions to the extent we deemed necessary in order to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on May 3, 2004, by the Superior Court of the County of Riverside in the action entitled City of Riverside v. All Persons Interested in the Matter, Case No. RIC408587, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement. We call attention to the fact that the rights and obligations under the Notes and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement relating to the Notes and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the following opinions:

1. The Notes constitute valid and binding limited obligations of the City.

2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the City.

3. The Notes do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, and neither the Notes nor the obligation of the City to make payment of the interest on or the principal of the Notes constitutes an indebtedness of the City or the State of California, or any of its political subdivisions, in contravention of any Constitutional or statutory debt limitation or restriction.

4. Interest on the Notes is exempt from State of California personal income taxes. Except as stated in the preceding sentence, we express no opinion as to any federal or state tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX E

BOOK ENTRY PROVISIONS

The information concerning DTC set forth herein has been supplied by DTC, and the City assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Trust Agreement, DTC will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Note will be issued for each maturity of each Series of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect

Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE NOTES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF NOTES, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE NOTES UNDER THE TRUST AGREEMENT; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN).

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal and interest with respect to the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered as described in the Trust Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered as described in the Trust Agreement and payment of interest to each Owner who owns of record $1,000,000 or more in aggregate principal amount of Notes may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate dated May 1, 2013, is executed and delivered by the City of Riverside, California (the "City") in connection with the issuance of $30,940,000 City of Riverside (the "City") Taxable Pension Obligation Bond Anticipation Notes, 2013 Series A (the "Notes"). The Notes are being issued pursuant to the Trust Agreement, dated as of June 1, 2004, as supplemented by the First Supplemental Trust Agreement, dated as of June 1, 2005, Second Supplemental Trust Agreement dated as of June 1, 2008, a Third Supplemental Trust Agreement, dated as of May 1, 2009, a Fourth Supplemental Trust Agreement dated as of May 1, 2010, a Fifth Supplemental Trust Agreement dated as of May 1, 2011, a Sixth Supplemental Trust Agreement dated as of May 1, 2012 and as further supplemented by a Seventh Supplemental Trust Agreement dated as of May 1, 2013 (together, the "Trust Agreement"), each by and between the City and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean initially the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Holders" shall mean registered owners of the Notes.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean De La Rosa & Co. or any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at *http://emma.msrb.org/*, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes;

6. defeasances;

7. tender offers;

8. bankruptcy, insolvency, receivership or similar proceedings; and

9. ratings changes.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non payment related defaults;

4. modifications to the rights of Note Holders;

5. notices of prepayment; and

6. release, substitution or sale of property securing repayment of the Notes.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Subsection (b) would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repository or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Subsection (c).

SECTION 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

SECTION 5. Dissemination Agent. The City may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the City. Upon such resignation, the City shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the City. The City shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination

Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 4, 3(a) or 3(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the City; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the City has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the City's duty to comply with its continuing disclosure requirements hereunder.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

CITY OF RIVERSIDE

By: ____

Finance Director