RIVERSIDE PUBLIC UTILITIES

Today's Strategies









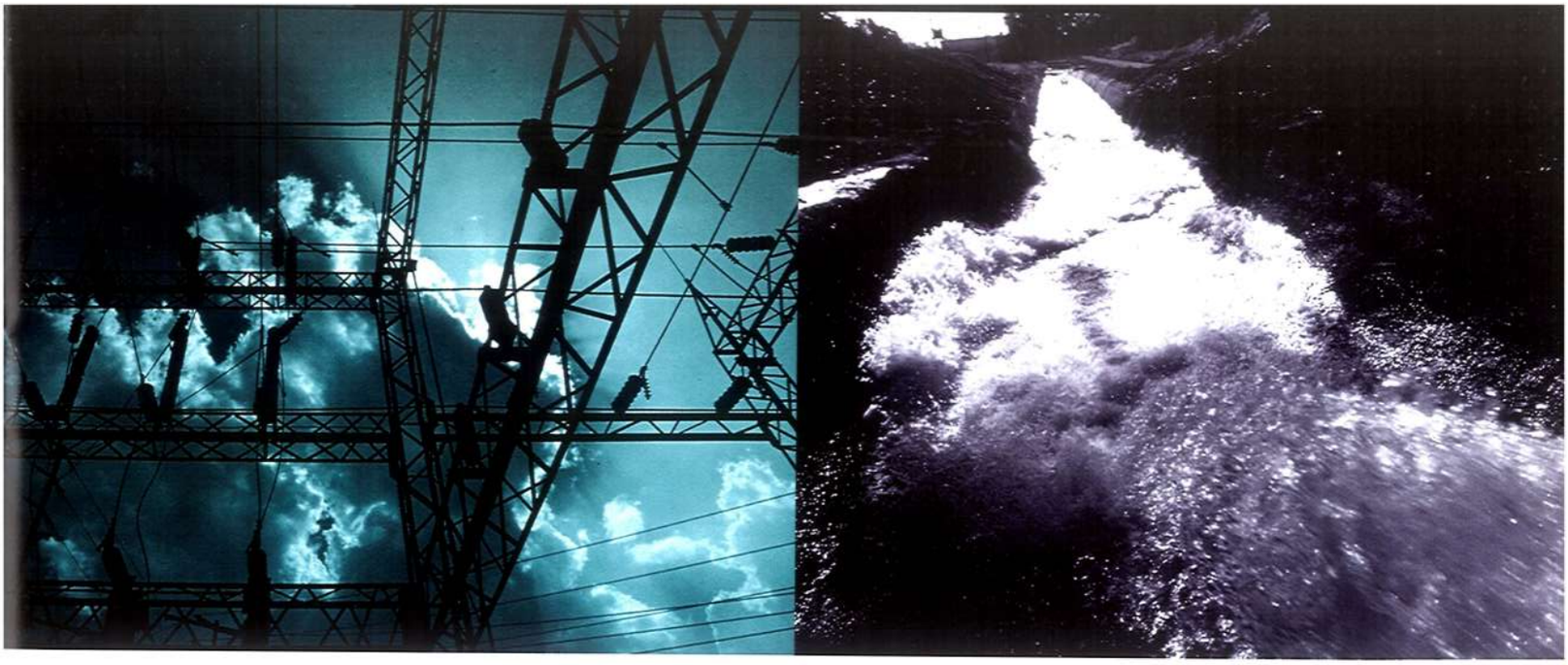
Tomorrow's Choice

1995-96
Annual
Report



"We wish to form a colony of intelligent, industrious and enterprising people, so that each one's industry will help promote his neighbor's interests as well as his own."

With these lofty ideals, John Wesley North and Dr. James P. Greves solicited settlers for the Colony of Southern California at Riverside in 1870. For more than 100 years, Riverside Public Utilities has respected this visionary plan by continuing to provide quality water and electric services to the people of Riverside through innovative technology and smart financial strategies so they may fulfill the needs of today and dreams of tomorrow.



Today's Strategies Tomorrow's Choice

Competitive readiness. Those two words probably reflect the pulse of the electric utility industry better than any other at this critical juncture of deregulation. And with deregulation comes a new set of rules, methods and strategies by which utilities across the nation will chart their futures.

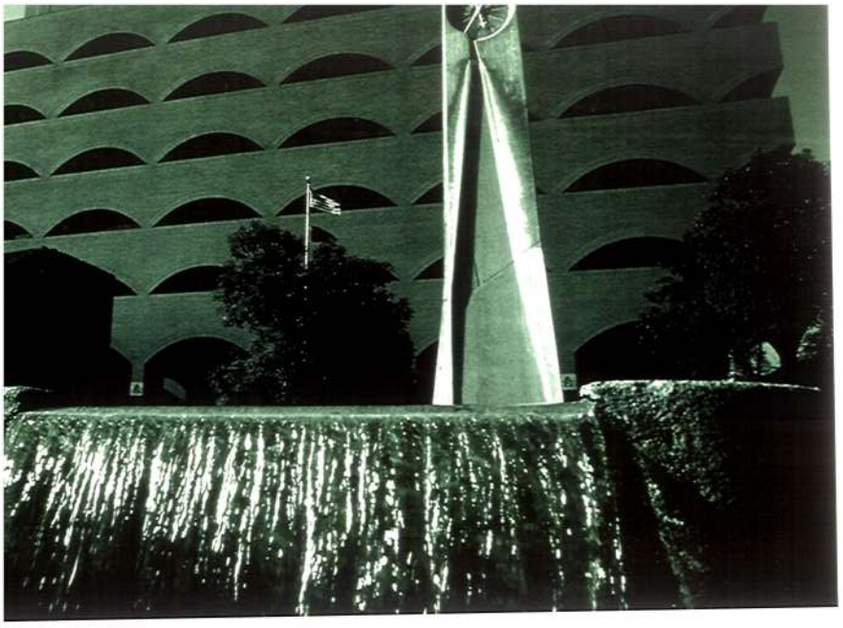
During this transitional period, Riverside Public Utilities is taking strategic steps to ensure we remain your first choice for water and electric services. Strategic plans in the areas of communication, rates, reliability, partnerships, benchmarking, networking and value-added services will serve as Riverside Public Utilities' bridge to a new marketplace.

Numerous internal and external measures, including comprehensive organizational reviews, capital and operating reductions, customer service enhancements and financial strategies, are being implemented to position Riverside Public Utilities for competition. *All of these efforts are being undertaken because your business is important to us — not as just a means of self preservation, but for the consumer and community benefits generated by Riverside's public water and electric utilities.* Lower rates, reliable service, direct public accountability, environmental awareness and valuable city services have been and will continue to be the dividends Riverside Public Utilities returns to its customer-owners.

At Riverside Public Utilities, we're preparing for the future. I firmly believe the strategies we're implementing today will make Riverside Public Utilities the choice of tomorrow.

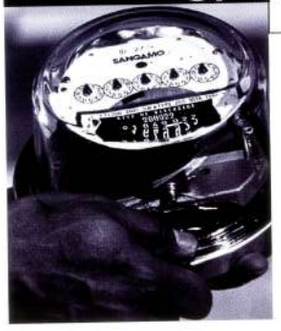


Bill D. Carnahan
Public Utilities Director



Communicating Riverside Public Utilities' competitive strategies to investor services has played a vital role in maintaining a solid financial profile. Credit reports remain strong with Moody's Investor Service rating water bonds Aa and electric bonds A1, while Standard & Poor's Corporation rated water bonds AA and electric bonds A+.

Strategy: Communicate Restructuring Issues



It is often said education is the key to understanding. As California approaches deregulation of its electric utility industry, Riverside Public Utilities believes informing city officials, board members, businesses and consumers about the structure, issues and choices involved in direct access will serve as the foundation for well-rounded plans and intelligent decisions.

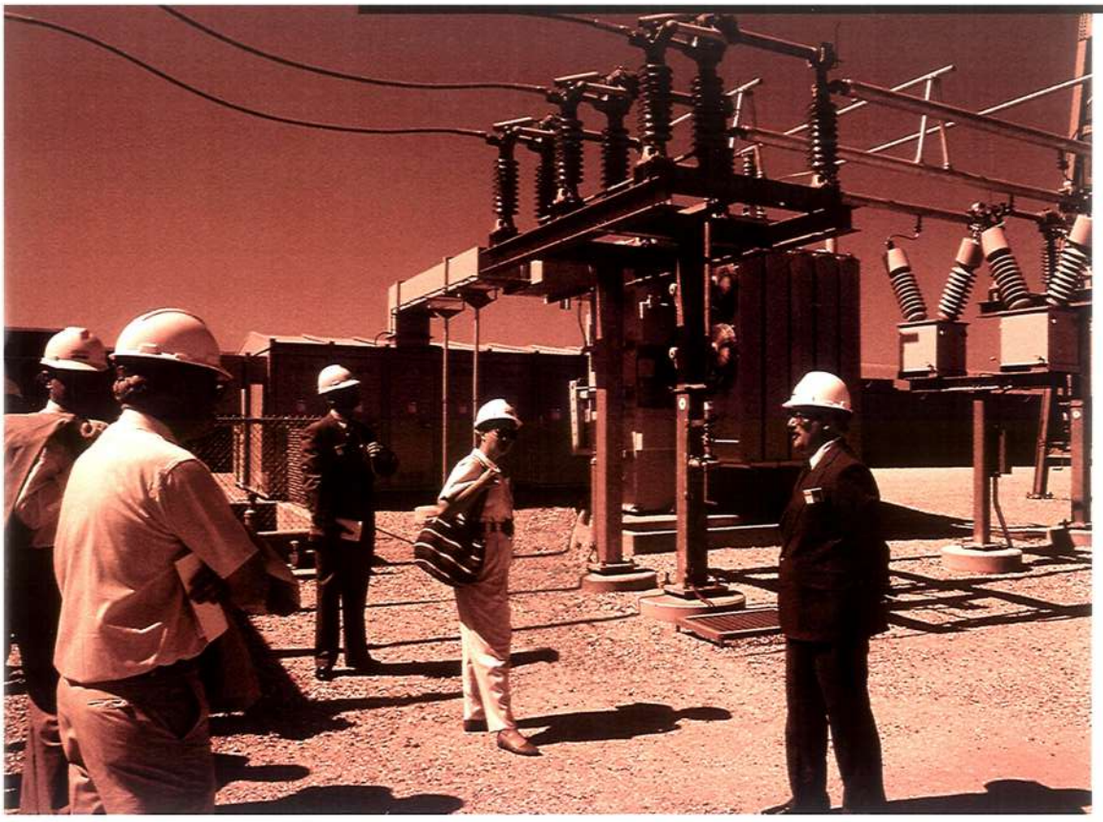
California Assembly Bill 1890, which became effective Sept. 23, 1996, is the enabling legislation for a restructured electric industry. Riverside Public Utilities was instrumental in ensuring that legislation implementing deregulation did not leave consumer-owned utilities at a disadvantage. Riverside's public utilities director, along with several colleagues, participated in various committees applying pressure to the oversight group to address more than just the concerns of the three large investor-owned utilities in California.

Under deregulation, most market power will pass through one entity called the Power Exchange (PX). This exchange will work much like the stock market where there will be offers from buyers and sellers to consummate power transactions on an ongoing basis.



Power will be transmitted through transmission lines operated by an entity called the Independent System Operator (ISO). These two agencies will be operated independently to ensure open and competitive power supply and transmission markets.

As a result of these changes, future electric rates will be "unbundled" and various service levels offered to customers. Rates will be divided into major components, such as generation, transmission, distribution, customer charges and general fund transfer. Of these services, customers will only have direct access to generation. Essentially, customers will be able to choose the company that generates their power, but the same utility that



Although Riverside's average electric rates are lower than the investor-owned utilities serving surrounding cities, California's electric rates are among the highest in the nation due to stricter regulations, non-economic legislative programs and remote generating locations. Deregulation will open new low cost power generation markets to California consumers.

Electric Rates in California



6.91 cents per kilowatt-hour
United States Average



8.56 cents per kilowatt-hour
California Publicly-Owned Utilities: Average 24% Higher than U.S. Average; 21% Lower than California Investor-Owned Utilities



10.38 cents per kilowatt-hour
California Investor-Owned Utilities: Average 50% Higher than U.S. Average

Data from the Energy Information Administration, U.S. Department of Energy

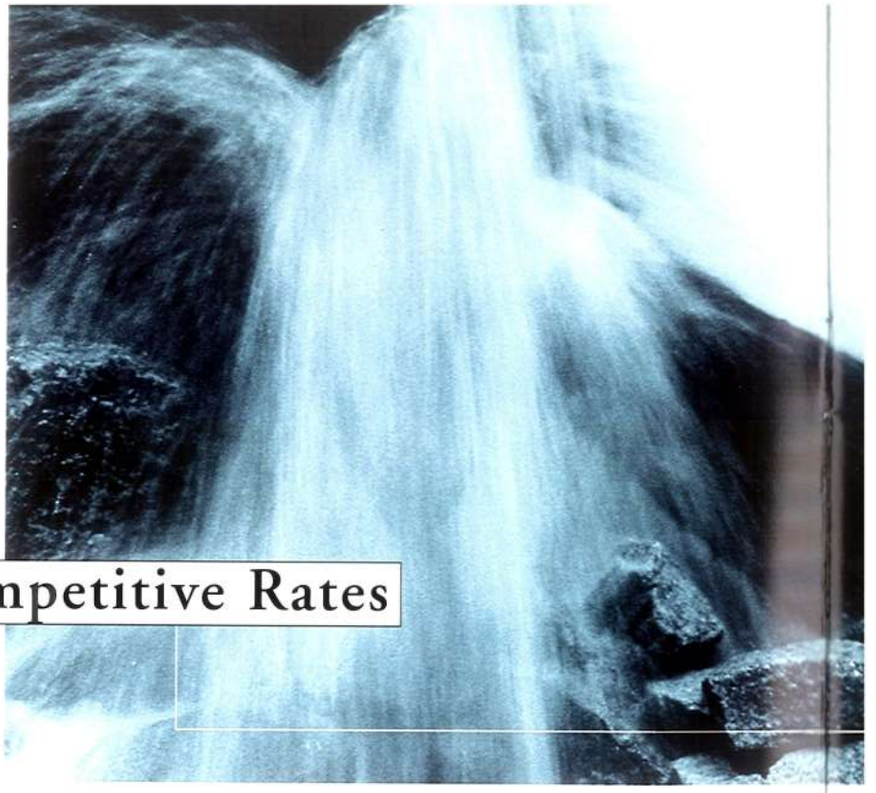
One 100-watt light bulb burning for 10 hours uses 1,000 watts or one kilowatt-hour (kWh) of electricity.

transmitted and distributed the power to the customer will continue to provide these services.

