

# County of Riverside, California

## **FINANCIAL HIGHLIGHTS**

For the fiscal year ended June 30, 2010



### **Board of Supervisors**

Bob Buster, 1st District  
John F. Tavaglione, 2nd District  
Jeff Stone, 3rd District  
John Benoit, 4th District  
Marion Ashley, 5th District

### **Countywide Elected Officials**

**Auditor-Controller**  
Robert E. Byrd

**Treasurer-Tax Collector**  
Don Kent

**Assessor-County Clerk-Recorder**  
Larry Ward

**Sheriff-Coroner-  
Public Administrator**  
Stanley Sniff, Jr.

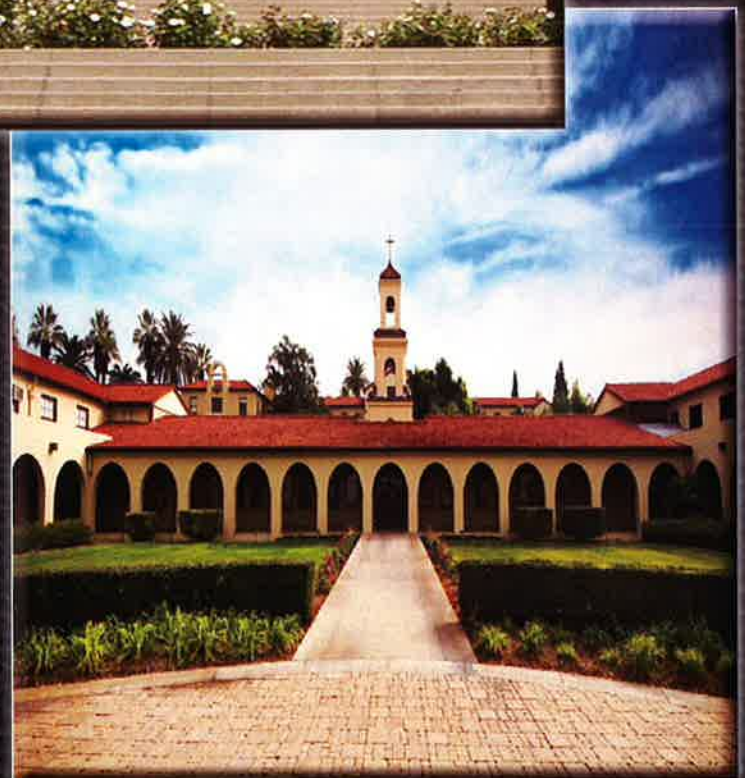
**District Attorney**  
Rod Pacheco

### **Appointed Officials**

**County Executive Officer**  
Bill Luna

**County Counsel**  
Pamela Walls

View County of Riverside  
Financial Highlights online:  
[www.auditorcontroller.org](http://www.auditorcontroller.org)



# A message from your Auditor-Controller

Citizens of Riverside County:

As your County Auditor-Controller, I monitor the County's "checkbook" and serve as your "fiscal overseer" on what the County of Riverside does with your tax dollars. Ethics and integrity are the foundation for all of the technical and financial expertise my staff and I put forth in the execution of our duties on your behalf.

The County Auditor-Controller's Office delivers a wide range of professional accounting, payroll, property tax and other financial services. We are accountable to the citizens of the County in all that we do. My office continues to increase performance levels to a higher standard by providing accurate, timely and useful information to citizens, County management and the County Board of Supervisors.

In today's complex world of governmental financial reporting, it is challenging—especially for those who do not have an accounting background—to analyze financial statements. This publication, Financial Highlights, was designed to address this issue by providing a recap of our County's finances in an easy-to-read format. The financial statements used in this report are simplified and condensed to reflect the County of Riverside's government-wide financial condition and position. The County's financial statements provide information on consolidated revenues, expenditures, and net assets for the fiscal year ended June 30, 2010.

Most of the information in Financial Highlights is drawn from the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. For those needing more in-depth information, the CAFR is a 214-page document of detailed financial information in a variety of financial statements, disclosure notes, supplemental schedules and statistical tables. The CAFR is prepared in conformance with Generally Accepted Accounting Principles (GAAP), and is audited by the independent certified accounting firm of Brown Armstrong Accountancy Corporation. While the financial data in Financial Highlights conforms with GAAP, the statistical, economic and demographic data are taken from various sources and are not necessarily GAAP based. Both the CAFR and Financial Highlights are available at my office and online at [www.auditorcontroller.org](http://www.auditorcontroller.org).

Sincerely,

Robert E. Byrd, CGFM  
County Auditor-Controller



## Auditor-Controller Economic Perspective

Riverside County just like other areas in the state has not been able to escape the mortgage crisis, housing bubble burst, subprime mortgage crisis, waves of unemployment and foreclosures-- all of which have resulted in our current economy. The unemployment rate for the Riverside County has continued to rise as the recession deepens, reflective of the highest numbers in the country. The unemployment rate in the County has remain as high as 14.5%. One of the reasons that made the unemployment rate so prominent and deeply connected to the County's high rate of foreclosures is the type of workers who are facing unemployment. Many suffer from the fallen housing market and as construction has immobilized, real estate brokers are only selling a fraction of the homes they used to sell.

As part of our role in the stewardship of public funds, the County initiated a countywide fraud, waste, and abuse prevention program in 2009. Beginning November of 2010 the Auditor-Controller Office in partnership with the Center for Government Excellence, developed an online fraud, waste and abuse prevention training program to be completed by all county employees. The training program was designed to educate employees on Board Policy C-35 (Standards of Ethical Conduct to Address Fraud, Waste and Abuse) and to promote the County's commitment to maintain the highest level of ethics and integrity in the County of Riverside.

# Table of Contents

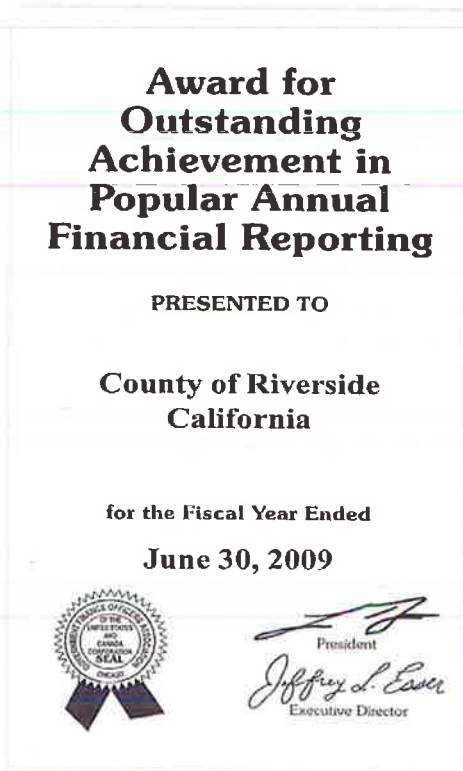
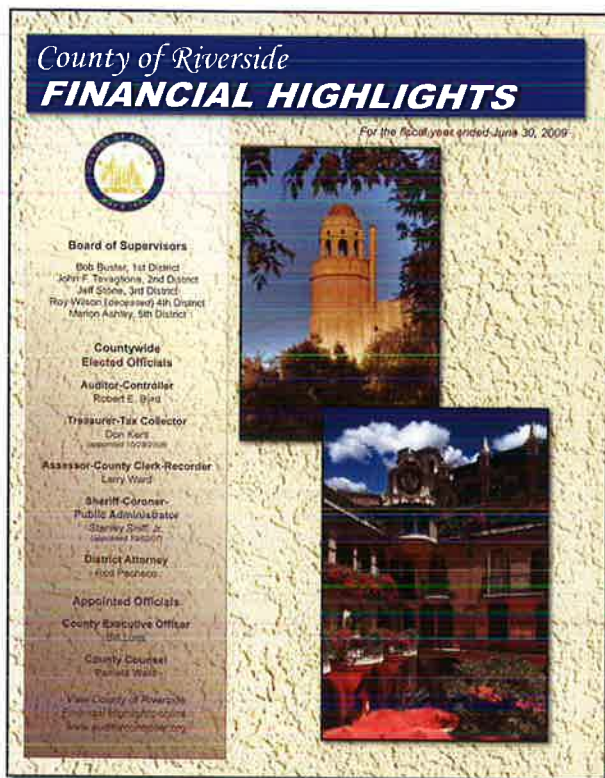
|  |    |
|--|----|
| A message from your Auditor-Controller.....  | 3  |
| 2009 Financial Highlights Award .....        | 6  |
| County Profile .....                         | 7  |
| Organizational Structure .....               | 8  |
| Countywide Elected Officials .....           | 9  |
| Board of Supervisors .....                   | 11 |
| Government-wide Financial Statements         |    |
| Statement of Net Assets .....                | 12 |
| Capital Assets & Long-term Liabilities ..... | 13 |
| Government-wide Trends                       |    |
| Cash and Investments, Net Assets.....        | 14 |
| Government-wide Statistics.....              | 15 |
| Government-wide Financial Statements         |    |
| Statement of Activities .....                | 16 |
| Government-wide Trends                       |    |
| Revenues, Expenses.....                      | 17 |
| Revenues by Source .....                     | 18 |
| Expenses by Function .....                   | 19 |
| Property Taxes.....                          | 20 |
| Demographics .....                           | 22 |
| Service Operating Indicators .....           | 24 |
| Internet Resources .....                     | 26 |

# Financial Highlights Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Riverside for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The County of Riverside received a Popular Award for last fiscal year ended June 30, 2009. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we have submitted it to GFOA.



# County Profile

## County of Riverside Mission Statement

"Provide local government services as mandated by the State and Federal law, and discretionary services as requested by County taxpayers, within the bounds of available fiscal resources, in a manner which reflects favorably upon the profession of public service and the American form of democratic government."

## County of Riverside Vision

"Our vision is to be a proactive county that provides community, business, government, and regional leadership. We will set an exemplary standard of performance among counties by providing our citizens with cost-effective, efficient, and reliable government services, and by developing creative solutions to critical community-wide problems confronting all segments of our constituency. We will anticipate and address the challenges of environmental quality, societal change, and economic competitiveness while striving to make Riverside County an even better place to live, work, raise our families, and do business."

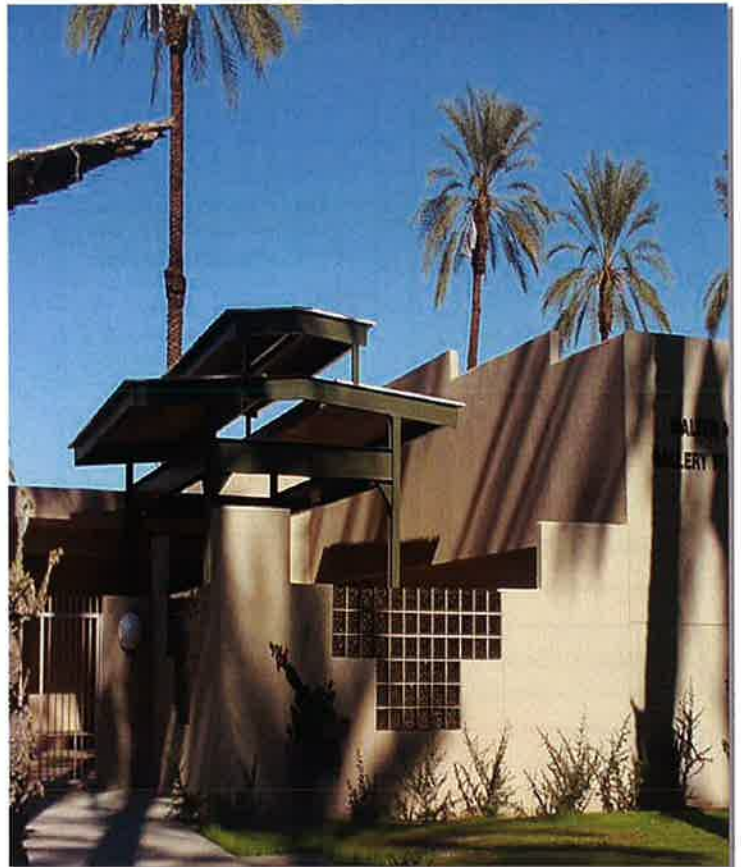
## County of Riverside Overview

Riverside County is the state's fourth largest county by area. It 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.

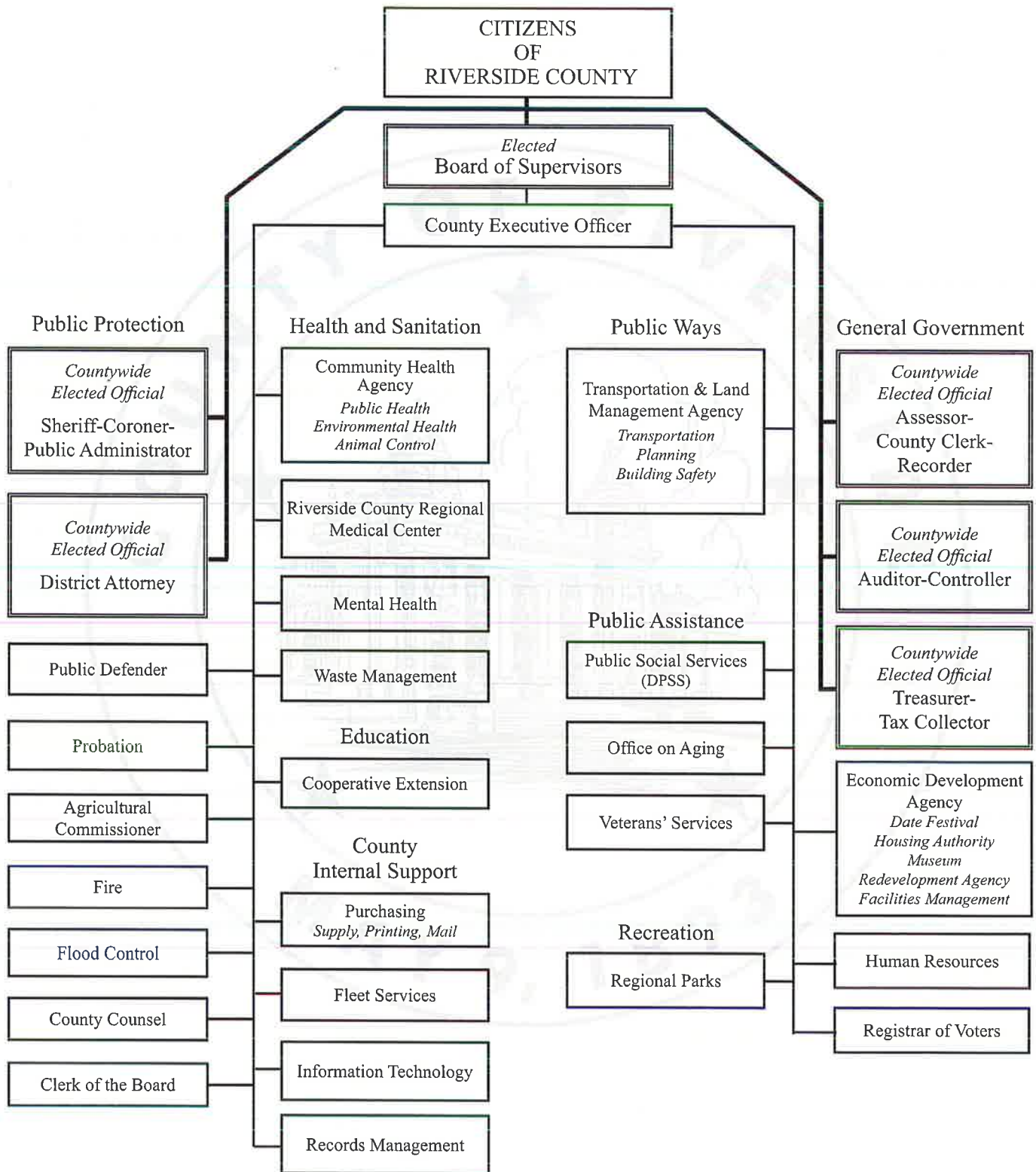
There are 27 incorporated cities located within the County. The largest cities in the County are the city of Riverside (the county seat) with a population of 304,051 Moreno Valley with a population of 188,537, and Corona with a population of 150,416.

Total County population was 2,139,535 on January 1, 2010, an increase of 1.5% compared to the revised estimate for 2009 from the California State Department of Finance. Estimated population figures are developed by the state as of January 1 of each year with a revised estimate for the prior year. Approximately 21.8% of the County's residents live in the unincorporated area. Riverside County has large and rapidly expanding trade, transportation, utilities, distribution and manufacturing industries.

Agriculture has been the traditional foundation of the Riverside County economy; a transition is well underway toward an urban way of life with a multi-faceted economy. This change is being driven in part by economic and political forces at the regional, State, and national levels. However, Riverside County residents, through their elected representatives, will make the key local decisions that will shape Riverside County, differentiating it in character and quality of life from adjoining counties.



