

MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



2.2

(1)

On motion of Supervisor Ashley, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the recommendation from the Auditor-Controller regarding the Fiscal Year 2008-09 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (Financial Highlights), and Report on Statement on Auditing Standards (SAS) 114 *The Auditor's Communication with those Charged with Governance* is received and filed as recommended.

(2)

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter be reconsidered for a special presentation to Aurora Wilson.

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on January 12, 2010 of Supervisors
Minutes.

WITNESS my hand and the seal of the Board of Supervisors
Dated: January 12, 2010
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in
and for the County of Riverside, State of California.

(seal)

By: [Signature] Deputy

AGENDA NO.
2.2

xc: Auditor

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

625

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



SUBMITTAL DATE:
January 4, 2010

FROM: Auditor-Controller

SUBJECT: Fiscal Year 2008-09 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (Financial Highlights), and Report on Statement on Auditing Standards (SAS) 114 *The Auditors' Communication with those Charged with Governance.*

RECOMMENDED MOTION:

That the Board of Supervisors receive and file the attached Comprehensive Annual Financial Report, Financial Highlights, and Report on SAS 114 for the fiscal year ended June 30, 2009.

BACKGROUND:

The County's CAFR is hereby submitted in accordance with Section 25253 of the Government Code of the State of California.

(Continued)

Robert E. Byrd

ROBERT E. BYRD
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	-0-	In Current Year Budget:	No
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	No
	Annual Net County Cost:	-0-	For Fiscal Year:	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

RECEIVE AND FILE

BY: *Rob Rockwell*

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: January 12, 2010
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Dep't Recomm.: ☐ Policy ☐ Policy
Per Exec. Ofc.: ☐ Consent ☒ Consent

Prev. Agn. Ref.:

District:

Agenda Number:

2.2

Board of Supervisors

RE: Fiscal Year 2008-09 CAFR, Financial Highlights and SAS 114 Report

January 4, 2010

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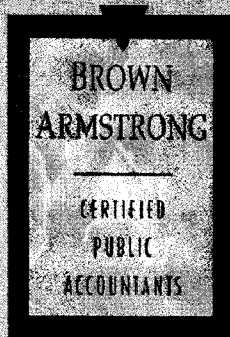
To facilitate the most expedient distribution of the CAFR to bond holders, rating agencies, and other interested parties, I request the Board receive and file the CAFR at this time prior to the receipt of the Management Letter.

The County's external auditors, Brown Armstrong Accountancy Corporation, are currently drafting the Management Letter, which we anticipate receiving shortly. SAS 112, *Communicating Internal Control Related Matters Identified in an Audit*, states that written communications should be made within 60 - 90 days following the CAFR release date. The Management Letter will be submitted in accordance with this Standard.

The Financial Highlights provides a 26 page recap of the County's financial information in an easy-to-read format. The financial information contained in this publication is derived from the County's 216 page CAFR for Fiscal Year 2008-09.

SAS 114 establishes a requirement for the external auditors to communicate with those charged with governance certain significant matters related to the audit. SAS 114 uses the term *those charged with governance* to refer to those with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity's financial reporting process. The attached Report on SAS 114 discloses those matters to the County's Board of Supervisors.

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
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To the Board of Supervisors
County of Riverside

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 2, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Riverside are described in Note 1 to the financial statements. During the fiscal year 2009, County of Riverside adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management estimates were used in establishing allowances for accounts receivable, estimating date of collection to comply with period of availability for certain revenues, establishing self insurance reserves, estimating closure and post closure care costs, and valuations of certain infrastructure. We evaluated key factors and assumptions used in developing these estimates and they appeared reasonable in relation to the basic financial statements taken as a whole

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

- The disclosure of Restatement of Beginning Fund Balances/Net Assets in Note 4 to the financial statements.
- The disclosure of Other Post Employment Benefits (OPEB) in Note 20 to the financial statements.
- The disclosure of Commitments and Contingencies in Note 21 to the financial statements.
- The disclosure of Subsequent Events in Note 22 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2009.

Management Consultations with Other Independent Accountants

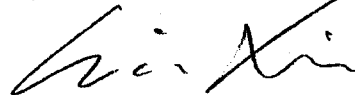
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Supervisors and management of County of Riverside and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Eric H. Xin

**Riverside County Board of Supervisors
Request to Speak**

Submit request to Clerk of Board (right of podium),
Speakers are entitled to three (3) minutes, subject
Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: Robert Byrd

Address: _____
(only if follow-up mail response requested)

City: _____ **Zip:** _____

Phone #: _____

Date: 1-12-70 **Agenda #** 2.2

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:

✓ **Support** _____ **Oppose** _____ **Neutral**

Note: If you are here for an agenda item that is filed
for "Appeal", please state separately your position on
the appeal below:

_____ **Support** _____ **Oppose** _____ **Neutral**

I give my 3 minutes to: _____

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. **Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.**

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chairman:

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.

COUNTY OF RIVERSIDE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009



ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER

Legend of Locations

Mission Inn
Rotunda Wing Tower
3649 Mission Inn Avenue
Riverside, California

Mission Inn
Corillon Tower
3649 Mission Inn Avenue
Riverside, California

Mission Inn
Cloister Wing Carmel Tower
3649 Mission Inn Avenue
Riverside, California

Mission Inn
Clock Tower
3649 Mission Inn Avenue
Riverside, California

Riverside Community College
Riverside Campus - Clock Tower
4800 Magnolia Avenue
Riverside, California

Old City Hall - Riverside
3612 Mission Inn Avenue
Riverside, California

Riverside Auditorium Tower
3845 Mission Inn Avenue
Riverside, California

City Council Chambers
101 N. D. Street
Perris, California

La Spiga Italian Restaurant
72-557 Hwy 111
Palm Desert, California

Rose Garden Village
Clock Tower
3668 Adams Street
Riverside, California

Benedict Castle
5445 Chicago Avenue
Riverside, California

Magnolia Avenue Baptist
Church Tower
8310 Magnolia Avenue
Riverside, California

Universalist Unitarian Church
3657 Lemon Street
Riverside, California

First Congregational
Church Tower
3504 Mission Inn Avenue
Riverside, California

Downtown Post Office - Riverside
3890 Orange Street
Riverside, California

Mt. Rubidoux
Freedom Tower
Riverside, California

Bobby Bonds/Cesar Chavez
Community Center
2060 University Avenue
Riverside, California

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2009

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OFFICE OF THE
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Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT AUDITOR-CONTROLLER

December 9, 2009

The Honorable Board of Supervisors
Citizens of the County of Riverside
4080 Lemon Street, 5th Floor
Riverside, California 92501

Members of the Board and Citizens of the County of Riverside:

The Comprehensive Annual Financial Report of the County of Riverside for the fiscal year ended June 30, 2009 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The management's discussion and analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to compliment this letter of transmittal and should be read in conjunction with it.

The financial reporting entity for the County includes all the funds of the primary government--the County of Riverside as legally defined-- as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

The County has twelve independent fiscal entities that are considered blended component units and two discretely presented component units. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the notes to the basic financial statements.

PROFILE OF THE GOVERNMENT

Riverside County, the State's fourth largest county by area, encompasses 7,295 square miles and extends nearly 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. It is situated east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties. There are 26 incorporated cities located within the County. The largest cities in the County are

the cities of Riverside (the County seat) with a population of 300,430, Moreno Valley with a population of 186,301, and Corona with a population of 148,597.

Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Total County population was 2,107,653 on January 1, 2009, an increase of 1.4% as compared to the revised estimate for 2008 from the California State Department of Finance. Approximately 26.5% of the residents live in unincorporated areas. The County is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), which includes all of Riverside and San Bernardino Counties. The MSA has large and growing education and health services industries. Total nonfarm employment in the MSA rose 11% from March 2002 to March 2009, while the population increased by 28% in the County from January 1, 2002 to January 1, 2009. As of September 2009, unemployment in the MSA was 14.3% (revised on an annual basis by the California Employment Development Department Labor Market Information Division) as compared to 9.8% for the United States.

The County is governed by a five-member Board of Supervisors, who each serves four-year terms, and annually elects a Chairman and Vice-Chairman. The Supervisors represent five districts. The first District includes areas within the cities of Riverside, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest. The Second District includes the cities of Corona, Norco, and approximately 1/3 of the City of Riverside. The unincorporated communities consist of Jurupa Valley (Rubidoux, Glen Avon, Sunny Slope, Pedley, Mira Loma), Home Gardens, El Cerrito, Eastvale, Coronita, and Green River. The Third District includes the cities of Canyon Lake, Hemet, Menifee, Murrieta, San Jacinto, and Temecula. Major unincorporated areas in the District include Aguanga, Anza, Idyllwild, Valle Vista, Winchester, Wine Country, and Pinyon Pines. The Fourth District is the largest District by far, covering the eastern two-thirds of the County. Within the Fourth District are the cities of Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, and Blythe. Major unincorporated areas in the District include Bermuda Dunes, Thousand Palms, Sky Valley, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, and Ripley. The Fifth District includes cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, Desert Hot Springs, and northern Palm Springs. The unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Highgrove, Box Springs, Pigeon Pass, Reche Canyon, San Timoteo Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

The County provides a full range of services. These services are outlined in the following table:

Certificates, Licenses, and Permits	Human Services
Birth, marriage, and death certificates; animal licensing; and building permits	Assistance for Families, Veteran Services, and Utility Assistance
Children's Services	Libraries and Museums
Child Support Services, Mentor programs, Children Medical Services	Edward Dean Museum and Riverside County Law Library
Criminal Justice	Parks and Recreation
District Attorney, Probation, Public Defender, Sheriff	Regional Parks
Education	Pets and Animal Services
Office of Education	Animal Control and Animal Shelters
Emergency Services	Property Information

Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program

Environment

Environmental Health, Fire Protection, Waste Reduction and Recycling

Flood Control

Flood Control and Water Conservation

Health

Community Health Agency, Mental Health, and Public Health

Housing

First Time Home Buyer Programs, Low Income Housing, Rental Assistance Program, Homeless Shelter, and Neighborhood Stabilization Program

Building Permit Report, Get Property Information via GIS, Pay Property Taxes Online, Record Map Inquiry, and Riverside County Land Information

Public and Official Records

Official Recorded Documents, Fictitious Business Names Search, Grantor/Grantee Search, Vital Records, and Court Records Search

Roads and Highways

Road Maintenance, Land Development, Engineering Services, and Survey

Taxes

Property Tax Portal, Tax Bills, Review Your Property Tax Information, Pay Your Property Tax Online, Track Your Property Tax Online, Assessor-County Clerk Recorder, Treasurer-Tax Collector, Auditor-Controller, and Information on New Home Owners

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

The continuing downslide in all economic indicators, the national credit crisis, the volatility on Wall Street, and the drop in real estate values added uncertainty to the recession's degree and duration. The national recession will likely end in FY 2009-10, however there is no clear indication that the state and local economy will rebound quickly. Unemployment levels remain at historic highs. The state's deficit remains stubbornly well over \$10 billion despite repeated efforts to balance. Property values will fall over 10 percent in FY 2009-10 and could fall further the next year.

Locally, current data signal further property value declines tied to California law Proposition 8, allowing taxable value of property to be reduced when the market value dips below the Proposition 13, Factored Base Year Value. Therefore, assessed values will certainly be down next year. Some early indicators of changes in real estate values are mixed; in comparing the first quarter of FY 2009-10 to the first quarter of FY 2008-09, the volume of deeds recorded increased by seven percent. However, Building and Safety permit volume continues to decrease. Planning applications are down over 50 percent compared to the same quarter last year. The County has seen some evidence that home values and new home construction have stabilized. However, it is too soon to tell if the local real estate recession is over. We are not able to forecast at this time when home values or real estate construction will begin to increase.

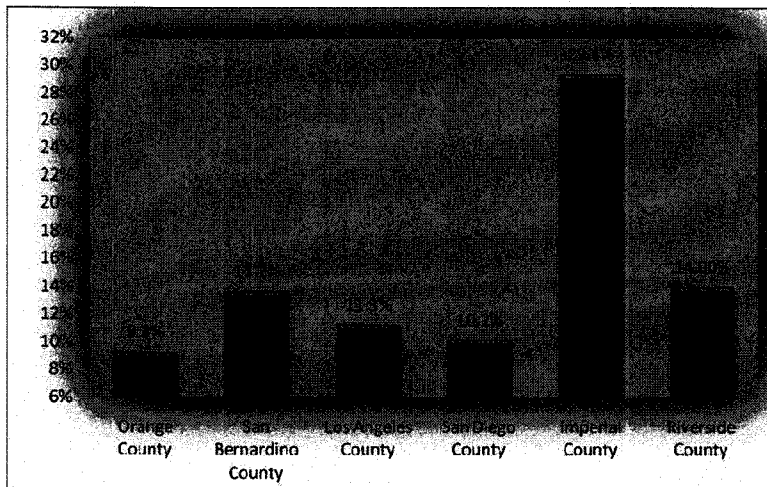
The rapid decline in property values and the level of foreclosure activity today far exceeds what was seen during the downturn of the 1990's.

The County continues to exercise strong fiscal discipline by conservatively estimating revenue and preserving reserves. Current projections reveal a likely need to cut budgets by 10 percent in FY 2009-10 and an additional 5 percent or more for each of the following two years. The first two years of cuts are in place and County departments will be directed to submit plans for implementing third year cuts, while protecting core services. It is expected that the County's strong reserve position will allow it to absorb a portion of the financial impacts caused by the current

economic slowdown and state funding this coming year. Should the current economic climate continue beyond 2010, the County expects to make appropriate budget adjustments to maintain its fiscal stability.

Riverside County's unemployment rate is the second highest compared to the surrounding counties. The unemployment rate has increased by 5.6% compared to fiscal year 2008.

Unemployment Rate Comparison for Fiscal Year Ended June 30, 2009



The Riverside County Integrated Project

The Riverside County Integrated Project (RCIP) is composed of the County's General Plan of Land Use, the Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP), the Community and Environmental Transportation Acceptability Plan (CETAP), and a Special Management Plan (SAMP). The RCIP is closely coordinated with regional councils of government, state and federal government agencies, and private stakeholders.

Trial Court Facilities

On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). The landmark legislation transferred governance of California's more than 450 courthouse facilities from the counties to the state. Although the bill became effective on January 1, 2003, the transition has not been completed in all areas of the state.

Riverside County and the Judicial Council of the State of California began negotiating transfer agreements on July 1, 2003 and the final Riverside County transfers were made by the Board of Supervisors on December 16, 2008. The County transfer plan included court facilities and associated parking. In addition to payments to the Judicial Council of California the County is also committed to paying property and liability insurance for some of the properties as well as a share of perimeter security, maintenance, and utilities for those buildings where the County still has offices. During the fiscal year ending June 30, 2009, Court Facility Transfer Payment (CFPs) packets were submitted to the Administrative Office of the Courts (AOC) for fourteen court facilities located in Riverside County. These are: Larson Justice Center, Moreno Valley Court, Hall of Justice, Banning, Blythe, Hemet, Family Law Court, Indio Juvenile Court, Palm Springs, Temecula, Corona, Southwest Justice Center, Riverside Juvenile Hall, and the Indio Court Administrative Center and Annex.

The Larson Justice Center was the first Riverside County facility transferred by Board action on April 19, 2005. It was the second court transferred in the State of California. In fiscal year 2008-09, ten facilities were transferred to the state by December 16, 2008. The County made court facilities payments for the third and fourth quarters. Some important areas to consider with each facility transferred are bonded indebtedness, deferred maintenance, and capital projects. Once each facility is transferred, the County's financial obligation to court facilities includes a maintenance-of-effort amount established under the legislation and confirmed annually by the Judicial Council in addition to pending deferred maintenance charges at the time of transfer. Although the County continues to

contribute to trial court funding through maintenance-of-effort (MOE) obligations, the restructuring of court funding ends a dual system of County and state funding. The general fund is the source for all payments made to the court facilities fund.

Development Agreement Fees

In December 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code Section 65864 et al. for consideration of development agreements. As a legal contract between the County and a developer, a development agreement was intended to strengthen the public planning process, encourage private participation in comprehensive planning, reduce the economic costs of development, and promote the maximum efficient utilization of resources at the least economic cost to the public. In February 1988, the Board of Supervisors adopted a schedule of development agreement fees payable on residential projects prior to issuance of building permits, in the amount of \$5,784 per residential unit. Since that date, a number of Development Agreements have expired. Effective January 1, 2009, the fee, based on an adjusted consumer price index, was \$4,167 and consisted of the following components:

	Development Agreement Fee
Public Facilities	\$ 3,279
Public Services Offset	888
Total	<u>\$ 4,167</u>

With the exception of the public services offset, development agreement revenue will be used to help the County construct capital facilities and acquire parkland, trails, habitat, and open space to meet the demand caused by new growth and development. The public services offset is intended to help defray the cost of providing governmental services, such as sheriff's patrol services. As of June 30, 2009, the total of unexpended and uncommitted development agreement money available in capital project funds is \$885,757.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an interim open space mitigation fee. This ordinance was amended on November 26, 2002, and again on July 22, 2003. The most recent amendment was due to implementation of the Western Riverside County Multiple Species Habitat and Conservation Plan. Collection of the fee is performed by both the County and cities within the County. Responsibility for accounting has been transferred to the Riverside Conservation Authority. Riverside Conservation Authority is a joint powers authority formed between the County and various cities in the western county area. Reporting of the Ordinance 810 fees in this section references those collected before June 22, 2004, which was when Ordinance 810.2 went into effect. Fees are no longer collected for Ordinance 810.1.

As of June 30, 2009, the total amount of unexpended, uncommitted, interim open space mitigation funds related to Ordinance 810 and 810.1 is \$756,456.

Ordinance 659

In July 1988, the Board of Supervisors adopted Ordinance No. 659 establishing a county-wide (unincorporated area only) development mitigation fee for residential development. The purpose of this fee was to finance the construction of county facilities necessary to accommodate future residential growth in the County. Fee revenues will also be used for the procurement of parklands and the development of recreational trails. In addition, fee revenues will be used for the preservation of habitat, open space, and for the preservation of specifically-listed plants and animals as outlined in the general plan. Development mitigation fees are no longer collected and have been superseded with the passage of Ordinance 659.6, development impact fees.

As of June 30, 2009, the total of unexpended, uncommitted, development mitigation funds related to Ordinance 659 in capital project funds is \$247,395.

Development Impact Fees

In September 2001, the Board of Supervisors adopted Ordinance 659.6 establishing a county-wide (unincorporated area only) development impact fee for residential development. Ordinance 659.6 replaced and superseded those fees associated with Ordinance 659. Ordinance 659.6 became effective 60 days after adoption.

Development impact fees are collected to address impacts associated with residential, commercial, and industrial development throughout the unincorporated county region. The fees are used for the purpose of constructing or acquiring needed facilities, preserving open spaces, and preserving wildlife and their habitats.

Fees are assessed by unit for single-family and multiple-family residential development, and by acre for commercial and industrial development. Fees vary according to the area plan under development. There are 20 area plans. The range for single-family residential development impact fees is from \$3,628 to \$6,801 per unit. The range for multiple-family residential development impact fees is \$3,064 to \$5,566 per unit. Commercial development impact fees range from \$20,850 to \$34,879 per acre. The range for industrial development impact fees is from \$10,637 to \$17,050 per unit. The range for surface mining development impact fees is from \$4,862 to \$9,242 per acre.

Fees collected under Ordinance 659.6 can only be used for those projects identified and listed within the public facilities needs list through the year 2010. Changes to the list may occur on an annual basis and are subject to approval by the Board of Supervisors. Annual inflationary adjustments are authorized through Ordinance 659.6 and are subject to published indices of the consumer price index, the building cost index, and the construction cost index. An update of the development impact fees was approved by the Board of Supervisors on March 25, 2008, resulting in a decrease of development impact fees in four desert area plans. As of June 30, 2009, the total unexpended, uncommitted, development impact fees are about \$66.9 million.

FINANCIAL INFORMATION

Internal Control

The management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse. Management is also responsible for ensuring that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state assistance, the County is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to on-going evaluations by management and the County's internal audit staff members. As part of the single audit, tests were made to obtain reasonable assurance about whether the County met the compliance requirements of OMB Circular A-133. The single audit for fiscal year ending June 30, 2008, reported that the County complied, in all material respects, with the requirements of OMB Circular A-133 applicable to each of its major federal programs. The single audit for fiscal year ending June 30, 2009, is in process and will be issued in a separate report.