Understanding and preparing for deregulation will be the difference between success and failure in the new market. Support of Riverside Public Utilities' strategic and financial plans by city officials and the community is vital to Riverside's ability to compete in the future. To further this goal, Riverside Public Utilities has conducted workshops with city officials, initiated personal contacts and correspondence to business customers, and educated residents through a variety of communication avenues.



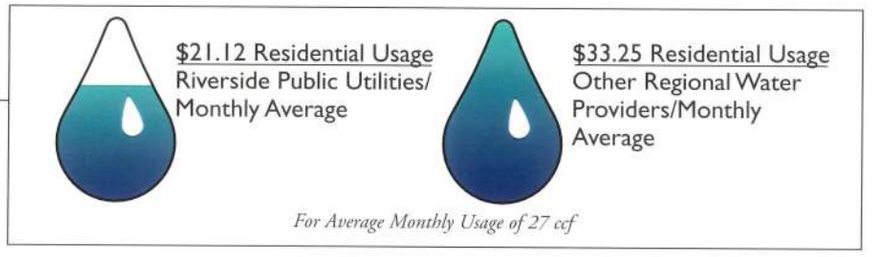
In April 1996, the City Council approved an overall 11.5 percent increase in water rates to offset increased operating costs due to inflation and secure an adequate debt service coverage ratio on water bonds. Riverside's water rates still remain the lowest in the region by as much as 120 percent.





Strategy: Maintain Competitive Rates

Water Rates in Riverside County



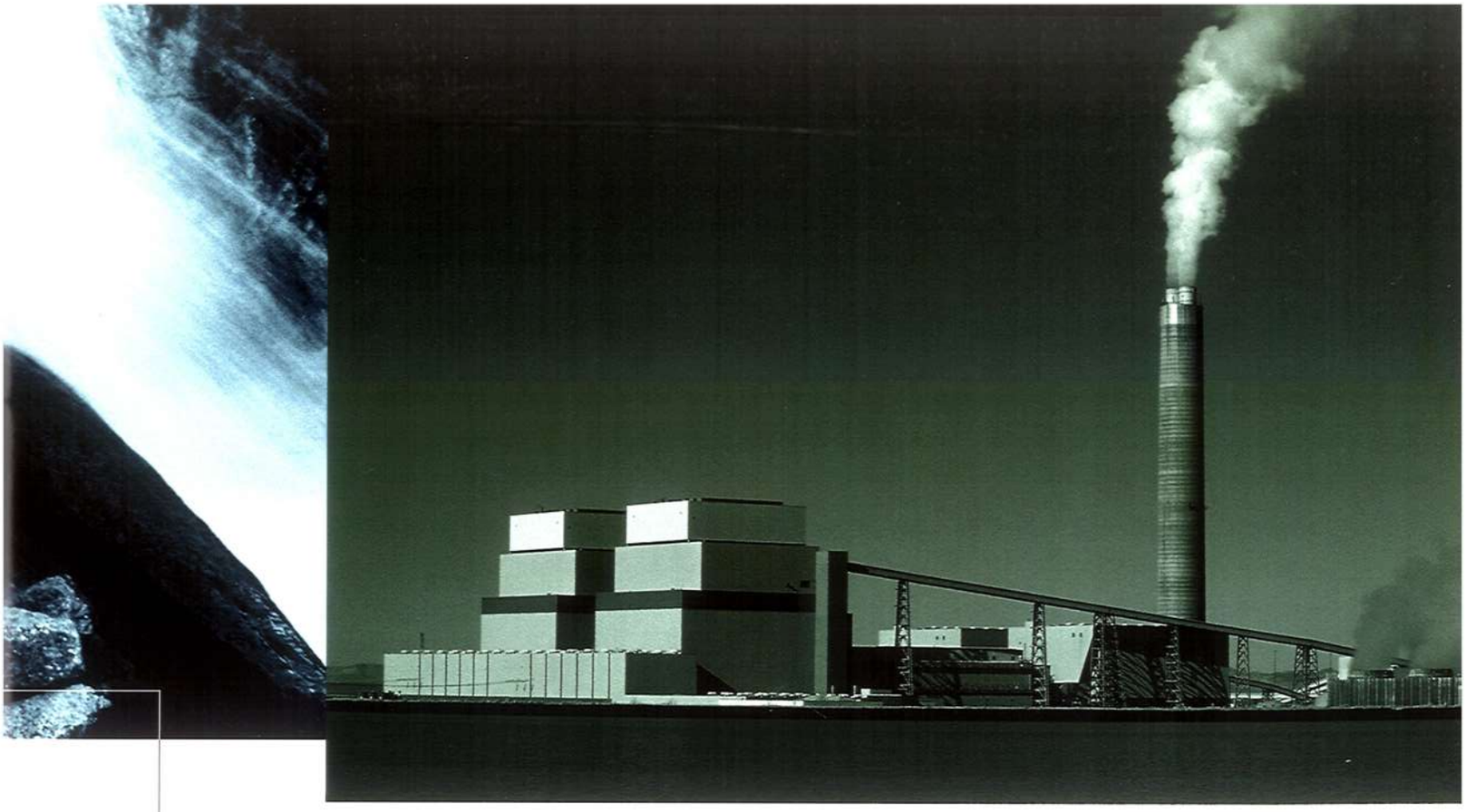
One ccf is equal to 748 gallons of water or 100 cubic feet (ccf) of water.

In a market-driven environment, rates are the primary element in the purchasing equation. As Riverside Public Utilities prepares to transition to a new and evolving marketplace, we realize that competitive rates will be the chief factor in a utility's ability to attract and retain customers. By today's standards, Riverside's water and electric rates are very competitive. But what about the future? In order to ensure its competitive stance, Riverside Public Utilities is taking strategic steps to maintain competitive rates.

During the past year, Riverside Public Utilities commissioned studies on its organizational structure, operations, service levels, stranded investments and rates. This comprehensive review has allowed Riverside Public Utilities to strategically look into the future, forecast and develop realistic and competitive rate plans, create an efficient and properly balanced organization, identify areas of service excellence, and initiate measures to enhance operations.

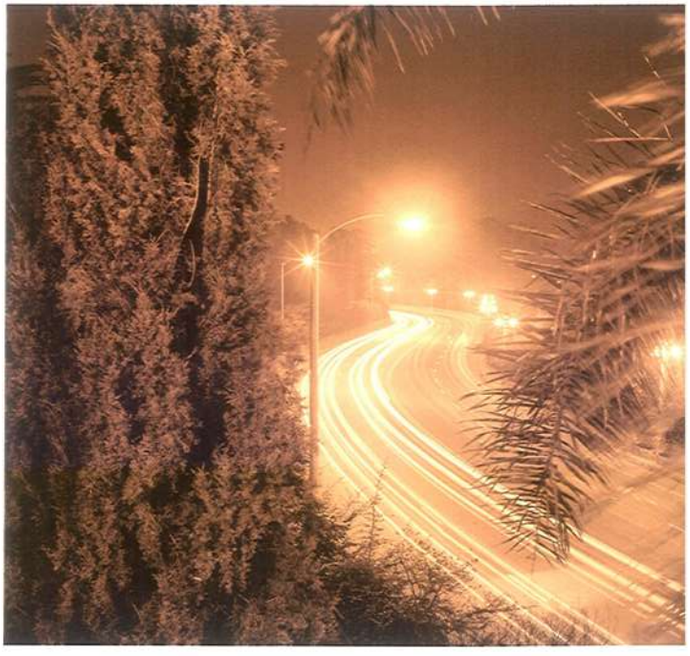
With rates as the first point of separation between competitors, intense efforts are underway to achieve a 30 percent reduction in overall electric rates. Riverside Public Utilities is employing the following measures to strategically reduce its electric rates, power costs and debt:

- Implement financial strategies for the early retirement or restructuring of generation debt associated with "above market" resources.
- Continued reductions in the transfer of electric revenue to the city's general fund that mirror levels more consistent with other municipal utilities.



The overall result of the state's deregulation efforts is expected to be electric rates that are 30 percent lower than current rates within five to seven years. Riverside Public Utilities' goal is to reduce costs so its rates are competitive, across all classes, by 2004.

- Free up existing cash reserves of $47 million to reduce generation debt at San Onofre Nuclear Generating Station.
- Prepare for the implementation of a competitive transition charge to customers who choose direct access to power generation. Available to California electric utilities allowing direct access, this fee will cover the cost of investments made by the utility on its customers' behalf that were prudent under past market conditions but are no longer economical in a deregulated market.
- Review all resource contracts and obligations for competitiveness.







Strategy: Preserve Reliability

— *Riverside Public Utilities' water supply continues to meet or exceed all state and federal drinking water standards. In 1995-96, more than 8,000 water samples were collected and tested against a stringent set of water quality parameters.*



Nearly 90,000 electric customers and 60,000 water customers rely on Riverside Public Utilities around the clock to supply, transport and distribute the electricity and water needed to maintain their homes and businesses.

In a deregulated environment, buyers of energy will have more choices and more risk. So the question becomes, if a consumer chooses another supplier for power generation will that company be able to follow through on its commitment? Will the company be held responsible if it doesn't deliver? Judging by past scenarios in currently deregulated industries, probably not.

According to recent studies, Riverside Public Utilities' customers enjoy significantly higher service reliability than customers of many private utilities. Water and electric system reliability statistics that are near 100 percent for 1995-96 continue to demonstrate Riverside Public Utilities' high regard for performance. To further enhance reliability, Riverside Public Utilities signed several mutual aid assistance agreements during the 1995-96 fiscal year with other California utilities. The agreements allow member agencies to lend or request personnel, equipment and materials from each other to provide assistance following major disasters, civil disobedience or vandalism. In an emergency, member agencies and their customers will benefit by accessing



Providing for future water and electric needs served as the catalyst for completion of the 30" Dufferin Avenue water transmission line to allow water transfers between two reservoirs, and the completion of the Vista-Freeman 69kv electric transmission line and fiber optic cable that enhance power quality and yield new communications capabilities.

Construction of Vista-Freeman 69kv electric transmission line.



Dufferin Avenue water transmission line construction.

pre-established contacts and procedures, greatly reducing the response time to obtain assistance, minimizing disaster recovery expenses, and improving service restoration.

As a nonprofit community-owned utility, Riverside Public Utilities has a vested interest in serving its customer-owners well. Because Riverside Public Utilities is locally owned and operated, customers experience better service levels, notice a higher level of concern for municipal services and neighborhood aesthetics, and benefit from the accountability that stems from local control.

Riverside Public Utilities' willingness to partnership has resulted in mutually beneficial long-term power supply and rate agreements with major customers. A cogeneration deferral agreement recently reached with Sweetheart Cup Co. saves the company more than $300,000 annually.

Strategy: Partner with Business

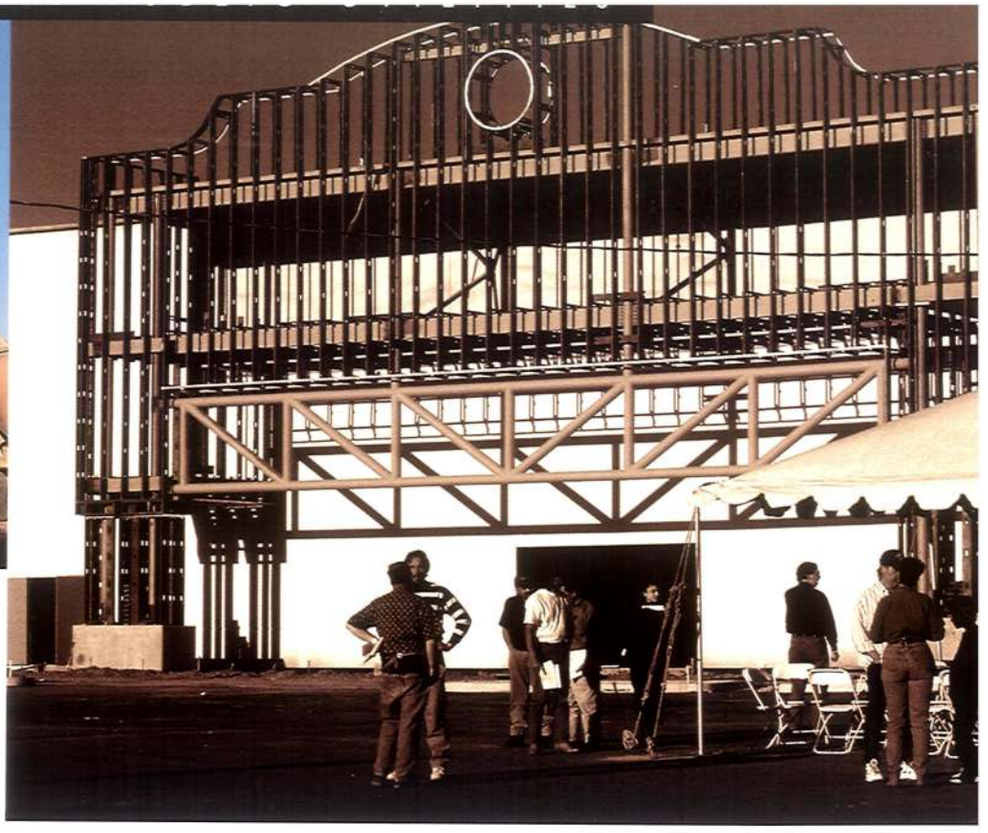


By definition, a partner is one that shares or is associated with another in actions. In the utility industry, there is no truer partner than a public or consumer-owned utility. Unlike private or investor-owned utilities with corporate headquarters, stockholders and vast interests in outside regions, only consumer-owned utilities truly share in the gains and losses of their citizens, businesses and communities. For this reason, partnerships with commercial and industrial customers are one of Riverside Public Utilities' highest priorities.