# Organizational Structure



# Countywide Elected Officials



Robert E. Byrd  
Auditor  
Controller



Don Kent  
Treasurer  
Tax Collector



Larry Ward  
Assessor  
County Clerk  
Recorder



Stanley Sniff, Jr.  
Sheriff  
Coroner  
Public Administrator



Rod Pacheco  
District Attorney

# Board of Supervisors



## **Bob Buster - District 1**

The First Supervisorial District includes areas within the City of Riverside (the La Sierra and Arlington communities), as well as the City of Lake Elsinore. The District also comprises unincorporated communities including Lakeland Village, Lake Mathews, Mead Valley, Wildomar, Santa Rosa Rancho, and portions of Gavilan Hills and Woodcrest.



## **John F. Tavaglione - District 2**

The Second Supervisorial District includes the Cities of Corona and Norco; approximately one-third of the City of Riverside, including the Magnolia Center and Municipal Airport areas, Casa Blanca, and the Eastside Community. Unincorporated communities within the Second Supervisorial District include the Jurupa Valley (Rubidoux, Glen Avon, Sunnyslope, Pedley, Mira Loma); and Home Gardens, El Cerrito, Coronita, Eastvale (the newest city as of October 1, 2010) and Green River.



## **Jeff Stone - District 3**

The Third Supervisorial District includes the Cities of Canyon Lake, Hemet, San Jacinto, Menifee, Murrieta, Temecula, and Wildomar. The District also includes the unincorporated areas of Anza, Aguanga, Idyllwild, Valle Vista, Winchester, and Wine Country, Pinyon Pines.



## **John Benoit - District 4**

The Fourth Supervisorial District includes the Cities of Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, and Blythe. Unincorporated communities include: Bermuda Dunes, Sky valley, Desert Edge Thousand Palms, Sky Valley, Hot Springs, Indio Hills, Mecca, Thermal, Oasis, Vista, Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, Ripley, and the Colorado River Communities.



## **Marion Ashley - District 5**

The Fifth Supervisorial District includes the Cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, Desert Hot Springs, and northern Palm Springs. 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 District also includes the Tribal Governments from the Sovereign Nations of the Morongo Band of Mission Indians and the Agua Caliente Band of Cahuilla Indians, and a portion of March Air Reserve Base.



# Government-wide Financial Statements

## Statement of Net Assets

### Primary Government (in thousands)

|  | 2010                | 2009                | Variance          |
|--|---------------------|---------------------|-------------------|
| <b>ASSETS:</b>                                     |                     |                     |                   |
| Cash and investments                               | \$ 1,638,237        | \$ 1,924,746        | \$ (286,509)      |
| Receivables, net                                   | 556,610             | 526,835             | 29,775            |
| Inventories  | 14,132              | 13,717              | 415               |
| Pension asset, net                                 | 426,896             | 418,774             | 8,122             |
| OPEB asset, net                                    | 18,585              | 14,249              | 4,336             |
| Prepaid items and deposits                         | 7,200               | 18,810              | (11,610)          |
| Restricted cash and investments                    | 714,807             | 710,762             | 4,045             |
| Other noncurrent receivables                       | 36,080              | 37,183              | (1,103)           |
| Notes receivable                                   | 67,192              | 37,934              | 29,258            |
| Land held for resale                               | 79,665              | 80,035              | (370)             |
| Unamortized bond issuance costs                    | 24,281              | 23,628              | 653               |
| Deferred outflows of resources                     | 27,890              | -                   | 27,890            |
| Capital assets:                                    |                     |                     |                   |
| Nondepreciable assets                              | 1,147,635           | 914,919             | 232,716           |
| Depreciable assets, net                            | 2,425,340           | 2,189,802           | 235,538           |
| <b>Total assets</b>                                | <b>7,184,550</b>    | <b>6,911,394</b>    | <b>273,156</b>    |
| <b>LIABILITIES:</b>                                |                     |                     |                   |
| Current Liabilities:                               |                     |                     |                   |
| Accounts payable                                   | 150,553             | 154,016             | (3,463)           |
| Salaries and benefits payable                      | 63,234              | 117,920             | (54,686)          |
| Due to other governments                           | 56,606              | 62,849              | (6,243)           |
| Interest payable                                   | 17,622              | 17,536              | 86                |
| Deposits payable                                   | 3,521               | 2,084               | 1,437             |
| Notes payable                                      | 257,300             | 266,629             | (9,329)           |
| Other liabilities                                  | 5,046               | 6,303               | (1,257)           |
| Unearned revenue                                   | 209,338             | 147,564             | 61,774            |
| Interest rate swap                                 | 27,890              | -                   | 27,890            |
| Long-term liabilities:                             |                     |                     |                   |
| Due within one year                                | 231,769             | 224,147             | 7,622             |
| Due beyond one year                                | 2,347,629           | 2,266,171           | 81,458            |
| <b>Total liabilities</b>                           | <b>3,370,508</b>    | <b>3,265,219</b>    | <b>105,289</b>    |
| <b>NET ASSETS:</b>                                 |                     |                     |                   |
| Invested in capital assets,<br>net of related debt | 1,691,176           | 1,286,483           | 404,693           |
| Restricted for:                                    |                     |                     |                   |
| Community development                              | 246,626             | 522,174             | (275,548)         |
| Debt service                                       | 123,216             | 130,462             | (7,246)           |
| Health and sanitation                              | 32,048              | 28,531              | 3,517             |
| Public protection                                  | 46,521              | 39,226              | 7,295             |
| Public ways & facilities                           | 195,363             | 143,033             | 52,330            |
| Other programs                                     | 11,554              | 13,215              | (1,661)           |
| Unrestricted                                       | 1,467,538           | 1,483,051           | (15,513)          |
| <b>Total net assets</b>                            | <b>\$ 3,814,042</b> | <b>\$ 3,646,175</b> | <b>\$ 167,867</b> |

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 or not the financial position of the County is improving.

The County's total net assets increased by 4.6%, or \$167.9 million, during fiscal year 2009-10. \$162.5 million of the increase in net assets was from governmental activities and \$5.4 million of the increase was 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**

This component of net assets represents the amount that is unavailable for reducing debt or paying for services because it is the value of the capital assets themselves, not liquid assets like cash or equivalents that could be used to pay the bills. The balance represents 44.3%, or \$1.7 billion, of the County's total net assets under this category for fiscal year 2009-10

#### **Restricted net assets**

This component of net assets represents the amount that is available for use only as allowed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. The balance in this category accounts for 17.2%, or \$655.3 million, of the County's total net assets for fiscal year 2009-10.

#### **Unrestricted net assets**

This component of the County's total net assets is the amount that is available and may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2009-10, \$1.4 billion is from governmental activities, and \$72.4 million is from business-type activities. The balance in this category is 38.5%, or \$1.4 billion, of the County's total net assets for fiscal year 2009-10.

# Capital Assets & Long-Term Liabilities

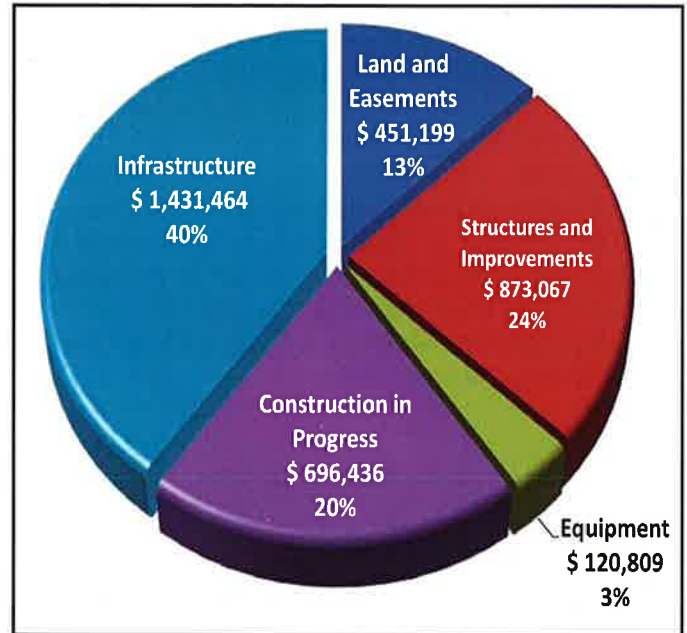
## Capital Assets

As of June 30, 2010, the County's capital assets for both governmental and business-type activities amounted to \$3.6 billion (net of depreciation). The capital assets include land and easements, land improvements, construction in progress, infrastructure (channels, storm drains, basins, roads, traffic signals, bridges, runways, and parks), structures and improvements, and equipment.

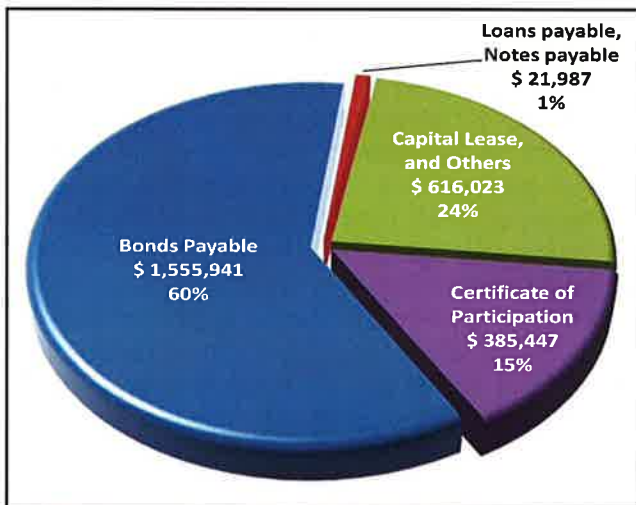
Major projects under construction in fiscal year 2009-2010 included the following:

- Roads and signal infrastructures—\$75.3 million.
- Lake Skinner and Rancho Jurupa Parks—\$7.1 million.
- Siemens Hospital Information System—\$4.8 million.
- Rubidoux Youth Opportunity Center and Boxing Club Project—\$9.3 million
- Radio communication towers for Public Safety Enterprise—\$24.4 million.
- Flood incurred \$6.6 million in new projects consisting of Belltown Market Street Storm Drain.

**Capital Assets, net of depreciation**  
(in thousands)



**Outstanding Debt Obligation**  
(in thousands)



## Long-Term Liabilities

As of June 30, 2010, the County's outstanding debt obligation for its government-wide activities amounted to \$2.6 billion. Long-term debt incurred by the County of Riverside includes bonds, certificates of participation, loans, capital leases, and others.

The following are credit ratings maintained by the County

|                      | <u>Moody's Investors Service, Inc</u> | <u>Standard &amp; Poor's Corp.</u> |
|----------------------|---------------------------------------|------------------------------------|
| Long-term lease debt | A1                                    | AA-                                |
| Issuer credit        | Aa2                                   | AA                                 |

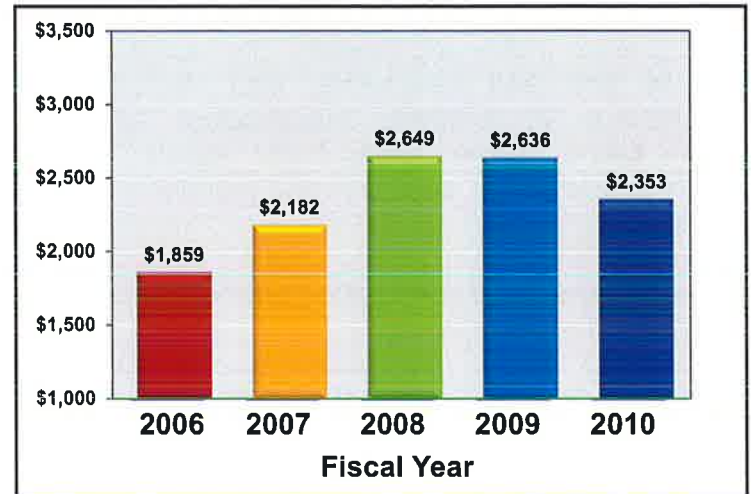
# Government-wide Trends

## Cash and Investments

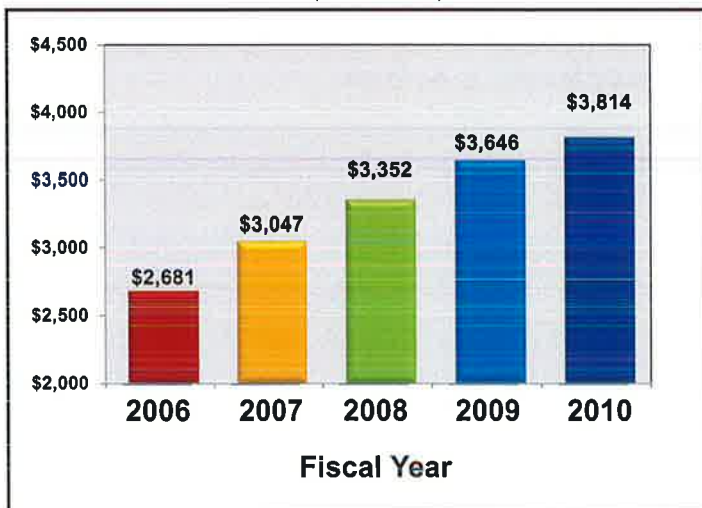
The Cash and Investments represented in the Government-wide Statement of Net Assets includes Cash and Investments that are available for use, as well as Restricted Cash and Investments for both governmental and business-type activities.

Increased cash flow brought on by economic growth, and increased demand for government services resulted in increased cash balances from 2006 through 2007. The increase in 2008 was due to increase in long-term debt, and construction delays that caused a buildup of restricted cash. In 2009 and 2010, many construction projects were performed with previous year's reserves and borrowings.

**Cash and Investments**  
(in millions)



**Net Assets**  
(in millions)



## Net Assets

Net Assets is total assets less total liabilities of the primary government. Net assets serve as a useful indicator of a government's financial condition. 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 \$3.8 billion. The most significant increase in net assets is the capital investment net of related debt in the amount of \$404.7 million, offset by \$221.3 million decrease in restricted net assets and a decrease in unrestricted net assets in the amount of \$15.5 million.

# Government-wide Statistics

## Liquidity Ratios

The current ratio and the quick ratio indicate the County's ability to pay its bills. The current ratio trend for 2010 is favorable because it increased to 3.99 times in 2010 from 3.93 times in 2009.

The quick ratio trend is favorable because it rose to 7.49 times in 2010 from 6.84 times in 2009.

The fund balance ratio is the same. It was 0.53 times in 2008, 0.46 times in 2009 and 2010. This trend represents a reduction in the County's ability to pay its short-term obligations when they come due.

|               | 2010       | 2009       | 2008       |
|---------------|------------|------------|------------|
| Current Ratio | 3.99 times | 3.93 times | 4.73 times |
| Quick Ratio   | 7.49 times | 6.84 times | 6.80 times |
| Fund Balance  | 0.46 times | 0.46 times | 0.53 times |

## Activity Ratios

An increase in the accounts receivable (AR) turnover ratio indicates the average number of times the AR balance is fully paid throughout the year. The AR turnover is unfavorable. It is 6.00 times in 2010 as compared to 6.62 times in 2009.

The average collection period is a representation of the AR turnover in terms of days. This ratio is unfavorable. In 2010, it took 61 days to collect (365 days/6.00), as compared to 55 days in 2009 (365/6.62).

|                           | 2010       | 2009       | 2008       |
|---------------------------|------------|------------|------------|
| AR Turnover               | 6.00 times | 6.62 times | 6.16 times |
| Average Collection Period | 61 days    | 55 days    | 59 days    |

## Debt Ratios

The long-term debt/assets ratio gives an indication of the County's ability to issue new debt. The lower the organization's reliance on debt for asset formation, the less risky the organization is, since excessive debt can lead to a heavy repayment burden. In 2010 this ratio is favorable at 35.9%, which is decreased from 36% in 2009.