Budgetary Controls

The objective of budgetary controls is to ensure that the annual appropriated budget approved by the County Board of Supervisors is in compliance with the legal provisions of Section 29088-29091 of the Government Code. The County budget is prepared and adopted on or before October 2 of each fiscal year, except as provided by state

statutes and Board of Supervisors resolutions. The budget for fiscal year 2008-09 was adopted on June 24, 2008. Activities of the general fund, all special revenue funds, certain debt service, and capital projects funds are included in the annually appropriated budget. The level of budgetary control, or the level that cannot be exceeded without action by the Board of Supervisors, is the appropriation level of the budget unit. The budget unit represents an organization within a department or an agency. The Board of Supervisors must approve transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues. Transfers of appropriations between appropriation classifications within the same budget unit are approved by the County Executive Officer. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and fund balances are reserved for encumbrances outstanding at that time. As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

For a more detailed overview and analysis of the County of Riverside's financial position see the MD&A preceding the basic financial statements.

General Fund Cash Balance and Fund Balance

The unrestricted cash balance of the general fund decreased from \$216.8 million at June 30, 2008 to \$150.7 million at June 30, 2009. This decrease is attributable to further decline in the real estate market which has caused the documentary transfer taxes and building permit revenues to decrease. Also, Proposition 172 sales tax revenue has declined and with poor retail sales, it is expected to decline further. The fund balance of the County's general fund represents the equivalent of 39 working days of expenditures.

Cash Management

Per State law, the County Treasurer holds and manages the County's cash and investments. The portfolio is actively managed in a manner that is responsive to the public trust and consistent with State law. The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal, second to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. In accordance with County investment policy, the Treasurer manages interest rate risk by limiting the weighted average maturity of the investment portfolio to less than 1.5 years. The weighted average maturity as of June 30, 2009 was 1.06 years. To provide sufficient liquidity to meet daily expenditures, the County investment policy requires that at least 40% of the portfolio's total value in securities have maturities of one year or less. Securities maturing in less than one year totaled 59%. The Treasurer's Pooled Investment Fund (TPIF) is currently rated Aaa/MR1 by Moody's Investor Services and AAA/V1+ by Fitch ratings.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Pools, school district and special district external investment pools are reported as investment trust funds. Of the Treasurer's total cash and investments pool of \$5.5 billion at June 30, 2009, \$2.9 billion relates to the external investment pool participants, which includes mandatory and discretionary depositors.

Restrictive investment policies are in place to minimize credit and market risks while maintaining a competitive yield on the portfolios. The County Treasurer's selection of investments is more restrictive than those authorized in Sections 53601 and 53635 of the California Government Code and gives primary consideration to the safety and preservation of the principal amounts invested. On-going cash flow projections are maintained for the coming 12 months to assure that adequate funds are available to meet daily cash expenditure requirements. The investment policies are reviewed and updated annually by the Board of Supervisors.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to review County investment policy. The Committee causes an annual audit and reports its findings to the Board.

State statutes, specific debt financing indentures, and contractual arrangements generally determine the investment restrictions of County cash and investments not held in the County Treasury.

Retirement Plan

The County of Riverside contributes to the California Public Employees Retirement System (PERS). PERS is a public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All full-time and some part-time and seasonal benefited County employees are eligible to participate in the system. Generally, temporary hourly employees and part-time employees working less than 20 hours per week cannot participate in the system unless 1,000 hours are worked in a fiscal year. Certain other employees, such as per diem medical and dental personnel, crossing guards, service aides and program assistants are specifically excluded from participation in the system, regardless of the number of hours worked. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit payable monthly for life. Miscellaneous member (non-prosecution unit) employees hired after January 9, 1992 generally make their own contributions for the first five years. With some exceptions, safety member employees hired after June 25, 1992, make their own contributions for the first five years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date.

Per IRC Section 401 (a), the County provides a single-employer defined benefit pension plan for part-time and temporary employees who are not eligible for social security or CalPERS retirement benefits through the County. The employee contribution rate for the 401(a) defined benefit retirement plan for part-time/temporary employees is 3.75%. The employer's required contribution rate is 0.68% of base earnings (excludes overtime and earnings exceeding the social security base of \$97,500 for calendar year 2007, \$102,000 for calendar year 2008, and \$106,800 for 2009) but the County has elected to contribute 2.0% in order to reach a target 90% funded ratio within one year.

Risk Management

The County maintains a comprehensive risk management program under the full-time direction of a professional risk manager. The County self-insures the primary layers for general liability (including auto), medical malpractice, and workers' compensation. The County purchases all-risk property insurance that includes flood, a level of earthquake, boiler, and machinery coverage subject to various deductibles. The County records estimated liabilities for claims filed, and for incurred but not reported (IBNR) claims. Additionally, the County self-insures unemployment insurance and short-term disability income benefits.

The County purchases policies of excess insurance for general liability, including auto and workers' compensation, and medical malpractice. Medical malpractice utilized a policy that provided annual coverage on a claims-made basis prior to FY 1998-99. Effective July 1, 1998, the County's medical malpractice coverage changed to an occurrence basis with all prior acts coverage. Effective October 2002, the medical malpractice insurance program returned to a claims-made basis. In addition, the County purchases specialty coverage for aviation and watercraft liabilities, fidelity crime bond, and long-term disability benefits.

The County participates in the California State Association of Counties (CSAC) Excess Insurance Authority's (CSAC-EIA, a Joint Powers Authority) programs for excess liability, medical malpractice, worker's compensation, and primary and excess property programs. CSAC-EIA provides some support services for selected programs, such as: excess disability, medical malpractice annual audits, risk management in-services for medical malpractice, as well as loss prevention resources for general liability. Additionally, CSAC-EIA subsidizes participating counties for actuarial studies on a two year basis. These activities are accounted for in internal service funds (ISF). Accordingly, estimated liabilities for claims filed or to be filed for incidents that have occurred through June 30, 2009, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the County has provided a funding plan or the County may elect to increase charges. However, when funding exceeds the approved confidence level, departments are given a rate holiday or a reduced rate charge. Revenues of these internal service funds primarily originate from user charges to departments/agencies/special districts and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

OTHER INFORMATION

Independent Audit

The County of Riverside contracted for its annual audit with the independent certified public accounting firm of Brown Armstrong Certified Public Accountants. In addition to meeting its contractual requirements for the audit of the basic financial statements, the audit is also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information is included in the financial section of this report. A separate report relating to the single audit is available in the County Auditor-Controller's Office.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Riverside for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the twenty first consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

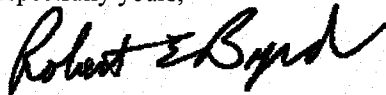
Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not be accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office, especially the staff members of the General Accounting Division who spent many late nights and weekends working on the preparation of this report. I also like to extend my thanks to staff members of the contributing component units and departments for their participation in the preparation of this report.

I would also like to express my gratitude to the Board of Supervisors and County Executive Office for their vision and support in the planning and administration of the financial operations of the County of Riverside. Special recognition goes to Paul McDonnell, County Finance Director for his in-depth review of this report.

Finally, I would like to thank our independent auditors, Brown Armstrong Certified Public Accountants for their efforts throughout this audit engagement.

Respectfully yours,



ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER



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COUNTY OF RIVERSIDE

List of Principal Officials As of June 30, 2009

ELECTED OFFICIALS

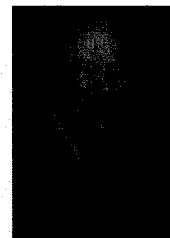
Board of Supervisors



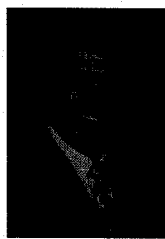
BOB BUSTER
First District



JEFF STONE
Chairman
Third District



MARION ASHLEY
Vice Chairman
Fifth District



**JOHN F.
TAVAGLIONE**
Second District



ROY WILSON
Fourth District
(deceased 08/26/2009)

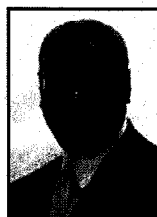
COUNTYWIDE ELECTED OFFICIALS



ROD PACHECO
District Attorney



STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator
(appointed 10/02/07)



ROBERT E. BYRD
Auditor
Controller



LARRY WARD
Assessor
Clerk
Recorder



DON KENT
Treasurer
Tax Collector
(appointed 10/28/2008)

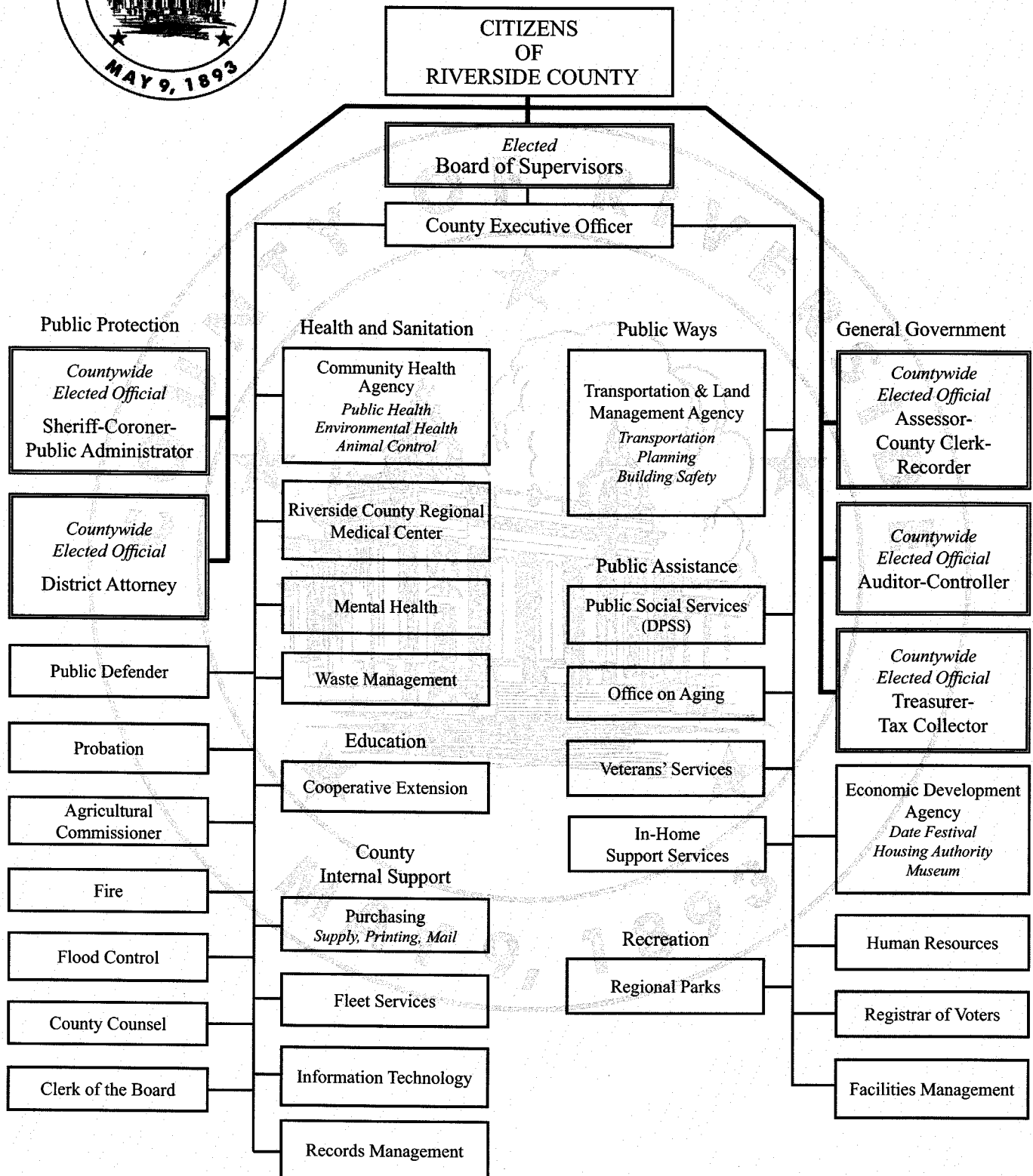
APPOINTED OFFICIALS

BILL LUNA
County Executive Officer

PAMELA WALLS
County Counsel



COUNTY OF RIVERSIDE ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "K. L. R.", is written above the title.

President

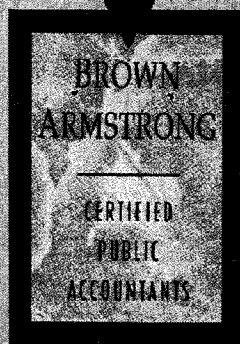
A handwritten signature in black ink, appearing to read "Jeffrey R. Enen", is written above the title.

Executive Director



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Peter C. Brown, CPA
 Burton H. Armstrong, CPA, MST
 Andrew J. Paulden, CPA
 Steven R. Starbuck, CPA
 Chris M. Thornburgh, CPA
 Eric H. Xin, CPA, MBA
 Richard L. Halle, CPA, MST
 Aileen K. Keeter, CPA



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8365 N. Fresno Street, Suite 440
 Fresno, California 93720
 Tel 559.476.3592 Fax 559.476.3593

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
 County of Riverside, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregated remaining fund information of the County of Riverside, California as of and for the year ended June 30, 2009, which collectively comprise the County of Riverside's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Riverside's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (the Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), Perris Valley Cemetery District (the Cemetery District), County of Riverside Redevelopment Agency (the RDA) and Children and Families First Commission of Riverside County (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	25%	9%
Business-type Activities	7%	15%
Aggregate Remaining Fund Information	11%	1%
Discretely Presented Component Units	42%	93%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, Housing Authority, Park District, Cemetery District, RDA, and the Commission, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregated remaining fund information of the County of Riverside, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the County of Riverside has adopted the provisions of Governmental Accounting Standards Board Statements No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, No. 52, *Land and Other Real Estate Held as Investments by Endowments*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards*, in 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the County of Riverside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedules of funding progress listed in the table of contents are not a required part of the County of Riverside's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Riverside's basic financial statements. The introductory section, combining fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
December 9, 2009

MANAGEMENT'S

DISCUSSION AND ANALYSIS

The information in this section is not covered by the Independent Auditor's Report. It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report.

Management's Discussion & Analysis (Unaudited)

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

In addition, the following supplemental information has been included in this report:

- Other Required Supplementary Information – Retirement Plan Schedules of Funding Progress
- Combining Statements for Nonmajor Governmental, Nonmajor Enterprise, and Fiduciary funds
- Combining Statements and Schedules for Special Revenue, Debt Service, Capital Projects, Permanent, Internal Service, and Fiduciary funds
- Statistical Section

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or declining.

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services. Governmental activities include four major funds, twenty-three nonmajor funds, and a representative allocation of the County's internal service funds. The four major Governmental funds are the General Fund, Teeter Debt Service Fund, Public Facilities Improvements Capital Projects Fund, and Redevelopment Capital Projects Fund. The business-type activities of the County include two major enterprise funds, and three nonmajor funds. The major enterprise funds are the Regional Medical Center and Waste Management.

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Although blended component units are legally separate entities, they are, in substance, part of the County's operations. Accordingly, the financial information from these units is combined with financial information of the primary government.

The financial information for the Palm Desert Financing Authority (RCPDFA) and the Children and Families Commission (the Commission), both legally separate component units whose governing bodies are appointed by and serve at the will of the County, are discretely presented separately from the financial information of the primary government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)

Management's Discussion & Analysis (Unaudited)

- County of Riverside District Court Financing Corporation
- County of Riverside Bankruptcy Court Corporation
- Housing Authority of the County of Riverside
- In-Home Supportive Services Public Authority
- Redevelopment Agency for the County of Riverside
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (no activity for fiscal year 2008-09)
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery

Fund Financial Statements provide information regarding the three major categories of County funds – governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in GASB Statement No. 34. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses, and balances of current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures, and changes in fund balances provided are accompanied by a reconciliation to government-wide financial statements in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, capital projects, and permanent funds). The governmental fund statements present the financial information of each major fund (the General Fund, Teeter Debt Service Fund, Public Facilities Improvements Capital Projects Fund and Redevelopment Capital Projects Fund) in separate columns. Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the Supplementary Information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental fund budgets except for CORAL, District Court Project, Bankruptcy Court, and the Inland Empire Tobacco Securitization Authority. The budgetary comparison statements have been provided to demonstrate compliance with the budget.

Proprietary Funds are used to account for services for which the County charges customers – either outside customers or internal departments of the County. Proprietary funds statements provide the same type of information as shown in the government-wide financial statements with more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund

Management's Discussion & Analysis (Unaudited)

statements due to the materiality criteria defined by GASB Statement No. 34. Financial information for the remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the supplementary information section.

- *Internal service funds* are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its records and archive management, fleet services, information services, printing and mail services, supply services, OASIS (accounting and human resources information system), risk management, temporary assistance pool, and flood control equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund financial information for each internal service fund is provided in the supplementary information section.

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements are presented on the economic resources measurement focus and the accrual basis of accounting.

Notes to the Basic Financial Statements provide additional information other than that displayed on the face of the financial statements and are essential for fair presentation of the financial information in the government-wide and fund financial statements.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress.

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the County's assets of \$6.9 billion exceeded its liabilities of \$3.3 billion resulting in \$3.6 billion net assets.
- Net assets includes \$1.5 billion of unrestricted net assets which may be used to meet the County's ongoing obligations to citizens and creditors; \$876.6 million of restricted net assets which is required by external sources or through enabling legislation to be used for specific purposes and \$1.3 billion is invested in capital assets, net of related debt.
- During fiscal year 2008-09, the County's net assets increased by \$294.5 million including restatement of \$20.6 million in prior year's net assets (Note 4). Of this amount, \$287.4 million were from governmental activities and \$7.1 million was from business-type activities. The increase was chiefly due to the completion of major capital projects and land acquisitions which increase the County's capital assets by \$375.9 million. Countywide expenses of \$3.2 billion were offset by program revenues of \$2.4 billion leaving an operating deficit of \$782.7 million. The operating deficit was offset by general revenues of \$1.1 billion.
- As of June 30, 2009, the total fund balances of the governmental funds were \$2.0 billion. This represents a decrease of 6.4%, or \$137.5 million, in comparison with the prior year. The decrease was a result of lower sales and use tax revenue, sharp decline in interest earnings, and increase in public protection services. Approximately 21.3%, or \$426.0 million, of the combined fund balances was available to meet the County's current and future needs (*unreserved-undesignated fund balance*).
- As of June 30, 2009, fund balance for the General Fund was \$372.1 million, or 15.8% of the total General Fund expenditures. This amount includes \$91.2 million of reserved fund balance and \$203.8 million of designated fund balance.
- The County's long-term debt showed a net decrease of 1.2%, or \$29.1 million, compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable and other long term debt.

Management's Discussion & Analysis (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets – Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the County reported positive net assets balances for both governmental and business-type activities, with total assets exceeding liabilities by \$3.6 billion.

The County's total net assets increased by 8.8%, or \$294.5 million, during fiscal year 2008-09 compared to the prior year's increase of 10.6%, or \$322.2 million. \$287.4 million of the increase in net assets was from governmental activities and \$7.1 million was from business-type activities. For the prior year, \$319.5 million of the increase in net assets was from governmental activities and \$2.7 million from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt** represents 35.3%, or \$1.3 billion, of the County's total net assets for fiscal year 2008-09 compared to 26.0%, or \$872.4 million, for fiscal year 2007-08. The increase is attributable to the constructions related to Ben Clark Training Center, Smith Correctional Facility, Cabazon and Mead Valley Fire Station, and added infrastructure for roads, signals and drainage. This component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation. The amount is further reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- **Restricted net assets** account for 24.0%, or \$876.6 million, of the County's total net assets for fiscal year 2008-09 compared to 24.0%, or \$805.4 million, for fiscal year 2007-08. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** account for 40.7%, or \$1.5 billion, of the County's total net assets for fiscal year 2008-09 compared to 50.0%, or \$1.7 billion, for fiscal year 2007-08. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2008-09, \$1.4 billion is from governmental activities and \$80.2 million is for business-type activities compared to \$1.6 billion for governmental activities and \$101.7 million for business-type activities for the prior year.