A major development during the 1995-96 fiscal year was the conceptual adoption of an economic development rate by Riverside's Board of Public Utilities and City Council. Designed to foster the expansion of existing industries and attract new businesses to Riverside, the economic development rate provides a lower electric rate for a limited duration to large industrial customers. The rate serves as an incentive to the customer during the crucial start-up phase of new or expanded operations and benefits the city through increased economic activity.

Another cost-saving option for large industrial customers served by Riverside Public Utilities is a cogeneration deferral rate. Available to customers who are in a position to install and benefit from a cogeneration





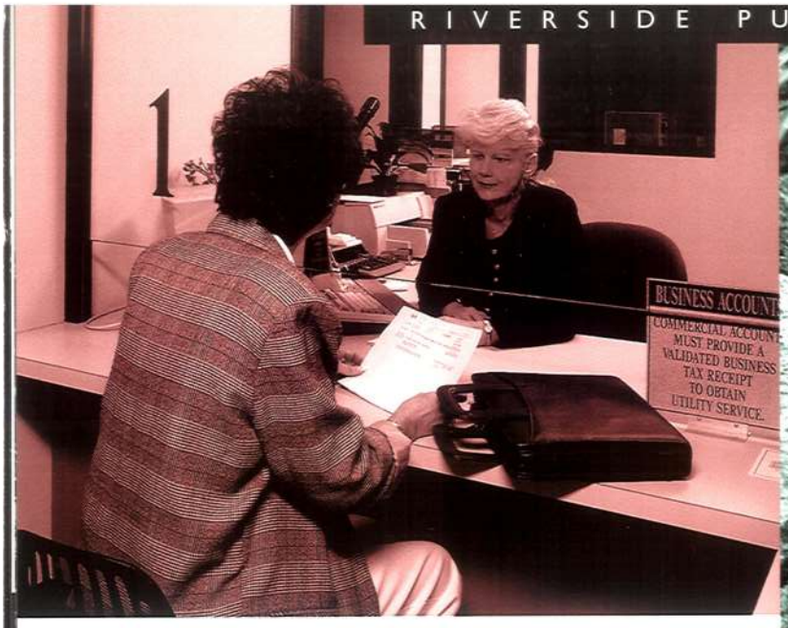
Employment, housing, retail sales, safety, community services and the local economy are among the areas impacted when a business opens, expands or fails. As a consumer-owned utility, Riverside Public Utilities is an integral part of its community with a stake in the welfare of the citizens and businesses of Riverside.

Taking a light reading during a free energy efficiency plant survey of Bourns Inc. is Vince Trepepi, an energy services specialist/key account representative with Riverside Public Utilities. Accompanying him is Colonel Miller, facilities services supervisor at Bourns' headquarters in Riverside.

unit, the rate is based upon the marginal cost of power at the level that would be deferred by self-generation.

Among its other partnership efforts with the business community, Riverside Public Utilities offers free energy and water surveys of business facilities to identify potential efficiency measures and monetary savings; a thermal energy storage rebate program for time-of-use customers who elect to reduce operating and capital costs through off-peak cooling; and the elimination of up-front charges for the addition of major electric lines to new and existing commercial and industrial customers, representing an average savings of $15,000 in start-up costs.







Following a benchmarking study, Riverside Public Utilities' management team discovered meter reading was costing $8 per meter annually, while the industry average was $6. Staffing reductions and routing efficiencies were implemented to bring Riverside's cost down to $6.



Strategy: Benchmark for Service Excellence

Riverside Public Utilities began aggressively streamlining operations, capital expenditures and staffing nearly three years ago in anticipation of changes the industry would undergo as a result of deregulation. The first step was to review the department's internal organization to improve efficiencies and reduce controllable costs. This was an important part of the process, lending credibility to Riverside Public Utilities' determination to make the reductions necessary to be competitive and giving its public and governing audiences the confidence needed to support its strategic plans.

The cornerstone in evaluating Riverside's competitive posture has been a benchmarking project completed by Theodore Barry and Associates in August 1995. One of the first orders of business was to identify areas throughout the water and electric utilities that were suitable for measurement. Nearly 200 benchmarks, representing virtually every task performed by Riverside Public Utilities, were identified and compared to other utility companies. Riverside Public Utilities ranked average or above average in most of the categories. To address areas where improvement was warranted, the department created 30 employee task forces from divisions throughout the water and electric utilities to recommend cost savings and efficiency measures that are being implemented now.

The outcome of these efforts has been dramatic reductions in water and electric capital projects and operating costs. During the 1995-96 fiscal year, the budget for Riverside's Six-year Capital Improvement Plan was

Although Riverside's reliability statistics for electric service are well above utility averages, an analysis of power outages uncovered the ability to further reduce interruptions by increasing tree trimming. A task force, formed as an outgrowth of a benchmarking project, determined it would be more cost-effective to outsource tree trimming.

decreased by 33 percent and operating costs were cut by $1.3 million. However, service levels have not been reduced, but actually improved in many areas.

Customer service benchmarks have shown significant improvement over prior years. Recent statistics indicate Riverside's customer service division is now performing well above national averages. For example, the average response time to answer incoming calls has decreased to half the time of utility-wide averages. A dedicated telephone line and special procedures for business customers have also been established. And enhancements in technology, documentation, communication, employee training and staffing have assisted in providing faster and more complete information over the telephone and in person to Riverside Public Utilities customers.



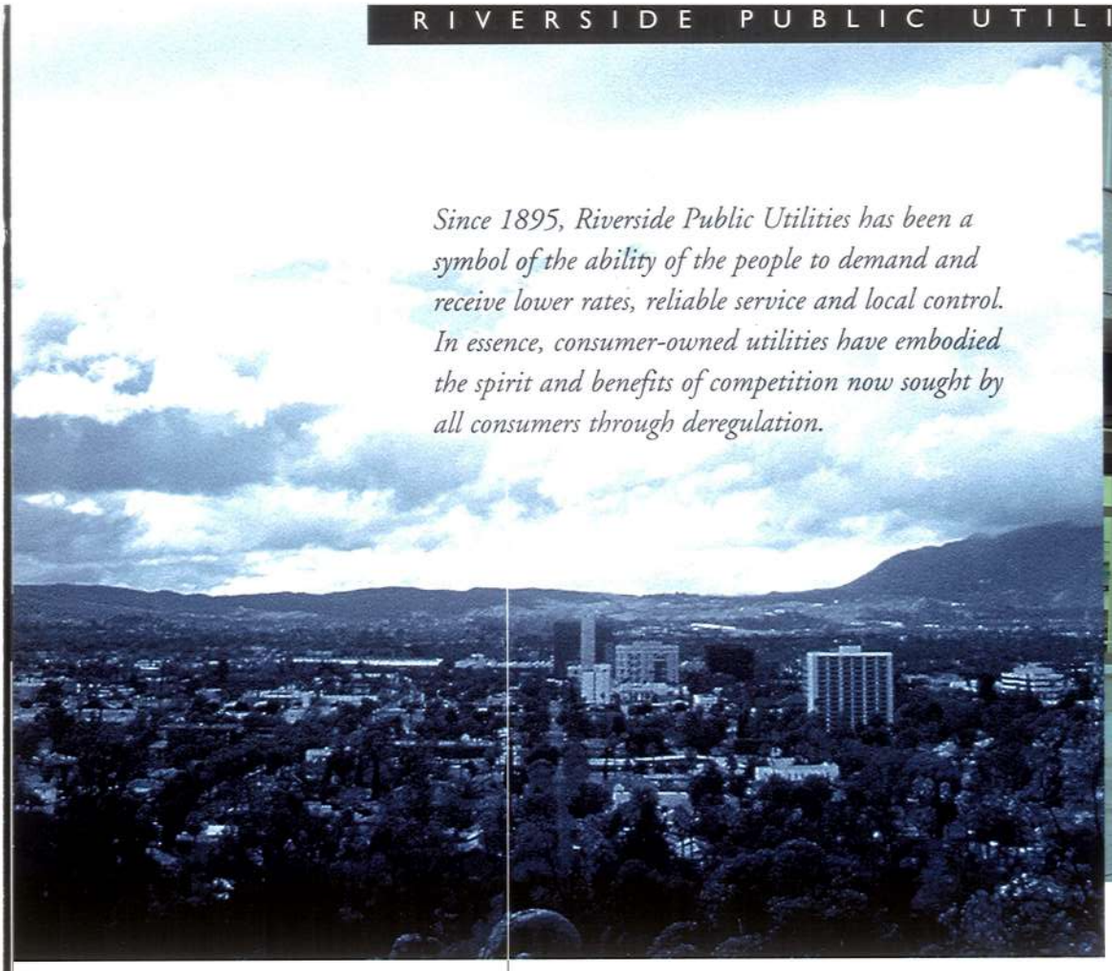


reached an agreement with the city of Banning to provide system maintenance for Banning's five electrical substations, and executed a contract with Bear Valley Electric Service to provide training services in electric meter testing, calibration, installation and maintenance for new employees. These revenue-generating agreements set a precedent for Riverside Public Utilities becoming a recognized service provider to other utilities.

But the most significant networking opportunities are occurring in the power generation marketplace in response to the state's deregulation efforts. A sharp transition from conservative, long-term approaches to providing electricity is transpiring into more dynamic, short-term agreements that offer greater savings. As a result, Riverside Public Utilities is constantly exploring new avenues for power generation and transmission, and forging new relationships within the industry to ensure competitive rates and quality service.



Valued for its professional staff and training facilities, Riverside Public Utilities' Electric Meter Technician Apprentice Program is highly regarded within the industry. Riverside is also one of the few water utilities in the region to operate a state-certified apprenticeship program for waterworks pipefitters.



Since 1895, Riverside Public Utilities has been a symbol of the ability of the people to demand and receive lower rates, reliable service and local control. In essence, consumer-owned utilities have embodied the spirit and benefits of competition now sought by all consumers through deregulation.



Strategy: Demonstrate Value

If the cost of two identical products is the same, how does a consumer decide which one to purchase? If the price is the same, consumers generally choose the product or supplier that offers the better value. How will Riverside Public Utilities prove to be the better value? By demonstrating the savings, making the process simple, serving as the consumer advocate, anticipating needs, and explaining the community benefits of choosing Riverside Public Utilities.

Instead of just promoting our rates following deregulation, we'll supply customers with easy-to-use formulas to accurately compare prices and savings. We'll also work toward simplifying the decision process by removing the guesswork. We will be there to educate, advise and assist. We'll show customers what to look for and what to watch out for. As a consumer-owned utility, Riverside Public Utilities will remain your advocate.