The debt service coverage indicates the resources available to repay the debt already issued. In 2010, this ratio is also favorable at 12.91 times in 2010, compared to 12.34 times in 2009.

|                       | 2010        | 2009        | 2008        |
|-----------------------|-------------|-------------|-------------|
| Long-term Debt/Assets | 35.9 %      | 36.0 %      | 38.5 %      |
| Debt Service Coverage | 12.91 times | 12.34 times | 11.64 times |

# Government-wide Financial Statements

## Statement of Activities

Primary Government (in thousands)

|   | 2010             | 2009             | Variance         |
|---|------------------|------------------|------------------|
| <b>Revenues:</b>                              |                  |                  |                  |
| Program revenues:                             |                  |                  |                  |
| Charges for services                          | \$1,068,853      | \$1,055,818      | \$ 13,035        |
| Operating grants                              | 1,384,791        | 1,344,611        | 40,180           |
| Capital grants                                | 32,277           | 30,081           | 2,196            |
| General revenues:                             |                  |                  |                  |
| Property taxes                                | 440,282          | 506,222          | (65,940)         |
| Sales and use taxes                           | 36,289           | 47,683           | (11,394)         |
| Other taxes                                   | 8,610            | 13,771           | (5,161)          |
| Motor vehicle in-lieu taxes                   | 246,493          | 273,825          | (27,332)         |
| Investment earnings                           | 30,468           | 93,183           | (62,715)         |
| Other   | 91,044           | 121,880          | (30,836)         |
| <b>Total revenues</b>                         | <b>3,339,107</b> | <b>3,487,074</b> | <b>(147,967)</b> |
| <b>Expenses:</b>                              |                  |                  |                  |
| General government                            | 323,949          | 285,393          | 38,556           |
| Public protection                             | 1,062,213        | 1,095,587        | (33,374)         |
| Public ways and facilities                    | 31,024           | 31,283           | (259)            |
| Health and sanitation                         | 347,634          | 392,945          | (45,311)         |
| Public assistance                             | 820,637          | 770,484          | 50,153           |
| Education                                     | 19,866           | 15,954           | 3,912            |
| Recreation and culture                        | 12,206           | 6,039            | 6,167            |
| Interest on long-term debt                    | 80,754           | 89,741           | (8,987)          |
| Regional Medical Center                       | 389,991          | 379,278          | 10,713           |
| Waste Management                              | 49,956           | 61,116           | (11,160)         |
| Housing Authority                             | 81,426           | 81,139           | 287              |
| Flood Control                                 | 3,233            | 3,816            | (583)            |
| County Service Areas                          | 454              | 457              | (3)              |
| <b>Total expenses</b>                         | <b>3,223,343</b> | <b>3,213,232</b> | <b>10,111</b>    |
| Change in net assets                          | 115,764          | 273,842          | (158,078)        |
| Net Assets, Beginning of Year,<br>as Restated | 3,698,278        | 3,372,333        | 325,945          |
| Net Assets, End of Year                       | \$ 3,814,042     | \$ 3,646,175     | \$ 167,867       |

Statement of Activities illustrated here, represents combined activities of governmental and business-type. Governmental functions are supported by property taxes, sales taxes and other intergovernmental revenues, and the business-type is mainly supported by user fees and charges. Governmental activities are inclusive of General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and Internal Service Funds. Business-type activities are supported by Enterprise Funds.

Majority of the functions that are supported by governmental activities are: Information Services, Oasis, Sheriff, District Attorney, Social Services, Transportation, Economic Development, Facilities Management, Community Health, Mental Health, Finance, Human Resources, Assessor, Treasurer-Tax Collector, and other small general government functions. Functions supported by user fees and charges are: Regional Medical Center, Waste Management, Housing Authority, and County Service Areas.

### Revenues

As the economy is slowly recovering, the County still encountered a decrease of \$148.0 million in revenues. The decrease was attributable to general revenues: lower property tax collected, decline in interest earning from lower interest rates, and a decrease in motor vehicle in-lieu taxes. The decrease was offset by the increase in program revenues, which resulted from increase funding on federal funds for economic development projects and additional contracts for charges for services.

### Expenses

The expenses in the 2010 slight increased by \$10.1 million. The increase was mainly due to governmental type activities. The governmental type activities are: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and culture, and interest on long-term debt.

# Government-wide Trends

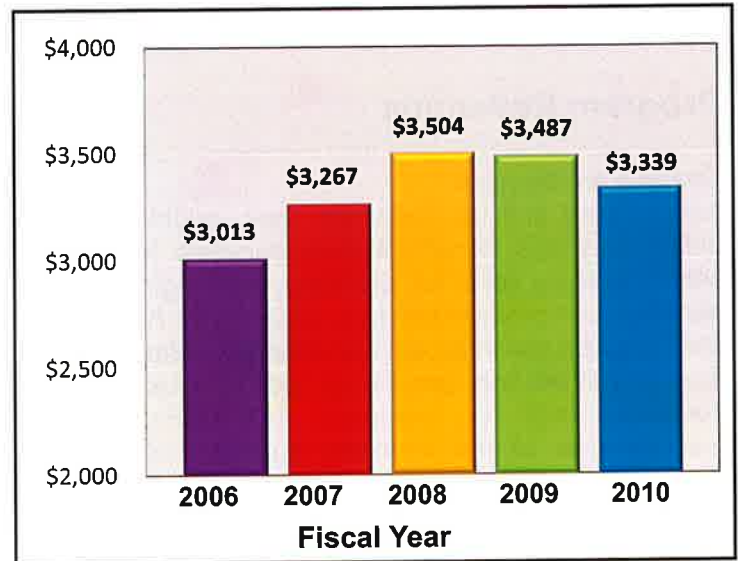
## Revenues

The slow economic growth continues to influence the County's general revenues; a reduction in Proposition 172 public safety sales tax, an unexpected decrease in mandated client service programs provided by the Department of Public Social Services (DPSS), and a decrease in reimbursement through the Mental Health Service Act (MHSA) and Mental Health managed care from the state. The slight increase in charges for services was primarily the result of increased revenues from city's law enforcement contracts with the Sheriff Department and new city fire protection contracts with the Fire Department.

Revenue increases from 2006 through 2008 were brought about by a combination of factors. Primarily, housing boom increased property values that influenced our revenue. Riverside County's population grew from 1.7 million in 2004 to over 2.0 million in 2008. With an increase of 100,000 citizens per year, federal and state grant revenue has grown substantially.

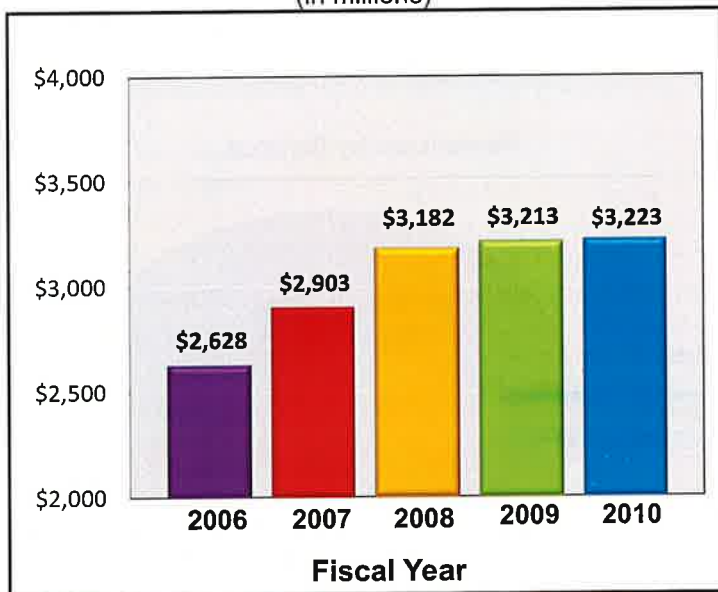
## Five Year Trend - Revenues

(in millions)



## Five Year Trend - Expenses

(in millions)



## Expenses

Expenses are a representation of the services we provide to the citizens of Riverside County. As stated above, the increase of 100,000 citizens in population for each of the last four years has resulted in an increase demand for local government services. In an effort of trying to maintain a balanced budget, Riverside County is working hard to keep our communities safe and provide quality service for our citizens.

In fiscal year 2010, the increase of expenditure in general government was due to the state payment for Educational Revenue Augmentation Fund (ERAF) from Redevelopment Agency. The decrease in public protection was due to a salary saving and a reduction of firearms and communication equipment from the Sheriff Department. The decrease in health and sanitation was due to furloughs, personnel reductions, professional service reductions, and loss of state funding from the Community Health Agency and Mental Health Department. The increase in public assistance was due to increase in Neighborhood Stabilization Program, additional Workforce Investment Act grant funds; including American Recovery Reinvestment Act funds.

# Revenues by Source

The statement of activities reports revenue by sources using government-wide reporting standards. To assist the reader in understanding what makes up the various sources referenced, we have provided the following detailed listing:

## Program Revenues

### Charges for Services

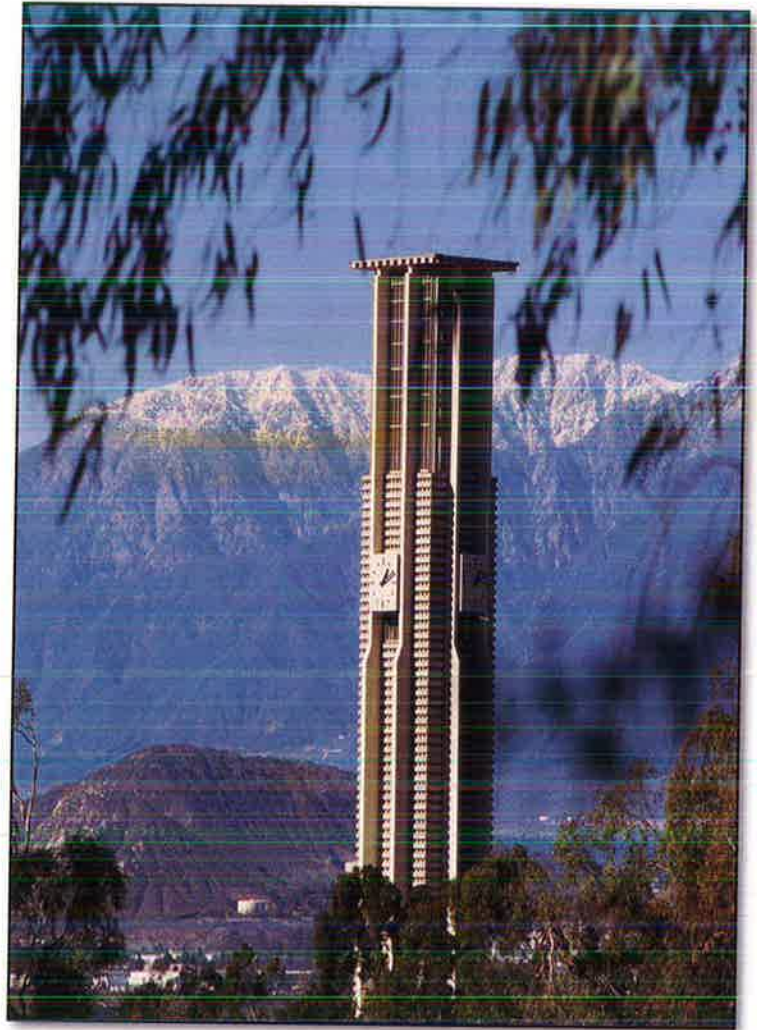
Assessment and tax collection fees, auditing and accounting fees, communication services, election services, legal services, planning and engineering services, civil process services, estate fees, humane services, law enforcement services, recording fees, road and street services, health fees, mental health services, sanitation services, institutional care and services, animal licenses, business licenses, construction permits, road privileges and permits, zoning permits, franchises and other licenses and permits, vehicle code fines, other court fines, forfeitures and penalties in addition to penalties and costs on delinquent taxes, and parking fees.

### Operating Grants

State, federal, other government, and private contributions to fund specific programs.

### Capital Grants

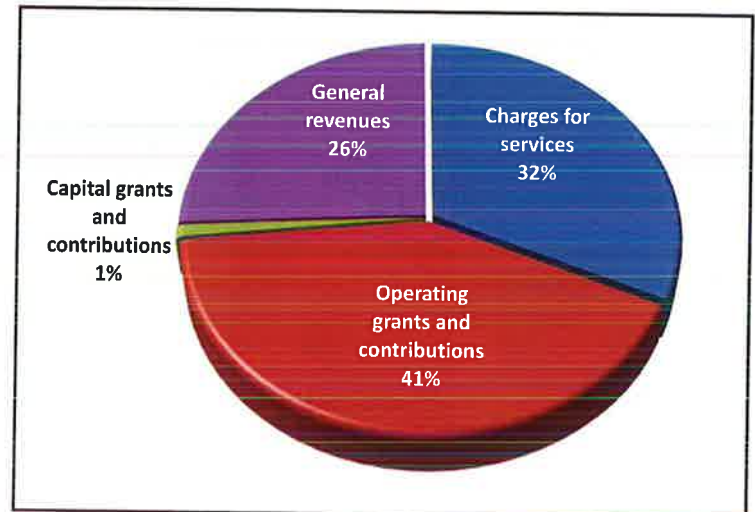
State, federal, other government, and private contributions to fund capital purchases for specific programs.



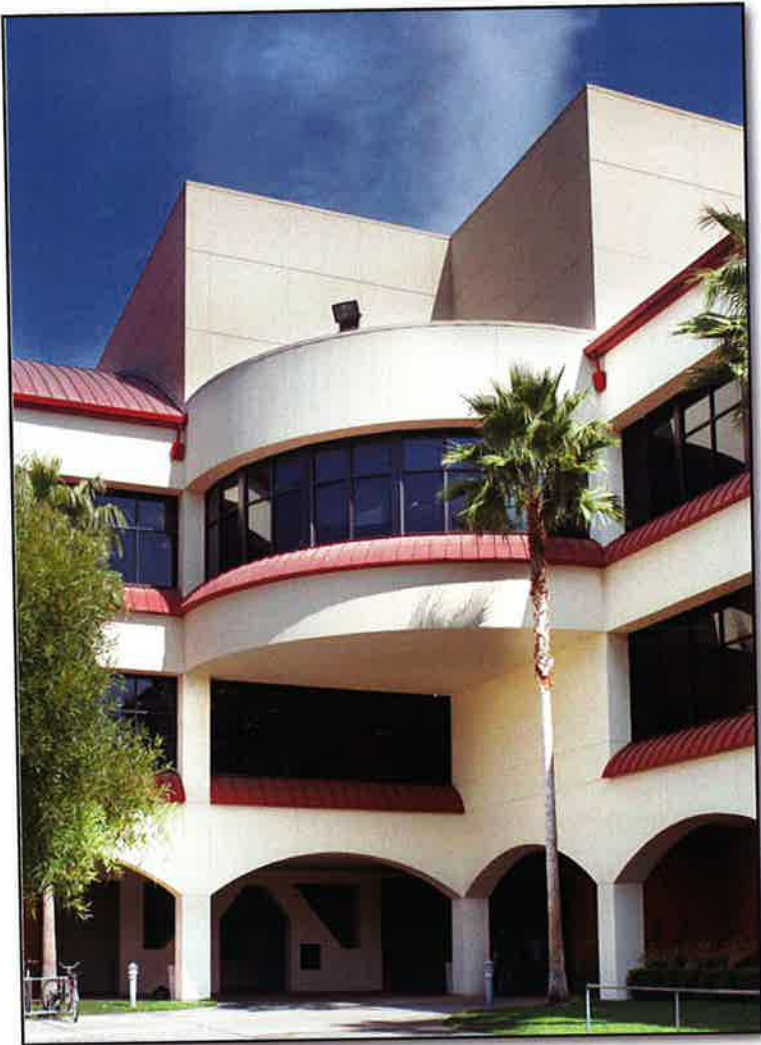
## General Revenues

Taxes: Property taxes, sales and use taxes as well as other county levied taxes, investment income, rents and concessions, sale of surplus property, contributions and donations, non-governmental grants and unclaimed money.

Revenues by Source



# Expenses by Function



Expenses by Function

The following list provides details to define the County departments included in each of the functional categories listed in the statement of activities:

## **General Government**

Assessor, Auditor-Controller, Treasurer-Tax Collector, Economic Development Agency, Date Festival, Housing Authority, Human Resources, Registrar of Voters, Redevelopment Agency, Public Safety Enterprise Communication, Facilities Management, Board of Supervisors, Executive Office, County Counsel and Purchasing.

## **Public Protection**

Sheriff, Coroner, Public Administrator, District Attorney, Public Defender, Probation, Fire, Agricultural Commissioner, Animal Control, County Clerk-Recorder, Flood Control, Planning, Building and Safety, Department of Child Support Services, Juvenile Hall and Code Enforcement.

## **Public Ways and Facilities**

Transportation and Land Management Agency, Surveyor, Transportation, County Airports and County Service Areas.

## **Health and Sanitation**

Public Health, Environmental Health, Detention Health Services, California Children's Services, Mental Health, Regional Medical Center and Waste Management.

## **Public Assistance**

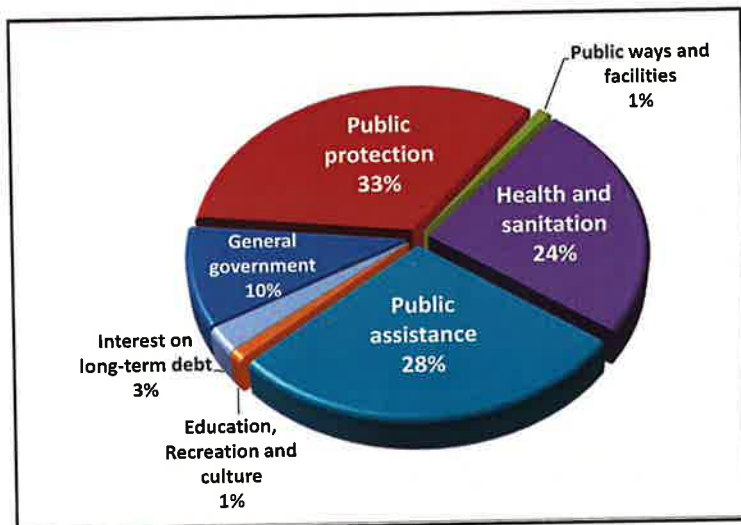
Department of Public Social Services, Community Action Partnership, Office on Aging, Veteran's Services and Housing Authority.