The table below provides summarized data from the Statement of Net Assets of the County for June 30, 2009 as compared to the prior year:

Statement of Net Assets							
As of June 30							
(in thousands)							
	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2009	2008	2009	2008	2009	2008	%
Current and other assets	\$ 3,481,253	\$ 3,499,206	\$ 325,420	\$ 320,857	\$ 3,806,673	\$ 3,820,063	-0.4%
Capital assets	2,849,332	2,472,555	255,389	256,274	3,104,721	2,728,829	13.8%
Total assets	6,330,585	5,971,761	580,809	577,131	6,911,394	6,548,892	5.5%
Other liabilities	721,694	627,537	53,207	50,238	774,901	677,775	14.3%
Long-term liabilities	2,176,968	2,199,725	313,350	319,695	2,490,318	2,519,420	-1.2%
Total liabilities	2,898,662	2,827,262	366,557	369,933	3,265,219	3,197,195	2.1%
Net assets:							
Invested in capital assets, net of related debt	1,204,971	802,981	81,512	69,441	1,286,483	872,422	47.5%
Restricted	824,139	769,368	52,502	36,074	876,641	805,442	8.8%
Unrestricted	1,402,813	1,572,150	80,238	101,685	1,483,051	1,673,833	-11.4%
Total net assets	\$ 3,431,923	\$ 3,144,499	\$ 214,252	\$ 207,198	\$ 3,646,175	\$ 3,351,697	8.8%

Management's Discussion & Analysis (Unaudited)

Governmental Activities

Revenues: The County's governmental activities rely on the following sources of revenue to finance ongoing operations:

- Operating Grants and Contributions are revenues received from parties outside of the County, such as state and federal agencies, and are generally restricted to one or more specific programs. These revenues were the largest governmental activities revenue source for fiscal year 2008-09 with a total of \$1.3 billion being recognized. Public Assistance received 54.7% of the governmental activity funding for fiscal year 2008-09 compared to 53.6% of the governmental activity funding from this source in the prior year. Public Protection received 17.1% of the governmental activity funding for fiscal year 2008-09, compared with 18.4% for fiscal year 2007-08.
- A total of \$556.0 million was earned as governmental activity charges for services compared to \$611.6 million for fiscal year 2007-08. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Public Protection, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 56.0% of this revenue source, compared to 51.8% from the prior year. General government generated 25.8% compared to 28.0% for prior year.
- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with \$29.8 million earned for fiscal year 2008-09 compared to \$25.3 million earned for fiscal year 2007-08. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2008-09, 95.4% of the revenue, or \$28.4 million, as compared to 94.8%, or \$24.0 million, for fiscal year 2007-08, was received for public ways and facilities programs and is primarily related to the construction and acquisition of infrastructure capital assets.
- General revenue related to governmental activities primarily consists of taxes, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with \$506.2 million recognized during the year which approximates the \$506.3 million of the fiscal year 2007-08 with only a minimal decrease of \$105.0 thousand. Investment earnings decreased 37.0%, from \$138.1 million to \$87.0 million, as a result of lower interest rate caused by troubled economy. Motor vehicle in-lieu of taxes revenue decreased 0.2% from \$274.3 million in fiscal year 2007-08 to \$273.8 million in fiscal year 2008-09.

Expenses: Total program expenses for governmental activities were \$2.7 billion for the current fiscal year, an increase of 0.1%, or \$3.2 million as compared to prior fiscal year. 40.8%, or \$1.1 billion, of total governmental activities expenses were for Public Protection; 28.7%, or \$770.5 million, for Public Assistance; 14.6%, or \$392.9 million, for Health and Sanitation; and 10.6%, or \$285.4 million, for General Government.

Business-type Activities

Revenues: The County has two major business-type activities: The Riverside County Regional Medical Center (RMC), and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities. For the current year, 99.9%, \$499.8 million, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, \$360.6 million, was received by RMC as compared to \$333.4 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were \$525.8 million for the fiscal year compared to \$497.8 million for the prior fiscal year. This represents an increase of 5.6%, or \$28.0 million. 72.1%, or \$379.3 million, of total expenses were incurred by RMC compared to 71.0%, or \$353.5 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.4% of total expenses for business-type activities, or \$81.1 million, compared to 15.0%, or \$74.3 million, for the prior fiscal year; Waste Management Department was 11.6%, or \$61.1 million, compared to 13.0%, or \$64.5 million, the prior fiscal year. Flood Control and County Service Areas account for the remaining 0.8% of expenses compared to 1.0% for the prior fiscal year.

Management's Discussion & Analysis (Unaudited)

The following table provides information from the Statement of Activities of the County for the fiscal year 2008-09, as compared to the prior year:

STATEMENT OF ACTIVITIES **For the Fiscal Year Ended June 30** **(In thousands)**

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2009	2008	2009	2008	2009	2008	%
Revenues:							
Program revenues:							
Charges for services	\$ 556,028	\$ 611,608	\$ 499,790	\$ 479,479	\$ 1,055,818	\$ 1,091,084	-3.2%
Operating grants and contributions	1,344,611	1,315,716	-	-	1,344,611	1,315,716	2.2%
Capital grants and contributions	29,771	25,333	310	306	30,081	25,639	17.3%
General revenues:							
Property taxes	506,222	506,327	-	-	506,222	506,327	0.0%
Sales and use taxes	47,683	40,985	-	-	47,683	40,985	16.3%
Other taxes	13,771	15,898	-	-	13,771	15,898	-13.4%
Motor vehicle in-lieu taxes	273,825	274,282	-	-	273,825	274,282	-0.2%
Investment earnings	87,041	138,074	6,142	10,389	93,183	148,460	-37.2%
Other	121,880	85,924	-	-	121,880	85,924	41.8%
Total revenues	2,980,832	3,014,141	506,242	490,174	3,487,074	3,504,315	-0.5%
Expenses:							
General government	285,393	331,741	-	-	285,393	331,741	-14.0%
Public protection	1,095,587	1,122,370	-	-	1,095,587	1,122,370	-2.4%
Public ways and facilities	31,283	20,558	-	-	31,283	20,558	52.2%
Health and sanitation	392,945	330,206	-	-	392,945	330,206	19.0%
Public assistance	770,484	752,779	-	-	770,484	752,779	2.4%
Education	15,954	17,977	-	-	15,954	17,977	-11.3%
Recreation and culture	6,039	12,457	-	-	6,039	12,457	-51.5%
Interest on long-term debt	89,741	96,173	-	-	89,741	96,173	-6.7%
Regional Medical Center	-	-	379,278	353,481	379,278	353,481	7.3%
Waste Management	-	-	61,116	64,538	61,116	64,538	-5.3%
Housing Authority	-	-	81,139	74,252	81,139	74,252	9.3%
Flood Control	-	-	3,816	5,201	3,816	5,201	-26.6%
County Service Areas	-	-	457	343	457	343	33.2%
Total expenses	2,687,426	2,684,261	525,806	497,815	3,213,232	3,182,076	1.0%
Excess (deficiency) before Transfers	293,406	329,880	(19,564)	(7,640)	273,842	322,239	-15.0%
Transfers in (out)	(25,713)	(10,322)	25,713	10,322	-	-	0.0%
Change in net assets	267,693	319,558	6,149	(2,681)	273,842	322,239	-15.0%
Net Assets, Beginning of Year, as Restated	3,164,230	2,824,941	208,103	204,517	3,372,333	3,029,458	11.3%
Net Assets, End of Year	\$ 3,431,923	\$ 3,144,499	\$ 214,252	\$ 201,836	\$ 3,646,175	\$ 3,231,697	8.8%

Management's Discussion & Analysis (Unaudited)

FINANCIAL ANALYSIS OF FUND STATEMENTS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of current financial resources. Such information is useful in assessing the County's short-term financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and Permanent Funds. As of June 30, 2009, the County's governmental funds reported combined fund balances of \$2.0 billion, a decrease of \$137.5 million, in comparison with the prior year. Of this total amount, \$810.7 million constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance, \$1.2 billion is *reserved* to indicate that it is *not* available for new spending because it has been restricted for:

- Specific County program: \$132.9 million
- Outstanding debt service: \$106.4 million
- Liquidation of current contractual commitments: \$751.7 million
- Other smaller restrictions: \$201.0 million

Total governmental fund revenue decreased by 1.4%, or \$41.9 million, from the prior fiscal year with \$2.9 billion being recognized for the fiscal year-ended June 30, 2009. Expenditures increased by 3.6%, or \$106.3 million, from the prior fiscal year with \$3.1 billion being expended for governmental functions during fiscal year 2008-09, compared to \$3.0 billion for the prior fiscal year. Therefore, governmental fund balance decreased by 6.4%, or \$137.5 million. In comparison, fiscal year 2007-08 had an increase in governmental fund balance of 22.0%, or \$387.3 million, over fiscal year 2006-07.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$280.9 million, compared to \$394.3 million for the prior fiscal year, while total fund balance was \$372.1 million for the current year and \$478.8 million for the prior year. The decrease of \$106.7 million or 22.3% was a result of decline in interest earned and tax revenue due to lower property assessed values resulting in refunds and lower overall property tax revenues, and an increase in public protection, public assistance, and health and sanitation services expenditures. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance is 12.0% of the total General Fund expenditures of \$2.4 billion for the current year as compared to 17.2% of the prior year total of \$2.3 billion. The total fund balance of the General Fund for the current year is 15.8% of the total General Fund expenditures as compared to 20.9% for the prior year.

Teeter Debt Service fund taxes receivable balance increased by 32.4%, or \$24.6 million, from \$76.0 million in the prior fiscal year 2007-08 to \$100.6 million in the current fiscal year 2008-09 due to a higher delinquency rate in current fiscal year 2008-09. Teeter notes payable increased by 58.3%, or \$98.2 million, from \$168.4 million in prior fiscal year 2007-08 to \$266.6 million in current fiscal year 2008-09 due to increase in actual borrowing based on delinquency property tax analysis.

Public Facilities Improvements Capital Projects fund balance decreased from \$590.9 million to \$538.4 million, 8.9% or \$52.5 million. The decrease in fund balance is attributable to the utilization of the reserve for construction account to reimburse costs of on-going capital projects such as the correctional facility expansion, animal shelter, family clinics, and hub jail; a decrease in other revenue decreased due to slower housing development; and a decrease in interest earnings due to a significant drop in interest rates caused by the sluggish economy.

Redevelopment Capital Projects fund had a \$50.9 million decrease in fund balance. The significant change was a result of lower tax revenues received and higher utilization of funds for public improvements, commercial projects, housing, and rehabilitation of properties.

Management's Discussion & Analysis (Unaudited)

Proprietary Funds

The County's proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in more detail. The Regional Medical Center and Waste Management are shown in separate columns of the fund statements due to materiality criteria as defined by GASB. In addition, the internal service funds are combined into a single, aggregated, presentation in the proprietary fund statements with the individual fund data provided in the combining statements which can be found in the supplemental information section.

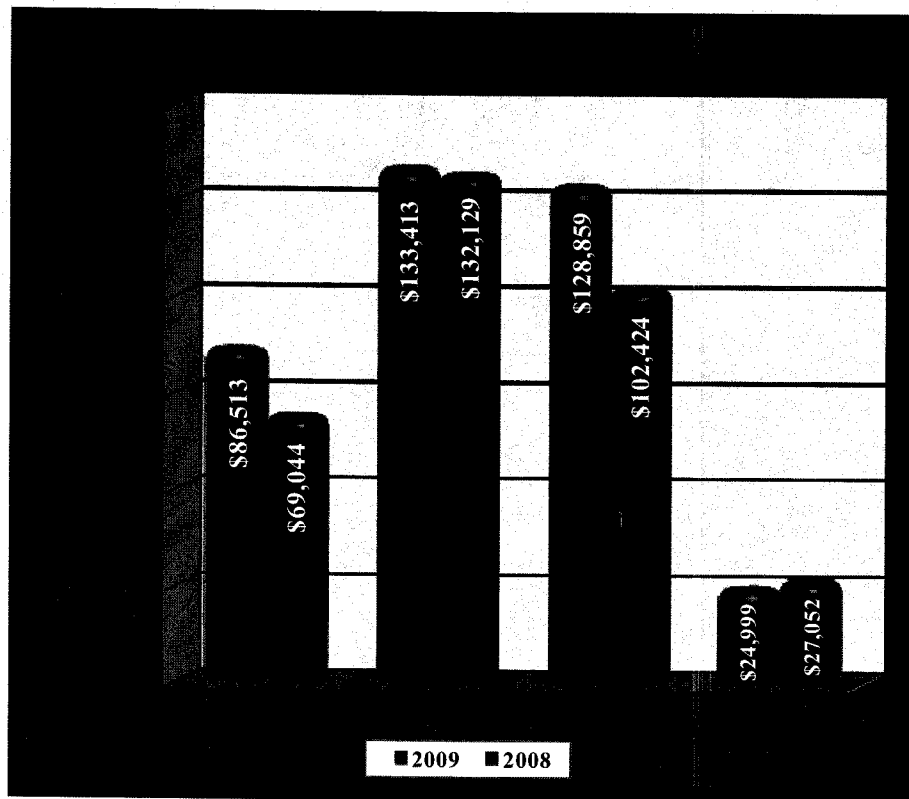
At the end of the fiscal year, total proprietary fund net assets were \$373.8 million, compared to \$330.6 million for prior fiscal year. Total proprietary fund net assets increased by 13.0% or \$43.1 million, compared to 6.5%, or \$20.3 million, increase for the prior fiscal year.

Of the year-end balances, unrestricted net assets were as follows:

- Riverside County Regional Medical Center: \$61.9 million
- Waste Management: \$45.3 million
- Other enterprise fund activities: \$3.7 million
- Internal service fund activities: \$111.5 million

RMC's net assets increased from \$69.0 million to \$86.5 million, 25.3%, or \$17.5 million. The increase is attributable to the rate increase of 7.0% in ancillary services and an increase in State grant SB1100 Medi-Cal Waiver received in fiscal year 2008-09.

Waste Management's net assets increased from \$132.1 million to \$133.4 million. The increase resulted from an excess of revenues over expenses of \$379.0 thousand and a prior period adjustments of \$905.0 thousand to the accrued closure and post-closure cost.



Management's Discussion & Analysis (Unaudited)

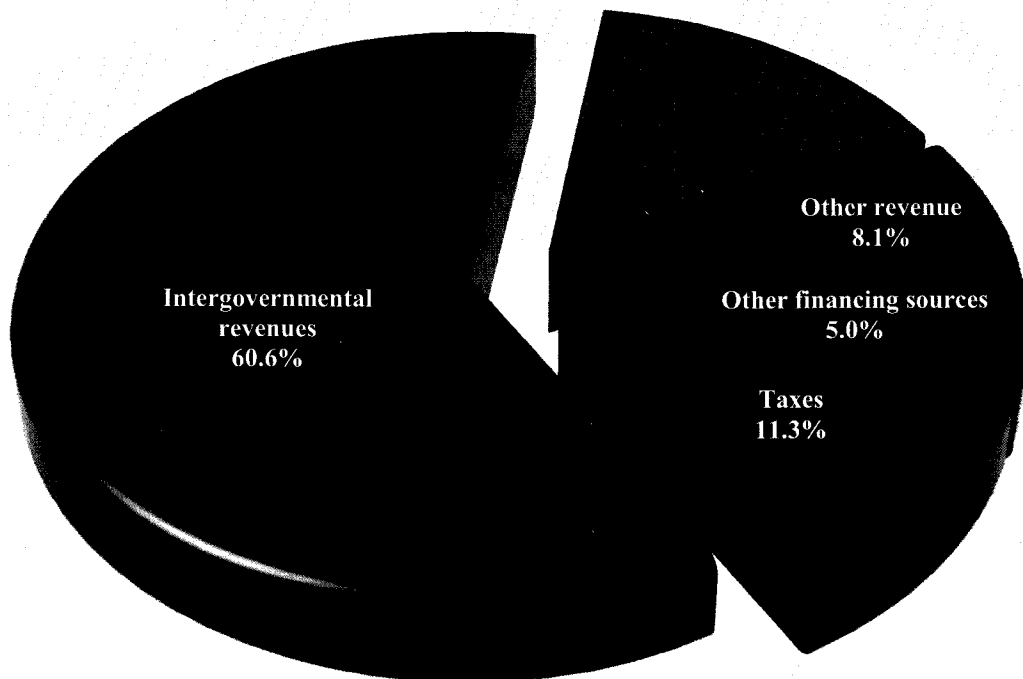
GENERAL FUND FINANCIAL ANALYSIS

Revenues and other financing sources for the General Fund, including comparative amounts from the preceding year are shown in the following tabulation (in thousands):

Revenues and Other Financing Sources	Fiscal Year 2008-09	Percent of Total	Fiscal Year 2007-08	Percent of Total	Variance
Taxes	\$ 274,480	11.3%	\$ 309,295	12.5%	-11.3%
Intergovernmental revenues	1,476,356	60.6%	1,475,537	59.8%	0.1%
Charges for services	364,649	15.0%	358,767	14.5%	1.6%
Other revenue	199,707	8.1%	208,822	8.6%	-4.4%
Other financing sources	122,571	5.0%	113,562	4.6%	7.9%
Total	\$ 2,437,763	100.0%	\$ 2,465,983	100.0%	-1.1%

The decrease in tax revenue was attributable to a sharp decline in supplemental property taxes, less real property transfers, and a decrease in sales and use taxes. The increase in intergovernmental revenue was primarily attributable to an unexpected increase in mandated client service programs provided by the Department of Public Social Services (DPSS) and the Mental Health Service Act (MHSA) programs being fully implemented. The increase in charges for services was primarily the result of increased revenues from city law enforcement contracts with the Sheriff Department. Other revenue decreased due to sharp declines in interest earnings reflecting rate cuts by the Federal Reserves.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2009



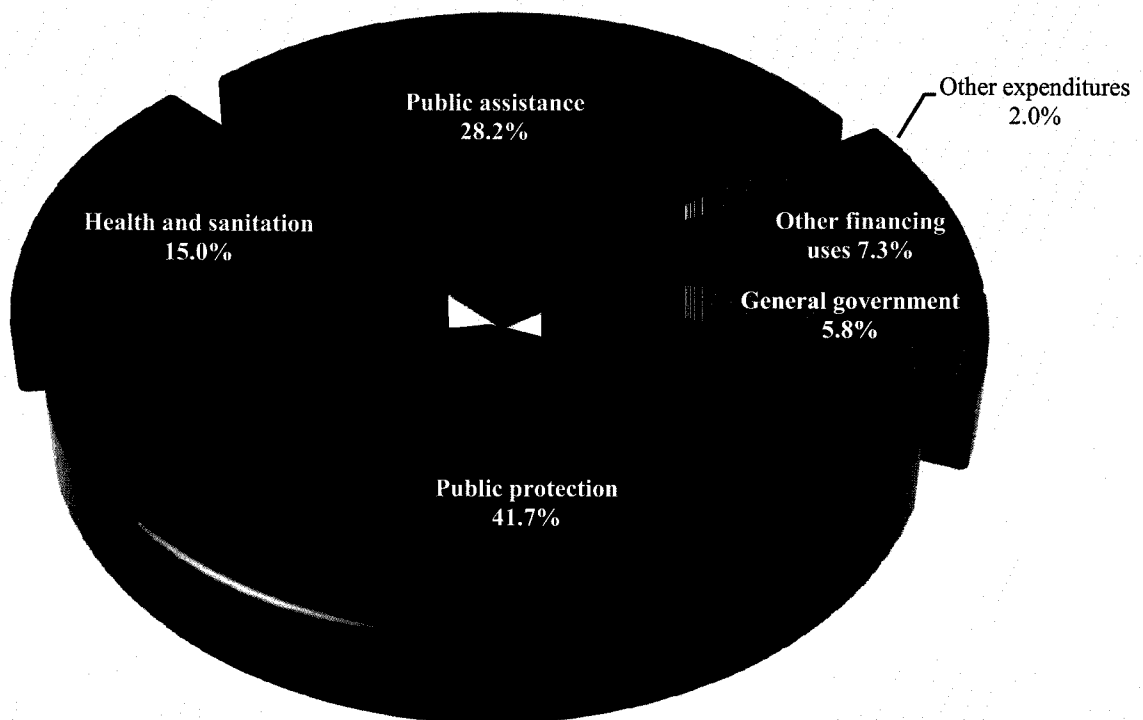
Management's Discussion & Analysis (Unaudited)

Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2008-09	Percent of Total	Fiscal Year 2007-08	Percent of Total	Variance
General government	\$ 146,816	5.8%	\$ 145,290	5.7%	1.1%
Public protection	1,062,437	41.7%	1,032,582	40.4%	2.9%
Health and sanitation	382,588	15.0%	368,753	14.4%	3.8%
Public assistance	719,328	28.2%	704,404	27.5%	2.1%
Other expenditures	50,530	2.0%	40,189	1.6%	25.7%
Other financing uses	185,719	7.3%	266,961	10.4%	-30.4%
Total	\$ 2,547,418	100.0%	\$ 2,558,179	100.0%	-0.4%

The increase of expenditures in general government was attributable to maintenance-tenant improvements costs for eight new leased facilities managed by the Economic Development Agency (EDA) Real Estate Division. The increase of expenditures in public protection was mainly attributable to the Sheriff Department. Sheriff increased their law enforcement staff to accommodate the growth of the County and the expansion of the Larry Smith Correctional Facility. Additionally, Sheriff had increases in salaries and benefits rates. The increase of expenditures in health and sanitation was attributable to the growth in the MHSA program. The MHSA program costs increased due to the adding of 86 positions, the completion of tenant improvements for 4 new Mental Health clinic sites, and the addition of 6 new contracts, 5 with private care providers and 1 with Medi-Cal. The increase in public assistance was attributable to caseload growth in several programs including an unexpected increase of approximately 25.0% of the temporary financial assistance and employment-focused service cases in the Cal WORKS program for DPSS.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2009



Management's Discussion & Analysis (Unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the original and the final amended budget and 2) the final amended budget and the actual revenue and expenditure amounts. The budgetary comparison statement displays the details of the comparison and is included in the governmental fund statements section.