Providing for the current and future needs of customers through new services and programs is already part of the added value of choosing Riverside Public Utilities. In 1995-96, Riverside Public Utilities implemented the start-up phase of a key accounts program that renders specialized service to large industrial customers. The utility also distributed 2,400 free ultra low-flush toilets to Riverside residents as part of its water conservation efforts and assisted in the beautification of scenic Victoria





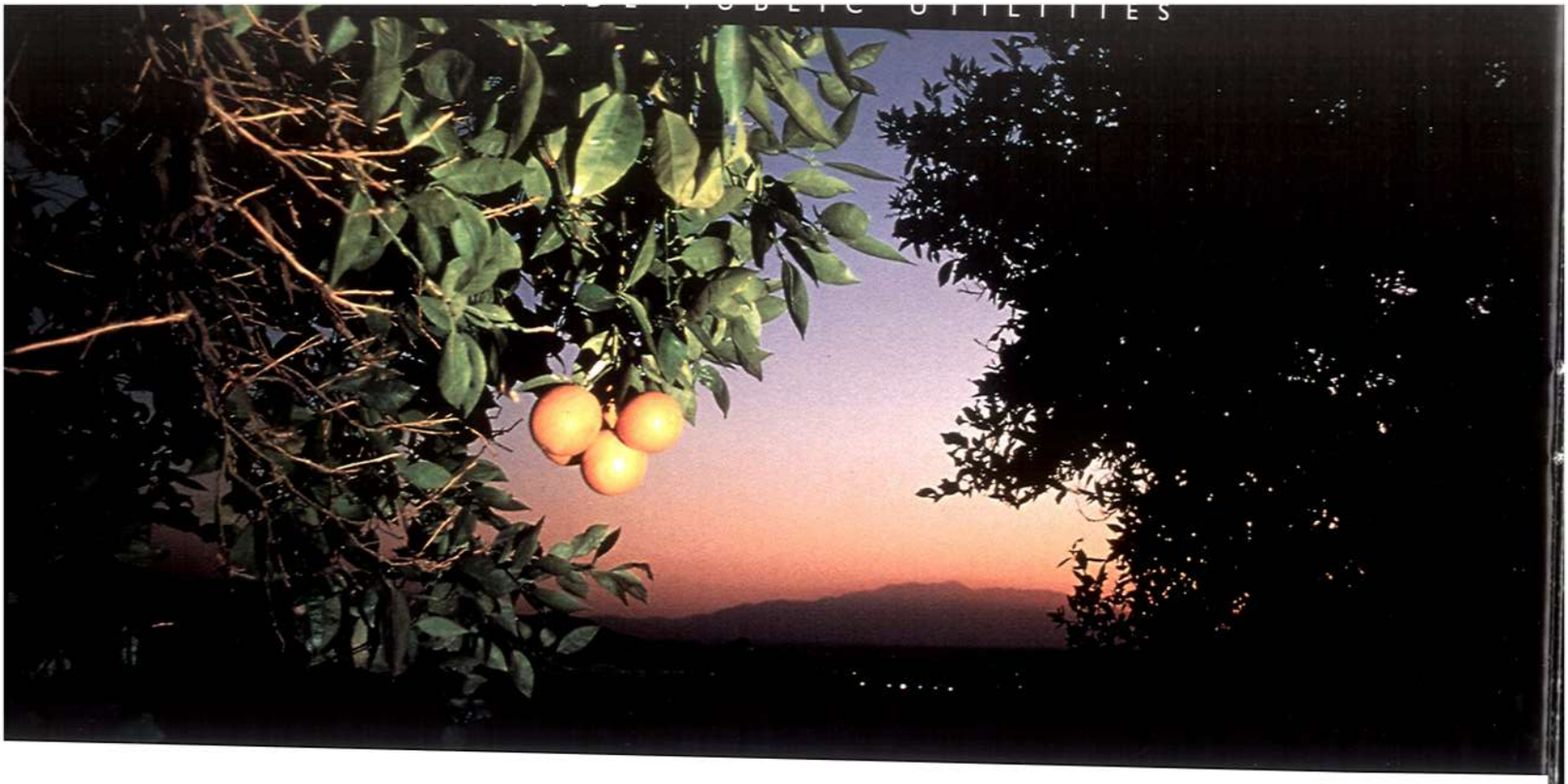
Through its membership in local, state and national associations, Riverside Public Utilities will seek out opportunities to participate in alliances among consumer-owned utilities for the benefit of its customers, broadening available resources and potential savings.

Avenue by undergrounding electric lines. More value-added services are being considered to offer customers payment, metering, energy efficiency, customer service and fiber optic communication options.

At Riverside Public Utilities, our mission is to contribute to the city while offering reliable water and electric services at competitive rates. Revenue received by Riverside Public Utilities stays in the community and supports vital city services, such as police, fire, library and youth programs, to a much greater degree than the funds cities receive from investor-owned utilities. By making Riverside Public Utilities your choice for real benefits and savings, you'll be choosing the best value for your home, business and community now and into the future.



Riverside Public Utilities converted one and a half miles of overhead electric lines to underground electric lines along Riverside's scenic Victoria Avenue, complimenting neighborhood aesthetics while enhancing electric service.



Mayor, City Council and City Manager

Mayor
Ronald Loveridge

City Council

Chuck Beaty
Ward 1

Ameal Moore
Ward 2

Joy Defenbaugh
Ward 3

Maureen Kane
Ward 4

Alex Clifford
Ward 5

Terri Thompson
Ward 6

Laura Pearson
Ward 7

City Manager
John Holmes

Board of Public Utilities

David Macher
1995-96 Chairman

Raphael de la Cruz

Ronald McCoy

Jacqueline Mimms

Yvonne Neal Weinstein

Thomas Pevehouse

Dwight Tate

Riverside Public Utilities Administration

Bill D. Carnahan
Director

Michael J. Baldwin
Assistant Director, Operations

Dieter P. Wirtzfeld
Assistant Director, Engineering and Resources

David H. Wright
Assistant Director, Finance and Administration

Annual Report Production

Karin K. Ross
Editor

Conner Design Group
Design and Production

Will Gibson Photography
Riverside Public Utilities Archives
Photography



PUBLIC UTILITIES
RIVERSIDE

RIVERSIDE PUBLIC UTILITIES
CITY HALL, 3900 MAIN STREET
RIVERSIDE, CALIFORNIA 92522
TEL/909.782.5485 FAX/909.369.0548

Today's Strategies









Tomorrow's Choice

1995-96
Financial
Statements

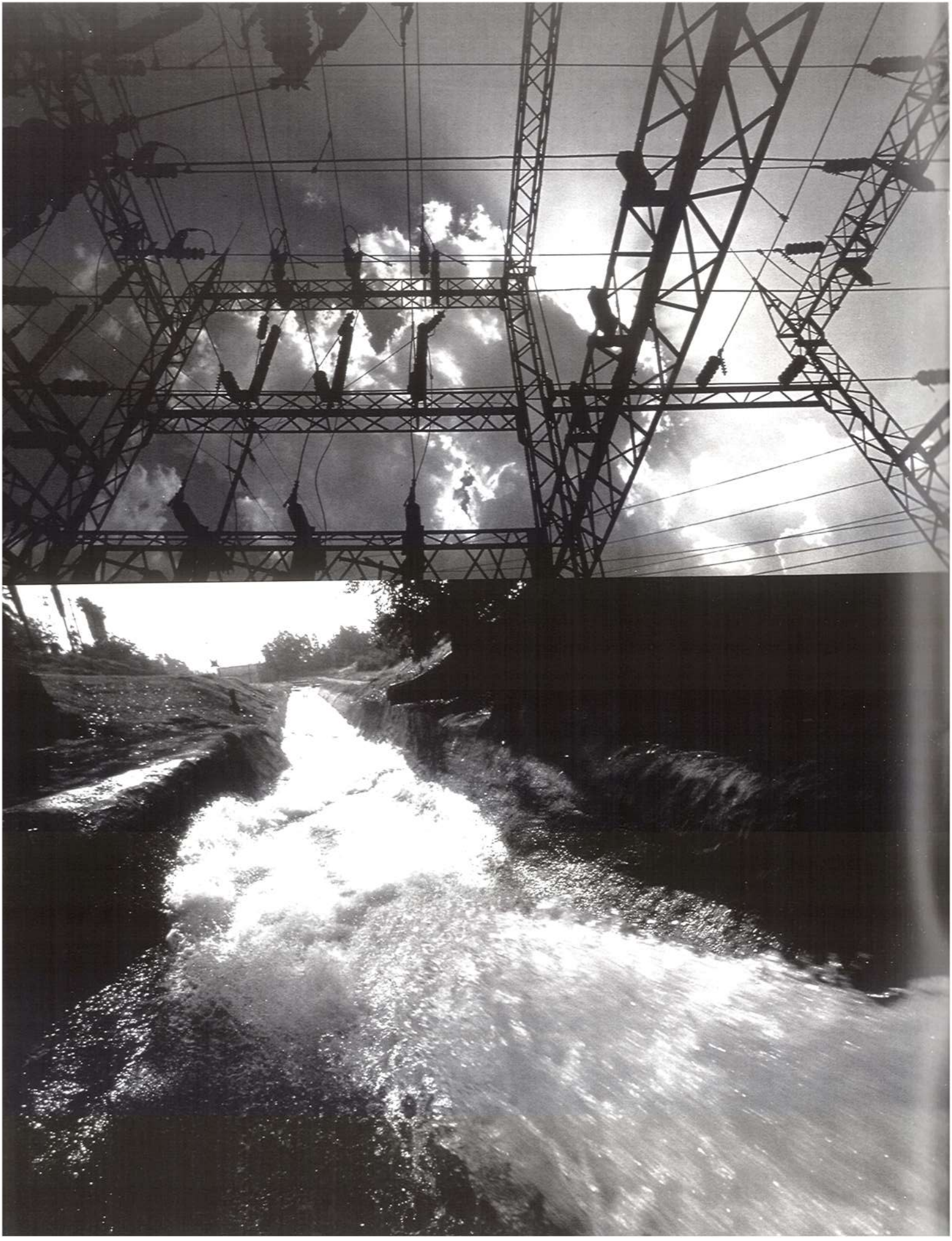


TABLE OF CONTENTS

Fiscal Message 2-3

Electric and Water Statistics 4-7

Electric Utility Financial Statements

- Balance Sheets 8-9
- Statements of Operations and Retained Earnings 10
- Statements of Cash Flows 11
- Notes to the Financial Statements 12-19
- Independent Auditor's Report 19

Water Utility Financial Statements

- Balance Sheets 20-21
- Statements of Operations and Retained Earnings 22
- Statements of Cash Flows 23
- Notes to the Financial Statements 24-29
- Independent Auditor's Report 29

Riverside Public Utilities Employees 30-31

Riverside Board of Public Utilities 32





TODAY'S STRATEGIES TOMORROW'S CHOICE

COMMUNICATE RESTRUCTURING ISSUES

MAINTAIN COMPETITIVE RATES

PRESERVE RELIABILITY

PARTNER WITH BUSINESS

BENCHMARK FOR SERVICE EXCELLENCE

NETWORK FOR ECONOMIES OF SCALE

DEMONSTRATE VALUE

STRATEGIES AND CHOICE

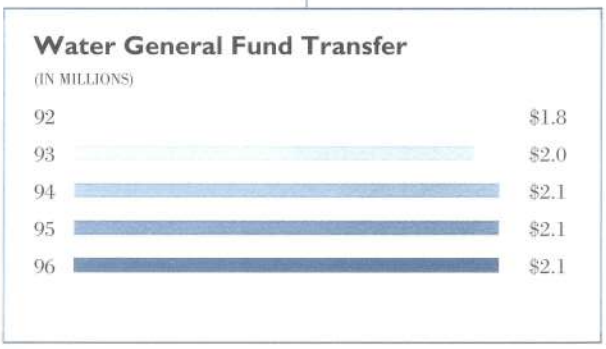
In the changing power industry in California, strategies and choice represent major areas of emphasis as utilities prepare for competition. Riverside Public Utilities started positioning itself for deregulation a number of years ago by reviewing operations and implementing efficiencies wherever possible. Comparative studies show that Riverside's service levels are above those provided by other local and national utilities, which may prove to be a decisive factor when customer choice becomes an option.

Competitive strategies have been developed for Riverside Public Utilities, as a participant in jointly-owned generation and transmission projects and as a separate entity. Both the Board of Public Utilities and City Council heard and endorsed the Competitive Financial Strategy formulated to enable the electric utility to offer competitive rates in the deregulated environment. Implementation of the multi-year strategy is underway. Stranded investment has been calculated, debt reduction programs have been put in place for many projects, operating cost reductions have been implemented, capital spending has been reduced, and short-term low cost power contracts have been executed. Especially important is the City Council's record of decreasing the percentage of electric utility funds transferred to the general fund and their continuing commitment for annual decreases over the next several years.

Industrial customers are important to the vitality of both the region and the utility. Independent power agreements between the utility and several of our largest customers have been signed, and contract negotiations are underway with other key customer accounts. Riverside Public Utilities' low water rates are emphasized with all customers as an added value of Riverside's consumer-owned utilities, as customers of neighboring water agencies continue to pay up to twice as much for the same amount of water.

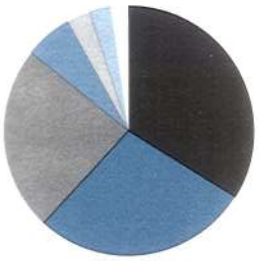
At Riverside Public Utilities, we're confident that the strategies we're implementing today, along with the benefits generated by local ownership of Riverside's electric and water utilities, will position Riverside Public Utilities as the provider of choice now and in the future.