## **Education**

Cooperative Extension and County Library.

## **Recreation and Culture**

Regional Parks and Edward Dean Museum.





# Property Taxes

## How the Property Tax System Works

### Assessor-Clerk-Recorder

Assesses all real estate and personal property (businesses, manufactured homes, boats & airplanes) located throughout the entire County.



### Auditor-Controller

Receives the assessments from the Assessor and applies the appropriate tax rate to determine the actual amount of property tax owed.



### Treasurer-Tax Collector

Mails out the property tax bills, collects the money, and deposits it in the County Treasury.



### Auditor-Controller

Receives and allocates the money to local taxing agencies, including the County, cities, schools, and special districts.



## CREST Project

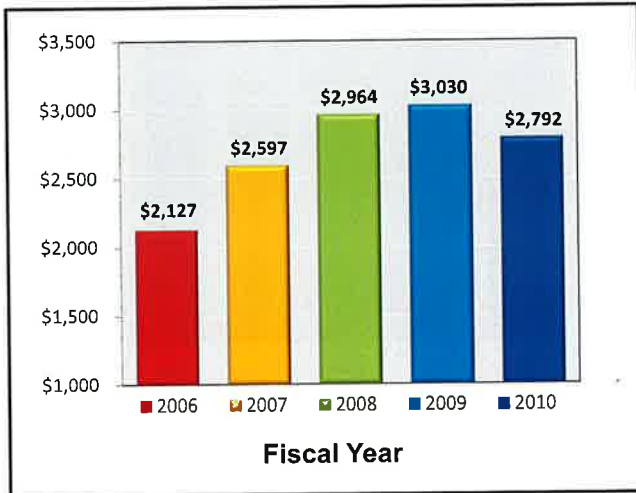
The Assessor-County Clerk-Recorder, Auditor-Controller, and Treasurer-Tax Collector teamed up to collectively develop a new integrated property tax management system. The project begins with a Business Process Re-engineering phase that documents the integrated roles of the three departments. This phase identifies the current system's capabilities, strengths, and weaknesses. The second phase of the project is to implement a new integrated property tax management system based on new technology. It will take three years to build the entire system.

## Where did your property tax dollar go in fiscal year 2009-2010?

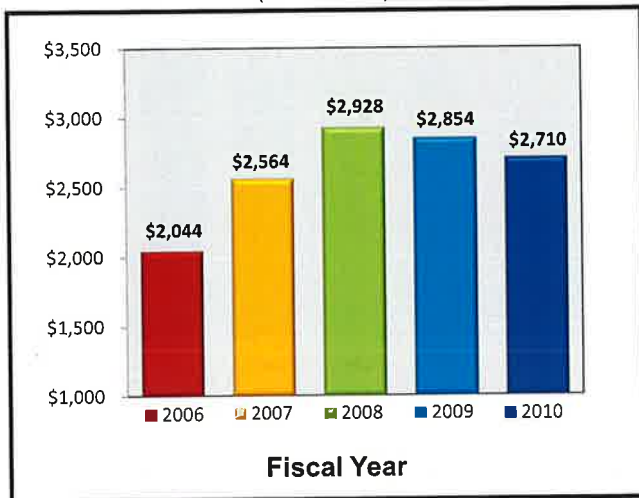


# Property Taxes

**Tax Levies**  
(in millions)



**Tax Collections**  
(in millions)



**Riverside County  
Principal Property Tax Payers**  
(Property tax in thousands)

|  |          |
|--|----------|
| 1. Southern California Edison Co. ....   | \$16,374 |
| 2. Verizon California Inc.....           | 8,607    |
| 3. Inland Empire Energy Center LLC.....  | 7,768    |
| 4. Deutsche Bank National Trust Co. .... | 7,610    |
| 5. So. California Gas Co.....            | 5,694    |
| 6. U.S. Bank National Association.....   | 5,420    |
| 7. Centex Homes.....                     | 4,586    |
| 8. Bank of New York .....                | 3,744    |
| 9. Tyler Mall LTD Partnership .....      | 3,270    |
| 10. Abott Vascular Inc.....              | 3,238    |

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 is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest. If the delinquent taxes are not paid at the end of five 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.

For more property tax information visit the County of Riverside's Property Tax Portal at:

[www.riversidetaxinfo.com](http://www.riversidetaxinfo.com)



creating a better place  
to live, work and play

**PROPERTY TAX PORTAL**

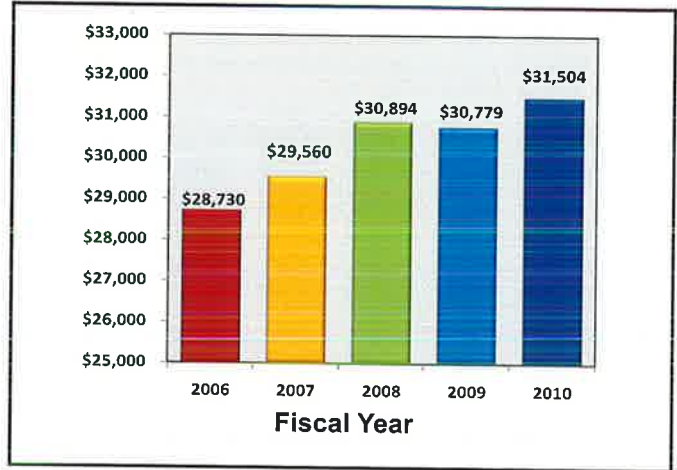


# Demographics

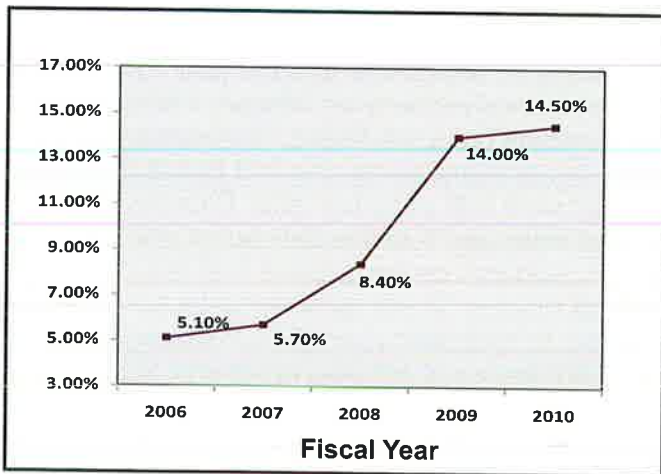
**Riverside County  
Principal Employers**  
(number of employees)

|   |        |
|---|--------|
| 1. County of Riverside .....                  | 18,456 |
| 2. March Air Reserve Base .....               | 8,600  |
| 3. U.C. Riverside .....                       | 7,321  |
| 4. Stater Brothers Market .....               | 6,900  |
| 5. Wal-Mart .....                             | 6,550  |
| 6. Riverside Unified School District .....    | 5,099  |
| 7. Abbott Vascular .....                      | 4,500  |
| 8. Pechanga Resort & Casino .....             | 4,000  |
| 9. Kaiser Permanente Riverside Medical. ...   | 3,600  |
| 10. Temecula Valley Unified School District . | 2,752  |

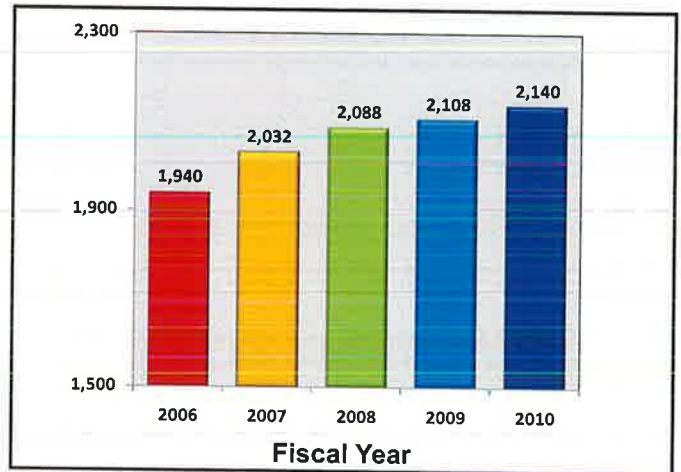
**Per Capita Income**



**Unemployment Rate**

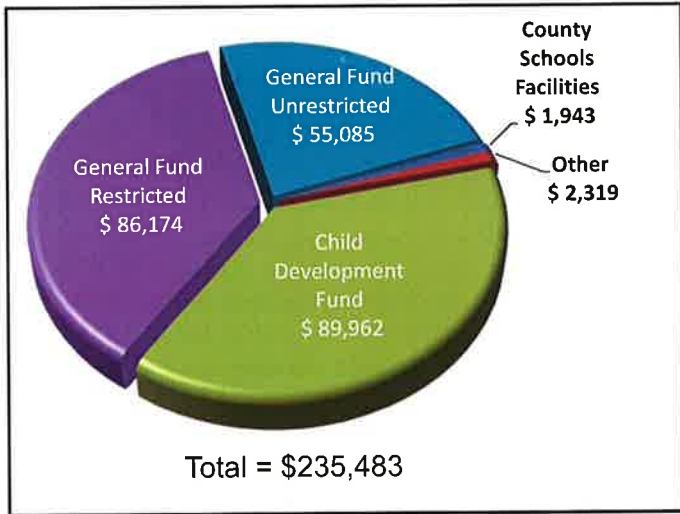


**Population**  
(in thousands)



# Demographics

## Riverside County Office of Education Budget 2009-2010 (in thousands)



## Public School sites in Riverside County

|                                    |            |
|------------------------------------|------------|
| Charter Schools.....               | 14         |
| Elementary Sites .....             | 288        |
| Middle/Junior High Sites.....      | 70         |
| Continuation/Adult Education ..... | 42         |
| High School .....                  | 58         |
| <b>Total Schools .....</b>         | <b>472</b> |

## Number of Riverside County School Districts

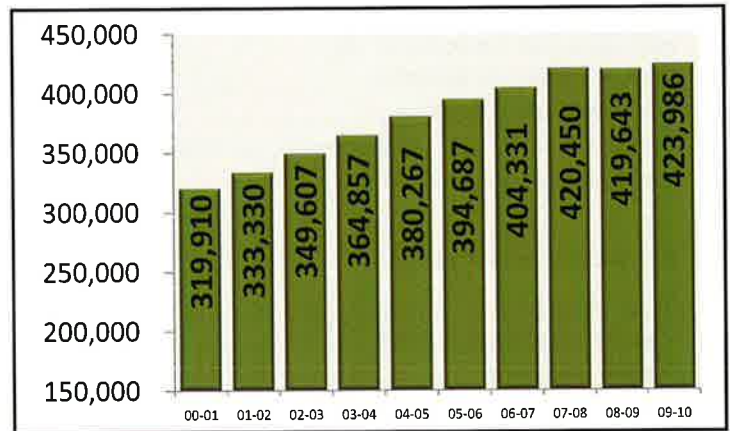
|                   |    |
|-------------------|----|
| Elementary .....  | 4  |
| High School ..... | 1  |
| Unified .....     | 18 |

## Riverside County Average State Funding Per Pupil

|                             |         |
|-----------------------------|---------|
| Elementary Districts.....   | \$4,737 |
| High School Districts ..... | \$6,231 |
| Unified Districts.....      | \$4,984 |

Additional information about the Riverside County Office of Education may be found at their website:  
[www.rcoe.us](http://www.rcoe.us)

## Kindergarten Through 12th Grade Enrollment Growth 1999-2010



# Service Operating Indicators

## Community Health Agency

|  |         |
|--|---------|
| Facilities inspections.....  | 31,213  |
| Inspections include fixed food facilities, pools, spas, hazardous material generators and miscellaneous food operations                                  |         |
| Patient visits .....   | 142,617 |
| Patient services performed.....  | 313,409 |
| Services include family planning, primary health care, prenatal care, urgent care, breast cancer early detection, child health and disability prevention |         |
| Animal impound.....  | 62,770  |
| Spays and neuters.....   | 7,225   |

## Public Social Services

|   |         |
|---|---------|
| CalWORKs clients .....  | 31,022  |
| Food stamp clients .....  | 74,484  |
| Medi-Cal clients .....  | 116,758 |
| In-home supportive services.....  | 16,852  |
| Services include meal preparation and cleanup, food shopping, bathing, dressing, personal care, domestic services (cleaning), assistance with medications, etc. |         |
| Foster care placements .....  | 3,085   |
| Child welfare services.....   | 9,591   |
| Services include child adoptions and investigations of child abuse, neglect or abandonment  |         |

## Auditor-Controller

|  |         |
|--|---------|
| Invoices paid.....                     | 488,192 |
| Vendor warrants issued.....            | 300,428 |
| Active vendors .....                   | 64,761  |
| Payroll warrants (checks) issued.....  | 532,904 |
| Average paychecks per pay period ..... | 19,737  |

## Waste Management

|                         |           |
|-------------------------|-----------|
| Landfill tonnage .....  | 1,032,942 |
| Recycling tonnage ..... | 1,803     |

## Sheriff

|   |         |
|---|---------|
| Number of bookings .....  | 55,306  |
| Coroner case load .....   | 10,027  |
| Calls for services—Unincorporated areas (contract cities not included)..... | 255,601 |

## Veterans' Services

|                                |        |
|--------------------------------|--------|
| Phone inquiries answered ..... | 41,569 |
| Client interviews .....        | 25,209 |
| Claims filed .....             | 5,581  |

## Fire

|   |        |
|---|--------|
| Medical assistance .....  | 94,193 |
| Fires extinguished .....  | 4,449  |
| Other services .....  | 17,076 |
| Other services include fire menace standbys (bomb threats, electrical hazards, gas hazards, etc.), public service assists (assisting other agencies, persons, flooding, etc.) and false alarms. |        |
| Communities served.....   | 78     |

## Assessor-Clerk-Recorder

|                                     |         |
|-------------------------------------|---------|
| Assessments .....                   | 941,928 |
| Official records recorded .....     | 673,674 |
| Vital records copies issued.....    | 87,194  |
| Official records copies issued..... | 26,348  |

## Registrar of Voters

|                        |           |
|------------------------|-----------|
| Voting precincts ..... | 2,370     |
| Polling places .....   | 1,158     |
| Voters .....           | 1,815,892 |
| Poll workers .....     | 4,186     |



# Service Operating Indicators

## County Regional Medical Center

|  |         |
|--|---------|
| Emergency room treatments .....            | 96,993  |
| Emergency room services–Mental Health..... | 14,288  |
| Clinic visits.....                         | 131,624 |
| Admissions .....                           | 23,536  |
| Patient days.....                          | 121,915 |
| Discharges.....                            | 23,559  |

## TLMA - Building & Safety

|                                    |       |
|------------------------------------|-------|
| Building permits issued.....       | 1,248 |
| Building plans checked.....        | 1,241 |
| Building structures inspected..... | 1,321 |

## Community Action Partnership

|                                      |        |
|--------------------------------------|--------|
| Utility assistance (households)..... | 27,956 |
| Weatherization (households).....     | 2,083  |
| Energy education attendees.....      | 11,725 |
| Disaster relief (residents).....     | 17,989 |
| Income tax returns prepared .....    | 2,257  |
| After school program (students)..... | 13,800 |
| Mediation(cases) .....               | 2,237  |
| Leadership program enrollment.....   | 182    |

## County Library

|                                   |           |
|-----------------------------------|-----------|
| Total circulation - books .....   | 3,718,343 |
| Reference questions answered..... | 370,619   |
| Patron door count.....            | 3,599,064 |
| Programs offered.....             | 7,214     |
| Programs attendance .....         | 148,612   |
| Branch libraries.....             | 33        |
| Book mobiles .....                | 2         |

## Probation

|   |        |
|---|--------|
| Adults on probation .....               | 17,790 |
| Juveniles in secure detention .....     | 248    |
| Juveniles in treatment facilities.....  | 125    |
| Juveniles in detention facilities ..... | 13,385 |

## Mental Health

|   |        |
|---|--------|
| Mental health clients.....                  | 30,657 |
| Substance abuse clients.....                | 16,736 |
| Detention clients .....                     | 10,831 |
| Probate conservatorship clients .....       | 474    |
| Mental health conservatorship clients ..... | 675    |

## Agricultural Commissioner

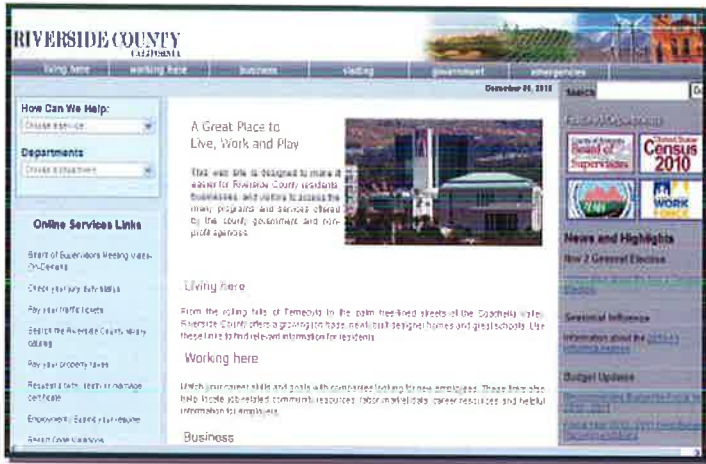
|  |         |
|--|---------|
| Export phytosanitary certificates..... | 25,745  |
| Pesticide use inspections .....        | 682     |
| Weights and measures regulated.....    | 131,175 |
| Agriculture quality inspections .....  | 643     |
| Plant pest inspections.....            | 9,667   |
| Nursery acreage inspected.....         | 6,923   |
| Weights and measures inspected .....   | 77,278  |

## Parks and Recreation

|                           |    |
|---------------------------|----|
| Historic sites .....      | 4  |
| Nature centers .....      | 4  |
| Archaeological sites..... | 6  |
| Wildlife reserves .....   | 9  |
| Regional parks.....       | 12 |



# Internet Resources



Visit the County of Riverside Auditor-Controller's Official Website  
[www.auditorcontroller.org](http://www.auditorcontroller.org)

Visit the County of Riverside's Official Website

[www.countyofriverside.us](http://www.countyofriverside.us)

Where you can find information about:

Online services provided:

- Board Agendas
- County Agencies and Departments
- County Employment
- County Ordinances
- Court Cases
- Property Assessments
- Public and Official Records
- Roads and Highways
- Voting and Elections
- Check your jury duty status
- Online crime report
- Pay your property taxes
- Pay your traffic tickets
- Report code violations
- Request a birth, death, or marriage certificate
- Search the county library catalog
- Vendor Registration

Where you can find information about:

#### Auditor-Controller's Office Divisions

- Administration
- Audits & Specialized Accounting
- General Accounting
- Payroll
- Property Tax

#### Financial Statements

- Comprehensive Annual Financial Report
- County of Riverside Financial Highlights
- Internal Audit Reports
- Single Audit Reports



## Acknowledgements

I would like to thank the University of California Riverside, Riverside Community College, La Sierra University, College of the Desert, California Baptist University and Mt. San Jacinto Community College for providing photographs used to support this year's theme focused on "Institutions of Higher Learning" in Riverside County, in this year's Financial Highlights.