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variances

The original General Fund estimated revenue budget decreased by \$84.5 million, or 3.3%, from \$2.6 billion to the final amended revenue budget of \$2.5 billion. The \$84.5 million represents a decrease of \$82.8 million from charges for services; \$21.0 million from taxes; \$10.9 million from other revenue; and \$4.1 million from fines, forfeitures, and penalties. This was offset by an increase of \$34.3 million in aid from other governmental agencies.

Charges for Current Services: The budget for charges for current services had a net decrease of \$82.8 million, or 16.4%. This decrease was largely the result of a \$91.0 million reduction in intergovernmental activities offset by Sheriff's department increases of \$1.8 million for contracted city law enforcement services and \$1.1 million for court and communication services, a \$1.5 million increase for fire protection contract services, a \$0.9 million increase from the real estate division services of EDA, a \$0.7 million increase from the energy management division of EDA for utility reimbursement from the State courts, and a \$0.7 million increase from the Emergency Medical Services Appropriation (EMSA) awarded by the California Department of Health Services to the Community Health Agency.

Taxes: The budget for taxes had a net decrease of \$21.0 million, or 7.2%, which consisted of a \$14.4 million decrease in current supplemental property taxes, a \$6.3 million decrease in current secured property taxes, and a \$4.0 million decrease in sales and use taxes. This decrease was offset by a \$2.1 million increase in prior supplemental property taxes, a \$1.0 million increase in documentary transfer taxes, and a \$0.6 million increase in current unsecured property taxes.

Other Revenue: The decrease in other revenue of \$2.7 million, or 7.3%, was primarily the result of a decrease in intergovernmental activities of \$6.6 million. This was primarily offset by an increase of \$2.0 million of redevelopment pass through funds for EDA to purchase land for the Thousand Palms Flood Control project.

Fines, Forfeitures, and Penalties: The budget for fines, forfeitures, and penalties had a net decrease of \$4.1 million, or 3.9%, to reflect the net loss in county discretionary revenue primarily in AB 233 trial court realignment funds.

Aid from Other Governmental Agencies: Aid received from other governmental agencies increased by \$34.3 million, or 2.2%, and consisted of the following: Federal aid increased by \$13.4 million, State aid increased by \$13.2 million, and other government aid increased by \$7.6 million. Increases in federal aid were primarily the result of an increase to DPSS by \$5.0 million due to the federal public assistance programs and administration including child care services and the Cal WORKS program. Other increases in federal aid were the result of additional resources provided by operating grants for the Sheriff's Department of \$2.6 million and for Fire Department of \$2.1 million. Department of Mental Health had an increase of \$1.4 million due to the Net Negotiated Amount (NNA) agreement for the substance abuse program. The Auditor-Controller had an increase of \$1.1 million due to the Emergency Economic Stabilization Act of 2008. Finally, Federal health grants increased for the Department of Public Health by \$1.0 million for the Women Infant Children (WIC) Supplemental Nutritional Program. Increases in State aid were primarily the result of an increase to DPSS by \$3.3 million due to public assistance programs, an increase to the Registrar of Voters of \$3.2 million due to State election reimbursement, an increase to the Department of Mental Health by \$2.6 million related to the MHSA, and an increase to the Auditor-Controller of \$0.9 million in Vehicle License Fees (VLF). Increases in other government aid included both the Fire Department and the Sheriff's Department having an increase of \$1.3 million each for Indian Gaming Grants.

Expenditure Appropriation Variances

The original General Fund appropriation budget decreased by \$58.5 million, or 2.2%, from \$2.7 billion to the final amended appropriation budget of \$2.6 billion. The significant appropriation changes were a decrease of \$40.3 million from debt service and a decrease of \$41.4 million from general government offset by an increase of \$9.3

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million from public protection, an increase of \$3.4 million from health and sanitation, and an increase of \$2.7 million from public assistance. The major appropriation variances are described below.

Debt Service: The budget for principal and interest decreased by \$32.1 million, or 46.3%, from the original budget of \$69.2 million to \$37.1 million due to a decrease of \$34.4 million as a result of intergovernmental activity. This was offset by a \$2.2 million increase for the Riverside County Palm Desert Financing Authority (RCPDFA) debt service.

General Government: The appropriation budget decreased by \$41.4 million, or 13.9%, from the original budget of \$297.8 million to \$256.4 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by \$1.1 million, or 0.8%, mainly due to intergovernmental activities.
- Services and supplies increased by \$19.3 million, or 12.7%, mainly due to increases by EDA, Registrar of Voters, and Human Resources. EDA increased by \$12.6 million mainly due to new and amended lease agreements, the increase in court utility costs, and the increase in utility rates. Registrar of Voters increased by \$4.0 million due to the high turnout for the Presidential election in November 2008 and the additional special measure election in May 2009. Human Resources increased by \$1.7 million mainly due to arbitration services, remodeling costs, and recruiting activities early in the year for the Sheriff's Smith Correctional Facility expansion.
- Other charges decreased by \$66.3 million, or 58.6%, mostly due to a decrease of \$105.5 million for intergovernmental activities offset by increases in the Executive Office and the Board of Supervisors. The Executive Office increased by \$40.3 million mainly due to funding of various capital improvement projects and the purchases of real property. The major projects and purchases include \$30.4 million for the Smith Correctional Facility expansion, \$6.5 million for real property in downtown Riverside for current space needs and future County growth, and \$2.0 million for the purchase of land in Thousand Palms for Flood Control by EDA. The Board of Supervisors budget unit increased by \$5.3 million due to contributions of \$4.5 million to worthy organizations and \$0.8 million to County programs.
- Intrafund transfers increased by \$11.9 million, or 9.0%, mainly due to increases in EDA of \$4.7 million for real estate services and \$1.8 million for an increase in utility rates. Human Resources had an increase of \$1.4 million for recruitment activities, training, and arbitration services for other departments.
- Appropriation for contingencies increased by \$18.2 million, or 52.3%. The contingency budget covers current and potential general-fund liabilities. For the most part, the increase was due to the utilization of designated fund balances of \$45.8 million because of the weakening economic environment. During the year, the major liabilities covered were an \$11.4 million decline in discretionary revenue, a \$4.9 million decline in trial court funding revenue, a \$3.7 million increase in court costs for facilities and indigent defense, and a \$3.2 million total overage in salaries for the District Attorney, Sheriff, and Auditor-Controller Departments. Discretionary revenues including property and sales taxes had to be reduced due to the economic downturn resulting in a reduction in appropriation for contingency to offset losses.

Public Protection: The appropriation budget increased by \$9.3 million, or 0.8%, from the original budget of \$1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by \$6.4 million, or 0.9%, mainly due to a decrease of \$10.7 million for intergovernmental activities offset by an increase of \$5.0 million from the Sheriff for various grants and city contracts and an increase of \$1.6 million due to personnel additions for the District Attorney.
- Services and supplies increased by \$21.4 million, or 6.5%, mainly due to the Sheriff, Fire, Executive Office, Public Defender, Probation, and the County Clerk-Recorder. The Sheriff increased by \$13.3 million mainly due to the Ben Clark Training Center expansion, contract law enforcement, grant awards, recruitment, and maintenance costs. Fire Protection increased by \$3.7 million due to increased fire and grant contract services. The Executive Office increased by \$1.5 million due to an increase in legal services and investigative costs in Indigent Defense. The Public Defender increased by \$1.2 million primarily due to tenant improvements and training costs. Probation increased by \$1.2 million primarily due to facilities maintenance and improvements. The County Clerk-Recorder increased by \$0.7 million for the multi-county agreement for shared ownership and ongoing maintenance of the electronic recording delivery system.
- Other Charges decreased by \$6.8 million, or 11.7%, mainly due to a decrease of \$11.4 million for intergovernmental activities and primarily offset by a \$1.3 million increase in the Sheriff for completed Ben

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Clark Training Center capital projects and a \$1.3 million increase in Probation for facility maintenance of the Riverside Juvenile Hall.

- Capital Assets increased by \$1.5 million, or 23.5%, mainly due to an increase to the Sheriff of \$0.6 million for aircraft equipment and an increase to Fire of \$0.6 million for software assets from the Indian Gaming Grant.

Health and Sanitation: The appropriation budget increased by \$3.4 million, or 0.8%, from the original budget of \$409.9 million to \$413.3 million. The following describe the significant factors for the variances:

- Services and supplies increased by \$7.7 million, or 7.0%, mainly due to an increase in Mental Health and the Community Health Agency. Mental Health received an additional \$4.4 million in MHSA program funds of which \$3.1 million was for Workforce Education and Training (WET) and Prevention and Early Intervention (PEI) and \$1.3 million was for tenant improvements at the Full Service Partnership (FSP) Clinic and Homeless Drop-In Center located in Palm Springs. There was also an increase of \$1.7 million in the Community Health Agency mainly for the EMSA.

Public Assistance: The appropriation budget increased by \$2.7 million, or 0.3%, from the original budget of \$775.1 million to \$777.8 million. The following describe the significant factors for the variances:

- Other charges increased by \$8.0 million, or 1.8%, mainly due to an increase of \$8.3 million in DPSS of which \$4.8 million was attributable to a 21.0% increase in caseloads for the Cal Works program and \$3.5 million was attributable to the increase in state allocation for child care services.
- Capital Assets increased by \$1.8 million, or 371.8%, mainly due to the purchased of two Enterprise Virtual Array (EVA) storage systems and one tape library backup system for the Medi-Cal PII security project for DPSS.

Variance between General Fund Actual Revenues and Expenditures and Final Amended Budget

During the year, the General Fund had a positive budget variance of approximately \$95.6 million resulting from unexpended appropriations of \$267.7 million, or 10.2%, and overestimated revenue of \$172.1 million, or 6.9%. The following contributed to the variance:

Expenditure Variances

General fund actual expenditures of \$2.3 billion were 10.2%, or \$267.7 million, less than the final amended appropriation budget of \$2.6 billion. General government, public assistance, public protection, health and sanitation, debt service, and public ways and facilities were the six most significant factors attributing to the unexpended appropriations as follows:

General Government: Actual expenditures of \$146.8 million were less than the final amended budget of \$256.4 million by \$109.6 million or 42.7%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$13.9 million less, or 10.8%, below budget primarily due to vacant positions at EDA. The department accommodated the required budget cuts and Maximum Fill Rate (MFR) hiring restrictions by filling budgeted permanent positions with temporary employees and not filling all vacant positions.
- Services and supplies were \$31.6 million, or 18.4%, less than budgeted mainly due to EDA and the Executive Office. EDA accounts for approximately \$27.9 million of the variance mainly due to increased budgeted amounts for new leases or the renewal of leases, less than expected tenant improvements costs, and a decrease in project requests from County departments. The Executive Office budget of \$1.0 million for Riverside County Information Technology (RCIT) to replace radios for the Sheriff was not utilized during the current fiscal period.
- Other charges were \$30.1 million or 64.3% less than budgeted largely due to intergovernmental activities. Contributions to other funds were less than projected due to the collection of revenue from recording and filling court fees and property taxes being less than expected. The Assessor had savings of approximately \$1.5 million due to the postponement of a large remodeling project for the Hemet office.

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- Intrafund transfers were \$20.0 million or 13.8% less than budgeted primarily due to EDA. EDA gets reimbursed for maintenance, real estate, and other project services provided to General Fund departments. Maintenance services fluctuate from month to month since they are based on space occupied; therefore, reimbursement also fluctuates. Lease reimbursements were lower than projected due to leases that expired and were not renewed. Reimbursements for project services were lower than anticipated because fewer services were requested by County departments than were originally projected, due to the slowing economy.
- Appropriations for Contingencies are budgeted by the Board of Supervisors based on Executive Office recommendations for potential liabilities from General Fund appropriations. During the fiscal year, the Board budgeted \$53.0 million for any such potential liabilities.

Public Assistance: Actual expenditures of \$719.3 million were less than the final amended budget of \$777.8 million by \$58.5 million, or 7.5%. The following describe the significant factors for the variances:

- Salaries and employee benefits were reduced by \$22.0 million, or 9.0%, less than budgeted due to reduction in staffing levels mostly by DPSS to meet budget cuts.
- Services and supplies were \$16.9 million, or 16.3%, less than budgeted primarily due to DPSS reducing costs to meet budget constraints and cancelling two large expansion projects. Costs reduced included using less temporary employees; and utilizing less security guard services. The two cancelled projects, the Perris full service facility and staff development facility expansion, resulted in greater savings since budgeted amounts for office equipment, office supplies, security guard services, communication equipment installation services, and building maintenance and improvement costs were not incurred.
- Other charges were \$23.4 million, or 5.3%, less than budgeted primarily due to DPSS and Probation. DPSS had a net decrease of \$22.9 million due to unexpected decreases in child care services; child welfare services program referrals, In-Home supportive services and a 20% decline in foster care services. Probation had savings of \$5.7 million from less than expected court order placements of juveniles in group homes.
- Intrafund transfers were \$4.5 million, or 33.8%, less than budgeted primarily due to Probation having less court order placements of minors in group homes. Less group home placements entail fewer payments to the homes than expected and, in turn, less revenue from DPSS for these placements.

Public Protection: Actual expenditures of \$1.1 billion were less than the final amended budget of \$1.1 billion by \$51.5 million or 4.6%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$21.5 million, or 3.0%, less than budgeted primarily due to \$10.7 million of intergovernmental activities and savings within Probation, District Attorney, and Sheriff. Due to vacant positions and early retirements, Probation had a salary savings of \$2.7 million. The District Attorney had savings of \$1.7 million mainly due to early retirements. Sheriff had savings of \$1.5 million due to reduced overtime costs.
- Services and supplies were \$22.7 million, or 6.4%, less than budgeted due to Fire Protection, the County Clerk-Recorder, Planning, and Sheriff. Fire Protection had savings of \$15.5 million due to less than expected costs for maintenance, fuel, and CAL Fire. The County Clerk-Recorder had savings in micrographic and professional services of \$3.2 million mainly due projects being carried into next fiscal year due to the lack of staff and budget concerns. The Planning Department had a \$1.9 million savings due to new planning cases declining 50.0% from the prior fiscal year, as a result contract planners were reduced from 16 to 2 at year end and purchases of office supplies and other variable costs were also reduced. The Sheriff had savings of \$1.6 million within the various departmental budgets.
- Other charges were \$6.9 million, or 13.2%, less than budgeted mainly due to a \$2.4 million savings in the County Clerk-Recorder. All budgeted projects were reduced in size and carried into next fiscal year due to budget concerns.

Health and Sanitation: Actual expenditures of \$382.6 million were less than the final amended budget of \$413.3 million by \$30.7 million, or 7.4%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$11.4 million, or 5.7%, less than budgeted primarily due to the Community Health Agency and Mental Health. The Community Health Agency had savings of \$4.7 million due to vacant positions and early retirements in Public Health and Administration. Mental Health Treatment and Substance Abuse had savings of \$2.6 million mainly due to vacant positions that were left unfilled attributable to the MFR and budget constraints.

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- Services and supplies were \$8.7 million, or 7.4%, less than budgeted primarily due to a \$7.0 million savings in the Community Health Agency. Agency support costs were lower than budgeted due to various cost reductions in the support areas and due to professional services allocations for the EMSA being lower than expected.
- Other charges were \$17.6 million, or 8.6%, less than budgeted primarily due to Mental Health, Executive Office-Contribution to Health and Mental Health, and the Community Health Agency. Mental Health had savings of \$9.0 million due to private care provider contracts performing fewer children's services than anticipated and due to pending Cost Report settlements not paid till the following fiscal year. Executive Office-Contribution to Health and Mental Health had savings of \$7.8 million due to lower than anticipated VLF allocation from the State. The Community Health Agency had savings of \$1.4 million due to intergovernmental activities.
- Capital Assets were \$4.0 million, or 76.2%, less than budgeted primarily due to Mental Health with \$2.9 million savings attributed to contract negotiations delaying the implementation of a new operating system called BHIS for the MHSA program.
- Intrafund transfers were \$11.0 million, or 9.5%, less than budgeted primarily due to the Community Health Agency and Mental Health. The Community Health Agency had a variance of \$7.2 million attributed to lower VLF tax receipts, decreased need in public health nurses, and intergovernmental activities. Mental Health had a variance of \$1.3 million attributed to lower VLF tax receipts and intergovernmental activities.

Debt Service: Actual expenditures of \$22.5 million were less than the final amended budget of \$37.1 million by \$14.6 million, or 39.4%, primarily due to lower interest rates on adjustable rate loans.

Public Ways and Facilities: Actual expenditures of \$4.4 million were less than the final amended budget of \$5.3 million by \$0.9 million, or 18.0%, primarily due to the Surveyor department with a savings of \$0.8 million in salaries and employee benefits and a \$0.5 million savings in other charges.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the County's capital assets for both its governmental and business-type activities amounted to \$3.1 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, and infrastructure. The County's infrastructure consists of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 13.8%, or \$375.9 million, from \$2.7 billion in fiscal year 2007-08 to \$3.1 billion in fiscal year 2008-09.

The increase of the County's capital assets was primarily due to construction in progress projects. Construction in progress rose from \$383.4 million in fiscal year 2007-08 to \$486.1 million in fiscal year 2008-09, a 26.8% increase. The 2009 balance includes additions of \$281.3 million, retirements of \$3.3 million, and transferred or completed projects of \$175.4 million. Land and easement increased by 18.0% as a result of land acquired by the Economic Development Agency and the continual donation of land to the Flood Department.

In fiscal year 2008-09, new major projects budgeted for construction and design included the following: Ben Clark Training Center Building and Kitchen with a budgeted amount of \$15.0 million, as well as a Fire Building project for \$10.0 million, both intended for the training of personnel. Riverside County Regional Medical Center budgeted \$8.3 million for the design and construction of 84 beds at the Mental Health building, as well as \$8.3 million for the design and construction of the Emergency Department Expansion project. \$8.0 million was budgeted for the Ben Clark Training Center Parkway Extension. The Department of Social Services and Mental Health budgeted a combined \$4.9 million toward the Coachella Valley Homeless Center in North Palm Springs. This multi service center will be a place where various agencies can provide services to the homeless.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2008-09:

In fiscal year 2008-09, additions in the amount of \$281.3 million consisted of costs related to existing projects and new projects.

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Existing project costs include the following:

- The EDA incurred \$94.9 million in costs for projects including the Smith Correctional Facility 3rd expansion project in the City of Banning, the proposed mid county regional detention center which is intended to alleviate the chronic overcrowding in the county's jail system, as well as the Palm Desert Sheriff Station. The Rubidoux Library is also underway.
- Roads and signal infrastructures additions were \$85.1 million.
- The Thousand Palms Fire Station incurred an additional \$8.1 million.
- Riverside County Regional Medical Center's Siemens Hospital Information System costs for the year were \$4.6 million.
- Rancho Jurupa Park incurred \$6.8 million for the planning and development of expanding the campground and recreation facilities.