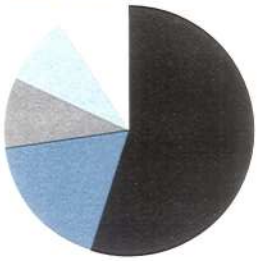
1995-96 ELECTRIC DOLLAR & RESOURCES

SOURCE OF REVENUE



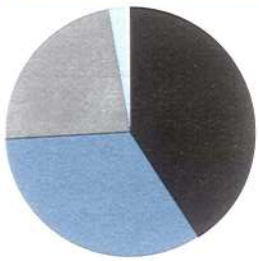
- Residential Sales (34¢)
- Industrial Sales (28¢)
- Commercial Sales (24¢)
- Use of Reserves (6¢)
- Interest Income (3¢)
- Other Sales (3¢)
- Other Revenue (2¢)

DISTRIBUTION OF REVENUE



- Purchased Power Supply (55¢)
- Operation & Maintenance (18¢)
- Debt Service (9¢)
- Transfer to City General Fund (9¢)*
- Additions & Replacements to the System (9¢)

ENERGY RESOURCES



- Third Party Purchases (41.1%)
- Coal (33.5%)
- Nuclear (23.0%)
- Hydropower (2.3%)
- SCE (0.1%)

**Based on transfer of 10.5 percent of fiscal year 1994-95 operating revenues (excludes interest and other non-operating income).*

AVERAGE NUMBER OF CUSTOMERS



TOTAL OPERATING REVENUE

(IN MILLIONS)



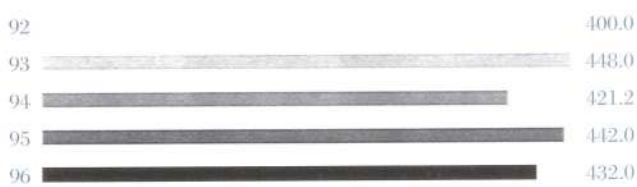
PRODUCTION

(IN MILLION KILOWATT-HOURS)



PEAK DAY DEMAND

(IN MEGAWATTS)



AVERAGE NUMBER OF CUSTOMERS

92	57,954
93	58,145
94	58,052
95	58,182
96	58,120

TOTAL OPERATING REVENUE

(IN MILLIONS)

92	$17.0
93	$18.3
94	$18.3
95	$18.6
96	$21.4

PRODUCTION

(IN ACRE FEET)

92	65,026
93	65,622
94	68,817
95	67,787
96	71,601

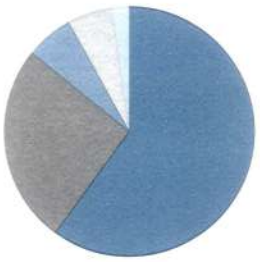
PEAK DAY DEMAND

(IN MILLION GALLONS)

92	86.1
93	93.7
94	94.9
95	95.4
96	93.7

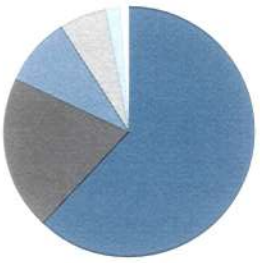
1995-96 WATER DOLLAR & RESOURCES

SOURCE OF REVENUE



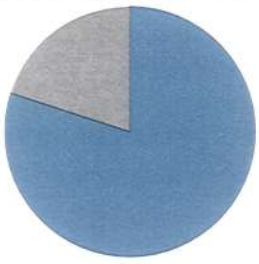
- Residential Sales (60¢)
- Commercial & Industrial Sales (26¢)
- Other Revenue (6¢)
- Interest Income (6¢)
- Other Sales (2¢)

DISTRIBUTION OF REVENUE



- Operation & Maintenance (62¢)
- Debt Service (20¢)
- Transfer to City General Fund (9¢)**
- Additions & Replacements to the System (6¢)
- Water Supply (2¢)
- Additional Reserves (1¢)

WATER RESOURCES



- San Bernardino Basin Wells (79.7%)
- Riverside Basin Wells (19.9%)

Purchased Water was 0.4% for 1995-96

***Based on transfer of 11.5 percent of fiscal year 1994-95 operating revenues (excludes interest and other non-operating income).*



POWER SUPPLY (MWH)

	1995/96	1994/95	1993/94	1992/93	1991/92
San Onofre	299,100	272,000	269,400	312,000	231,600
Intermountain Power	566,600	743,200	842,100	839,500	831,700
Palo Verde	88,400	83,400	58,500	83,900	76,600
Hoover	39,500	33,500	36,300	28,400	31,400
Firm contracts	248,400	276,800	278,100	143,900	179,900
Non-firm contracts	446,400	203,400	130,100	151,200	150,100
Southern California Edison	1,100	2,000	3,400	94,400	99,400
Total	1,689,500	1,614,300	1,617,900	1,653,300	1,600,700
System peak (MW)	432.0	442.0	421.2	448.0	400.0

ELECTRIC USE

	1995/96	1994/95	1993/94	1992/93	1991/92
Average number of customers					
Residential	79,904	79,749	79,879	79,665	78,985
Commercial	8,500	8,337	8,424	8,314	8,565
Industrial	199	201	198	182	180
Other	127	121	127	123	127
Total	88,730	88,408	88,628	88,284	87,857
Millions of kilowatt-hours sales					
Residential	566	544	517	557	528
Commercial	414	391	383	392	394
Industrial	606	574	586	566	540
Other	46	45	43	41	42
Total	1,632	1,554	1,529	1,556	1,504

ELECTRIC FACTS

	1995/96	1994/95	1993/94	1992/93	1991/92
Average annual kWh per residential customer	7,090	6,823	6,475	6,992	6,685
Average price (cents/kWh) per residential customer	10.86	10.58	10.70	10.31	9.90
Debt as a percent of net plant[1]	82.4%	88.2%	90.3%	95.2%	93.4%
Operating income as a percent of operating revenues	12.6%	8.0%	16.2%	15.9%	25.3%
Employees	313	311	285	288	286

[1]*Net plant includes nuclear fuel inventory and work in progress.*

WATER SUPPLY (ACRE FEET)	1995/96	1994/95	1993/94	1992/93	1991/92
Pumping	71,316	67,636	68,779	65,018	64,836
Purchases	285	151	38	604	190
Total	71,601	67,787	68,817	65,622	65,026
% Pumped	99.6%	99.8%	99.9%	99.1%	99.7%
System peak day (gals)	93,699,000	95,400,000	94,868,000	93,655,000	86,075,000

WATER USE	1995/96	1994/95	1993/94	1992/93	1991/92
Average number of customers					
Residential	53,351	53,473	53,328	53,463	53,254
Commercial/industrial	4,138	4,118	4,115	4,098	4,093
Other	631	591	609	584	607
Total	58,120	58,182	58,052	58,145	57,954
CCF sales					
Residential	17,848,356	16,113,649	15,858,173	16,320,462	15,492,812
Commercial/industrial	9,176,633	8,529,614	8,009,188	8,228,209	7,998,728
Other	1,369,939	1,221,898	1,822,448	1,560,370	1,661,637
Total	28,394,928	25,865,161	25,689,809	26,109,041	25,153,177

WATER FACTS	1995/96	1994/95	1993/94	1992/93	1991/92
Average annual CCF per residential customer	335	301	297	305	291
Average price (cents/CCF) per residential customer	79.5	75.5	75.7	72.4	68.7
Debt as a percent of net plant	35.3%	37.3%	37.0%	38.2%	41.5%
Employees	137	137	137	137	137

BALANCE SHEETS

	June 30 **1996**	*June 30* **1995**
	(In Thousands)	
ASSETS		
Utility plant:		
Production	$124,079	$122,866
Transmission	14,692	14,469
Distribution	151,303	145,782
General	21,935	10,082
	312,009	293,199
Less accumulated depreciation and amortization	(122,403)	(112,767)
	189,606	180,432
Construction in progress	29,516	30,114
Nuclear fuel, at amortized cost	3,548	3,654
Total utility plant	222,670	214,200
Restricted assets:		
Cash and cash equivalents	21,432	22,622
Investments	20,788	18,435
Total restricted assets	42,220	41,057
Current assets:		
Cash and investments	53,179	81,661
Accounts receivable, less allowance for doubtful accounts 1996 $959,000; 1995 $1,436,000	19,266	16,131
Note receivable	17,049	0
Accrued interest receivable	983	1,357
Prepaid expenses	1,387	1,357
Nuclear materials inventory	998	951
Total current assets	92,862	101,457
Other assets:		
Unamortized project costs	686	1,171
Bond issuance costs	1,872	2,037
Total other assets	2,558	3,208
Total assets	$360,310	$359,922

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

BALANCE SHEETS

	June 30 1996	June 30 1995
	(In Thousands)	
CAPITALIZATION AND LIABILITIES		
Equity:		
Retained earnings:		
Reserved	$ 23,407	$ 23,237
Unreserved	35,599	34,502
Total retained earnings	59,006	57,739
Contributed capital	40,416	39,206
Total equity	99,422	96,945
Long-term obligations, less current portion	177,212	183,147
Total capitalization	276,634	280,092
Other non-current liabilities:		
Decommissioning liability	17,058	14,622
Rate stabilization account, less current portion	33,410	27,410
Total non-current liabilities	50,468	42,032
Current liabilities payable from restricted assets:		
Accrued interest payable	2,495	2,569
Current portion of long-term obligations	6,190	5,865
Total current liabilities payable from restricted assets	8,685	8,434
Current liabilities:		
Accounts payable	7,105	5,837
Accrued liabilities	4,261	4,303
Rate stabilization account	11,000	17,000
Current portion of long-term obligations	35	33
Customer deposits	2,122	2,191
Total current liabilities	24,523	29,364
Commitments and contingencies		
Total capitalization and liabilities	$360,310	$359,922

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

CITY OF RIVERSIDE ELECTRIC UTILITY

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	For the Fiscal Years Ended June 30 1996	1995
	(In Thousands)	
OPERATING REVENUES:		
Residential sales	$ 61,544	$ 57,613
Commercial sales	44,308	42,056
Industrial sales	51,784	49,991
Other sales	4,780	4,626
Sales to other utilities	782	343
Other operating revenue	1,624	1,269
Total operating revenues	164,822	155,898
OPERATING EXPENSES:		
Purchased power	100,788	97,651
Operations	26,769	27,767
Maintenance	5,864	6,226
Depreciation and amortization	10,626	11,733
Total operating expenses	144,047	143,377
Operating income	20,775	12,521
NON-OPERATING REVENUES (EXPENSES):		
Interest income	5,720	6,343
Interest expense	(10,765)	(11,057)
Gain (loss) on retirement of utility plant	201	(30)
Other	1,671	626
Total non-operating revenues (expenses)	(3,173)	(4,118)
Income before operating transfer	17,602	8,403
OPERATING TRANSFER OUT:		
Contribution to general fund	(16,335)	(16,311)
Net income (loss)	1,267	(7,908)
RETAINED EARNINGS, JULY 1	57,739	65,647
RETAINED EARNINGS, JUNE 30	$ 59,006	$ 57,739

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

CITY OF RIVERSIDE — ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended June 30 1996	1995
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$161,618	$159,927
Cash paid to suppliers and employees	(128,587)	(126,423)
Other non-operating revenue	1,671	626
Net cash provided by operating activities	34,702	34,130
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contribution to general fund	(16,335)	(16,311)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of revenue bonds	0	4,041
Purchase of utility plant	(18,464)	(15,900)
Purchase of nuclear fuel	(1,143)	(1,075)
Proceeds from the sale of utility plant	259	110
Principal paid on long-term obligations	(5,896)	(5,660)
Interest paid on long-term obligations	(10,386)	(10,643)
Bond issuance costs	0	(118)
Contributed capital	899	1,145
Net cash used by capital and related financing activities	(34,731)	(28,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable to Riverside Redevelopment Agency	(17,049)	0
(Purchase) maturity of investment securities	(2,353)	3,680
Income from investments	6,094	6,335
Net cash (used) provided by investing activities	(13,308)	10,015
Net (decrease) in cash and cash equivalents	(29,672)	(266)
CASH AND CASH EQUIVALENTS, JULY 1	104,283	104,549
CASH AND CASH EQUIVALENTS, JUNE 30	$ 74,611	$104,283
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 20,775	$ 12,521
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	1,671	626
Depreciation and amortization expense	10,626	11,733
Amortization (burn) of nuclear fuel	1,249	1,287
Provision for uncollectible accounts receivable	(477)	(48)
(Increase) decrease in accounts receivable	(2,658)	3,905
(Increase) decrease in prepaid expenses	(30)	2,903
Increase in nuclear materials inventory	(47)	(442)
Increase (decrease) in accounts payable	1,268	(1,078)
Increase (decrease) in accrued liabilities	(42)	393
Increase (decrease) in customer deposits	(69)	172
Increase in decommissioning liability	2,436	2,158
Net cash provided by operating activities	$ 34,702	$ 34,130
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Contributions in aid of construction	$ 311	$ 223

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



NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Electric Utility is responsible for the generation, transmission and distribution of electric power for sale in the City.

BASIS OF ACCOUNTING

The financial statements of the Electric Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the Federal Energy Regulatory Commission, except for the method of accounting for contributed capital described below. The Electric Utility is not subject to the regulations of the Federal Energy Regulatory Commission.

UTILITY PLANT AND DEPRECIATION

All utility plant is valued at historical cost or estimated historical cost, if actual historical cost is not available. Cost includes labor; materials; allocated indirect charges, such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant is valued at its estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Production plant	30 years
Transmission and distribution plant	20-50 years
General plant and equipment	5-15 years

NUCLEAR FUEL

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

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning reserve are also classified as restricted assets because their use is legally restricted to a specific purpose.

CASH AND INVESTMENTS

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. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at cost or amortized cost. Interest income earned on pooled cash and investments is allocated monthly to the various funds of the City based on the month-end cash balances. Interest income from cash and investments held by fiscal agents is credited directly to the related account.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Electric Utility 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.

INVENTORIES

The City maintains a separate Central Stores inventory. The Electric Utility expenses items as they are drawn out of Central Stores. As such, the Electric Utility does not include inventories in its financial statements.

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

CONTRIBUTED CAPITAL

Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is expensed.

NUCLEAR DECOMMISSIONING RESERVE

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established 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 $17,058,000 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 SCE and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1.5 million per year to fund this obligation. Decommissioning is expected to commence around the year 2015.

RATE STABILIZATION ACCOUNT

The Electric Utility's rules and regulations provide for a rate stabilization account (RSA) that is used to offset changes in the cost of providing power. Wholesale rate refunds and over or under collections of revenues resulting from the difference between the Electric Utility's actual costs of supplying electric power and energy and the amount billed to customers through existing rates are recorded in the RSA. Use of amounts set aside in the RSA requires specific approval of the Board of Public Utilities and City Council. The Electric Utility's fiscal year 1996-97 budget includes the recognition of revenues in the amount of $11,000,000 from the RSA to be used to offset fiscal year 1996-97 rate increases.

There were no refunds or charges to the rate stabilization account during fiscal years 1996 and 1995.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills. The Electric Utility's portion of these deposits as of June 30, 1996 and 1995, was $2,122,000 and $2,191,000, respectively.