Special recognition goes to Fendy Kao, and the entire staff of the General Accounting Division of the Auditor-Controller's Office for their effort and dedication in completing this report. Also, I would like to extend my gratitude to Bernard Edmonds for his effort.





**Page Institutions**

Cover.. University of California Riverside  
 Cover.. California Baptist University  
 7..... College of the Desert  
 9..... College of the Desert  
 14..... University of California Riverside  
 18..... University of California Riverside  
 19..... Riverside Community College

**Page Institutions (continued)**

20..... La Sierra University  
 22..... College of the Desert  
 23..... Riverside Community College  
 24..... University of California Riverside  
 25..... California Baptist University  
 26..... California Baptist University  
 27..... Riverside Community College



County of Riverside Financial Highlights



Robert E. Byrd, CGFM  
Riverside County Auditor-Controller

COUNTY OF RIVERSIDE, CALIFORNIA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FISCAL YEAR ENDED JUNE 30, 2010



PREPARED BY THE OFFICE OF:

**ROBERT E. BYRD, CGFM**  
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE, CALIFORNIA  
COMPREHENSIVE ANNUAL  
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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2010**

**TABLE OF CONTENTS**

| <b>INTRODUCTORY SECTION:</b>  | <b>Page</b> |
|---|-------------|
| Letter of Transmittal .....   | v           |
| Principal County Officials .....  | xiii        |
| Organization Chart .....  | xiv         |
| GFOA Certificate of Achievement for Excellence in Financial Reporting for 2009 .....  | xv          |
| <br><b>FINANCIAL SECTION:</b>   |             |
| Independent Auditor’s Report.....   | 1           |
| Management’s Discussion and Analysis (Required Supplementary Information) .....   | 3           |
| Basic Financial Statements:   |             |
| <u>Government-wide Financial Statements:</u>  |             |
| Statement of Net Assets .....   | 25          |
| Statement of Activities .....   | 26          |
| Fund Financial Statements:  |             |
| <u>Governmental Funds:</u>  |             |
| Balance Sheet .....   | 30          |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets ..   | 33          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances.....  | 34          |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances<br>of Governmental Funds to the Statement of Activities ..... | 37          |
| <u>Budgetary Comparison Statements:</u>   |             |
| General Fund.....   | 38          |
| Flood Special Revenue Fund .....  | 41          |
| <u>Proprietary Funds:</u>   |             |
| Statement of Net Assets .....   | 42          |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets .....   | 43          |
| Statement of Cash Flows.....  | 44          |
| <u>Fiduciary Funds:</u>   |             |
| Statement of Fiduciary Net Assets .....   | 46          |
| Statement of Changes in Fiduciary Net Assets .....  | 47          |

**COUNTY OF RIVERSIDE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2010**

**TABLE OF CONTENTS**

| <b>FINANCIAL SECTION (CONTINUED):</b>   | <b>Page</b> |
|---|-------------|
| Notes to the Basic Financial Statements:  |             |
| ( 1) Summary of Significant Accounting Policies .....                                     | 49          |
| ( 2) Stewardship, Compliance and Accountability.....                                      | 61          |
| ( 3) Reconciliation of Government-wide and Fund Financial Statements .....                | 62          |
| ( 4) Restatement of Beginning Fund Balance / Net Assets .....                             | 64          |
| ( 5) Cash and Investments.....  | 65          |
| ( 6) Restricted Cash and Investments.....   | 69          |
| ( 7) Receivables and Deferred / Unearned Revenue .....                                    | 70          |
| ( 8) Interfund Transactions.....  | 71          |
| ( 9) Capital Assets .....   | 74          |
| (10) Landfill Closure and Post-closure Care Costs .....                                   | 77          |
| (11) Operating Leases .....   | 78          |
| (12) Short-Term Debt.....   | 78          |
| (13) Long-Term Obligations.....   | 79          |
| (14) Fund Balances .....  | 92          |
| (15) Risk Management.....   | 94          |
| (16) Medi-Cal and Medicare Programs.....  | 95          |
| (17) Jointly Governed Organizations .....   | 95          |
| (18) Retirement Plan .....  | 97          |
| (19) Defined Benefit Pension Plan.....  | 100         |
| (20) Postemployment Benefits Other Than Pensions .....                                    | 102         |
| (21) Commitments and Contingencies.....   | 105         |
| (22) Subsequent Events.....   | 106         |
| Required Supplementary Information (other than MD&A):                                     |             |
| Schedules of Funding Progress and Employer Contributions.....                             | 107         |
| Combining and Individual Fund Statements and Budgetary Schedules:                         |             |
| Budgetary Comparison Schedule – Teeter Debt Service Fund .....                            | 111         |
| Budgetary Comparison Schedule – Public Facilities Improvements Capital Projects Fund..... | 112         |
| Budgetary Comparison Schedule – Redevelopment Agency Capital Projects Fund .....          | 113         |
| <u>Nonmajor Governmental Funds:</u>   |             |
| Combining Balance Sheet .....   | 115         |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....          | 116         |

**COUNTY OF RIVERSIDE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2010**

**TABLE OF CONTENTS**

| <b>FINANCIAL SECTION (CONTINUED):</b>   | <b>Page</b> |
|---|-------------|
| <i>Special Revenue Funds:</i> .....   | 117         |
| Combining Balance Sheet.....  | 120         |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... | 122         |
| Budgetary Comparison Schedule – Transportation .....                              | 124         |
| Budgetary Comparison Schedule – Community Services .....                          | 125         |
| Budgetary Comparison Schedule – Redevelopment Agency .....                        | 126         |
| Budgetary Comparison Schedule – County Service Areas.....                         | 127         |
| Budgetary Comparison Schedule – Regional Park and Open-Space.....                 | 128         |
| Budgetary Comparison Schedule – Air Quality Improvement.....                      | 129         |
| Budgetary Comparison Schedule – In-Home Support Services .....                    | 130         |
| Budgetary Comparison Schedule – Perris Valley Cemetery .....                      | 131         |
| Budgetary Comparison Schedule – Other Special Revenue .....                       | 132         |
| <br><i>Debt Service Funds:</i> .....  | <br>133     |
| Combining Balance Sheet.....  | 134         |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... | 136         |
| Budgetary Comparison Schedule – Redevelopment Agency .....                        | 138         |
| Budgetary Comparison Schedule – Pension Obligation Bond .....                     | 139         |
| <br><i>Capital Projects Funds:</i> .....  | <br>141     |
| Combining Balance Sheet.....  | 142         |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... | 144         |
| Budgetary Comparison Schedule – PSEC .....  | 146         |
| Budgetary Comparison Schedule – Flood Control .....                               | 147         |
| Budgetary Comparison Schedule – Regional Park and Open-Space District.....        | 148         |
| Budgetary Comparison Schedule – CREST .....                                       | 149         |
| <br><i>Permanent Funds:</i> .....   | <br>151     |
| Combining Balance Sheet.....  | 153         |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... | 154         |
| <br><u>Nonmajor Enterprise Funds:</u> .....                                       | <br>155     |
| Combining Statement of Net Assets .....   | 156         |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....    | 157         |
| Combining Statement of Cash Flows .....   | 158         |

**COUNTY OF RIVERSIDE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2010**

**TABLE OF CONTENTS**

|  | Page |
|--|------|
| <b>FINANCIAL SECTION (CONTINUED):</b>  |      |
| <u>Internal Service Funds:</u> .....   | 159  |
| Combining Statement of Net Assets .....  | 160  |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....       | 162  |
| Combining Statement of Cash Flows .....  | 164  |
| <u>Fiduciary Funds:</u> .....  | 167  |
| Agency Funds:  |      |
| Combining Statement of Fiduciary Assets and Liabilities.....                         | 168  |
| Combining Statement of Changes in Fiduciary Assets and Liabilities.....              | 169  |
| <br><b>STATISTICAL SECTION (Unaudited):</b>  |      |
| Statistical Section Table Index .....  | 171  |
| Table 1 Net Assets by Component .....  | 172  |
| Table 2 Changes in Net Assets .....  | 174  |
| Table 3 Governmental Activities Tax Revenues by Source .....                         | 178  |
| Table 4 Fund Balances of Governmental Funds.....                                     | 180  |
| Table 5 Changes in Fund Balances of Governmental Funds.....                          | 182  |
| Table 6 General Government Tax Revenues by Source.....                               | 184  |
| Table 7 Assessed Value and Estimated Actual Value of Taxable Property .....          | 186  |
| Table 8 Property Tax Rates – Direct and Overlapping Governments .....                | 188  |
| Table 9 Principal Property Tax Payers .....  | 189  |
| Table 10 Property Tax Levies and Collections.....                                    | 190  |
| Table 11 Ratios of Outstanding Debt by Type .....                                    | 192  |
| Table 12 Ratios of General Bonded Debt Outstanding .....                             | 194  |
| Table 13 Direct and Overlapping Governmental Activities Debt .....                   | 196  |
| Table 14 Legal Debt Margin Information.....  | 198  |
| Table 15 Pledged Revenue Coverage .....  | 200  |
| Table 16 Demographic and Economic Statistics .....                                   | 202  |
| Table 17 Principal Employers .....   | 203  |
| Table 18 Full-time Equivalent County Government Employees by Function / Program..... | 204  |
| Table 19 Operating Indicators by Function .....                                      | 206  |
| Table 20 Capital Asset Statistics by Function .....                                  | 212  |



OFFICE OF THE  
RIVERSIDE COUNTY AUDITOR-CONTROLLER  
County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER

December 1, 2010

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 Riverside County:

The Comprehensive Annual Financial Report of the County of Riverside for the fiscal year ended June 30, 2010 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 is the fourth largest county by area in the state of California, it 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 27 incorporated cities located within the County. The largest cities in the County are Riverside (the County seat) with a population of 304,051, Moreno Valley with a population of 188,537, Corona with a population of 150,416, Temecula with a population of 105,029, and Murrieta with a population of 101,487. Estimated population figures are developed by the California State Department of Finance, and each year it's revised on January 1, with a revised estimate for the prior year. Total County population was 2,139,535 on January 1, 2010, an increase of 1.5% as compared to the revised estimate for 2009, and approximately 21.8% of the residents live in unincorporated areas.

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.

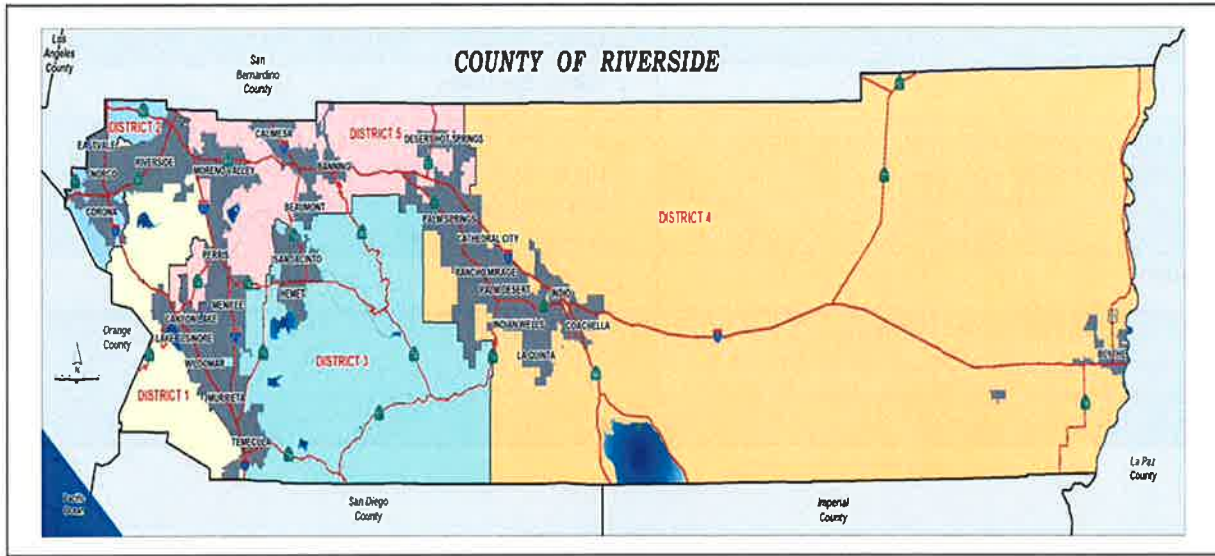
The Second District includes the cities of Corona, Norco, approximately 1/3 of the City of Riverside, and Eastvale (the newest city as of October 1, 2010). The unincorporated communities consist of Jurupa Valley (Rubidoux, Glen Avon, Sunny Slope, Pedley, and Mira Loma), Home Gardens, El Cerrito, Coronita, 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.

## County Of Riverside by Supervisorial Districts



Source: Riverside County GIS

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

|  |  |
|--|--|
| <b>Certificates, Licenses, and Permits</b>   | <b>Human Services</b>  |
| Birth, marriage, and death certificates; animal licensing; and building permits                              | Assistance for Families, Veteran Services, and Utility Assistance  |
| <b>Children's Services</b>   | <b>Libraries and Museums</b>   |
| Child Support Services, Mentor programs, Children Medical Services   | Edward Dean Museum and Riverside County Law Library  |
| <b>Criminal Justice</b>  | <b>Parks and Recreation</b>  |
| District Attorney, Probation, Public Defender, Sheriff   | Regional Parks   |
| <b>Education</b>   | <b>Pets and Animal Services</b>  |
| Office of Education  | Animal Control and Animal Shelters   |
| <b>Emergency Services</b>  | <b>Property Information</b>  |
| Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program | Building Permit Report, Get Property Information via GIS, Pay Property Taxes Online, Record Map Inquiry, and Riverside County Land Information |
| <b>Environment</b>   | <b>Public and Official Records</b>   |
| Environmental Health, Fire Protection, Waste Reduction and Recycling   | Official Recorded Documents, Fictitious Business Names Search, Grantor/Grantee Search, Vital Records, and Court Records Search                 |

|   |   |
|---|---|
| <b>Flood Control</b>  | <b>Roads and Highways</b>   |
| Flood Control and Water Conservation  | Road Maintenance, Land Development, Engineering Services, and Survey  |
| <b>Health</b>   | <b>Taxes Services</b>   |
| Community Health Agency, Mental Health, and Public Health   | Property Tax Portal, Tax Bills, Review Your Property Tax Information, Pay Your Property Tax Online, Track Your Property Tax Online, Assessor-County Clerk |
| <b>Housing</b>  |   |
| First Time Home Buyer Programs, Low Income Housing, Rental Assistance Program, Homeless Shelter, and Neighborhood Stabilization Program |   |

## FACTORS AFFECTING ECONOMIC CONDITION

### State Economy

California is growing slowly, and the sluggish recovery continues due to the weak labor market. The labor market had shown signs of improvement by adding jobs since the start of the year; however the 31,500 jobs created by the private sector are well below the 1.3 million jobs lost during the recession. In August, 2010 the state's unemployment rate remained high at 12.4% which is lightly less than peak unemployment rate of 12.6% recorded in March 2010. The unemployment rate is likely to remain at or above 12% for the remaining of the year. A few sectors such as healthcare, education, exports for the products in Asia are showing signs of recovery.