New project costs include the following:

- The EDA incurred \$53.9 million in costs for new projects such as the following:
 - The Northwest Riverside County/City Animal Shelter incurred \$10.9 million. This entails the construction of a 33,000 square foot building with 200 kennels.
 - The Thermal Sheriff Station is a 77,000 square foot facility that will include a forensic center and will serve the Eastern Coachella Valley. Total costs incurred for this new project were \$9.5 million.
 - Mecca Library and Sheriff Station in the amount of \$5.7 million and \$3.8 million incurred for land acquisition for the Mecca Fire Station.
 - The addition of the Indio Hills Community Center amounted to \$1.5 million.
- Flood incurred \$1.6 million in new projects including Perris Valley Master Drainage Line Q.

Construction in Progress Transfers:

Completed construction in progress projects of approximately \$175.4 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2008-09. The major projects were as follows:

- \$17.9 million was transferred to structures and improvement. Examples include the Ben Clark Training Center Infrastructure Modular Building for \$3.8 million, the Electrical Infrastructure for \$1.1 million, and the Water Infrastructure for \$1.0 million. \$4.3 million for the Cabazon Fire Station as well as \$1.8 million for the Mead Valley Fire Station. The Perris Fueling Facility and Car Wash for \$1.1 million. The Riverside County Regional Medical Center Infusion Center for \$1.2 million.
- \$154.2 million was transferred to infrastructure. This included roads such as Jefferson Street in the amount of \$23.7 million and Winchester Road for \$8.3 million; land acquisitions of \$14.3 million, including the 1-15 Galena Interchange for \$12.5 million; and the Hemet Master Drainage Plan Line D Stage 5 actual project costs at approximately \$3.8 million. This drainage project consists of approximately 8,100 lineal feet of reinforced concrete pipes. The mainline begins at Winsor Court, extends easterly along Stetson Avenue and terminates east of Meridian Street. Laterals along Columbia Street, Cornell Street, Dartmouth Street, and Stanford Street tie into the mainline which provide additional flood protection.
- \$2.4 million transferred to landfill liners and improvements for the Earthwork Excavation for Future Site Improvement Projects at the Lamb Canyon Sanitary Landfill.

Land and Easements

Additions of \$54.5 million in land were posted for this fiscal year. Approximately \$39.7 million in land by the EDA consists of parcels for projects. Flood incurred additions of \$14.4 million, consisting of land such as the \$3.5 million acquired as a result of a cooperative agreement between Flood Control, the City of Temecula, and a developer. \$5.2 was acquired for the Palm Springs and the Homeland/Romoland Master Drainage Plans.

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Depreciable Capital Asset

The following is a breakdown of the additions, retirements, and transfers which make up the balance of depreciable capital assets:

Additions to Depreciable Assets:

Total fiscal year 2008-09 depreciable capital asset current year additions of \$207.4 million, were comprised of the following:

- Infrastructure in the amount of \$118.0 million:
 - Roads in the amount of \$76.6 million, of which \$75.3 million consisted of donated assets. Flood storm drains in the amount of \$33.9 million. \$5.0 million was incurred by the Waste department in categories such as landfill liners and improvements. \$1.0 million was incurred for runways.
- Structures and improvements amounted to \$43.8 million:
 - Buildings leased in the amount of \$33.9 million. Examples such as the leased facility located at Gateway Drive in Riverside, in the amount of \$19.2 million and the Vanir-Arabia building in Indio used by Child Support Services and Environmental Health in the amount of \$7.3 million.
 - Buildings and improvements in the amount of \$8.9 million. \$4.8 million was incurred by the Facilities Department with the purchase of First American Title Building, located on 14th Street in Riverside. A purchase for the Sheriff Department was made for \$2.5 million, known as the Cabazon Hadley's Warehouse.
- Equipment in the amount of \$45.5 million:
 - Vehicles leased - \$21.7 million
 - Computer and office equipment - \$7.1 million
 - Equipment vehicles - \$5.6 million
 - Equipment field - \$4.2 million
 - Equipment leased - \$3.6 million
 - Miscellaneous equipment - \$3.2 million

Retirements of Depreciable Assets:

Retirement of depreciable assets was amounted to of \$43.2 million. Equipment in the amount of \$31.0 million was retired primarily from Fleet Services, in the category of leased vehicles. \$12.2 million of structures and improvements were retired due to assets such as the Southwest Justice Center and Riverside Juvenile court buildings being transferred to the State of California.

Transfers:

\$158.6 million was transferred from completed construction in progress projects as noted above.

Depreciation Note:

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made. This fiscal year, depreciable capital assets for governmental and business type activities combined incurred \$137.8 million in depreciation.

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Analysis of Capital Assets:

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Capital Assets (net of depreciation, in thousands)						Increase/ (Decrease)
	Governmental		Business-type		Total		
	Activities		Activities				
	2009	2008	2009	2008	2009	2008	%
Infrastructure	\$1,326,055	\$1,142,496	\$ 50,752	\$ 47,860	\$1,376,807	\$1,190,356	15.7%
Land and easements	407,723	342,274	21,081	21,147	428,804	363,421	18.0%
Land improvements	99	99	5,360	5,990	5,459	6,089	-10.3%
Structures and improvements	532,844	512,306	140,277	144,616	673,121	656,922	2.5%
Equipment	117,964	110,490	16,451	18,104	134,415	128,594	4.5%
Construction in progress	464,647	364,890	21,468	18,557	486,115	383,447	26.8%
Total	\$2,849,332	\$2,472,555	\$255,389	\$236,274	\$3,104,721	\$2,728,829	13.8%

Additional information on the County's capital assets can be found in Note 9 of this report.

Debt Administration

Per Board policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. As of fiscal year-end June 30, 2009, the County had numerous debt issues outstanding, principally certificates of participation - lease rental obligations. (See Note 13)

Net bonded debt per capita equaled \$575 as of June 30, 2009. The calculated legal debt limit for the County is \$3.0 billion.

The following are credit ratings maintained by the County:

	<u>Moody's Investors Service, Inc.</u>	<u>Standard & Poor's Corp.</u>	<u>Fitch</u>
Long-term lease debt	A2	AA-	A-
Issuer credit	Aa3	AA	AA-

The County issued tax-exempt Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected intra-period cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2008-09, the County, as a participant in the California Statewide Communities Development Authority composite offering, issued \$315.0 million in TRANs to satisfy short-term cash flow needs.

In December 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (the alternate method of property tax distribution). The plan required the "buy-out" of delinquent taxes and the annual advance of unpaid taxes to participating agencies. For fiscal year 2008-09, funding for the County's on-going obligations under Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes, Series B in the amount of \$186.0 million and Series C in the amount of \$80.6 million. The approximately \$267.0 million in total financing was comprised of \$197.0 million, representing fiscal year 2007-08 delinquent property taxes and \$70.0 million representing prior years' delinquent property taxes. The County's General Fund is pledged to the repayment of both series of Notes, in addition to the pledge of the delinquent taxes that are pledged to the Series B.

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The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2009.

County's Outstanding Debt Obligation (In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2009	2008	2009	2008	2009	2008	%
Loans payable*	\$ 7,222	\$ 304,809	\$ -	\$ -	\$ 7,222	\$ 304,809	-97.6%
Notes payable	6,000	6,000	-	-	6,000	6,000	0.0%
Bonds payable*	1,359,277	1,086,397	159,959	170,819	1,519,236	1,257,216	20.8%
Certificates of participation	391,914	408,024	-	-	391,914	408,024	-3.9%
Capital Leases	117,611	10,731	14,027	16,424	131,638	121,441	8.4%
Total Outstanding	\$1,882,024	\$1,810,547	\$ 173,986	\$ 186,933	\$2,056,010	\$2,097,483	-2.0%

Outstanding Debt: The County of Riverside's total debt decreased by 2.0%, \$41.5 million (\$28.5 million in governmental funds and \$13.0 million in business-type), during the current fiscal year. The decrease in governmental activities was a result of the annual principal payments and the decrease in business-type activities was a result of the maturity of the 2003 A&B Hospital Bonds.

*Outstanding Riverside County Redevelopment Agency (RDA) Tax Allocation Bonds of \$297.4 million reported as loans payable in previous years were reclassified to bonds payable in fiscal year 2008-09.

Additional information on the County's long-term debt can be found in Note 13 of this report.

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ECONOMIC FACTORS AND THE FISCAL YEAR 2010-11 BUDGET OUTLOOK

Riverside County's economy is currently experiencing a recession as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, and a decline in the real estate market.

To fund the fiscal year 2009-10 budget, the County drew on reserves creating a structural budget imbalance totaling about \$50.0 million. Fiscal year 2009-10 discretionary revenue is expected to be less than fiscal year 2008-09 by about 13.0% percent (\$94.0 million). Following is a summary depicting the general sources of fiscal year 2009-10 discretionary revenue.

Source	Final Budget Estimate
Taxes	\$ 244,908
Other Taxes	46,094
Licenses, Permits, Franchise Taxes	7,980
Fines, Forfeitures, Penalties	26,122
Use of Money and Property	8,447
State	202,514
Federal	2,912
Other Government	60
Charges for Services	266
Miscellaneous	89,962
Total	<u>\$ 629,265</u>

The County's employee retirement benefit contribution rate for fiscal year 2009-10 for miscellaneous members is 12.0% and the Safety contribution rate is 18.6%. The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment return and the County's growth rate, among other factors. Fiscal year 2010-11 rates are projected at 12.2% (Miscellaneous) and 19.3% (Safety). Additional information regarding the County's retirement plans are included in Notes 18, 19, and 20 of the financial statements and schedules of retirement funding progress are included in the required supplementary information section.

The fiscal year 2009-10 assessment roll value declined by 10.5%, yielding a total property tax roll of \$217.4 billion, compared to \$243.0 billion in fiscal year 2008-09. The \$25.5 billion decrease in assessment roll value reflected the decline of residential market prices affecting new Proposition 13 base year value and reassessment of property per Proposition 8; and with a significant decrease in construction of new residential, commercial, and industrial development.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Riverside, Office of the Auditor-Controller, County Administrative Center, 4080 Lemon Street - 11th Floor, P.O. Box 1326, Riverside, CA 92502-1326: Phone: (951) 955-3800; Fax: (951) 955-3802; website: www.auditorcontroller.org.



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COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2009
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
ASSETS:					
Cash and investments (Note 5)	\$ 1,790,756	\$ 133,990	\$ 1,924,746	\$ 60,752	\$ -
Receivables, net (Notes 1 and 7)	443,924	82,911	526,835	6,571	1
Inventories	5,863	7,854	13,717	-	-
Internal balances (Note 8)	33,045	(33,045)	-	-	-
Pension asset, net (Notes 18 and 19)	416,390	2,384	418,774	-	-
OPEB asset, net (Note 20)	14,246	3	14,249	-	-
Prepaid items and deposits	16,756	2,054	18,810	2	-
Restricted cash and investments (Notes 5 and 6)	582,738	128,024	710,762	-	57,470
Other noncurrent receivables (Note 7)	37,183	-	37,183	-	36,091
Notes receivable (Note 7)	37,934	-	37,934	-	-
Land held for resale	80,035	-	80,035	-	-
Capital assets (Note 9):					
Depreciable assets, net	1,976,962	212,840	2,189,802	42	-
Nondepreciable assets	872,370	42,549	914,919	-	-
Bond issuance costs	22,383	1,245	23,628	-	1,289
Total assets	<u>6,330,585</u>	<u>580,809</u>	<u>6,911,394</u>	<u>67,367</u>	<u>94,851</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	134,882	19,134	154,016	3,289	2,477
Salaries and benefits payable	101,435	16,485	117,920	189	-
Due to other governments	49,600	13,249	62,849	77	-
Interest payable	16,810	726	17,536	-	800
Deposits payable	1,993	91	2,084	-	-
Notes payable (Note 12)	266,629	-	266,629	-	-
Other liabilities	2,781	3,522	6,303	-	-
Unearned revenue (Note 7)	147,564	-	147,564	152	-
Long-term liabilities (Note 13) :					
Due within one year	189,995	34,152	224,147	149	2,530
Due beyond one year	1,986,973	279,198	2,266,171	104	88,924
Total liabilities	<u>2,898,662</u>	<u>366,557</u>	<u>3,265,219</u>	<u>3,960</u>	<u>94,731</u>
NET ASSETS:					
Invested in capital assets, net of related debt	1,204,971	81,512	1,286,483	42	-
Restricted for:					
Children's programs	-	-	-	63,365	-
Community development	522,174	-	522,174	-	-
Debt service	97,840	32,622	130,462	-	120
Health and sanitation	14,428	14,103	28,531	-	-
Public protection	39,226	-	39,226	-	-
Public ways & facilities	143,033	-	143,033	-	-
Other programs	7,438	5,777	13,215	-	-
Unrestricted	1,402,813	80,238	1,483,051	-	-
Total net assets	<u>\$ 3,431,923</u>	<u>\$ 214,252</u>	<u>\$ 3,646,175</u>	<u>\$ 63,407</u>	<u>\$ 120</u>

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

COUNTY OF RIVERSIDE
Statement of Activities
For the Fiscal Year Ended June 30, 2009
(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 285,393	\$ 143,644	\$ 124,857	\$ -
Public protection	1,095,587	311,565	230,121	437
Public ways and facilities	31,283	37,916	36,583	28,390
Health and sanitation	392,945	53,720	209,541	-
Public assistance	770,484	2,394	734,927	-
Education	15,954	526	6,439	944
Recreation and culture	6,039	6,263	2,143	-
Interest on long-term debt	89,741	-	-	-
Total governmental activities	<u>2,687,426</u>	<u>556,028</u>	<u>1,344,611</u>	<u>29,771</u>
Business-type activities:				
Regional Medical Center	379,278	360,584	-	310
Waste Management Department	61,116	57,265	-	-
Housing Authority	81,139	78,550	-	-
Flood Control	3,816	3,026	-	-
County Service Areas	457	365	-	-
Total business-type activities	<u>525,806</u>	<u>499,790</u>	<u>-</u>	<u>310</u>
Total primary government	<u>\$ 3,213,232</u>	<u>\$ 1,055,818</u>	<u>\$ 1,344,611</u>	<u>\$ 30,081</u>
Component units:				
Children and Families Commission	\$ 28,211	\$ -	\$ 28,538	\$ -
Palm Desert Financing Authority	3,394	2,036	-	-
Total Component Units	<u>\$ 31,605</u>	<u>\$ 2,036</u>	<u>\$ 28,538</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales and use taxes

Other taxes

Intergovernmental revenue not restricted to programs:

Motor vehicle in-lieu of taxes

Investment earnings

Other

Transfers

Total general revenues and transfers

Changes in net assets

NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)

NET ASSETS, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
\$ (16,892)	\$ -	\$ (16,892)		General government
(553,464)	-	(553,464)		Public protection
71,606	-	71,606		Public ways and facilities
(129,684)	-	(129,684)		Health and sanitation
(33,163)	-	(33,163)		Public assistance
(8,045)	-	(8,045)		Education
2,367	-	2,367		Recreation and culture
(89,741)	-	(89,741)		Interest on long-term debt
(757,016)	-	(757,016)		Total governmental activities
Business-type activities:				
-	(18,384)	(18,384)		Regional Medical Center
-	(3,851)	(3,851)		Waste Management Department
-	(2,589)	(2,589)		Housing Authority
-	(790)	(790)		Flood Control
-	(92)	(92)		County Service Areas
-	(25,706)	(25,706)		Total business-type activities
(757,016)	(25,706)	(782,722)		Total primary government
Component unit:				
\$ 327	\$ -		\$ 327	Children and Families Commission
-	(1,358)		(1,358)	Palm Desert Financing Authority
327	(1,358)		(1,358)	Total Component Units
506,222	-	506,222	-	-
47,683	-	47,683	-	-
13,771	-	13,771	-	-
273,825	-	273,825	-	-
87,041	6,142	93,183	1,603	78
121,880	-	121,880	164	-
(25,713)	25,713	-	-	-
1,024,709	31,855	1,056,564	1,767	78
267,693	6,149	273,842	2,094	(1,280)
3,164,230	208,103	3,372,333	61,313	1,400
\$ 3,431,923	\$ 214,252	\$ 3,646,175	\$ 63,407	\$ 120

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



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COUNTY OF RIVERSIDE

Balance Sheet
Governmental Funds
June 30, 2009
(Dollars in Thousands)

	General	Teeter Debt Service	Public Facilities Improvements Capital Projects
ASSETS:			
Cash and investments (Note 5)	\$ 150,728	\$ -	\$ 545,748
Accounts receivable (Notes 1 and 7)	31,150	-	1,997
Interest receivable (Note 7)	3,315	336	1,109
Taxes receivable (Note 7)	46,813	100,638	-
Due from other governments (Note 7)	250,144	-	1,801
Inventories	2,132	-	-
Due from other funds (Note 8)	19,110	-	50
Prepaid items	3,720	-	-
Restricted cash and investments (Notes 5 and 6)	252,084	174,237	-
Advance to other funds (Note 8)	-	-	-
Notes receivable (Note 7)	-	-	-
Land held for resale	-	-	-
Total assets	\$ 759,196	\$ 275,211	\$ 550,705
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 68,560	\$ 23	\$ 10,834
Salaries and benefits payable	88,184	-	-
Due to other governments	47,579	-	-
Due to other funds (Note 8)	-	8,559	1,417
Deposits payable	1,975	-	-
Teeter notes payable (Note 12)	-	266,629	-
Advances from other funds	-	-	-
Deferred revenue (Note 7)	180,777	-	23
Total liabilities	387,075	275,211	12,274
Fund balances (Note 14):			
Reserved	91,196	-	538,431
Unreserved, designated, reported in:			
General fund	203,821	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Unreserved, undesignated, reported in:			
General fund	77,104	-	-
Special revenue funds	-	-	-
Total fund balances	372,121	-	538,431
Total liabilities and fund balances	\$ 759,196	\$ 275,211	\$ 550,705

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

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	ASSETS:
\$ 256,469	\$ 592,067	\$ 1,545,012	Cash and investments (Note 5)
334	4,967	38,448	Accounts receivable (Notes 1 and 7)
410	1,393	6,563	Interest receivable (Note 7)
-	10,316	157,767	Taxes receivable (Note 7)
-	21,606	273,551	Due from other governments (Note 7)
-	907	3,039	Inventories
-	2,403	21,563	Due from other funds (Note 8)
-	13,036	16,756	Prepaid items
-	155,416	581,737	Restricted cash and investments (Notes 5 and 6)
-	2,300	2,300	Advance to other funds (Note 8)
6,364	31,570	37,934	Notes receivable (Note 7)
53,520	26,515	80,035	Land held for resale
<u>\$ 317,097</u>	<u>\$ 862,496</u>	<u>\$ 2,764,705</u>	Total assets
LIABILITIES AND FUND BALANCES:			
Liabilities:			
\$ 10,905	\$ 32,897	\$ 123,219	Accounts payable
-	8,291	96,475	Salaries and benefits payable
-	1,757	49,336	Due to other governments
489	8,881	19,346	Due to other funds (Note 8)
-	18	1,993	Deposits payable
-	-	266,629	Teeter notes payable (Note 12)
-	2,300	2,300	Advances from other funds
-	21,822	202,622	Deferred revenue (Note 7)
<u>11,394</u>	<u>75,966</u>	<u>761,920</u>	Total liabilities
Fund balances (Note 14):			
189,627	372,870	1,192,124	Reserved
Unreserved, designated, reported in:			
-	-	203,821	General fund
-	57,815	57,815	Special revenue funds
116,076	6,933	123,009	Capital projects funds
Unreserved, undesignated, reported in:			
-	-	77,104	General fund
-	348,912	348,912	Special revenue funds
<u>305,703</u>	<u>786,530</u>	<u>2,002,785</u>	Total fund balances
<u>\$ 317,097</u>	<u>\$ 862,496</u>	<u>\$ 2,764,705</u>	Total liabilities and fund balances

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



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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009 (Dollars in Thousands)

Fund balances - total governmental funds (page 31) \$ 2,002,785

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 2,794,816

Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds. 22,383

Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds. 430,636

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements. 55,058

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds	\$ 1,359,277	
Capital lease obligations	81,925	
Certificates of participation	391,914	
Loans payable	7,222	
Notes payable	6,000	
Accrued interest payable	16,810	
Accreted interest payable	28,452	
Accrued remediation cost	2,793	
Compensated absences	138,894	(2,033,287)

Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets.