REVENUE RECOGNITION

The Electric Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Electric Utility customers are billed monthly. Unbilled electric service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $7,341,000 at June 30, 1996, and $6,699,000 at June 30, 1995.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible. The balance in the allowance account was $959,000 at June 30, 1996, and $1,436,000 at June 30, 1995.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1996. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was $4,197,000 at June 30, 1996, and $4,234,000 at June 30, 1995.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

SELF-INSURANCE PROGRAM

The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Electric Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 1996, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

DEFERRED COMPENSATION AND EMPLOYEE RETIREMENT PLANS

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all City employees, permits deferral of a portion of an employee's salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

As a result of changes under the Small Business Job Protection Act of 1996, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts must be held in a trust, custodial account or annuity contract for the exclusive benefit of the employee and their beneficiaries. The new law effectively repeals the requirement that a Section 457 plan sponsored by a governmental entity be solely the property of the employer, subject only to the claims of the employer's general creditors. These changes in the law generally apply to tax years beginning after December 31, 1996. If there was a plan in existence on the date of enactment of the new law (August 20, 1996), a trust need not be established before January 1, 1999.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.



Employee Retirement Plan

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Electric Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Electric Utility pays both the employee and employer contributions.

Citywide information concerning elements of total assets in excess of pension benefit obligations, contributions to PERS for the fiscal years ended June 30, 1996 and 1995, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Reports" for the fiscal years ended June 30, 1996 and 1995.

CONTRIBUTION TO GENERAL FUND

Pursuant to the City Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's general fund. In fiscal years 1995-96 and 1994-95, the Electric Utility transferred 10.5 percent of gross operating revenues, or $16,335,000 and $16,311,000, respectively.

BUDGETS AND BUDGETARY ACCOUNTING

The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility's budget at its last meeting in June via an adopting resolution. The Electric Utility's budgeted expenses for fiscal years 1995-96 and 1994-95 amounted to $192,707,000 and $196,640,000, respectively.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation.

NOTE 2
CASH AND INVESTMENTS

Cash and investments at June 30, 1996 and 1995, consist of the following (in thousands):

	June 30, 1996		June 30, 1995	
	Carrying Amount	Contractual/ Market Value	Carrying Amount	Contractual/ Market Value
Pooled investments with City Treasurer	$72,515	$71,397	$100,738	$100,674
Cash and investments at fiscal agent	22,884	22,505	21,980	21,699
	$95,399	$93,902	$122,718	$122,373

The amounts above are reflected in the accompanying financial statements as:

	June 30, 1996	June 30, 1995
Cash and investments	$53,179	$ 81,661
Restricted assets:		
Cash and cash equivalents	21,432	22,622
Investments	20,788	18,435
	42,220	41,057
	$95,399	$122,718

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:

- Securities of the U.S. government, or its agencies
- Small Business Administration loans
- Negotiable certificates of deposits
- Banker's acceptances
- Commercial paper of "prime" quality
- Local agency investment fund (state pool) deposits
- Passbook savings account demand deposits
- Repurchase agreements
- Mutual funds
- Medium-term corporate notes

CREDIT RISK, CARRYING AMOUNT AND MARKET VALUE OF DEPOSITS AND INVESTMENTS

Cash and non-negotiable certificates of deposit are classified in three categories of credit risk as follows: Category 1 – insured or collateralized with securities held by the City or its agent in the City's name; Category 2 – collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; Category 3 – uncollateralized.

Investments are also classified in three categories of credit risk as follows: Category 1 – insured or registered, or securities held by the City or its agent in the City's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; Category 3 – uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Electric Utility's share of the City's investments at June 30, 1996, represents approximately 25 percent or $95,399,000 of the City's total cash and investments. The City's pooled investments (including all funds and component units) by credit risk, carrying amount and contractual/market value consisted of the following at June 30, 1996 (in thousands):

Description	Category 1	Category 2	Category 3	Carrying Amount	Contractual/ Market Value
Commercial paper	$ 0	$14,493	$ 0	$ 14,493	$ 14,493
U.S. Treasury notes	4,986	0	0	4,986	4,982
U.S. federal agency obligations:					
Federal National Mortgage Association	19,898	0	0	19,898	19,579
Federal Home Loan Bank	41,976	0	0	41,976	40,100
Federal Home Loan Mortgage Corporation	14,929	0	0	14,929	14,824
Negotiable certificates of deposit	30,000	0	0	30,000	28,116
Medium-term notes	50,760	0	0	50,760	49,017
Taxable municipal bonds	4,305	0	0	4,305	4,511
Investments at fiscal agent:					
Federal National Mortgage Association	29,870	0	0	29,870	29,783
Federal Home Loan Bank	19,302	0	0	19,302	19,221
Federal Farm Credit Bank	7,953	0	0	7,953	7,980
U.S. Treasury bills	1,123	0	0	1,123	1,128
U.S. Treasury notes	2,299	0	0	2,299	2,308
	$227,401	$14,493	$ 0	241,894	236,042
State of California Local Agency Investment Fund[1]				60,000	60,000
Investments at fiscal agent:[1]					
Money market funds				7,992	7,992
Investment agreements				4,795	4,795
Cash				114	114
Amounts invested in deferred compensation plans[1]				64,829	64,829
Total investments				$379,624	$373,772

[1] *Not subject to categorization*

As a result of extensive cash flow analysis, a significant percentage of the portfolio is held in short-term liquid funds with the balance invested in a well diversified asset mix with various maturities. During the fiscal year, the City's portfolio held a limited amount of variable rate securities including floating rate, inverse floating rate and structured notes as a mechanism to protect the portfolio's overall market value. The majority of the City's investment instruments are highly rated federal agency or corporate securities with minimal credit risk. Although variable rate securities may have market fluctuations that are greater than non-variable instruments, the portfolio is highly liquid and well diversified and as a result the City has the ability and intent to hold all securities to maturity to recoup the initial principal investment. Monies invested in derivatives through the state investment pool are immaterial.

NOTE 3
NOTE RECEIVABLE

On June 18, 1996, $17,000,000 from the Electric Utility Rate Stabilization Cash Account was loaned to the Riverside Redevelopment Agency to fund the construction of the U.S. Bankruptcy Court building. The note bears interest at the current citywide investment pool interest rate plus 50 basis points (.50%) and is due and payable in its entirety no later than June 30, 1997. The amount receivable under this note, including accrued interest, is $17,049,000 at June 30, 1996.

NOTE 4
LONG-TERM OBLIGATIONS

CERTIFICATES OF PARTICIPATION AND CAPITAL LEASE

The Electric Utility's share of outstanding certificates of participation totaled $23,000 at June 30, 1996, and $45,000 at June 30, 1995, and is due in annual installments through November 1, 1997; interest rates range from 5.75 percent to 9.4 percent. The Electric Utility's share of equipment purchased through a capital lease in the amount of $17,000 at June 30, 1996, and $27,000 at June 30, 1995, is due in monthly installments of $1,031 through November 1, 1997, at 8.0 percent interest.

REVENUE BONDS PAYABLE

Revenue bonds payable at June 30, 1996 and 1995, consist of the following (in thousands):

	June 30, 1996	June 30, 1995
$121,025,000 1986 Electric Revenue Refunding Series A Bonds: $36,410,000 serial bonds due in annual installments from $800,000 to $3,820,000 through October 1, 1997, interest from 6.3 percent to 6.4 percent	$ 4,620	$ 7,540
$68,175,000 1991 Electric Revenue Bonds: $27,395,000 serial bonds due in annual installments from $1,420,000 to $3,590,000 through October 1, 2005, interest from 5.7 percent to 6.6 percent; $40,780,000 term bonds due October 1, 2015, interest at 6.0 percent	65,125	66,005
$118,550,000 1993 Electric Refunding Revenue Bonds: $92,245,000 serial bonds due in annual installments from $950,000 to $8,005,000 through October 1, 2010, interest from 3.5 percent to 8.25 percent; $26,305,000 term bonds due October 1, 2013, at 5.0 percent	112,955	115,020
$4,100,000 1994 FARECal Electric Revenue Bonds: $2,105,000 serial bonds due in annual installments from $115,000 to $220,000 through July 1, 2010, interest from 4.75 percent to 5.9 percent; $1,995,000 term bonds due July 1, 2017, at 6.0 percent	4,100	4,100
Less: Unamortized bond discount	(3,403)	(3,692)
Total electric revenue bonds payable	$183,397	$188,973

Annual debt service requirements to maturity as of June 30, 1996, are as follows (in thousands):

	1997	1998	1999	2000	2001	Thereafter	Total
Certificates of participation and capital lease	$ 35	$ 5	$ 0	$ 0	$ 0	$ 0	$ 40
Bond interest payable	9,959	9,631	9,321	8,995	8,643	62,310	108,859
Bond principal payable	6,190	6,635	6,940	7,275	7,625	152,135	186,800
Unamortized bond discount	(284)	(279)	(271)	(263)	(253)	(2,053)	(3,403)
Total	$15,900	$15,992	$15,990	$16,007	$16,015	$212,392	$292,296

DEBT SERVICE COVERAGE RATIO

The Electric Utility's bond indentures require the Electric Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Electric Utility's debt service coverage ratio was 2.55 at June 30, 1996, and 1.97 at June 30, 1995.

NOTE 5
RESERVED RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's electric revenue and refunding bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts.

NOTE 6
LITIGATION

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Electric Utility.

NOTE 7
JOINTLY-GOVERNED ORGANIZATIONS

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the state of California. 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 1995-96 and 1994-95 fiscal years, the Electric Utility paid approximately $17,346,000 and $18,342,000, respectively, to SCPPA under various take-or-pay contracts that are described in greater detail in Note 9. These payments are reflected as a component of purchased power in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the state of California. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the four cities acting in concert. PAC has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. PAC is governed by a Board of Directors, which consists of one representative for each of the members. The term of the Joint Powers Agreement is 50 years. During the fiscal years ended 1995-96 and 1994-95, the Electric Utility paid approximately $10,000 and $16,000, respectively, to PAC for administrative expenses and advanced $4,300 for operating capital.

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency (NCPA); the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each Charter Member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District and Colton. One board position is vacant.

NOTE 8
JOINTLY-OWNED UTILITY PROJECT

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

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 $124,079,000 and $122,866,000 for fiscal years ended 1995-96 and 1994-95, respectively. The accumulated depreciation amounted to $51,798,000 and $47,178,000 for the fiscal years ended June 30, 1996 and 1995, respectively. The Electric Utility made provisions during fiscal years 1995-96 and 1994-95 for nuclear fuel burn of $1,249,000 and $1,287,000, respectively, and for future decommissioning costs of $1,581,000 and $1,460,000 for 1995-96 and 1994-95 fiscal years, respectively (See Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

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

NOTE 9
COMMITMENTS

TAKE-OR-PAY CONTRACTS

The Electric Utility has entered into a power sales contract with the Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent of the generation output of IPA's 1,600 megawatt coal-fueled generating station located in central Utah.

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

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (See Note 7). SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility will be obligated for its proportionate share of the cost of the project.

The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

PROJECT	PERCENT SHARE
Palo Verde Nuclear Generating Station	5.4 percent
Southern Transmission System	10.2 percent
Hoover Dam Uprating	31.9 percent
Mead-Phoenix Transmission	4.0 percent
Mead-Adelanto Transmission	13.5 percent

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.

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

PROJECT	EXPIRATION DATE
Intermountain Power Project	2023
Palo Verde Nuclear Generating Station	2017
Southern Transmission System	2023
Hoover Dam Uprating	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 3.7 percent to 9.7 percent. The schedule below details the amount of principal 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.

PRINCIPAL PAYMENTS *(In Thousands)*	IPA	SCPPA				TOTAL
Year Ending June 30	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Uprating	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
1997	$ 9,497	$ 1,387	$ 1,106	$ 346	$ 0	$ 0	$ 12,336
1998	10,452	1,200	2,200	360	0	0	14,212
1999	10,917	1,273	2,325	392	0	0	14,907
2000	11,286	1,358	1,040	410	52	481	14,627
2001	12,028	694	1,032	447	93	861	15,155
Thereafter	340,892	53,956	150,696	9,418	3,481	36,547	594,990
Subtotal	$395,072	$59,868	$158,399	$11,373	$3,626	$37,889	$666,227
Less: Unamortized bond discount	(15,354)	(5,498)	(16,313)	(1,145)	(169)	(1,708)	(40,187)
Refunding charge	(71,294)	0	0	0	0	0	(71,294)
Total	$308,424	$54,370	$142,086	$10,228	$3,457	$36,181	$554,746

POWER SALES AGREEMENT

The Electric Utility has executed nine firm power sales agreements. The agreements are with the Deseret Generation and Transmission Cooperative (Deseret) of Sandy, Utah; California Department of Water Resources (CDWR); Bonneville Power Administration (BPA); Southern California Edison Company (SCE); and Washington Water Power (WWP). The minimum annual obligations under each of these contracts are shown in the table on the following page.

POWER SALES AGREEMENTS

Minimum Obligations 1996-97 (In Thousands)

Supplier	Capacity	Energy	Total
Deseret	$ 9,360	$1,100	$10,460
SCE	5,034	2,000	7,034
CDWR II	700	450	1,150
CDWR III	103	223	326
CDWR IV	135	292	427
CDWR V	200	VAR	200
BPA (two agreements)	979	0	979
WWP	442	1,036	1,478
Total	$16,953	$5,101	$22,054

The agreement with Deseret is for five megawatts from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts through December 31, 2009.

The agreement with SCE is for the purchase of firm capacity and associated energy for a period of eight years ending December 31, 1998. The firm capacity from SCE is for 150 megawatts in the summer.

There are four separate agreements with CDWR. CDWR II is for the purchase of 20 megawatts of firm capacity and associated energy during the months of May through October of each year beginning May 1, 1992. This agreement with CDWR is an "evergreen" contract that may be terminated upon three years notice by either party. CDWR III is for the purchase of 23 megawatts from May through October of each year beginning June 1, 1996, for 15 years. CDWR IV is for the purchase of 30 megawatts of capacity and associated energy from May through June beginning June 1, 1996, for 15 years. CDWR V is for the purchase of 50 megawatts of capacity and associated energy from June through September beginning July 16, 1996, for three years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) and associated energy beginning February 1, 1991, for a period of 20 years. The 1996 BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) and associated energy beginning April 30, 1996, for 20 years.