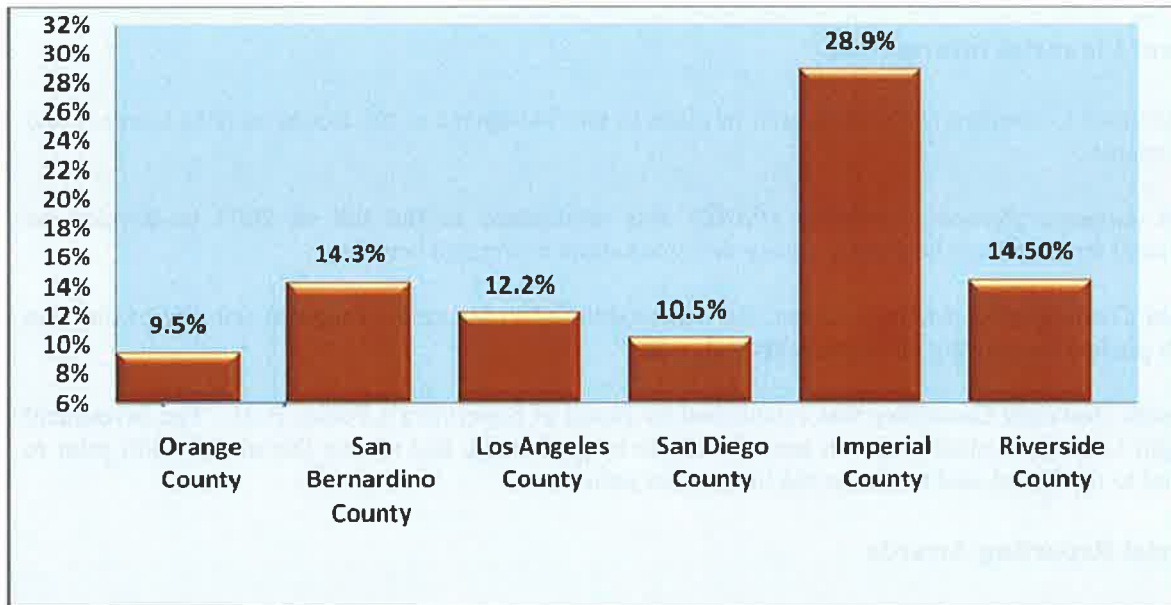
### Local Economy

#### Unemployment

Unemployment and foreclosures are the two largest factors contributing to the sluggish economy. According to the latest economic update, few positive signs have been materialized: the sharp decline in employment levels appears to have stopped, housing prices have leveled off, and house affordability is at its highest in over one decade. However, these changes are trend reversals from previous large declines and they do not indicate an imminent improvement in economic activity. The county's economy will experience a slow and protracted recovery with the unemployment rate expected to remain in double digits, continued state and local budget shortfall and issues in housing and commercial real estate. The unemployment rate in the Riverside-San Bernardino MSA was under 14.5% in April, May and June but rose to 15.1% in July and it remains relatively high at 14.8% in August. Job creation continues to be a drag on economic activity and nonfarm employment has declined for 36 months on a year-on-year basis since August 2007. Riverside County's unemployment rate is the second highest compared to the surrounding counties.

## FACTORS AFFECTING ECONOMIC CONDITION – Continued

### Unemployment Comparison



Source: Employment Development Department (EDD)

### Real Estate

According to the latest economic update, housing affordability was 63% in the first quarter of 2010 and declined in the second quarter to 59%, which means that 59% of residents are able to afford the median prices home. At the current level, housing affordability is as high as in 1997, which should help the region's economy in the long-term. Housing prices exceeded \$200,000 in May, June and July partly due to the increased demand from the first time home buyers program, but they have fallen to \$195,092 in August with the termination of government programs. Single family building permits have increased by 576 in the first seven months of 2010 compared to the corresponding period in 2009. In addition, prices of new homes rose in the second quarter of 2010 but remain well below levels recorded in recent years. Foreclosures remain high at 7,274 in the fourth quarter of 2009 even though they are lower than the peak of 11,523 reached in the third quarter of 2008. Employment in logistics (transportation, warehousing and wholesale trade) has increased over the last four months and is expected to continue to grow through 2011 as trade volume rebound from rock-bottom levels.

Source: Most of the information about the state and local economy are derived from the California State University, Fullerton economists.

### County Budget Summary

The County's long-term outlook for discretionary revenue is showing improvement in fiscal year 2010-11 compared to fiscal years 2009-10 and 2008-09. The County is currently projecting a smaller revenue drop than the previous year. While fiscal year 2009-10 drop was as result of 10 percent loss in property value which equaled to loss of \$100 million, fiscal year 2010-11 loss estimated around \$27 million. Most of the County's discretionary revenue is directly related to property values: 45 percent comes from property taxes, 32 percent from "motor vehicle in lieu" which is actually property tax passed through

## **FACTORS AFFECTING ECONOMIC CONDITION - Continued**

from the state and 8 percent from penalties on delinquent property taxes. The Assessor projects a drop in assessed values for third year in a row. This expected drop of about five percent is already included in the budget.

### **Relevant Financial Information**

*Debt Advisory Committee (DAC)* has been in place to provide advice to the Board on debt issuance and management.

*Pension Advisory Review Committee (PARC)* was established in the fall of 2003 to develop an institutional framework to help guide policy decisions about retirement benefits

*Deferred Compensation Advisory Committee* was established to assure the financial stability of the Plan through prudent monitoring of investments and costs.

*Investment Oversight Committee* was established by Board of Supervisor's Policy B-21. The Investment Oversight Committee shall cause an annual audit to be performed, and review the annual audit prior to submittal to the Board, and to review the investment policies.

### **Financial Reporting Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the twenty second consecutive years 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.

County of Riverside has also been awarded for *Outstanding Achievement* in Popular Annual Financial Report (PAFR), which also referred to as Financial Highlights for the fiscal year ended June 2009. In order to receive an Award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

### **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 devoted a lot of efforts in 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 like to express my appreciation 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. 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, 2010

### ELECTED OFFICIALS

#### Board of Supervisors



**JOHN F.  
TAVAGLIONE**  
Second District



**MARION ASHLEY**  
Chairman  
Fifth District



**BOB BUSTER**  
Vice Chairman  
First District



**JEFF STONE**  
Third District



**JOHN BENOIT**  
Fourth District

### COUNTYWIDE ELECTED OFFICIALS



**ROD PACHECO**  
District Attorney



**STANLEY SNIFF, JR.**  
Sheriff  
Coroner  
Public Administrator



**ROBERT E. BYRD**  
Auditor  
Controller



**LARRY WARD**  
Assessor  
Clerk  
Recorder



**DON KENT**  
Treasurer  
Tax Collector

### APPOINTED OFFICIALS

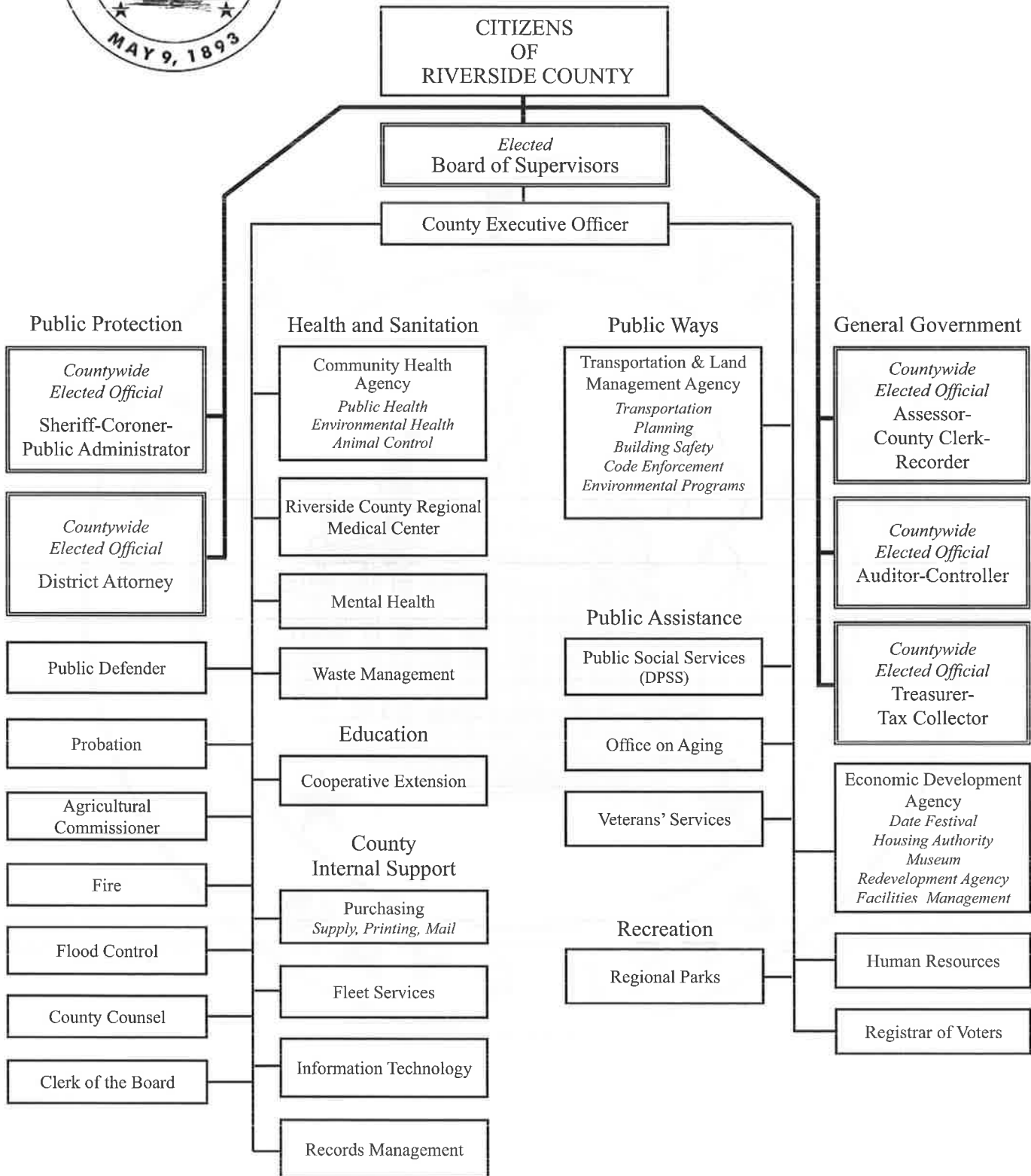
**BILL LUNA**  
County Executive Officer

**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, 2009

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 stylized handwritten signature in black ink.

President

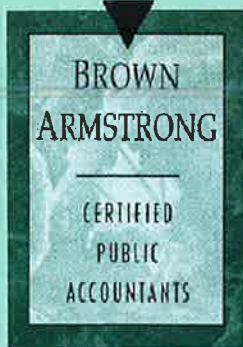
A handwritten signature in black ink that reads "Jeffrey R. Enow".

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  
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## 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 aggregate remaining fund information of the County of Riverside, California, as of and for the year ended June 30, 2010, 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              | 24%    | 8%       |
| Business-Type Activities             | 7%     | 15%      |
| Aggregate Remaining Fund Information | 7%     | 1%       |
| Discretely Presented Component Units | 41%    | 84%      |

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, the Housing Authority, the Park District, the Cemetery District, the 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 aggregate remaining fund information of the County of Riverside, as of June 30, 2010, 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 Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Riverside's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, 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 and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 1, 2010

# 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, 2010. 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 five major funds, twenty-four nonmajor funds, and a representative allocation of the County's internal service funds. The five major Governmental funds are the General Fund, Flood Control Special Revenue 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 2009-10)
- 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, Flood Control Special Revenue 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 their respective budgets.

**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 \$7.2 billion exceeded its liabilities of \$3.4 billion resulting in \$3.8 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; \$655.3 million of restricted net assets which is required by external sources or through enabling legislation to be used for specific purposes and \$1.7 billion is invested in capital assets, net of related debt.
- During fiscal year 2009-10, the County's net assets increased by \$115.8 million (net of \$52.1 million in prior year's restatement of net assets). Of this amount, \$119.3 million were from governmental activities and offset by \$3.5 million from business-type activities. The increase was chiefly due to the completion of major capital projects which increased the County's capital assets by \$468.3 million including the acquisition of Regency Tower Building of \$127.5 million. Countywide expenses of \$3.2 billion were offset by program revenues of \$2.5 billion leaving an operating deficit of \$737.4 million. The operating deficit was offset by general revenues of \$853.2 million.
- As of June 30, 2010, the total fund balances of the governmental funds were \$1.8 billion. This represents a decrease of 10.5%, or \$209.7 million, in comparison with the prior year. The decrease was a result of higher general government expenditures due to the acquisition, construction and completion of multiple capital projects, lower sales and use tax revenue, sharp decline in interest earnings, and increase in public protection services. Approximately 13.2%, or \$236.4 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, 2010, fund balance for the General Fund was \$386.5 million, or 17.3% of the total General Fund expenditures. This amount includes \$90.4 million of reserved fund balance and \$250.5 million of designated fund balance.
- The County's long-term debt showed a net increase of 3.6%, or \$89.1 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 \$3.8 billion.

The County's total net assets increased by 3.1%, or \$115.8 million, during fiscal year 2009-10 compared to the prior year's increase of 8.8%, or \$294.5 million. \$119.3 million of the increase in net assets were from governmental activities and offset by \$3.5 million from business-type activities. For the prior year, \$287.4 million of the increase in net assets were from governmental activities and \$7.1 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 44.3%, or \$1.7 billion, of the County's total net assets for fiscal year 2009-10 compared to 35.3%, or \$1.3 billion, for fiscal year 2008-09. The increase is attributable to the acquisition of Regency Tower Building, construction related to Ben Clark Training Center, Smith Correctional Facility, Palm Desert and Thermal Sheriff Stations, Western Riverside and San Jacinto Valley Animal Shelters, 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 17.2%, or \$655.3 million, of the County's total net assets for fiscal year 2009-10 compared to 24.0%, or \$876.6 million, for fiscal year 2008-09. 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 38.5%, or \$1.5 billion, of the County's total net assets for fiscal year 2009-10 compared to 40.7%, or \$1.5 billion, for fiscal year 2008-09. 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 2009-10, \$1.4 billion is from governmental activities and \$72.4 million is for business-type activities compared to \$1.4 billion for governmental activities and \$80.2 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, 2010 as compared to the prior year:

|  | Governmental<br>Activities |                    | Business-type<br>Activities |                   | Total              |                    | Increase/<br>(Decrease) |
|--|----------------------------|--------------------|-----------------------------|-------------------|--------------------|--------------------|-------------------------|
|  | 2010                       | 2009               | 2010                        | 2009              | 2010               | 2009               | %                       |
| Current and other assets                           | \$3,295,758                | \$3,481,253        | \$ 315,817                  | \$ 325,420        | \$3,611,575        | \$3,806,673        | -5.1%                   |
| Capital assets                                     | 3,301,367                  | 2,849,332          | 271,608                     | 255,389           | 3,572,975          | 3,104,721          | 15.1%                   |
| Total assets                                       | <u>6,597,125</u>           | <u>6,330,585</u>   | <u>587,425</u>              | <u>580,809</u>    | <u>7,184,550</u>   | <u>6,911,394</u>   | 4.0%                    |
| Other liabilities                                  | 739,178                    | 721,694            | 51,932                      | 53,207            | 791,110            | 774,901            | 2.1%                    |
| Long-term liabilities                              | 2,263,589                  | 2,176,968          | 315,809                     | 313,350           | 2,579,398          | 2,490,318          | 3.6%                    |
| Total liabilities                                  | <u>3,002,767</u>           | <u>2,898,662</u>   | <u>367,741</u>              | <u>366,557</u>    | <u>3,370,508</u>   | <u>3,265,219</u>   | 3.2%                    |
| Net assets:  |                            |                    |                             |                   |                    |                    |                         |
| Invested in capital assets,<br>net of related debt | 1,594,275                  | 1,204,971          | 96,901                      | 81,512            | 1,691,176          | 1,286,483          | 31.5%                   |
| Restricted   | 604,942                    | 824,139            | 50,386                      | 52,502            | 655,328            | 876,641            | -25.2%                  |
| Unrestricted                                       | 1,395,141                  | 1,402,813          | 72,397                      | 80,238            | 1,467,538          | 1,483,051          | -1.0%                   |
| Total net assets                                   | <u>\$3,594,358</u>         | <u>\$3,431,923</u> | <u>\$ 219,684</u>           | <u>\$ 214,252</u> | <u>\$3,814,042</u> | <u>\$3,646,175</u> | 4.6%                    |

## 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 2009-10 with a total of \$1.4 billion being recognized. Public Assistance received 56.9% of the governmental activity funding for fiscal year 2009-10 compared to 54.7% of the governmental activity funding from this source in the prior year. Public Protection received 15.6% of the governmental activity funding for fiscal year 2009-10, compared with 17.1% for fiscal year 2008-09.
- A total of \$567.3 million was earned as governmental activity charges for services compared to \$556.0 million for fiscal year 2008-09. 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 58.4% of this revenue source, compared to 56.0% from the prior year. General government generated 24.8% compared to 25.8% for prior year.
- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with \$31.1 million earned for fiscal year 2009-10 compared to \$29.8 million earned for fiscal year 2008-09. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2009-10, 95.2% of the revenue, or \$29.6 million, as compared to 95.4%, or \$28.4 million, for fiscal year 2008-09, 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 \$440.3 million recognized during the year, as compared to \$506.2 million for fiscal year 2008-09. Investment earnings harshly decreased by 67.3%, from \$87.0 million to \$29.0 million, as a result of continual declines in interest earnings reflecting rate cuts by the Federal Reserves. Motor vehicle in-lieu of taxes revenue decreased 10.0% from \$273.8 million in fiscal year 2008-09 to \$246.5 million in fiscal year 2009-10.