159,532

Net assets of governmental activities (page 25) \$ 3,431,923

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects
REVENUES:			
Taxes	\$ 274,480	\$ -	\$ -
Licenses, permits, and franchise fees	19,840	-	-
Fines, forfeitures, and penalties	107,147	-	-
Use of money and property:			
Interest	33,414	2,531	17,154
Rents and concessions	3,157	-	-
Aid from other governmental agencies:			
Federal	472,210	-	-
State	908,334	-	-
Other	95,812	-	16,942
Charges for services	364,649	-	27,107
Other revenue	36,149	-	8,132
Total revenues	<u>2,315,192</u>	<u>2,531</u>	<u>69,335</u>
EXPENDITURES:			
Current:			
General government	146,816	746	138,974
Public protection	1,062,437	-	-
Public ways and facilities	4,378	-	679
Health and sanitation	382,588	-	-
Public assistance	719,328	-	-
Education	675	-	-
Recreation and culture	230	-	-
Debt service:			
Principal	11,249	-	-
Interest	11,252	2,223	-
Cost of issuance	-	-	-
Capital outlay	22,746	-	-
Total expenditures	<u>2,361,699</u>	<u>2,969</u>	<u>139,653</u>
Excess (deficiency) of revenues			
over (under) expenditures	(46,507)	(438)	(70,318)
OTHER FINANCING SOURCES (USES):			
Transfers in	99,825	2,374	76,210
Transfers out	(185,719)	(1,936)	(58,376)
Issuance of refunding bonds	-	-	-
Payment to refunded bonds escrow agent	-	-	-
Capital leases	22,746	-	-
Total other financing sources (uses)	<u>(63,148)</u>	<u>438</u>	<u>17,834</u>
NET CHANGE IN FUND BALANCES	(109,655)	-	(52,484)
Fund balances, beginning of year, as previously reported	478,768	-	590,915
Adjustments to beginning fund balances (Note 4)	3,008	-	-
Fund balances, beginning of year, as restated	<u>481,776</u>	<u>-</u>	<u>590,915</u>
FUND BALANCES, END OF YEAR	<u>\$ 372,121</u>	<u>\$ -</u>	<u>\$ 538,431</u>

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

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ -	\$ 250,758	\$ 525,238	REVENUES:
-	2,706	22,546	Taxes
-	1,425	108,572	Licenses, permits, and franchise fees
8,980	18,961	81,040	Fines, forfeitures, and penalties
-	13,994	17,151	Use of money and property:
-	73,820	546,030	Interest
-	47,055	955,389	Rents and concessions
-	28,003	140,757	Aid from other governmental agencies:
-	68,683	460,439	Federal
4,895	35,172	84,348	State
13,875	540,577	2,941,510	Other
			Charges for services
			Other revenue
			Total revenues
			EXPENDITURES:
70,543	73,633	430,712	Current:
-	64,225	1,126,662	General government
-	143,487	148,544	Public protection
-	8,080	390,668	Public ways and facilities
-	47,079	766,407	Health and sanitation
-	15,056	15,731	Public assistance
-	12,571	12,801	Education
-			Recreation and culture
-	43,338	54,587	Debt service:
-	73,293	86,768	Principal
-	2,436	2,436	Interest
-	26,153	48,899	Cost of issuance
70,543	509,351	3,084,215	Capital outlay
			Total expenditures
(56,668)	31,226	(142,705)	Excess (deficiency) of revenues over (under) expenditures
28,779	330,841	538,029	OTHER FINANCING SOURCES (USES):
(23,026)	(293,288)	(562,345)	Transfers in
-	78,895	78,895	Transfers out
-	(76,300)	(76,300)	Issuance of refunding bonds
-	-	22,746	Payment to refunded bonds escrow agent
5,753	40,148	1,025	Capital leases
(50,915)	71,374	(141,680)	Total other financing sources (uses)
356,618	713,995	2,140,296	NET CHANGE IN FUND BALANCES
-	1,161	4,169	Fund balances, beginning of year, as previously reported
356,618	715,156	2,144,465	Adjustments to beginning fund balances (Note 4)
\$ 305,703	\$ 786,530	\$ 2,002,785	Fund balances, beginning of year, as restated
			FUND BALANCES, END OF YEAR

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



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COUNTY OF RIVERSIDE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2009
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 35) \$ (141,680)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 498,976	
Less loss on sale of capital assets	(20,211)	
Less current year depreciation	<u>(101,602)</u>	377,163

Prepaid pension costs and OPEB costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		12,874
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Bond issuance costs are expended in the governmental funds when paid but are capitalized and amortized in the statement of net assets. This is the net amount of capitalized bond issuance cost.		1,115
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds in excess of principal payments		27,893
Current amortization of bond premiums		277

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		(8,183)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest	(794)	
Change in accreted interest	(13,865)	
Change in long-term compensated absences	<u>(6,866)</u>	(21,525)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities.

		19,759
Change in net assets of governmental activities (page 27)		<u><u>\$ 267,693</u></u>

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2009
(Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES:				
Taxes	\$ 291,283	\$ 270,280	\$ 274,480	\$ 4,200
Licenses, permits, and fees	21,211	21,226	19,840	(1,386)
Fines, forfeitures, and penalties	105,567	101,452	107,147	5,695
Use of money and property:				
Interest	27,886	27,886	33,414	5,528
Rents and concessions	24,531	24,531	3,157	(21,374)
Aid from other governmental agencies:				
Federal	465,424	478,864	472,210	(6,654)
State	991,772	1,005,014	908,334	(96,680)
Other government	92,647	100,247	95,812	(4,435)
Charges for current services	504,157	421,400	364,649	(56,751)
Other revenue	37,327	34,616	36,149	1,533
	<u>2,561,805</u>	<u>2,485,516</u>	<u>2,315,192</u>	<u>(170,324)</u>
EXPENDITURES:				
Current:				
General government				
Salaries and employee benefits	129,495	128,419	114,534	(13,885)
Services and supplies	151,784	171,085	139,524	(31,561)
Other charges	113,106	46,761	16,691	(30,070)
Capital assets	1,023	1,433	416	(1,017)
Intrafund transfers	(132,442)	(144,317)	(124,349)	19,968
Appropriation for contingencies	34,819	53,014	-	(53,014)
Total general government	<u>297,785</u>	<u>256,395</u>	<u>146,816</u>	<u>(109,579)</u>
Public protection:				
Salaries and employee benefits	717,951	711,581	690,122	(21,459)
Services and supplies	330,897	352,337	329,683	(22,654)
Other charges	59,065	52,178	45,284	(6,894)
Capital assets	6,418	7,926	6,467	(1,459)
Intrafund transfers	(9,658)	(10,039)	(9,119)	920
Total public protection	<u>1,104,673</u>	<u>1,113,983</u>	<u>1,062,437</u>	<u>(51,546)</u>
Health and sanitation:				
Salaries and employee benefits	201,886	199,958	188,606	(11,352)
Services and supplies	111,164	118,909	110,161	(8,748)
Other charges	205,228	205,230	187,593	(17,637)
Capital assets	7,576	5,226	1,246	(3,980)
Intrafund transfers	(116,012)	(116,048)	(105,018)	11,030
Total health and sanitation	<u>\$ 409,842</u>	<u>\$ 413,275</u>	<u>\$ 382,588</u>	<u>\$ (30,687)</u>

(Continued)

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund (Continued)
For the Fiscal Year Ended June 30, 2009
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Over (Under)
Public assistance:				
Salaries and employee benefits	\$ 248,864	\$ 244,234	\$ 222,225	\$ (22,009)
Services and supplies	106,045	103,592	86,738	(16,854)
Other charges	432,883	440,833	417,434	(23,399)
Capital assets	485	2,288	1,639	(649)
Intrafund transfers	(13,158)	(13,158)	(8,708)	4,450
Total public assistance	775,119	777,789	719,328	(58,461)
Education:				
Salaries and employee benefits	320	315	259	(56)
Services and supplies	279	418	416	(2)
Total education	599	733	675	(58)
Public ways and facilities:				
Salaries and employee benefits	4,620	4,541	3,819	(722)
Services and supplies	519	527	409	(118)
Other charges	530	29	-	(29)
Capital assets	156	241	150	(91)
Total public ways and facilities	5,825	5,338	4,378	(960)
Recreation and culture:				
Salaries and employee benefits	89	92	90	(2)
Services and supplies	166	219	186	(33)
Other charges	117	7	2	(5)
Intrafund transfers	(37)	(84)	(48)	36
Total recreation and culture	335	234	230	(4)
Debt service:				
Principal	59,417	13,438	11,249	(2,189)
Interest	9,750	23,675	11,252	(12,423)
Total debt service	69,167	37,113	22,501	(14,612)
Capital outlay	-	-	22,746	22,746
Total expenditures	2,663,345	2,604,860	2,361,699	(243,161)
Excess (deficiency) of revenues over (under) expenditures	(101,540)	(119,344)	(46,507)	72,837
OTHER FINANCING SOURCES (USES):				
Transfers in	-	99,825	99,825	-
Transfers out	-	(185,719)	(185,719)	-
Capital leases	-	-	22,746	22,746
Total other financing sources (uses)	-	(85,894)	(63,148)	22,746
NET CHANGE IN FUND BALANCE	(101,540)	(205,238)	(109,655)	95,583
Fund balance, beginning of year, as previously reported	478,768	478,768	478,768	-
Adjustment to beginning fund balance	3,008	3,008	3,008	-
Fund balance, beginning of year	481,776	481,776	481,776	-
FUND BALANCE, END OF YEAR	\$ 380,236	\$ 276,538	\$ 372,121	\$ 95,583

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

COUNTY OF RIVERSIDE

Statement of Net Assets

Proprietary Funds

June 30, 2009

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	\$ 77,755	\$ 45,344	\$ 10,891	\$ 133,990	\$ 245,744
Accounts receivable - net (Notes 1 and 7)	56,753	3,996	1,715	62,464	4,036
Interest receivable (Note 7)	345	346	22	713	612
Taxes receivable (Note 7)	-	-	9	9	-
Due from other governments (Note 7)	18,620	792	313	19,725	130
Inventories	7,508	346	-	7,854	2,824
Pension asset, net (Note 18)	-	2,384	-	2,384	-
OPEB asset, net	-	3	-	3	-
Due from other funds (Note 8)	-	-	4	4	202
Restricted cash and investments (Notes 5 and 6)	32,815	85,205	10,004	128,024	1,001
Prepaid items and deposits	2,051	-	3	2,054	-
Total current assets	195,847	138,416	22,961	357,224	254,549
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	137,728	63,446	11,666	212,840	53,503
Nondepreciable assets	27,124	10,571	4,854	42,549	1,013
Bond issuance costs	1,245	-	-	1,245	-
Total noncurrent assets	166,097	74,017	16,520	256,634	54,516
Total assets	361,944	212,433	39,481	613,858	309,065
LIABILITIES:					
Current liabilities:					
Accounts payable	12,377	3,948	2,809	19,134	11,663
Salaries and benefits payable	15,095	1,338	52	16,485	4,960
Due to other funds (Note 8)	2,365	-	11	2,376	47
Due to other governments	13,215	27	7	13,249	264
Interest payable	717	-	9	726	-
Deposits payable	-	42	49	91	-
Other liabilities	-	655	2,867	3,522	2,781
Accrued closure and post-closure costs (Notes 10 and 13)	-	4,262	-	4,262	-
Accrued remediation costs (Note 21)	-	1,218	-	1,218	-
Compensated absences (Notes 1 and 13)	10,412	908	20	11,340	3,605
Capital lease obligations (Note 13)	4,597	-	-	4,597	15,626
Bonds payable (Note 13)	12,625	-	110	12,735	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	33,062
Total current liabilities	71,403	12,398	5,934	89,735	72,008
Noncurrent liabilities:					
Compensated absences (Note 13)	4,462	1,728	968	7,158	2,420
Accrued closure and post closure care costs (Note 10)	-	45,384	-	45,384	-
Accrued remediation costs (Note 21)	-	19,510	-	19,510	-
Capital lease obligations (Notes 1 and 13)	9,431	-	-	9,431	20,060
Bonds payable (Note 13)	146,439	-	785	147,224	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	84,218
Other long-term liabilities (Note 13)	43,696	-	6,795	50,491	1,500
Total noncurrent liabilities	204,028	66,622	8,548	279,198	108,198
Total liabilities	275,431	79,020	14,482	368,933	180,206
NET ASSETS:					
Invested in capital assets, net of related debt	(8,240)	74,017	15,735	81,512	17,330
Restricted for debt service	32,622	-	-	32,622	-
Restricted for health and sanitation	-	14,103	-	14,103	-
Restricted other	193	-	5,584	5,777	-
Unrestricted	61,938	45,293	3,680	110,911	111,529
Total net assets	\$ 86,513	\$ 133,413	\$ 24,999	244,925	\$ 128,859
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(30,673)	
Net assets of business-type activities				\$ 214,252	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	\$ 320,750	\$ -	\$ -	\$ 320,750	\$ -
Charges for services	33,587	50,132	5,702	89,421	167,420
Other revenue	6,247	7,133	76,239	89,619	26,058
Total operating revenues	360,584	57,265	81,941	499,790	193,478
OPERATING EXPENSES:					
Cost of material used	-	169	-	169	1,798
Personnel services	202,716	20,305	9,024	232,045	72,505
Communications	2,004	357	-	2,361	4,146
Insurance	3,690	525	1	4,216	9,134
Maintenance of building and equipment	9,169	1,832	2,854	13,855	11,899
Insurance claims	200	-	-	200	67,345
Supplies	43,339	2,690	40	46,069	30,093
Purchased services	69,894	25,206	1,522	96,622	15,130
Depreciation and amortization	9,699	4,338	1,766	15,803	20,500
Rents and leases of equipment	3,775	49	27	3,851	3,594
Public assistance	-	-	66,578	66,578	-
Utilities	3,729	284	626	4,639	434
Closure and post-closure care costs	-	27	-	27	-
Other	10,438	4,292	1,796	16,526	4,286
Total operating expenses	358,653	60,074	84,234	502,961	240,864
Operating income (loss)	1,931	(2,809)	(2,293)	(3,171)	(47,386)
NONOPERATING REVENUES (EXPENSES):					
Investment income	2,237	3,394	511	6,142	6,002
Interest expense	(13,152)	-	(179)	(13,331)	(2,179)
Gain (loss) on disposal of capital assets	(3)	85	50	132	(465)
Total nonoperating revenues (expenses)	(10,918)	3,479	382	(7,057)	3,358
Income (loss) before capital contributions and transfers	(8,987)	670	(1,911)	(10,228)	(44,028)
Capital contributions	310	-	-	310	55,538
Transfers in	29,863	-	-	29,863	4,124
Transfers out	(3,717)	(291)	(142)	(4,150)	(5,521)
CHANGE IN NET ASSETS	17,469	379	(2,053)	15,795	10,113
Net assets, beginning of the year, as previously reported	69,044	132,129	27,052		102,424
Adjustments to beginning net assets (Note 4)	-	905	-		16,322
Net assets, beginning of the year	69,044	133,034	27,052		118,746
NET ASSETS, END OF YEAR	\$ 86,513	\$ 133,413	\$ 24,999		\$ 128,859
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(9,646)	
Change in net assets of business-type activities				\$ 6,149	

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2009
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers / other funds	\$ 352,096	\$ 57,411	\$ 83,765	\$ 493,272	\$ 192,614
Cash paid to suppliers for goods and services	(138,729)	(31,564)	(74,477)	(244,770)	(157,690)
Cash paid to employees for services	(201,712)	(19,780)	(9,091)	(230,583)	(72,676)
Net cash provided by (used in) operating activities	11,655	6,067	197	17,919	(37,752)
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	-	(150)
Advances to other funds	-	-	-	-	150
Transfers received	29,863	-	-	29,863	4,124
Transfers paid	(3,717)	(291)	(142)	(4,150)	(5,521)
Net cash provided by (used in) noncapital financing activities	26,146	(291)	(142)	25,713	(1,397)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	85	850	935	810
Acquisition and construction of capital assets	(9,275)	(5,883)	(563)	(15,721)	(17,659)
Principal paid on capital leases	(2,096)	-	-	(2,096)	(2,328)
Capital contributions	310	-	-	310	55,538
Principal paid on bonds payable	(10,819)	-	(36)	(10,855)	-
Interest paid on long-term debt	(13,150)	-	(179)	(13,329)	(2,179)
Net cash provided by (used in) capital and related financing activities	(35,030)	(5,798)	72	(40,756)	34,182
Cash flows from investing activities					
Interest received on investments	2,409	3,942	548	6,899	7,045
Net cash provided by investing activities	2,409	3,942	548	6,899	7,045
Net increase (decrease) in cash and cash equivalents	5,180	3,920	675	9,775	2,078
Cash and cash equivalents, beginning of year	105,390	126,629	20,220	252,239	244,667
Cash and cash equivalents, end of year	<u>\$ 110,570</u>	<u>\$ 130,549</u>	<u>\$ 20,895</u>	<u>\$ 262,014</u>	<u>\$ 246,745</u>

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2009
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,931	\$ (2,809)	\$ (2,293)	\$ (3,171)	\$ (47,386)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	9,699	4,338	1,766	15,803	20,500
Decrease (Increase) accounts receivable	(12,484)	751	1,379	(10,354)	(914)
Decrease (Increase) bond issuance cost	264	-	-	264	-
Decrease (Increase) due from other funds	-	-	(4)	(4)	(176)
Decrease (Increase) due from other governments	3,732	(605)	449	3,576	226
Decrease (Increase) inventories	(596)	75	-	(521)	(300)
Decrease (Increase) prepaid items and deposits	(392)	-	128	(264)	11
Increase (Decrease) accounts payable	573	756	(445)	884	8,733
Increase (Decrease) due to other funds	1,670	-	11	1,681	(89)
Increase (Decrease) due to other governments	1,407	1	7	1,415	(50)
Increase (Decrease) deposits payable	-	27	4	31	-
Increase (Decrease) accrued closure costs	-	2,377	-	2,377	-
Increase (Decrease) accrued remediation costs	-	446	-	446	-
Increase (Decrease) other liabilities	4,847	185	(738)	4,294	(95)
Increase (Decrease) estimated claims liability	-	-	-	-	(18,041)
Increase (Decrease) salaries and benefits payable	1,228	22	(37)	1,213	(454)
Increase (Decrease) compensated absences	(224)	95	(30)	(159)	283
Decrease (Increase) pension assets, net	-	408	-	408	-
Net cash provided (used) by operating activities	<u>\$ 11,655</u>	<u>\$ 6,067</u>	<u>\$ 197</u>	<u>\$ 17,919</u>	<u>\$ (37,752)</u>
Noncash investing, capital, and financing activities:					
Capital lease obligations	<u>\$ 2,059</u>			<u>\$ 2,059</u>	<u>\$ 14,655</u>

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

COUNTY OF RIVERSIDE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	\$ -	\$ -	\$ 15,609	\$ 291,336
Federal agency	15,157	2,274,415	-	-
Cash and equivalent	1,657	248,642	-	-
Commercial paper	186	27,979	-	-
Medium term notes	1,606	240,854	-	-
Municipal bonds	290	43,556	-	-
Local agency obligation	327	49,036	-	-
Accounts receivable	203	1,449	4	12
Interest receivable	39	7,899	25	88
Taxes receivable	-	1	-	136,915
Due from other governments	-	-	-	1,483
Total assets	<u>19,465</u>	<u>2,893,831</u>	<u>15,638</u>	<u>429,834</u>
LIABILITIES:				
Accounts payable	-	-	6,501	147,080
Salaries and benefits payable	-	-	-	9
Due to other governments	-	-	-	282,745
Total liabilities	<u>-</u>	<u>-</u>	<u>6,501</u>	<u>\$ 429,834</u>
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	<u>\$ 19,465</u>	<u>\$ 2,893,831</u>	<u>\$ 9,137</u>	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust
ADDITIONS:			
Employer contributions	\$ 1,880	\$ -	\$ -
Employee contributions	1,061	-	-
Contributions to pooled investments	-	18,945,451	-
Contributions to private-purpose trust	-	-	4,856
Investment income	478	-	254
Total additions	<u>3,419</u>	<u>18,945,451</u>	<u>5,110</u>
DEDUCTIONS:			
Distribution from pension trust	663	-	-
Distributions from pooled investments	-	19,030,049	-
Distributions from private-purpose trust	-	-	5,076
Administrative and other expenses	284	-	-
Total deductions	<u>947</u>	<u>19,030,049</u>	<u>5,076</u>
Change in net assets	2,472	(84,598)	34
Net assets held in trust, beginning of the year	16,993	2,978,429	9,103
Net assets held in trust, end of the year	<u>\$ 19,465</u>	<u>\$ 2,893,831</u>	<u>\$ 9,137</u>



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COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Riverside (the County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a five member Board of Supervisors (the Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units

Housing Authority of the County of Riverside (Housing Authority) The Board is the governing body of the Housing Authority. Among its duties, it approves the Housing Authority's budget, rates and charges for the use of facilities, and appoints the management. The Housing Authority is reported as a proprietary fund type.