The agreement with WWP is for the purchase of 25 megawatts of firm capacity and associated energy during the months of May through October of each year beginning May 1, 1995, for 10 years.

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council and Board of Public Utilities
City of Riverside, California

We have audited the accompanying balance sheets of the City of Riverside Electric Utility as of June 30, 1996 and 1995, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Electric Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Electric Utility as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

October 25, 1996



CITY OF RIVERSIDE WATER UTILITY

BALANCE SHEETS

	June 30 **1996**	*June 30* **1995**
	(In Thousands)	
ASSETS		
Utility plant:		
Source of supply	$ 23,263	$ 20,469
Pumping	7,770	7,733
Treatment	330	330
Transmission and distribution	149,154	145,078
General	5,015	4,722
Intangible	5,534	5,533
	191,066	183,865
Less accumulated depreciation and amortization	(56,447)	(52,711)
	134,619	131,154
Construction in progress	18,678	17,005
Total utility plant	153,297	148,159
Restricted assets:		
Cash and cash equivalents	6,716	7,871
Investments	3,784	8,245
Total restricted assets	10,500	16,116
Current assets:		
Cash and investments	10,584	11,765
Accounts receivable, less allowance for doubtful accounts 1996 $161,000; 1995 $223,000	3,395	2,440
Accrued interest receivable	163	197
Advances to general fund	106	0
Total current assets	14,248	14,402
Other assets	769	837
Total assets	$178,814	$179,514

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

CITY OF RIVERSIDE WATER UTILITY

BALANCE SHEETS

	June 30 1996	*June 30* 1995
	(In Thousands)	
CAPITALIZATION AND LIABILITIES		
Equity:		
Retained earnings:		
Reserved	$ 6,914	$ 6,854
Unreserved	14,938	15,967
Total retained earnings	21,852	22,821
Contributed capital	99,603	97,564
Total equity	121,455	120,385
Long-term obligations, less current portion	52,150	53,354
Total capitalization	173,605	173,739
Current liabilities payable from restricted assets:		
Accrued interest payable	626	652
Current portion of long-term obligations	2,015	1,900
Total current liabilities payable from restricted assets	2,641	2,552
Current liabilities:		
Accounts payable	276	958
Accrued liabilities	1,842	1,805
Current portion of long-term obligations	161	161
Customer deposits	289	299
Total current liabilities	2,568	3,223
Commitments and contingencies		
Total capitalization and liabilities	$178,814	$179,514

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



CITY OF RIVERSIDE WATER UTILITY

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	For the Fiscal Years Ended June 30 1996	1995
	(In Thousands)	
OPERATING REVENUES:		
Residential sales	$14,188	$12,166
Commercial sales	6,297	5,635
Other sales	548	447
Other operating revenue	344	396
Total operating revenues	21,377	18,644
OPERATING EXPENSES:		
Operations	9,815	9,360
Maintenance	2,177	2,626
Purchased energy	2,707	2,630
Purchased water	450	480
Depreciation and amortization	3,830	3,742
Total operating expenses	18,979	18,838
Operating income (loss)	2,398	(194)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,343	1,608
Interest expense	(3,662)	(3,738)
Gain (loss) on retirement of utility plant	71	(15)
Other	982	1,754
Total non-operating revenues (expenses)	(1,266)	(391)
Income (loss) before operating transfer	1,132	(585)
OPERATING TRANSFER OUT:		
Contribution to general fund	(2,101)	(2,102)
Net loss	(969)	(2,687)
RETAINED EARNINGS, JULY 1	22,821	25,508
RETAINED EARNINGS, JUNE 30	$21,852	$22,821

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








NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Water Utility is responsible for the production, transmission and distribution of water for sale in the City.

BASIS OF ACCOUNTING

The financial statements of the Water Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the California Public Utilities Commission, except for the method of accounting for contributed capital described below. The Water Utility is not subject to the regulations of the California Public Utilities Commission.

UTILITY PLANT AND DEPRECIATION

All utility plant is valued at historical cost or estimated historical cost, if actual historical cost is not available. Cost includes labor; materials; allocated indirect charges, such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant is valued at its estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is recorded over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Supply pumping and treatment plant	20-50 years
Transmission and distribution plant	30-50 years
General plant and equipment	5-50 years

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CASH AND INVESTMENTS

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. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at cost or amortized cost. Interest income earned on pooled cash and investments is allocated monthly to the various funds of the City based on the month-end cash balances. Interest income from cash and investments held by fiscal agents is credited directly to the related account.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Water Utility 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.

INVENTORIES

The City maintains a separate Central Stores inventory. The Water Utility expenses items as they are drawn out of Central Stores. As such, the Water Utility does not include inventories in its financial statements.

BOND DISCOUNTS, CAPITAL APPRECIATION AND ISSUANCE COSTS

Bond discounts, capital appreciation and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and capital appreciation are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges. Capital appreciation is the annual increase in the value of bonds originally issued at a discounted amount. These bonds receive no annual interest payments and mature at a predetermined par value.

CONTRIBUTED CAPITAL

Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is expensed.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills. The Water Utility's portion of these deposits as of June 30, 1996 and 1995, was $289,000 and $299,000, respectively.

REVENUE RECOGNITION

The Water Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Water Utility customers are billed monthly. Unbilled water service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $1,386,000 at June 30, 1996, and $973,000 at June 30, 1995.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible. The balance in the allowance account was $161,000 at June 30, 1996, and $223,000 at June 30, 1995.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1996. The Water Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was $1,814,000 at June 30, 1996, and $1,776,000 at June 30, 1995.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

SELF-INSURANCE PROGRAM

The Water Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Water Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 1996, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

DEFERRED COMPENSATION AND EMPLOYEE RETIREMENT PLANS

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all City employees, permits deferral of a portion of an employee's salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

As a result of changes under the Small Business Job Protection Act of 1996, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts must be held in trust, custodial account or annuity contract for the exclusive benefit of the employee participants and their beneficiaries. The new law effectively repeals the requirement that a Section 457 plan sponsored by a governmental entity be solely the property of the employer, subject only to the claims of the employer's general creditors. These changes in the law generally apply to tax years beginning after December 31, 1996. If there was a plan in existence on the date of enactment of the new law (August 20, 1996), a trust need not be established before January 1, 1999.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Employee Retirement Plan

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Water Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Water Utility pays both the employee and employer contributions.

Citywide information concerning elements of total assets in excess of pension benefit obligations, contributions to PERS for the fiscal years ended June 30, 1996 and 1995, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Reports" for the fiscal years ended June 30, 1996 and 1995.

CONTRIBUTION TO GENERAL FUND

Pursuant to the City Charter, the Water Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's general fund. In fiscal years 1995-96 and 1994-95, the Water Utility transferred 11.5 percent of gross operating revenues, or $2,101,000 and $2,102,000, respectively.

BUDGETS AND BUDGETARY ACCOUNTING

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution. The Water Utility's budgeted expenses for fiscal year 1995-96 and 1994-95 amounted to $32,584,000 and $38,827,000, respectively.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation.

NOTE 2
CASH AND INVESTMENTS

Cash and investments at June 30, 1996 and 1995, consist of the following (in thousands):

	June 30, 1996		June 30, 1995	
	Carrying Amount	Contractual/ Market Value	Carrying Amount	Contractual/ Market Value
Pooled investments with City Treasurer	$14,571	$14,346	$15,601	$15,336
Cash and investments at fiscal agent	6,513	6,513	12,280	12,280
	$21,084	$20,859	$27,881	$27,616

The amounts above are reflected in the accompanying financial statements as:

	June 30, 1996	June 30, 1995
Cash and investments	$10,584	$11,765
Restricted assets:		
Cash and cash equivalents	6,716	7,871
Investments	3,784	8,245
	10,500	16,116
	$21,084	$27,881

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:

- Securities of the U.S. government, or its agencies
- Small Business Administration loans
- Negotiable certificates of deposits
- Banker's acceptances
- Commercial paper of "prime" quality
- Local agency investment fund (state pool) deposits
- Passbook savings account demand deposits
- Repurchase agreements
- Mutual funds
- Medium-term corporate notes

CREDIT RISK, CARRYING AMOUNT AND MARKET VALUE OF DEPOSITS AND INVESTMENTS

Cash and non-negotiable certificates of deposit are classified in three categories of credit risk as follows: Category 1 – insured or collateralized with securities held by the City or its agent in the City's name; Category 2 – collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; Category 3 – uncollateralized.

Investments are also classified in three categories of credit risk as follows: Category 1 – insured or registered, or securities held by the City or its agent in the City's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; Category 3 – uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Water Utility's share of the City's investments at June 30, 1996, represents approximately 6 percent or $21,084,000 of the City's total cash and investments. The City's pooled investments (including all funds and component units) by credit risk, carrying amount and contractual/market value consisted of the following at June 30, 1996 (in thousands):

	Category			Carrying	Contractual/
Description	1	2	3	Amount	Market Value
Commercial paper	$ 0	$14,493	$ 0	$ 14,493	$ 14,493
U.S. Treasury notes	4,986	0	0	4,986	4,982
U.S. federal agency obligations:					
Federal National Mortgage Association	19,898	0	0	19,898	19,579
Federal Home Loan Bank	41,976	0	0	41,976	40,100
Federal Home Loan Mortgage Corporation	14,929	0	0	14,929	14,824
Negotiable certificates of deposit	30,000	0	0	30,000	28,116
Medium-term notes	50,760	0	0	50,760	49,017
Taxable municipal bonds	4,305	0	0	4,305	4,511
Investments at fiscal agent:					
Federal National Mortgage Association	29,870	0	0	29,870	29,783
Federal Home Loan Bank	19,302	0	0	19,302	19,221
Federal Farm Credit Bank	7,953	0	0	7,953	7,980
U.S. Treasury bills	1,123	0	0	1,123	1,128
U.S. Treasury notes	2,299	0	0	2,299	2,308
	$227,401	$14,493	$ 0	241,894	236,042
State of California Local Agency Investment Fund[1]				60,000	60,000
Investments at fiscal agent:[1]					
Money market funds				7,992	7,992
Investment agreements				4,795	4,795
Cash				114	114
Amounts invested in deferred compensation plans[1]				64,829	64,829
Total investments				$379,624	$373,772

[1] *Not subject to categorization*

As a result of extensive cash flow analysis, a significant percentage of the portfolio is held in short-term liquid funds with the balance invested in a well diversified asset mix with various maturities. During the fiscal year 1995-96, the City's portfolio held a limited amount of variable rate securities including floating rate, inverse floating rate and structured notes as a mechanism to protect the portfolio's overall market value. The majority of the City's investment instruments are highly rated federal agency or corporate securities with minimal credit risk. Although variable rate securities may have market fluctuations that are greater than non-variable instruments, the portfolio is highly liquid and well diversified and as a result the City has the ability and intent to hold all securities to maturity to recoup the initial principal investment. Monies invested in derivatives through the state investment pool are immaterial.

NOTE 3
LONG-TERM OBLIGATIONS

CONTRACTS PAYABLE AND CAPITAL LEASE

Contracts payable at June 30, 1996 and 1995, consist of water stock acquisition rights in the amount of $1,260,000 and $1,280,000, respectively, payable on demand to various water companies. The Water Utility's share of equipment purchased through a capital lease in the amounts of $17,000 and $27,000 for fiscal years ended June 30, 1996 and 1995, respectively, is due in monthly installments of $1,031 through November 1, 1997, at 8.0 percent interest.

REVENUE BONDS PAYABLE

Revenue bonds payable at June 30, 1996 and 1995, consist of the following (in thousands):

	JUNE 30, 1996	JUNE 30, 1995
$69,840,000 1991 Water Revenue Bonds: $25,050,000 serial bonds due in annual installments from $2,015,000 to $3,100,000 through October 1, 2002, interest from 5.7 percent to 9.0 percent; and $25,900,000 serial capital appreciation bonds due in annual installments from $3,235,000 to $3,240,000 from October 1, 2003, to October 1, 2010, interest from 6.65 percent to 7.0 percent; and $18,890,000 term bonds due October 1, 2015, at 6.0 percent	$62,115	$64,015
$4,710,000 1994 FARECal Revenue Bonds: $2,420,000 serial bonds due in annual installments from $135,000 to $255,000 through July 1, 2010, interest from 4.75 percent to 5.9 percent; $2,290,000 term bonds due July 1, 2017, at 6.0 percent	4,710	4,710
Less: Unamortized capital appreciation	(13,453)	(14,265)
Unamortized bond discount	(323)	(351)
Total water revenue bonds payable	$53,049	$54,109

Annual debt service requirements to maturity as of June 30, 1996, are as follows (in thousands):

	1997	1998	1999	2000	2001	THEREAFTER	TOTAL
Contracts payable/capital lease	$ 161	$ 155	$ 150	$ 150	$ 150	$ 511	$ 1,277
Bond interest payable	2,628	2,509	2,374	2,228	2,033	17,235	29,007
Bond principal payable	2,015	2,265	2,400	2,550	2,745	54,850	66,825
Unamortized capital and bond discount	(896)	(956)	(1,020)	(1,088)	(1,163)	(8,653)	(13,776)
Total	$3,908	$3,973	$3,904	$3,840	$3,765	$63,943	$83,333

DEBT SERVICE COVERAGE RATIO

The Water Utility's bond indentures require the Water Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 2.12 at June 30, 1996, and 1.55 at June 30, 1995.