**Expenses:** Total program expenses for governmental activities were \$2.7 billion for the current fiscal year, an increase of 0.4%, or \$10.9 million as compared to prior fiscal year. 39.4%, or \$1.1 billion, of total governmental activities expenses were for Public Protection; 30.4%, or \$820.6 million, for Public Assistance; 12.9%, or \$347.6 million, for Health and Sanitation; and 12.0%, or \$323.9 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, 99.8%, \$501.5 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, \$367.3 million, was received by RMC as compared to \$360.6 million for the prior fiscal year.

**Expenses:** Total expenses for business-type activities were \$525.1 million for the fiscal year compared to \$525.8 million for the prior fiscal year. This represents a decrease of merely 0.1%, or \$0.8 million. 74.3%, or \$390.0 million, of total expenses were incurred by RMC compared to 72.1%, or \$379.3 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.5% of total expenses for business-type activities, or \$81.4 million, compared to prior fiscal year's expenses of 15.4%, or \$81.1 million; Waste Management Department was 9.5%, or \$50.0 million, compared to 11.6%, or \$61.1 million, the prior fiscal year. Flood Control and County Service Areas account for the remaining 0.7% of expenses compared to 0.8% 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 2009-10, as compared to the prior year:

|   | Governmental<br>Activities |                     | Business-type<br>Activities |                   | Total               |                     | Increase/<br>(Decrease) |
|---|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|-------------------------|
|   | 2010                       | 2009                | 2010                        | 2009              | 2010                | 2009                | %                       |
|   |                            |                     |                             |                   |                     |                     |                         |
| <b>Revenues:</b>                                      |                            |                     |                             |                   |                     |                     |                         |
| Program revenues:                                     |                            |                     |                             |                   |                     |                     |                         |
| Charges for services                                  | \$ 567,323                 | \$ 556,028          | \$ 501,530                  | \$ 499,790        | \$ 1,068,853        | \$ 1,055,818        | 1.2%                    |
| Operating grants<br>and contributions                 | 1,384,791                  | 1,344,611           | -                           | -                 | 1,384,791           | 1,344,611           | 3.0%                    |
| Capital grants<br>and contributions                   | 31,112                     | 29,771              | 1,165                       | 310               | 32,277              | 30,081              | 7.3%                    |
| General revenues:                                     |                            |                     |                             |                   |                     |                     |                         |
| Property taxes  | 440,282                    | 506,222             | -                           | -                 | 440,282             | 506,222             | -13.0%                  |
| Sales and use taxes                                   | 36,289                     | 47,683              | -                           | -                 | 36,289              | 47,683              | -23.9%                  |
| Other taxes   | 8,610                      | 13,771              | -                           | -                 | 8,610               | 13,771              | -37.5%                  |
| Motor vehicle in-lieu taxes                           | 246,493                    | 273,825             | -                           | -                 | 246,493             | 273,825             | -10.0%                  |
| Investment earnings                                   | 29,026                     | 87,041              | 1,442                       | 6,142             | 30,468              | 93,183              | -67.3%                  |
| Other   | 91,044                     | 121,880             | -                           | -                 | 91,044              | 121,880             | -25.3%                  |
| <b>Total revenues</b>                                 | <b>2,834,970</b>           | <b>2,980,832</b>    | <b>504,137</b>              | <b>506,242</b>    | <b>3,339,107</b>    | <b>3,487,074</b>    | <b>-4.2%</b>            |
| <b>Expenses:</b>                                      |                            |                     |                             |                   |                     |                     |                         |
| General government                                    | 323,949                    | 285,393             | -                           | -                 | 323,949             | 285,393             | 13.5%                   |
| Public protection                                     | 1,062,213                  | 1,095,587           | -                           | -                 | 1,062,213           | 1,095,587           | -3.0%                   |
| Public ways and facilities                            | 31,024                     | 31,283              | -                           | -                 | 31,024              | 31,283              | -0.8%                   |
| Health and sanitation                                 | 347,634                    | 392,945             | -                           | -                 | 347,634             | 392,945             | -11.5%                  |
| Public assistance                                     | 820,637                    | 770,484             | -                           | -                 | 820,637             | 770,484             | 6.5%                    |
| Education   | 19,866                     | 15,954              | -                           | -                 | 19,866              | 15,954              | 24.5%                   |
| Recreation and culture                                | 12,206                     | 6,039               | -                           | -                 | 12,206              | 6,039               | 102.1%                  |
| Interest on long-term debt                            | 80,754                     | 89,741              | -                           | -                 | 80,754              | 89,741              | -10.0%                  |
| Regional Medical Center                               | -                          | -                   | 389,991                     | 379,278           | 389,991             | 379,278             | 2.8%                    |
| Waste Management                                      | -                          | -                   | 49,956                      | 61,116            | 49,956              | 61,116              | -18.3%                  |
| Housing Authority                                     | -                          | -                   | 81,426                      | 81,139            | 81,426              | 81,139              | 0.4%                    |
| Flood Control   | -                          | -                   | 3,233                       | 3,816             | 3,233               | 3,816               | -15.3%                  |
| County Service Areas                                  | -                          | -                   | 454                         | 457               | 454                 | 457                 | -0.7%                   |
| <b>Total expenses</b>                                 | <b>2,698,283</b>           | <b>2,687,426</b>    | <b>525,060</b>              | <b>525,806</b>    | <b>3,223,343</b>    | <b>3,213,232</b>    | <b>0.3%</b>             |
| Excess (deficiency) before                            |                            |                     |                             |                   |                     |                     |                         |
| Transfers   | 136,687                    | 293,406             | (20,923)                    | (19,564)          | 115,764             | 273,842             | -57.7%                  |
| Transfers in (out)                                    | (17,436)                   | (25,713)            | 17,436                      | 25,713            | -                   | -                   | 0.0%                    |
| <b>Change in net assets</b>                           | <b>119,251</b>             | <b>267,693</b>      | <b>(3,487)</b>              | <b>6,149</b>      | <b>115,764</b>      | <b>273,842</b>      | <b>-57.7%</b>           |
| <b>Net Assets, Beginning of Year,<br/>as Restated</b> | <b>3,475,107</b>           | <b>3,164,230</b>    | <b>223,171</b>              | <b>208,103</b>    | <b>3,698,278</b>    | <b>3,372,333</b>    | <b>9.7%</b>             |
| <b>Net Assets, End of Year</b>                        | <b>\$ 3,594,358</b>        | <b>\$ 3,431,923</b> | <b>\$ 219,684</b>           | <b>\$ 214,252</b> | <b>\$ 3,814,042</b> | <b>\$ 3,646,175</b> | <b>4.6%</b>             |

## 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, 2010, the County's governmental funds reported combined fund balances of \$1.8 billion, a decrease of \$209.7 million, in comparison with the prior year. Of this total amount, \$864.3 million constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance, \$928.8 million is *reserved* to indicate that it is *not* available for new spending because it has been restricted for:

- Various County programs: \$160.6 million
- Outstanding debt service: \$99.0 million
- Liquidation of current contractual commitments: \$478.9 million
- Other smaller restrictions: \$190.3 million

Total governmental fund revenue decreased by 4.2%, or \$123.2 million, from the prior fiscal year with \$2.8 billion being recognized for the fiscal year-ended June 30, 2010. Expenditures increased by 1.6%, or \$47.8 million, from the prior fiscal year with \$3.1 billion being expended for governmental functions during fiscal year 2009-10. Overall, governmental fund balance decreased by 10.5%, or \$209.7 million. In comparison, fiscal year 2008-09 had a decrease in governmental fund balance of 6.4%, or \$137.5 million, over fiscal year 2007-08.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the General fund unreserved fund balance was \$296.1 million, as compared to \$280.9 million for the prior fiscal year. The current year fund balance was \$386.5 million as opposed to \$372.1 million for the prior year. The increase of \$14.4 million or 3.9% was a result of a significant reduction in General Fund expenditures, such as general government, public protection, and health and sanitation, although secured property tax levy and interest earnings drastically decreased in current year. 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 current year unreserved fund balance is 13.3% of the total General Fund expenditures of \$2.2 billion, as compared to 12.0% of the prior year expenditures total of \$2.4 billion. The total fund balance of the General Fund for the current year is 17.3% of the total General Fund expenditures as compared to 15.8% for the prior year.

Flood Control fund balance increased by 5.7%, or \$13.0 million, from \$228.9 million in fiscal year 2008-09 to \$241.9 million in fiscal year 2009-10 as a result of an excess of revenues over expenses in current year operating activities.

Teeter Debt Service fund taxes receivable balance increased by 12.6%, or \$12.7 million, from \$100.6 million in fiscal year 2008-09 to \$113.3 million in fiscal year 2009-10, due to lower delinquent taxes collected in fiscal year 2009-10. Teeter notes payable decreased by 3.5%, or \$9.3 million, from \$266.6 million in fiscal year 2008-09 to \$257.3 million in fiscal year 2009-10 due to decrease in actual borrowing based on delinquency property tax analysis.

Public Facilities Improvements Capital Projects fund balance decreased from \$538.4 million to \$338.7 million, 37.1% or \$199.8 million. The decrease in fund balance is attributable to the acquisition of Regency Tower Building and the utilization of the reserve for construction account to reimburse costs of multiple capital projects such as the correctional facility expansion, animal shelter, family clinics, and hub jail; a decrease in other revenue 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 balance decreased from \$305.7 million to \$268.3 million, 12.2% or \$37.4 million. The 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.

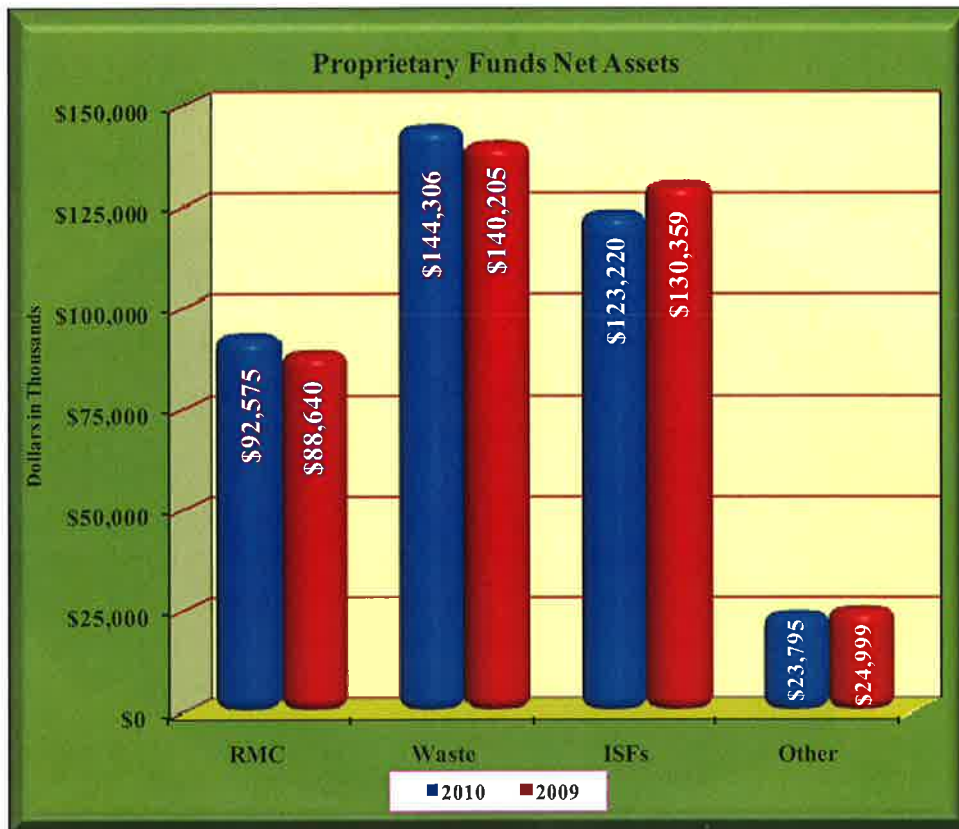
At the end of the fiscal year, total proprietary fund net assets were \$383.9 million, compared to \$384.2 million as restated for prior fiscal year. Total proprietary fund net assets decreased by 0.1% or \$0.3 million, compared to 13.0%, or \$43.1 million, increase for the prior fiscal year.

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

- Riverside County Regional Medical Center: \$49.0 million
- Waste Management: \$54.0 million
- Other enterprise fund activities: \$10.4 million
- Internal service fund activities: \$103.8 million

RMC's net assets increased from \$88.6 million to \$92.6 million, 4.4%, or \$3.9 million. The increase is attributable to higher net patient revenue and lower operating loss result in fiscal year 2009-10.

Waste Management's net assets increased from \$140.2 million, as restated, to \$144.3 million. The increase was a result of fund balance restatement of \$6.8 million and a significant decreased in operating expenses due to reduced staffing and early retirement.



## Management's Discussion & Analysis (Unaudited)

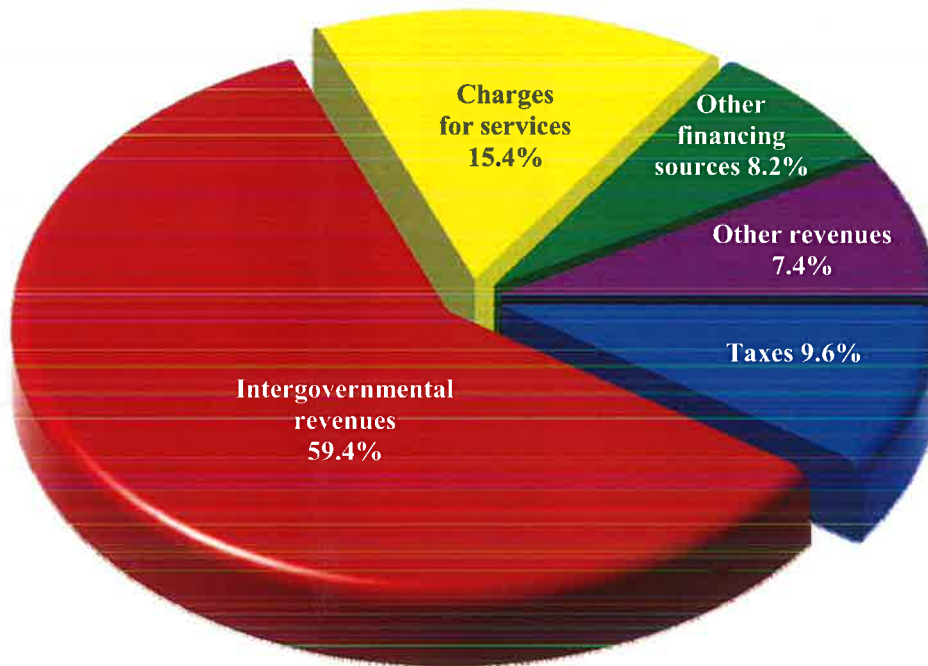
### GENERAL FUND FINANCIAL ANALYSIS

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<br>Other Financing Sources | Fiscal Year<br>2009-10 | Percent of<br>Total | Fiscal Year<br>2008-09 | Percent of<br>Total | Variance     |
|---|------------------------|---------------------|------------------------|---------------------|--------------|
| Taxes                                   | \$ 229,631             | 9.6%                | \$ 274,480             | 11.3%               | -16.3%       |
| Intergovernmental revenues              | 1,414,349              | 59.4%               | 1,476,356              | 60.6%               | -4.2%        |
| Charges for services                    | 367,249                | 15.4%               | 364,649                | 15.0%               | 0.7%         |
| Other revenue                           | 176,340                | 7.4%                | 199,707                | 8.3%                | -11.7%       |
| Other financing sources                 | 194,851                | 8.2%                | 122,571                | 5.0%                | 59.0%        |
| <b>Total</b>                            | <b>\$ 2,382,420</b>    | <b>100.0%</b>       | <b>\$ 2,437,763</b>    | <b>100.0%</b>       | <b>-2.3%</b> |

The decrease in tax revenue was attributable to a sharp decline in secured and supplemental property taxes and a decrease in sales and use taxes. The decrease in intergovernmental revenue was primarily attributable to a decrease in motor vehicle in-lieu of tax, a reduction in Proposition 172 public safety sales tax, an unexpected decrease in mandated client service programs provided by the Department of Public Social Services (DPSS), and a decrease in reimbursement through the Mental Health Service Act (MHSA) and Mental Health managed care from the State. The slight increase in charges for services was primarily the result of increased revenues from city law enforcement contracts with the Sheriff Department and new city fire protection contracts with the Fire Department. Other revenue decreased due to sharp declines in interest earnings.