Riverside County Flood Control and Water Conservation District (Flood Control) The Board is the governing body of Flood Control. Among its duties, it approves Flood Control's budget, tax rates, contracts, and appoints the management. Flood Control is reported as both governmental and proprietary fund types.

Riverside County Regional Park and Open-Space District (Park District) The Board is the governing board of the Park District. Among its duties, it approves the Park District's budget, contracts, fees and charges for park use, and appoints the management. The Park District is reported as both governmental and fiduciary fund types.

County of Riverside Redevelopment Agency (RDA) The Board is the governing body of the RDA. Among its duties, it approves the RDA's budget and appoints the management. The RDA is reported as a governmental fund type.

County of Riverside Asset Leasing Corporation (CORAL) The Board appoints the governing board of CORAL and CORAL provides services entirely to the County through the purchase or construction of land and/or facilities, which are then leased back to the County. CORAL is reported as a governmental fund type.

Riverside County Service Areas (CSAs) The Board is the governing body of the CSAs. Among its duties, it approves the CSAs' budgets, approves parcel fees, and appoints the management. The CSAs are reported as either governmental or proprietary fund types.

Riverside County Public Financing Authority (Public Financing Authority) The Board is the governing body of the Public Financing Authority. The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the RDA, and other local agencies. The Public Financing Authority is reported as a governmental fund type. As of June 30, 2009, this fund had no activity.

County of Riverside District Court Financing Corporation (District Corporation) The Board is the governing body of the District Corporation. The District Corporation assists the County by providing for the acquisition, construction and renovation of U.S. District Court facilities. The District Corporation is reported as a governmental fund type.

County of Riverside Bankruptcy Court Corporation (Bankruptcy Court) The Board is the governing body of the Bankruptcy Court. The Bankruptcy Court assists the County by providing for the acquisition, construction and renovation of public facilities and improvements. The Bankruptcy Court is reported as a governmental fund type.

In-home Support Services Public Authority (IHSS PA) The Board is the governing body of the IHSS PA. The IHSS PA acts as the employer of record for purposes of collective bargaining for Riverside In-home Supportive Services providers and performs other IHSS functions as required and retained by the County. The In-home Support Services Public Authority is reported as a governmental fund type.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Components (Continued)

Perris Valley Cemetery District (the District) The Board is the governing body of the District. The District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was created in July 1927 for the purpose of operating a public cemetery for the residents of the Perris Valley.

Inland Empire Tobacco Securitization Authority (the Authority) The Board appoints two of the three members of the governing board of the Authority. The San Bernardino County Board of Supervisors appoints the third member. The Authority was created by a Joint Exercise of Powers Agreement (the Agreement) effective as of July 18, 2007 between Riverside County and San Bernardino County. The Authority was created for the purpose of securitizing the payments to be received by the County of Riverside from the nation-wide Tobacco Settlement Agreement (the Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the County. The Authority is a blended component unit of the County because the Authority is providing services solely to the County and the County's Board has the ability to impose its will by removing the Authority's governing Board at will. The Authority is reported as a governmental fund type.

Discretely Presented Component Unit

Riverside County Children and Families Commission (the Commission) The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission in 1999 under the provisions of the California Children and Families Act of 1998. The Commission was formed to develop, adopt, promote and implement early childhood development programs.

A governing Board of nine members, that administers the Commission, is appointed by the County Board of Supervisors. The Commission includes one member of the County Board of Supervisors. The Commission is a component unit of the County because the County's Board has the ability to remove some of the Commission's governing Board at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Palm Desert Financing Authority The Palm Desert Financing Authority (Authority) is a joint powers authority between the County of Riverside and Palm Desert Redevelopment Agency (PDRDA) established on January 1, 2002 under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the PDRDA agreed to create the Authority for the purpose of establishing a vehicle to reduce local borrowing costs, promote greater use of existing and new financial instruments and mechanisms, and assist local agencies in the financing of public capital improvements. Although the Authority is a legally separate entity, in substance under Government Accounting Standards Board Statement 14, the County is financially accountable for the Authority's issuance of both lease revenue bonds that are under the Authority's management (2003 Series A and 2008 Series A).

The Authority's Commission is the governing body of the Authority, which consists of the County Administrative Officer, one member of the County Board of Supervisors, the Executive Director of the PDRDA and a member of the PDRDA's Board. It is discretely presented because its governing body is not substantially the same as the County's governing body.

Additional detailed financial information for each of the discretely presented component units can be obtained from the Auditor-Controller's Office at the Robert T. Anderson Administrative Center, 4080 Lemon Street - 11th Floor, (P.O. Box 1326), Riverside, CA 92502-1326.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Financial Information Related to County Fiduciary Responsibilities

The basic financial statements also include an Investment Trust fund to account for cash and investments held by the County Treasurer for numerous self-governed school and special districts. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and other assets. School and special district boards that are separately elected and that are independent of the County Board of Supervisors, administer activities of the school districts and special districts. The County Auditor-Controller makes disbursements upon the request of the responsible self-governed special district officers. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County. Twenty-six cities and numerous self-governed special districts provide services to the residents of the County. The operations of these entities have been excluded from the basic financial statements since each entity conducts its own day-to-day operations and is controlled by its own governing board.

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 49

In November of 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For recognized pollution remediation liabilities and recoveries, this Statement requires governments to disclose the nature and source of pollution remediation obligations, the amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. See Notes 13 and 21.

Governmental Accounting Standards Board Statement No. 52

In November of 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This Statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of endowments. It results in property held for similar purposes by comparable entities being reported in the same manner. Reporting land and other real estate held as investments at fair value enhances users' ability to meaningfully evaluate an entity's investment decisions and performance. This Statement is not applicable at this time.

Governmental Accounting Standards Board Statement No. 55

In March of 2009, GASB issued Statement No. 55, *The hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. This Statement will make it easier for preparers of state and local government financial statements to identify and apply all relevant guidance. This Statement has been implemented in fiscal year 2009.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 56

In March of 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement addresses three issues not included in the authoritative literature that establishes *accounting principles* – related party transactions, going concern considerations, and subsequent events. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This Statement has been implemented in fiscal year 2009.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 51

In June of 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement is effective for financial statements for periods beginning after June 15, 2009. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to enhance the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated.

This Statement also establishes guidance specific to intangible assets related to amortization. The County has elected not to early implement GASB No. 51 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 53

In June of 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items); or to lower the costs for borrowings. Governments often enter into derivative instruments with the intention of effectively fixing cash flows or synthetically fixing prices. Governments also enter into derivative instruments to offset the changes in fair value of hedgeable items. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The objectives, terms, and risks of hedging derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements. The disclosures for investment derivative instruments are similar to the disclosures of other investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The County has elected not to early implement GASB No. 53 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 54

In March of 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The assigned fund balance classification is for amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Disclosure of the policies in the notes to the financial statements is required. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The County has elected not to early implement GASB No. 54 and has not determined its effect on the County's financial statements.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 26.7%, or \$15.1 million, of the County's \$56.6 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as *nonoperating* expenses.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation and culture services.

The *Teeter Debt Service Fund* accounts for revenue from collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the Teeter Plan.

The *Public Facilities Improvements Capital Project Fund* accounts for revenues and expenditures related to the acquisition and construction of public buildings and park or recreational facilities. Revenues are obtained from State funding, sale of capital assets, contributions, and from other funds when allocated by the Board of Supervisors.

The *Redevelopment Agency Capital Project Fund* accounts for tax increment revenue used to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency issued to finance construction of infrastructure and public facilities for various project areas.

The County reports the following major enterprise funds:

The *Regional Medical Center ("RMC")* accounts for the maintenance of physical plant facilities and quality care to all patients in accordance with accreditation standards, the bylaws, rules and regulations of the medical staff and the RMC. Revenue for this fund is primarily from charges for services and secondarily from the County's General Fund.

The *Waste Management Department ("Waste Management")* accounts for solid waste revenues, expenses, and the allocation of net income for solid waste projects initiated for the public's benefit. The fund facilitates management and accounting of solid waste projects. Waste Management prepares and maintains the County's Solid Waste Management Plan, provides environmental monitoring in accordance with State and Federal mandates, and administers landfill closure and acquisition.

The County reports the following additional fund types:

Internal Service Funds account for the County's records management and archives, fleet services, information services, printing services, supply services, purchasing, OASIS project (accounting, purchasing, and human resources information system), risk management, temporary assistance pool, and flood control equipment on a cost-reimbursement basis. Internal Service Funds are presented in summary form as part of the proprietary fund financial statements. In the government-wide financial statements, the changes in net assets at the end of the fiscal year, as presented in the Statements of Activities, were allocated to the functions of both the governmental and business-type activities, to reflect the entire activity for the year. Since the predominant users of the internal services are the County's governmental activities, the asset and liability balances of the internal service funds are consolidated into the governmental activities column at the government-wide level.

Pension Trust Fund accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or CalPERS participation. The County's pension trust fund uses the economic resources measurement focus and accrual basis of accounting.

Investment Trust Fund accounts for the external portion of the County Treasurer's investment pool. External investment pool participants include entities legally separate from the County, such as school and special districts governed by local boards, regional boards, and authorities. This fund accounts for assets, primarily cash and investments held or invested by the County Treasurer and the related County liability to disburse these monies on demand to the related external entities. The County's investment trust fund uses the economic resources measurement focus and accrual basis of accounting.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Private Purpose Trust Fund accounts for resources held and administered by the County in a fiduciary capacity for individuals, private organizations, or other governments based on trust arrangements. The fund includes the public guardian conservatorship, public social service foster care, and maintenance and children's trust. The County's private purpose trust fund uses the economic resources measurement focus and accrual basis of accounting.

Agency Funds account for assets held by the County in a custodial capacity. These funds only involve the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and include property taxes and special assessments collected on behalf of cities, special districts, and other taxing agencies. The County's agency funds have an accrual basis of accounting but no measurement focus.

The government-wide, proprietary, pension trust, investment trust, and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions occur. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources (e.g. bond issuance proceeds) are recognized when they become both measurable and available.

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property and sales taxes are considered available for the year levied and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. All other revenue streams are considered available and accrued if they are expected to be received within ninety days after the fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANS) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For business-type activities reported on the government-wide financial statements and proprietary fund financial statements, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Reconciliations are presented to explain the adjustments necessary to reconcile the fund financial statements to the government wide financial statements. These reconciliations are presented because governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities.

Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance of the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's pooled investments.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents.

Securities, including U.S. Treasury and Agency securities, are carried at fair value based on current market prices on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within 90 days of June 30, 2009, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at fair value based on the value of each participating dollar.

The fair value of a participants' position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, and accrued interest of the participants' percentage participation at the date of such withdrawal.

State law requires that the County Treasurer hold all operating monies of the County, school districts, and certain special districts. Collectively, these mandatory deposits constituted approximately 83.02% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 16.98% of the total funds on deposit in the County Treasury represented discretionary deposits.

Receivables

The Regional Medical Center accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractals are \$383.0 million and \$885.2 million, respectively. The Regional Medical Center has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The Regional Medical Center receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the Regional Medical Center is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total fiscal year 2008-09 gross assessed valuation of the County was \$243.1 billion.

In order to lessen the fiscal impact of the tax increment financing of redevelopment projects on other units of local governments, the RDA has entered into pass-through agreements with various governmental agencies to "pass-through" portions of tax increment funds received by the RDA, attributable to the area within the territorial limits of other agencies.

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) of the full cash value of taxable property and distributed in accordance with statutory formulas.

Amounts needed to finance the annual requirements of voter-approved debt (approved by the electorate prior to June 30, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County is divided into tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved indebtedness.

Property taxes are levied on both real and personal property and are recorded as receivables at the date of levy. Secured property taxes are levied on or before the first business day of September of each year. These taxes become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments; the first is due November 1 and are delinquent with penalties after December 10; the second is due February 1 and are delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30th are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

Supplemental tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining balance in the Fall of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than one percent (1%) of the tax levy for participating entities may flow to the County General Fund. For fiscal year 2008-09, \$52.2 million was transferred from the TLRF to the General Fund.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid assets recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

Inventories, which consist of materials and supplies held for consumption, are valued at the lower of cost (on a first-in, first-out basis) or market in the proprietary funds. Inventories for all governmental funds are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is \$5,000; buildings, land and land

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

improvements is \$1; and infrastructure is \$150,000. Betterments result in more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of \$2,500 or more.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure	
Flood channels	99 years
Flood storm drains	65 years
Flood dams and basins	99 years
Roads	20 years
Traffic signals	10 years
Parks trails and improvements	20 years
Bridges	50 years
Buildings	25-50 years
Improvements	10-20 years
Equipment	3-20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The Riverside County Regional Medical Center capitalizes net interest expense as a cost of property constructed. The Medical Center capitalized \$258.2 thousand for the year ending June 30, 2009.

Leases

The County leases various assets under both operating and capital lease agreements. For governmental funds, assets under capital leases and the related lease obligations are reported in the government-wide financial statements. For proprietary funds, the assets and related lease obligations are recorded in the appropriate enterprise or internal service fund and the government-wide financial statements.

Restricted Assets

The County maintains various restricted asset accounts as a result of debt agreements and certain State statutes. The agreements authorizing the issuance of CORAL and Housing Authority obligations include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and bond redemption purposes. Waste Management has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The General Fund has restricted assets for program money where use is legally or contractually restricted.

Land Held for Resale

These assets, held by the County's Redevelopment Agency, are invested in various programs and are intended primarily for development and subsequent resale. These assets had a fair value of \$80.0 million at June 30, 2009.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2009, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was \$163.4 million.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the Public Employee's Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of fifty percent (50%) of current salary value thereof provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

Deferred Revenue / Unearned Revenue

Deferred revenue arises when a potential revenue transaction does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the County has a legal claim to them, such as grants received in advance of incurring qualified expenditures. Unearned revenue is used for government-wide presentation only.

Long-term Debt

The County reports long-term debt of governmental funds in the government-wide statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide statement of net assets. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund and the government-wide statement of net assets.

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs are reported as debt service expenditures whether or not withheld from the actual debt proceeds received.

Bond Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Landfill Closure and Post-Closure Care Costs

Waste Management provides for closure and post-closure care costs over the life of the operating landfills as the permitted airspace of the landfill is used. Accordingly, the entire closure and post-closure care cost is recognized as expense by the time the landfills are completely filled. Waste Management also recognizes as expense closure and post-closure care costs for inactive landfills that have been closed under State and Federal regulations.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Waste Management, under State and Federal regulations, may be required to perform corrective action for contaminate releases at any of its active or inactive landfills. Waste Management provides for remediation costs for landfills upon notification from the local water quality board that a specific landfill is considered to be in the evaluation monitoring phase. Upon notification, Waste Management provides for these costs based on the most recent cost study information available.

Interfund Transactions

Interfund transactions are reflected as loans, services provided reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate. These transactions are subject to elimination upon consolidation and are referred to as either “due to/due from other funds” (i.e., the current portion of interfund loans) or “advances to/advances from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are neither available for appropriation nor available as financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Net Assets

The government-wide financial statements and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted net assets, or unrestricted net assets.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation.

Unrestricted Net Assets – This category represents net assets of the County, not restricted for any project or other purpose.

Fund Equity

In the fund financial statements, fund equity may be categorized as reserved and/or designated. Governmental funds report reservations of fund balance for amounts that are not appropriable or that are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2 of each fiscal year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors (the Board) adopts a budget in accordance with the provisions of Section 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Budgeted governmental funds consist of the general fund, major funds, and some non-major funds (all special revenue funds, certain debt service funds, and certain capital project funds). Annual budgets are not adopted for the following debt service funds: CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority; the CORAL Capital Project Fund; or the Perris Valley Cemetery Permanent Fund.

As adopted by the Board, expenditures are controlled by the County at the budgetary unit, which is the organization level, for each appropriation (object) class. The appropriation classes are salaries and benefits, services and supplies, other charges, capital assets, transfers out, and intrafund transfers. The separately prepared Expenditure by Appropriation – Budget and Actual report, showing budgetary comparisons at the object level of control, is available in the Auditor-Controller's Office.

Each year the original budget, as published in a separate report the "Final Budget," is adjusted to reflect increases or decreases in revenues and changes in fund balance. These changes are offset by an equal change in available appropriations. The County Executive Officer is authorized by the Board to transfer appropriations between appropriation classes within the same budgetary unit. Transfers of appropriations between budgetary units require approval of the Board (legal level of control). Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act. All annual appropriations lapse at year-end.

Budgetary comparison statements are prepared for the general fund, special revenue funds, certain debt service funds, and certain capital project funds. The budgetary comparison statements are a part of the basic financial statements. Each budgetary comparison statement provides three separate types of information: (1) the original budget; (2) the final amended budget, which included legally authorized changes regardless of when they occurred; and (3) the actual amount of inflows and outflows in the budget-to-actual comparison.

Excess of expenditures over appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations in capital outlay by \$22.7 million in the General Fund. This overexpenditure resulted from the acquisition of \$22.7 million of capital leases accordingly this is being funded by other financing sources-capital leases.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different from those reported for governmental funds in the balance sheet. The following provides a reconciliation of those differences (in thousands):

	Total Governmental Funds (Page 31)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 25)
Assets:					
Cash and investments	\$ 1,545,012	\$ -	\$ 245,744	\$ -	\$ 1,790,756
Receivables:					
Accounts receivable	38,448	-	4,036	-	42,484
Interest	6,563	-	612	-	7,175
Taxes	157,767	-	-	-	157,767
Due from other governments	273,551	(37,183)	130	-	236,498
Notes receivable	37,934	-	-	-	37,934
Inventories	3,039	-	2,824	-	5,863
Due from other funds	21,563	-	202	(21,765)	-
Prepaid items	16,756	-	-	-	16,756
Internal balances	-	-	-	33,045	33,045
Pension asset, net	-	416,390	-	-	416,390
OPEB Pension asset, net	-	14,246	-	-	14,246
Restricted cash and investments	581,737	-	1,001	-	582,738
Other noncurrent receivables	-	37,183	-	-	37,183
Advances to other funds	2,300	-	-	(2,300)	-
Land held for resale	80,035	-	-	-	80,035
Capital assets:					
Nondepreciable	-	818,867	53,503	-	872,370
Depreciable, net	-	1,975,949	1,013	-	1,976,962
Bond issuance costs	-	22,383	-	-	22,383
Total assets	\$ 2,764,705	\$ 3,247,835	\$ 309,065	\$ 8,980	\$ 6,330,585

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

	Total Governmental Funds (Page 31)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 25)
Liabilities:					
Accounts payable	\$ 123,219	\$ -	\$ 11,663	\$ -	\$ 134,882
Salaries and benefits payable	96,475	-	4,960	-	101,435
Due to other funds	19,346	-	47	(19,393)	-
Due to other governments	49,336	-	264	-	49,600
Deposits payable	1,993	-	-	-	1,993
Deferred revenue / Unearned revenue	202,622	(55,058)	-	-	147,564
Notes payable	266,629	-	-	-	266,629
Interest payable	-	16,810	-	-	16,810
Other liabilities	-	-	2,781	-	2,781
Long-term liabilities due within one year:					
Bonds payable	-	21,980	-	-	21,980
Capital lease obligations	-	10,704	15,626	-	26,330
Certificates of participation	-	17,127	-	-	17,127
Loans payable	-	235	-	-	235
Notes payable	-	6,000	-	-	6,000
Compensated absences	-	81,184	3,605	-	84,789
Estimated claims liability	-	-	33,062	-	33,062
Accrued remediation cost	-	472	-	-	472
Advance from other funds	2,300	-	-	(2,300)	-
Long-term liabilities due in more than one year:					
Bonds payable	-	1,337,297	-	-	1,337,297
Capital lease obligations	-	71,221	20,060	-	91,281
Certificates of participation	-	374,787	-	-	374,787
Loans payable	-	6,987	-	-	6,987
Accreted interest payable	-	28,452	-	-	28,452
Compensated absences	-	57,710	2,420	-	60,130
Estimated claims liability	-	-	84,218	-	84,218
Accrued remediation cost	-	2,321	-	-	2,321
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	761,920	1,978,229	180,206	(21,693)	2,898,662
Fund balances/net assets:					
Total fund balances/net assets	2,002,785	1,269,606	128,859	30,673	3,431,923
Total liabilities and fund balances/net assets	\$ 2,764,705	\$ 3,247,835	\$ 309,065	\$ 8,980	\$ 6,330,585