NOTE 4
RESERVED RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's water revenue bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts.

NOTE 5
LITIGATION

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Water Utility.

NOTE 6
JOINTLY-GOVERNED ORGANIZATIONS

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency (NCPA); the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each Charter Member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District and Colton. One board position is vacant.

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council and Board of Public Utilities
City of Riverside, California

We have audited the accompanying balance sheets of the City of Riverside Water Utility as of June 30, 1996 and 1995, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Water Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Water Utility as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

October 25, 1996








Antoine S. Abu Shabakeh
Domingo Aguilar
Raymond S. Aguilar
Donna L. Aguilera
Richard C. Aguilera
Jerry C. Alexander Jr.
David A. Alfaro
Dennis E. Anagnos
Arthur V. Anaya
Greg R. Anderson
Kenneth A. Anderson
Kenneth J. Anderson
Lisa L. Anderson
Mary L. Anderson
Troy S. Anthony
Raymond A. Archuleta
Guillermo Armenta
Christina M. Aulick
Christopher Avila
David Avila
Robert S. Ayers Jr.
Nora L. Aylward
Helen M. Azevedo
Michael G. Bach
Stephen H. Badgett
John J. Bailey
Charles F. Baldwin
Michael J. Baldwin
Del R. Ballard
Frederick H. Barkley
Jeanette E. Barnes
Ron W. Barry
Cathleen R. Baswell
Vahid Bazel
Lawrence T. Beal
Linda C. Bedford
William D. Bedford Jr.
Harold J. Bell
Walter N. Bell Jr.
Gary L. Bender
Bruce C. Benter
Jacqueline M. Bishop
Matthew Blais
Charles R. Bluemel
Teresita G. Bluma
Craig W. Bostrom
Fernand R. Boucher
Nancy A. Bove
Brian G. Bozarth
Thomas G. Bradshaw
Gayla D. Branco
David W. Bride

Linda M. Brown
Louise I. Brown
Michael E. Brown
Willie L. Brown
James R. Buckley
Gerald R. Burton
Loretta K. Burton
Loretta F. Butler
Linda L. Camacho
Gabriela Campos
Julian Cardenas
Randell S. Carder
Bill D. Carnahan
Joseph Carrasco
Carlos Castro
Cindy L. Chan
John N. Chapman
Joseph Chavez
Joseph S. Chavez
Jeffrey D. Clausen
Cheryl E. Clelland
Danny L. Clemons
Kenneth W. Coffey
Greg H. Coffman
Donald J. Colgan
Janet T. Collins
Thomas J. Collins
Linda S. Conerly
Karen M. Connor
Mark S. Connor
Bobby V. Cordova
Tom R. Corrigan
Ruth H. Couch
Glenn M. Cox
Veronica Craghead
Alan D. Craig
Billie I. Crumley Jr.
Jackie L. Cunningham
Vivian C. De Geere
James H. Deal
Robert Delgado
Daniel A. Delorenzo
John T. Denham
Christina M. Diaz
Gregory M. Diaz
Mercedes P. Diaz
Peter E. Diaz
Richard J. Dickinson
Kerry W. Dittler
Charlene L. Dixon
Cruz Dominguez
Steven S. Dowell

Joyce E. Drake
Richard S. Drobek
Malcolm N. Duckett
Daniel P. Duron
Gerald E. Dye
Albert T. Dykstra
Fredrick D. Ehemann
David W. Eich
John J. Enderson
Mark S. Ensign
Benny Esseling
Patricia Estrada
William E. Fagan
Scott L. Faust
Catherine E. Ference
Ronald T. Fiske
Julius M. Fletcher
Joseph D. Francese
Rick Franke
Ronald D. Frost
Carol J. Fuhrman
Gerald A. Gandara
Thomas D. Garcia
Victor A. Garcia
Yolanda C. Garcia Tully
Joseph A. Garozzo
Richard Gastelum
Alan H. Gatter
Anita L. Gatter
Paul R. Gearhart
Thomas R. Gibbins
George F. Gielish
Robert B. Gill
Eugene L. Ginsberg
Thomas E. Glass
Daniel M. Gomez
Veronica Gomez
Welshen Gong
Patrick Gonzales
Ronald W. Goodermuth
James G. Grady
John L. Graham
Manuel S. Gray
Marilyn J. Grayston
Richard J. Greenwalt
Barbara S. Grillo
Adrian Gutierrez
Bacilio Gutierrez Jr.
John W. Hair
Patrick B. Hannifin
Edward P. Hansen
Wanda F. Hedlund

John M. Heiden
Kelly L. Heil
Alfred W. Heinen
James P. Henke
Patricia J. Henwood
Cesar U. Hernandez
Lorraine H. Hernandez
Victor H. Hernandez
Jeffrey S. Hill
Lyle E. Hill
Richard A. Hinojosa
Edward K. Hogerty
Arnold P. Hohl Jr.
Richard E. Holmes
James T. Hornbarger
Isabella M. Horton
Daniel H. Hotchkiss
Woodrow Hoye
David J. Hoyte
Kenneth L. Humphrey
Roger L. Hunt
Daniel Hurtado
Tam T. Huynh
Marvin L. Infante
Jalene L. Isaac
Bonnie M. Ivy
Roger S. Jackson
Lester W. Jameson Jr.
Mark Jelen
Joon H. Jin
James E. Johnson
Lila M. Johnson
Norma J. Johnson
Russell D. Johnson
Sam R. Johnson
Steven T. Johnson
Wayne L. Johnson
Dock Jones
Steve A. Jones
Chris A. Joranco
Jeffrey S. Karalun
George E. Kelley
William D. Kilpatrick
James R. King
Andrew J. Kirkland Jr.
David R. Knapp
Gus W. Knie
Randal A. Koers
Edward L. Kostjal Jr.
David W. Krell
James W. Kyle
Tom G. Lacey

Stephen E. Lafond
Ashraf B. Lavasany
Pamela M. Lawrence
Mary S. Leavitt
Ruben M. Leivas
Jeffery J. Lewis
Paul A. Lindsay
Henry A. Loya
Robert L. Lucas
Michael H. Luitwieler
Arthur P. Madril
Jaime J. Magby
Michael R. Mahr
William F. Mainord
Babalola Makinde-Odusola
Daniel Mares
Enrique S. Marquez
Lilah M. Martinez
Ramona R. Martinez
Frederick H. Mason
Peggy I. Mayer
Mingwei C. McCann
Christina M. McCaslin
Daniel L. McClenathan
Allison L. McDaniel
Margery I. McDowell
Lois G. McGinnis
Gerald L. McGrath
Kenneth B. McGregor
Jeffrey K. McKown
David M. McLellan
Martin W. McLeod
Sheridan A. McReynolds
Larry D. Meester
Max C. Mendoza
Richard G. Mendoza
Ismael E. Mercado
Kevin S. Milligan
Le Keyo L. Mincey
Odell Moncrief
Arthur R. Montano II
Theresa G. Moore
Kevin D. Munns
Gregory L. Myers
Ray D. Neal Jr.
Bonnie C. Negrete
Peter Nesic
Jamerson H. Neuroth
Mary A. Nevarez
Phoung M. Nguyen
Gerald Nichols
Rita Nicks
Barry J. Niemiec
Ponciano P. Nilo
Gary L. Nolff
Lucinda Norried
Anne M. Nukaya
Mark R. Ogawa
Randall W. Olgren
Deborah L. Olson
Alvino P. Orozco
Darrell R. Otjen
Dwight W. Page
Nancy M. Palmerin
Zahra Panahi
Ann L. Pangborn
Clyde B. Parker
Cecil R. Parker Jr.
Frank G. Paz
Ronald D. Pendergrass
Charlie R. Penunuri
Gilbert S. Penunuri
Rey M. Perez
Doris L. Perry
Steven R. Phagan
Marilyn F. Pieper
Luis M. Plasencia
David J. Porchia
Gregory L. Prator
Michael R. Price
Patrick L. Pruitt
Edgar A. Pryor
Donald R. Pulsifer
Gloria M. Purifoy
Joseph B. Ragatz
Robert A. Ramirez
Rene Ramon
Andrew R. Ramos
Daniel W. Randall
Lena J. Raniada
Melanie J. Raulston
Jack C. Read
David L. Redding
Cynthia B. Reeley
Stan V. Reynolds
Mildred A. Ridges
Donald G. Ringgold
Harry T. Robertson
Dwayne D. Robinson
Michael A. Rodgers
Max A. Rodriguez
Linda K. Rogan
Donald C. Rogers
John E. Rolwes
Karin K. Ross
William D. Ryan
Richard M. Ryno
Adrian Saint
Angel H. Sanchez
Isac J. Sanchez
Lawson R. Satterfield
Angela A. Scarcello
Samuel L. Scarcello
Delbert L. Schroeder
John B. Schwartz
Mark E. Scribner
John L. Sevey
Daniel D. Shackelford
Aladdin Shaikh
Omar E. Shehab
Sammie L. Shepeard
Candice C. Shih
Brian Simpson
Dennis G. Sims
James R. Sinner
Richard H. Skelton
David A. Smart
Jerry L. Smith
Julie A. Smith
Sandra L. Smith
Wendell K. Smith
Alisa W. Smyth
Carolyn K. Snow
Marcia A. Solis
Marta E. Solis
Marco J. Sortillon
Christine H. Spahr
Elvira St. Louis
Kenneth A. Starbuck
Kelly C. Starkey
Donna I. Stevener
Kevin P. Stinson
Dennis J. Stirlen
Frederick J. Stoiber
Kirk V. Stokes
Terry L. Stroud
T.D. Sweatt
Arshad J. Syed
Dennis L. Sylvester
Hernando B. Tagle
Maurice S. Taks
Alvin M. Tannenbaum
Bruce C. Taylor
Joseph M. Tenenbaum
Diane J. Tepper
Cynthia L. Thompson
Carol A. Torchia
Michael J. Torelli
Joey M. Toth
Vincent N. Trepepi
Richard L. Trower
Dale L. Underwood
Adrian A. Valdez
Abelino C. Valencia
Juan Vargas Jr.
Richard D. Velasco
Victor G. Velasquez
Michael J. Vernon
Karol L. Veu Casovic
Clarence R. Voll Jr.
Roger J. Wagner
Tiffany A. Wahlmeier
Theresa S. Waldschmitt
Peggy L. Wales
Robert F. Wallstead
Edward M. Wdowiak
Paul O. Westover Jr.
Mary T. Whaley
Ronald J. White
Walter L. White
Casey L. Whitney
Mark Wholley
Ronald H. Wigg
Edward T. Wilks
Phyllis J. Williams
Brian R. Willis
David C. Wilson
Dieter P. Wirtzfeld
Alan P. Wohlfarth
Merle C. Wolff
Ralph F. Wollerton
Roberta A. Womack
Ben G. Wong
Chiu C. Wong
Karen L. Wood
Wayne M. Woodall
Charles R. Wormington
Joan C. Worones
Robert A. Worthington
David H. Wright
Dona J. Wuister
Edrie V. Yambao
Edward B. Young



RAPHAEL DE LA CRUZ

Occupation: Senior Administrator for County Supervisor John Tavaglione

Riverside resident: lifetime



DAVID MACHER

1995-96 Board Chairman

Occupation: Certified Public Accountant

Riverside resident: lifetime



RONALD MCCOY

Occupation: Retired, Former Assistant Chief Engineer – Water

Riverside resident: 15 years



JACQUELINE MIMMS

Occupation: Assistant Vice Chancellor of Campus Relations

Riverside resident: 11 years



YVONNE NEAL WEINSTEIN

Occupation: Science Teacher

Riverside resident: 21 years



THOMAS PEVEHOUSE

Occupation: Economic Development Specialist

Riverside resident: 11 years



DWIGHT TATE

Occupation: Personal Financial Planner

Riverside resident: lifetime

The Board of Public Utilities is composed of seven citizens appointed to four-year terms by City Council to govern utility policies and represent the community. Citizens serve on a voluntary basis without compensation. Applications for new members are solicited annually through an insert with the city services bill. Applicants must be at least 18 years of age and reside within the City of Riverside in order to be eligible to serve on the board. The Board of Public Utilities meets at 8:15 a.m. on the first and third Fridays of each month in City Council Chambers at City Hall, 3900 Main St., Riverside. Board meetings are open to the public.

Mayor, City Council and City Manager

Mayor
Ronald Loveridge

City Council

Chuck Beaty
Ward 1

Ameal Moore
Ward 2

Joy Defenbaugh
Ward 3

Maureen Kane
Ward 4

Alex Clifford
Ward 5

Terri Thompson
Ward 6

Laura Pearson
Ward 7

City Manager
John Holmes

Board of Public Utilities

David Macher
1995-96 Chairman

Raphael de la Cruz

Ronald McCoy

Jacqueline Mimms

Yvonne Neal Weinstein

Thomas Pevehouse

Dwight Tate

Riverside Public Utilities Administration

Bill D. Carnahan
Director

Michael J. Baldwin
Assistant Director, Operations

Dieter P. Wirtzfeld
Assistant Director, Engineering and Resources

David H. Wright
Assistant Director, Finance and Administration

Annual Report Production

Karin K. Ross
Editor

Conner Design Group
Design and Production

Will Gibson
Riverside Public Utilities Archives
Photography

Special thanks to the entire staff of Riverside Public Utilities' Financial Services Division, under the leadership of Donna Stevener, Accounting/Finance Manager, for their contribution to this report.



PUBLIC UTILITIES
RIVERSIDE

RIVERSIDE PUBLIC UTILITIES
CITY HALL, 3900 MAIN STREET
RIVERSIDE, CALIFORNIA 92522
TEL/909.782.5506 FAX/909.369.0548