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 4 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications. A summary of the restatements as of June 30, 2009 is as follows (in thousands):

Government-wide:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type</u>	<u>Palm Desert Financing Authority</u>
Government-wide net assets, as of June 30, 2008, as previously reported	\$ 3,144,499	\$ 207,198	\$ -
Fund financial statements:			
Expenditures previously recorded	5,000	905	
Adjustment to prior year revenue accruals	(1,992)		
Perris Valley Cemetery not previously recorded	1,161		
Effect of change in accounting estimate			
Estimated claims liability	16,322		
Government-wide financial statements:			
Perris Valley Cemetery not previously recorded			1,400
Capital assets not previously reported	2,282		
Effects of GASB 49 implementation	(3,042)		
Net assets as of June 30, 2008, as restated	<u>\$ 3,164,230</u>	<u>\$ 208,103</u>	<u>\$ 1,400</u>

Fund Financials:

	<u>Governmental Funds</u>		<u>Proprietary Funds</u>	
		<u>Non-Major Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
		<u>Perris Valley Cemetery</u>	<u>Waste Management</u>	<u>Risk Management</u>
<u>Description</u>	<u>General Fund</u>			
Fund balances as of June 30, 2008, as previously reported	\$ 478,768	\$ -	\$ 132,129	\$ 49,653
Expenditures previously recorded	5,000		905	
Adjustment to prior year revenue accruals	(1,992)			
Equity transfer of funds				
Perris Valley Cemetery not previously recorded		1,161		
Effect of change in accounting estimate				
Estimated claims liability				16,322
Fund balances, as of June 30, 2008, as restated	<u>\$ 481,776</u>	<u>\$ 1,161</u>	<u>\$ 133,034</u>	<u>\$ 65,975</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2009, Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 1,790,756	\$ 133,990	\$ 60,752	\$ 3,210,650	\$ 5,196,148
Restricted cash and investments	582,738	128,024	57,470	-	768,232
Total cash and investments	<u>\$ 2,373,494</u>	<u>\$ 262,014</u>	<u>\$ 118,222</u>	<u>\$ 3,210,650</u>	<u>\$ 5,964,380</u>

As of June 30, 2009, cash and investments consist of the following (in thousands):

Deposits	\$ 778,429
Investments	<u>5,185,951</u>
Total Cash and Investments	<u>\$ 5,964,380</u>

Investments Authorized by the California Government Code and the County's Investment Policy

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code or the County's investment policy, where more restrictive that address interest rate, credit risk, and concentration of credit risk. A copy of the County's investment policy can be found at www.treasurer-tax.co.riverside.ca.us.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Public Agency Bonds	3 Years	15%	4%
U.S. Treasury	5 Years	100%	N/A
Local Agency Obligations	3 Years	2.5%	2.50%
Federal Agencies	5 Years	100%	N/A
Bankers Acceptances	180 Days	30%	None
Commercial Paper	270 Days	40%	4% *
Certificate & Time Deposits	1 Year	25%	4% *
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements	60 Days	10%	10%
Medium Term Notes	2 Years	20%	4% *
CalTrust Short Term Fund	Daily Liquidity	1%	1%
Mutual Funds	Daily Liquidity	20%	None
Secured Bank Deposits	1 Year	2%	None
Local Agency Investment Funds	N/A	N/A	N/A

* Maximum of 4% per issuer in combined commercial paper, certificate & time deposits and medium term notes.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 5 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

The County of Riverside is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements of respective component units, rather than the general provisions of the California Government Code or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity required for operations.

As of June 30, 2009, the County had the following investments (in thousands):

Investment	Maturity	Fair Market Value	Weighted Average Maturity (Years)
Treasury Investments			
Commercial Paper	07/09	\$ 49,825	0.08
Federal Farm Credit Bank	11/09 - 05/13	507,734	1.54
Federal Home Loan Bank	07/09 - 07/12	1,125,235	0.99
Federal Home Loan Mortgage	11/09 - 05/13	874,354	0.85
Federal National Mortgage Association	03/10 - 04/14	1,568,949	1.54
Local Agency Obligations	11/09 - 12/09	86,629	0.45
Local Agency Obligations *	12/20	680	11.47
Medium Term Notes	10/09 - 06/12	439,522	1.82
Municipal Bonds	07/09 - 07/11	100,582	1.19
Total Treasury Investments		<u>4,753,510</u>	
Investments Outside the Treasury			
Money Market	N/A	354,140	0.00
Investment Agreements	30 years	16,093	26.94
Investment Agreements	30 years	5,491	23.58
Investment Agreements	10/09 - 10/10	44,895	0.42
Local Agency Investment Funds	N/A	11,822	0.00
Total Investments Outside the Treasury		<u>432,441</u>	
Total Investments		<u>\$ 5,185,951</u>	

* Board of Supervisors approved to invest greater than 3 years

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 5 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank of California in the amount \$685.4 million. Investment securities are registered and held in the name of Riverside County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB 40, Deposits and Investment Risk Disclosures, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. However, money market and mutual funds are excluded from this disclosure requirement. Instruments in any one issuer that represent 5% or more of County investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Farm Credit Bank	Federal Agency	\$ 507,734
Federal Home Loan Bank	Federal Agency	1,125,235
Federal home Loan Mortgage	Federal Agency	874,354
Federal National Mortgage Association	Federal Agency	1,568,949

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 5 – CASH AND INVESTMENTS (Continued)

Credit Risk

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

As of June 30, 2009, the County had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2009	Fair Market Value
Treasury Investments				
Commercial Paper (1)	07/09	A1/P1	A1//P1(1)	\$ 49,825
Federal Farm Credit Bank	11/09 - 05/13	N/A	AAA	507,734
Federal Home Loan Bank	07/09 - 07/12	N/A	AAA	1,125,235
Federal Home Loan Mortgage	11/09 - 05/13	N/A	AAA	874,354
Federal National Mortgage Association	03/10 - 04/14	N/A	AAA	1,568,949
Local Agency Obligations	11/09 - 12/09	NA	NA	86,629
Local Agency Obligations (3)	12/20	NA	NA	680
Medium Term Notes	10/09 - 06/12	A	AA(2)	439,522
Municipal Bonds	07/09 - 07/11	A	AA	100,582
Total Treasury Investments				<u>4,753,510</u>
Investments Outside the Treasury				
Money Market	N/A	AAA	AAA	354,140
Investment Agreements	30 years	N/A	N/R	16,093
Investment Agreements	30 years	N/A	N/R	5,491
Investment Agreements	10/09 - 10/10	N/A	N/R	44,895
Local Agency Investment Funds	N/A	N/A	N/R	11,822
Total Investments Outside the Treasury				<u>432,441</u>
Total Investments				<u>\$ 5,185,951</u>

- (1) Majority of Commercial Paper and Negotiable CD are A1+/P1
(2) All Medium Term Notes with a maturity greater than a year are AAA
(3) Board of Supervisors approved to invest greater than 3 years

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2009 is as follows (in thousands):

General Fund	
Restricted Program Money	\$ 252,084
Total General Fund	<u>252,084</u>
Teeter Debt	
Teeter Commercial Paper Notes	174,237
Total Teeter Debt	<u>174,237</u>
Non Major Governmental Funds	
1985 Certificates	22,708
1990 Monterey Avenue	133
1997 Historic Court House	279
1998 Larson Justice Center	19
2000 Southwest Justice Center	566
2001 CAC Annex	2,555
2003 A Historic Courthouse	1,360
2003 B Capital Facilities	697
2005 A Capital Improvement Family Law	4,023
2005 B Historic Refunding	2,456
2006 A Capital Improvements	2,806
2007 A&B Public Communication and Refunding	83,294
2008A Southwest Justice Center	546
Restricted Program Money - Flood	9,111
Bankruptcy Court	6,316
District Court Financing Corporation	826
Inland Empire Tobacco	17,721
Total Non Major Governmental Funds	<u>155,416</u>
Regional Medical Center	
1993 Hospital Bonds	32,815
Total Regional Medical Center	<u>32,815</u>
Waste Management Department	
Restricted Program Money	85,205
Total Waste Management Department	<u>85,205</u>
Non Major Enterprise Funds	
Housing Authority Bond	7,239
Restricted Program Money - Flood	2,765
Total Non Major Enterprise Funds	<u>10,004</u>
Internal Service Funds	
Flood Control Equipment	1,001
Total Internal Service Funds	<u>1,001</u>
Total Restricted Assets	<u>\$ 710,762</u>
Discretely Presented Component Units	
Palm Desert Financing Authority	
2003 Lease Revenue Bonds	\$ 1,498
2008 Lease Revenue Bonds	55,972
Total Discretely Presented Component Units	<u>\$ 57,470</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 7 – RECEIVABLES

Receivables at year-end of major individual funds, nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (in thousands):

Receivables	General	Teeter	Public	Redevelopment	Major
Governmental Activities:	Fund	Debt Service	Facilities	Capital	Governmental
			Improvements	Projects	Funds
Accounts	\$ 31,150	\$ -	\$ 1,997	\$ 334	\$ 33,481
Interest	3,315	336	1,109	410	5,170
Taxes	46,813	100,638	-	-	147,451
Due from other governments	250,144	-	1,801	-	251,945
Notes	-	-	-	6,364	6,364
Total receivables	<u>\$ 331,422</u>	<u>\$ 100,974</u>	<u>\$ 4,907</u>	<u>\$ 7,108</u>	<u>\$ 444,411</u>

Receivables	Major	Nonmajor	Internal	Total
Governmental Activities:	Governmental	Governmental	Service	Governmental
	Funds	Funds	Funds	Activities
Accounts	\$ 33,481	\$ 4,967	\$ 4,036	\$ 42,484
Interest	5,170	1,393	612	7,175
Taxes	147,451	10,316	-	157,767
Due from other governments	251,945	21,606	130	273,681
Notes	6,364	31,570	-	37,934
Total receivables	<u>\$ 444,411</u>	<u>\$ 69,852</u>	<u>\$ 4,778</u>	<u>\$ 519,041</u>

Receivables	Regional	Waste	Nonmajor	Total Business-
Business-type Activities:	Medical Center	Management	Funds	type Activities
Accounts	\$ 1,324,942	\$ 4,000	\$ 1,715	\$ 1,330,657
Interest	345	346	22	713
Taxes	-	-	9	9
Due from other governments	18,620	792	313	19,725
Gross receivables	1,343,907	5,138	2,059	1,351,104
Less: Allowance for contractals	(885,228)	-	-	(885,228)
Allowance for uncollectibles	(382,961)	(4)	-	(382,965)
Total receivables	<u>\$ 75,718</u>	<u>\$ 5,134</u>	<u>\$ 2,059</u>	<u>\$ 82,911</u>

Of the total governmental receivable of \$519.0 million, \$37.2 million is SB-90 long-term receivable, which has been deferred as of June 30, 2009. Governmental funds defer revenue when receivables are not available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue when resources received, but not yet earned. At June 30, 2009, the components of deferred/unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other governments	\$ 62,713	
Resources received that do not yet meet the criteria for revenue recognition		\$ 118,064
Public Facilities Improvement Capital Projects:		
Resources received that do not yet meet the criteria for revenue recognition		23
Nonmajor funds:		
Due from other governments	82	
Resources received that do not yet meet the criteria for revenue recognition		21,740
Total governmental	<u>\$ 62,795</u>	<u>139,827</u>
Government-wide activities:		
Redevelopment Agency		
Resources received that do not yet meet the criteria for revenue recognition		7,737
		<u>\$ 147,564</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2009 is as follows (in thousands):

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Teeter Debt Service Fund	\$ 8,559	Delinquent property taxes
	Regional Medical Center	2,365	Medical service
	Nonmajor Governmental Funds	8,186	Fire service
		<u>19,110</u>	
Public Facility Improvement Fund	Nonmajor Governmental Funds	50	Capital project
Internal Service Funds	Nonmajor Governmental Funds	193	Interfund activities
	Internal Service Funds	9	Interfund activities
		<u>202</u>	
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	4	Interfund activities
Nonmajor Governmental Funds	Redevelopment Capital Projects	489	Transportation
	Public Facility Improvement Fund	1,417	Tobacco settlement
	Nonmajor Government Funds	452	Interfund activities
	Nonmajor Enterprise Funds	7	Interfund activities
	Internal Service Funds	38	Interfund activities
		<u>2,403</u>	
	Total	<u>\$ 21,769</u>	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 2,300 (1)
	Total	<u>\$ 2,300</u>

- (1) The regional park and open-space district special revenue fund advanced \$2.3 million to the regional park and open-space district capital project fund for the purpose of land improvements being constructed throughout the County Parks.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and reallocations of special revenue. The following schedule briefly summarizes the County's transfer activity (in thousands):

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	Regional Medical Center	\$ 2,420	Capital projects
General Fund	Regional Medical Center	10,000	Tobacco settlement
General Fund	Regional Medical Center	7,260	Operating contribution
		<u>19,680</u>	
Public Facilities Improvement	Regional Medical Center	10,183	Capital projects
Regional Medical Center	Nonmajor Governmental Funds	3,717	Pension obligation
Waste Management	Nonmajor Governmental Funds	291	Pension obligation
Nonmajor Enterprise	Nonmajor Governmental Funds	142	Pension obligation
	Total	<u>\$ 34,013</u>	

(b) Between Funds within the Governmental Activities:¹

Transfer out	Transfer in	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	Nonmajor Governmental Funds	\$ 930	Overhead reimbursement
	Nonmajor Governmental Funds	3,605	Administrative support
	Nonmajor Governmental Funds	14,682	Reimbursement
	Nonmajor Governmental Funds	21,726	Pension obligation
	Nonmajor Governmental Funds	667	Leases
	Nonmajor Governmental Funds	797	Professional services
	Nonmajor Governmental Funds	14,589	Capital projects
	Nonmajor Governmental Funds	7	Miscellaneous
	Nonmajor Governmental Funds	34,286	Miscellaneous
	Teeter	2,374	Debt service
	Redevelopment Capital	24	Leases
	Public Facilities Capital Project	72,089	Capital projects
	Internal Service Funds	263	Reimbursement
		<u>166,039</u>	
Teeter	General Fund	<u>1,936</u>	Debt service
Public Facilities Improvement	Nonmajor Governmental Funds	9	Reimbursement
	Nonmajor Governmental Funds	18,410	Capital projects
	General Fund	1,871	Capital projects
	General Fund	2,286	Leases
	General Fund	730	Debt service
	General Fund	5,690	Reimbursement
	Redevelopment Capital	18,743	Capital projects
	Internal Service Funds	454	Capital projects
		<u>\$ 48,193</u>	

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Funds within the Governmental Activities (Continued):¹

Transfer out	Transfer in	Amount	Purpose
Redevelopment Capital Project	General Fund	\$ 707	Capital projects
	General Fund	6	Reimbursement
	Public Facilities Capital Project	231	Capital projects
	Nonmajor Governmental Funds	7,041	Capital projects
	Nonmajor Governmental Funds	5,956	Reimbursement
	Nonmajor Governmental Funds	9,085	Debt service
		<u>23,026</u>	
Nonmajor Governmental Funds	General Fund	59	Capital projects
	General Fund	60,413	Fire services
	General Fund	470	Administrative support
	General Fund	545	CDGB
	General Fund	599	Debt service
	General Fund	6,203	Leases
	General Fund	757	Law enforcement
	General Fund	150	Pension obligation
	General Fund	6,863	Professional services
	General Fund	9,257	Reimbursement
	General Fund	27	Miscellaneous
	Public Facilities Capital Project	582	Reimbursement
	Public Facilities Capital Project	3,308	Capital projects
	Redevelopment Capital	10,012	Capital projects
	Nonmajor Governmental Funds	165,290	Debt service
	Nonmajor Governmental Funds	1,790	Pension obligation
	Nonmajor Governmental Funds	1,162	CDGB
	Nonmajor Governmental Funds	232	Leases
	Nonmajor Governmental Funds	1,026	Miscellaneous
	Nonmajor Governmental Funds	3,633	Administrative support
	Nonmajor Governmental Funds	1,811	Overhead reimbursement
	Nonmajor Governmental Funds	444	Professional services
	Nonmajor Governmental Funds	17,533	Reimbursement
	Nonmajor Governmental Funds	713	Capital projects
	Internal Service Funds	409	Reimbursement
		<u>293,288</u>	
Internal Service Funds	General Fund	1,256	Business services
	Internal Service Funds	2,998	Reimbursement
	Nonmajor Governmental Funds	1,267	Pension obligation
		<u>5,521</u>	
	Total	<u>\$ 538,003</u>	

1) These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	Balance July 1, 2008	Additions	Retirements	Transfers *	Balance June 30, 2009
Governmental activities:					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 342,274	\$ 54,461	\$ (76)	\$ 11,064	\$ 407,723
Construction in progress	364,890	269,737	(1,048)	(168,932)	464,647
Total capital assets, not being depreciated	707,164	324,198	(1,124)	(157,868)	872,370
<i>Capital assets, being depreciated:</i>					
Infrastructure					
Flood channels	222,532	449	-	-	222,981
Flood storm drains	266,710	33,879	-	5,405	305,994
Flood dams and basins	30,611	345	-	-	30,956
Roads	1,370,042	76,630	-	128,783	1,575,455
Traffic signals	18,365	637	-	3,323	22,325
Bridges	105,380	-	-	-	105,380
Runways	12,682	931	-	-	13,613
Parks trails and improvements	7,751	185	-	1,567	9,503
Land improvements	110	-	-	-	110
Structures and improvements	782,687	43,301	(12,214)	16,393	830,167
Equipment	364,990	40,833	(27,277)	907	379,453
Total capital assets, being depreciated	3,181,860	197,190	(39,491)	156,378	3,495,937
Less accumulated depreciation for:					
Infrastructure	(891,577)	(68,399)	9	(185)	(960,152)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(270,381)	(19,050)	2,440	(10,332)	(297,323)
Equipment	(254,500)	(34,653)	25,670	1,994	(261,489)
Total accumulated depreciation	(1,416,469)	(122,102)	28,119	(8,523)	(1,518,975)
Total capital assets, being depreciated, net	1,765,391	75,088	(11,372)	147,855	1,976,962
Governmental activities capital assets, net	\$ 2,472,555	\$ 399,286	\$ (12,496)	\$ (10,013)	\$ 2,849,332

*Transfers include a prior period adjustment of \$2.2 million for capital assets acquired in prior years not previously reported.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2009

NOTE 9 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	Balance July 1, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Business-type activities:					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 21,147	\$ -	\$ (66)	\$ -	\$ 21,081
Construction in progress	18,557	11,562	(2,204)	(6,447)	21,468
Total capital assets, not being depreciated	39,704	11,562	(2,270)	(6,447)	42,549
<i>Capital assets, being depreciated:</i>					
Land improvements	11,662	-	-	-	11,662
Infrastructure-landfill liners	52,828	2,398	-	-	55,226
Infrastructure-other	10,827	2,575	-	184	13,586
Structures and improvements	212,732	526	-	1,499	214,757
Equipment	111,539	4,710	(3,745)	496	113,000
Total capital assets, being depreciated	399,588	10,209	(3,745)	2,179	408,231
Less accumulated depreciation for:					
Land improvements	(5,672)	(630)	-	-	(6,302)
Infrastructure-landfill liners	(12,891)	(1,738)	-	(106)	(14,735)
Infrastructure-other	(2,904)	(389)	-	(32)	(3,325)
Structures and improvements	(68,116)	(6,345)	-	(19)	(74,480)
Equipment	(93,435)	(6,576)	3,642	(180)	(96,549)
Total accumulated depreciation	(183,018)	(15,678)	3,642	(337)	(195,391)
Total capital assets, being depreciated, net	216,570	(5,469)	(103)	1,842	212,840
Business-type activities capital assets, net	\$ 256,274	\$ 6,093	\$ (2,373)	\$ (4,605)	\$ 255,389

Depreciation

Depreciation expense was charged to governmental functions as follows (in thousands):

General government	\$ 18,696
Public protection	16,389
Health and sanitation	1,066
Public assistance	903
Public ways and facilities	63,105
Recreation and culture	1,443
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	20,500
Total depreciation expense – governmental functions	<u>\$ 122,102</u>