COUNTY OF RIVERSIDE  
General Fund Revenues and Other Financing Sources  
For The Year Ended June 30, 2010



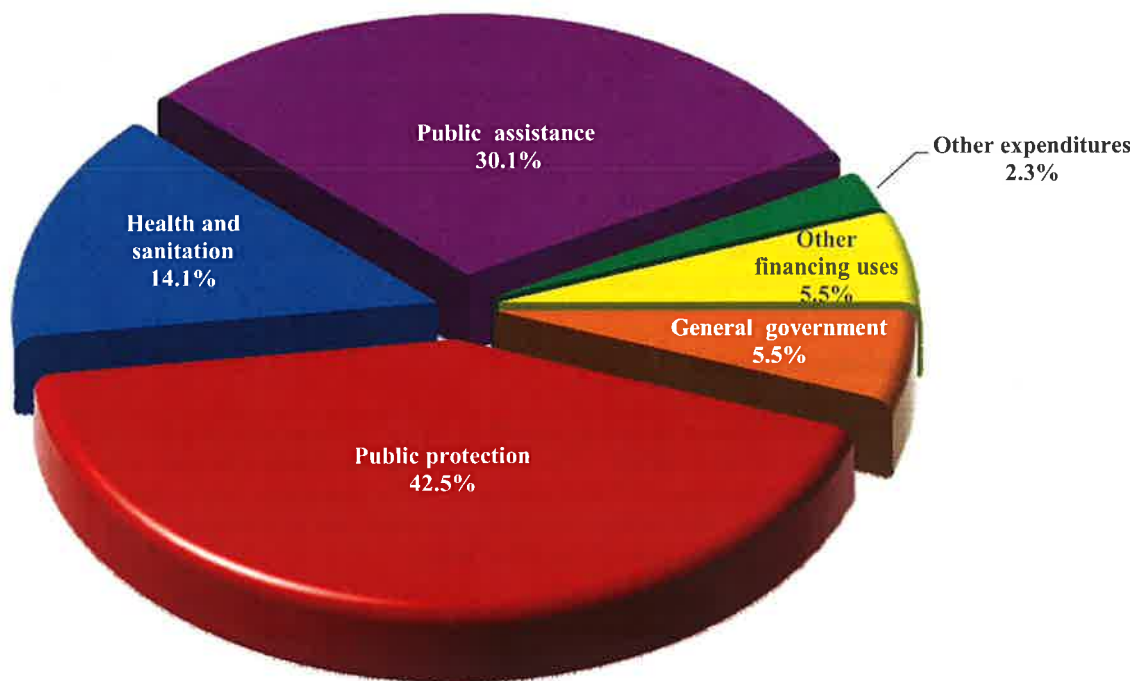
## Management's Discussion & Analysis (Unaudited)

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<br>2009-10 | Percent of<br>Total | Fiscal Year<br>2008-09 | Percent of<br>Total | Variance     |
|---------------------------------------|------------------------|---------------------|------------------------|---------------------|--------------|
| General government                    | \$ 130,516             | 5.5%                | \$ 146,816             | 5.8%                | -11.1%       |
| Public protection                     | 1,005,679              | 42.5%               | 1,062,437              | 41.7%               | -5.3%        |
| Health and sanitation                 | 333,068                | 14.1%               | 382,588                | 15.0%               | -12.9%       |
| Public assistance                     | 712,353                | 30.1%               | 719,328                | 28.2%               | -1.0%        |
| Other expenditures                    | 53,757                 | 2.3%                | 50,530                 | 2.0%                | 6.4%         |
| Other financing uses                  | 132,682                | 5.5%                | 185,719                | 7.3%                | -28.6%       |
| <b>Total</b>                          | <b>\$ 2,368,055</b>    | <b>100.0%</b>       | <b>\$ 2,547,418</b>    | <b>100.0%</b>       | <b>-7.0%</b> |

The decrease of expenditures in general government was attributable to a reduction in salaries and benefits due to furloughs and position vacancies. Additionally, the Economic Development Agency (EDA) Real Estate Division had a reduction in lease, maintenance, and tenant improvement costs. The decrease of expenditures in public protection was mainly attributable to Sheriff, District Attorney, Fire, Public Defender, Animal Services, and Planning. Sheriff increased staffing efficiencies resulting in lower overtime costs. Additionally, Sheriff had a reduction of firearms and communication equipment. District Attorney decreased salaries and benefits through early retirements, attrition, and significantly fewer temporary employees. Additionally, District Attorney reduced lease and carpool expenditures. Fire reduced their State contract for fire protection services. Public Defender, Animal Services, and Planning had reductions in salaries and benefits due to furloughs and position vacancies. The decrease of expenditures in health and sanitation was attributable to the Community Health Agency and Mental Health. The Community Health Agency decreased costs due to furloughs, personnel reductions, professional services reductions, and loss of funding from the State. Mental Health decreased cost in salaries, tenant improvements, and equipment purchases. The decrease in public assistance was attributable to a reduction in staffing level, a smaller caseload due to newly implemented work participation regulations, and fewer tenant improvement projects for DPSS.

COUNTY OF RIVERSIDE  
General Fund Expenditures and Other Financing Uses  
For The Year Ended June 30, 2010





## 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 \$125.0 million, or 5.0%, from \$2.5 billion to the final amended revenue budget of \$2.4 billion. The \$125.0 million represents a decrease of \$78.8 million in charges for services, \$21.6 million in taxes, \$10.6 million in aid from other governmental agencies, \$9.1 million in rents and concessions, and \$5.1 million in other revenue.

Charges for Current Services: The net decrease of \$78.8 million, or 16.2%, for charges for current services was mainly the result of intergovernmental activities. Sheriff had a decrease of \$2.7 million from contract city and school services.

Taxes: The budget for taxes had a net decrease of \$21.6 million, or 8.8%, which consisted of a \$9.4 million decrease in current secured property taxes, a \$9.2 million decrease in sales and use taxes, and a \$3.0 million decrease in prior year supplemental property taxes.

Aid from Other Governmental Agencies: Aid received from other governmental agencies decreased by \$10.6 million, or 0.7%, and consisted of the following: Federal aid increased by \$12.5 million, State aid decreased by \$26.1 million, and other government aid increased by \$3.0 million. Increases in Federal aid include an increase to Fire by \$6.1 million for the State Fire Assistance Grant, the American Recovery and Reinvestment Act (ARRA) Grant for treatment of fuels, the United States Department of Homeland Security Grant, and other grants. Federal aid increased through Sheriff by \$7.4 million mainly for the ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) award, the Solving Cold Cases with DNA Grant, the High Intensity Drug Trafficking Areas (HIDTA) Grant, the ARRA Cops for Rehiring Grant, and other grants. The decrease in State aid includes a \$15.2 million loss in Proposition 172 sales tax revenue primarily for Sheriff, District Attorney, Probation, and Fire. Other decreases in State aid include DPSS for \$13.0 million mainly due to reductions in public assistance programs, administration for child care services, foster care services, the adoption assistance program, the Cal WORKS program, and other State programs. The decrease in State aid was offset by an increase of \$1.4 million in MHSA funding for Mental Health. The increase in other governmental aid is a \$3.0 million growth in contract redevelopment revenue estimated for the Auditor-Controller.

Rents and Concessions: The budget for rents and concessions had a net decrease of \$9.1 million, or 29.8%, due to a decrease in building lease rates for departments.

Other Revenue: The decrease in other revenue of \$5.1 million, or 10.6%, was primarily the result of a reclassification of operating transfers to other financing sources.

##### Expenditure Appropriation Variances

The original General Fund appropriation budget decreased by \$153.7 million, or 5.9%, from \$2.6 billion to the final amended appropriation budget of \$2.5 billion. The significant appropriation changes were a decrease of \$85.4 million in general government, a decrease of \$41.3 million in public assistance, and a decrease of \$33.4 million in debt service offset by an increase of \$4.9 million in public protection and an increase of \$1.5 million in health and sanitation. The major appropriation variances are described below.

General Government: The appropriation budget decreased by \$85.4 million, or 31.8%, from the original budget of \$268.5 million to \$183.1 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by \$2.0 million, or 1.7%, mainly due to intergovernmental activities and salary savings from furloughs and vacant positions.

## Management's Discussion & Analysis (Unaudited)

- Services and supplies increased by \$7.6 million, or 5.5%, mainly due to increases by Executive Office, EDA, and Registrar of Voters. Executive Office increased by \$1.9 million due to a court order for the County to pay court reporters and \$1.1 million due to a reimbursement for computer consultation and lease payment to EDA Facilities Management. EDA Energy Management increased by \$1.7 million mainly due to the increase in utility rates. Registrar of Voters increased by \$0.8 million due to the addition of three unscheduled elections.
- Other charges decreased by \$65.9 million, or 63.4%, mainly due to a decrease in rent, a decrease in contributions to other funds by the Executive Office, and intergovernmental activities.
- Capital assets increased by \$2.2 million, or 555.3%, mainly due to an increase of \$1.5 million for the Energy Efficiency and Conservation Block Grant (EECBG) by EDA Energy Management.
- Intrafund transfers decreased by \$4.7 million, or 3.9%, mainly due to payroll services and utility rate increases.
- Appropriation for contingencies decreased by \$22.7 million, or 75.8%. The contingency budget covers current and potential general fund liabilities. During the year, the major liabilities covered were a \$20.2 million decline in discretionary revenue, a \$15.2 million shortfall in proposition 172 sales tax revenue, a \$3.0 million increase in court costs, and \$2.0 million increase in salaries for Public Defender. This was offset by an increase of \$19.2 million in funding for DPSS. Discretionary revenues including property and sales taxes had to be reduced due to the economic downturn, resulting in a reduction of appropriation for contingency to offset losses.

Public Assistance: The appropriation budget decreased by \$41.3 million, or 5.1%, from the original budget of \$815.5 million to \$774.2 million. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by \$22.3 million, or 8.9%, mainly due to DPSS with salary savings transferred to contingency.
- Services and supplies decreased by \$7.7 million, or 8.1%, mainly due to the cancellation of projects and effort to conserve funding by DPSS.
- Other charges decreased by \$22.1 million, or 4.6%, mainly due to a decrease of \$12.8 million in DPSS which had slower than projected caseload growth in federal medical assistance, adoptions assistance, foster care, and group homes. Probation had a decrease of \$8.8 million due to a shift of expenses to DPSS for group home placement.
- Capital Assets increased by \$2.0 million, or 2,800.0%, mainly due to the purchase of computer equipment for DPSS.
- Intrafund transfers decreased by \$8.8 million, or 99.0%, mainly due to the discontinuance of group home placement in Probation.

Public Protection: The appropriation budget increased by \$4.9 million, or 0.5%, from the original budget of \$1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by \$3.2 million, or 0.5%, mainly due to a decrease of \$12.0 million mainly for savings as a result of furloughs and position vacancies in all public protection departments. The decrease was primarily offset by increases of \$4.6 million by District Attorney to fund early retirements, \$3.6 million by Sheriff to fund early retirements and additional funded positions through grants and city contracts, and \$2.0 million by Public Defender to fill critical attorney and investigator positions.
- Services and supplies increased by \$10.6 million, or 3.4%, mainly due to Fire, Sheriff, Probation, Executive Office, and Public Defender. Fire increased by \$5.1 million due to increased fire and grant contract services. Sheriff increased by \$2.2 million mainly due to city contract law enforcement, grant awards, and professional services. Probation increased by \$1.5 million primarily due to facilities maintenance, improvements, and grants. Executive Office increased by \$1.2 million mainly due to the completion of projects at the Hall of Justice and the Larson Justice Center and services for confidential court orders.

## Management's Discussion & Analysis (Unaudited)

- Other Charges decreased by \$5.3 million, or 11.0%, mainly due to a decrease of \$7.6 million for intergovernmental activities primarily offset by a \$1.6 million increase in Sheriff for the rehabilitation of the Crestmore Heights building.
- Capital Assets increased by \$2.9 million, or 55.8%, mainly due to an increase to Fire of \$1.3 million primarily for the purchase of an integrated trucking system and the continued work on the Narrow Banding Project.

Health and Sanitation: The appropriation budget increased by \$1.5 million, or 0.4%, from the original budget of \$394.5 million to \$396.1 million. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by \$4.0 million, or 2.0%, mainly due to furloughs and position vacancies in the Community Health Agency. These one-time funds were transferred to upgrade the Environment Health information management system.
- Services and supplies increased by \$5.8 million, or 5.3%, mainly due to increases in the Community Health Agency and Mental Health. The increase of \$5.0 million to the Community Health Agency includes the non-closure of two clinics, a \$1.7 million increase for the Environmental Health system upgrade, maintenance services, a \$1.0 million increase in collections for drunken driving convictions, and other grant revenue. Mental Health had an increase of \$0.9 million mainly for the purchase of a Behavioral Health Information System (BHIS).

### 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 \$51.8 million resulting from unexpended appropriations of \$220.7 million, or 9.0%, and overestimated revenue of \$168.9 million, or 7.2%. The following contributed to the variance:

#### Expenditure Variances

General Fund actual expenditures of \$2.2 billion were 9.0%, or \$220.7 million, less than the final amended appropriation budget of \$2.5 billion. Health and sanitation, public assistance, public protection, general government, and debt service were the five most significant factors attributing to the unexpended appropriations as follows:

Health and Sanitation: Actual expenditures of \$333.1 million were less than the final amended budget of \$396.1 million by \$63.0 million, or 15.9%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$23.2 million, or 12.0%, less than budgeted primarily due to Mental Health and the Community Health Agency. Mental Health had savings of \$17.0 million mainly due to furlough savings, vacant positions that were left unfilled attributable to the hiring freeze, and salary reduction for per diem psychiatrists. The Community Health Agency had savings of \$9.7 million due to vacant positions and furlough savings.
- Services and supplies were \$23.6 million, or 20.8%, less than budgeted primarily due to a \$13.5 million savings in the Community Health Agency. Agency support costs were lower than budgeted due to various cost reductions in the support areas and the postponement for the Emergency Medical Services (EMS) improvement. Mental Health had a savings of \$9.4 million due to a delay in the implementation of the MHSA Workforce Education and Training (WET) program and a lesser requirement for IT support.
- Other charges were \$20.7 million, or 10.8%, less than budgeted primarily due to Mental Health, the Community Health Agency, and the Executive Office-Contribution to Health and Mental Health. Mental Health had savings of \$15.9 million due to private care provider contracts performing fewer children's services than anticipated, client housing support and full service partnerships (FSP) operating at less than full capacity, and pending cost report settlements not paid until the following fiscal year. The Community Health Agency had savings of \$3.7 million mainly due to a decrease in lease rates and less than expected payments to contract providers. The Executive Office-Contribution to Health and Mental Health had savings of \$1.4 million due to lower than anticipated motor vehicle license fee (VLF) allocation from the State.
- Capital Assets were \$1.2 million, or 62.5%, less than budgeted due to the Community Health Agency with \$1.1 million savings partially attributed to the delay in the purchase of computer equipment.

## Management's Discussion & Analysis (Unaudited)

- Intrafund transfers were \$5.7 million, or 5.5%, less than budgeted primarily due to the Community Health Agency and Mental Health. The Community Health Agency had a variance of \$4.5 million attributed to lower reimbursements due to cost reduction and furloughs.

Public Assistance: Actual expenditures of \$712.4 million were less than the final amended budget of \$774.2 million by \$61.8 million, or 8.0%. The following describe the significant factors for the variances:

- Salaries and employee benefits were reduced by \$17.0 million, or 7.5%, less than budgeted mainly due to furloughs and reduction in staffing levels by DPSS to meet budget cuts.
- Services and supplies were \$13.0 million, or 14.9%, less than budgeted primarily due to DPSS reducing costs to meet budget constraints. The savings reflect tenant improvement reductions in the following projects: Lake Elsinore, Hemet CPS, Hemet TAMD/GAIN, and 901 Ramsy Banning. Costs reduced also include a cutback in office supplies, a cut in temporary employees due to the STEP program, and savings from renegotiated leases.
- Other charges were \$30.6 million, or 6.7%, less than budgeted primarily due to DPSS with a net decrease of \$31.2 million. The savings was due to the redistribution of Federal Medical Assistance Payment (FMAP) rates, the increase in reimbursements for the group home placement rate, and reduction of costs in the Foster Family Agency (FFA).
- Capital assets were \$1.1 million, or 51.2%, less than budgeted due to computer and communication equipment being purchased rather than financed for DPSS.

Public Protection: Actual expenditures of \$1.0 billion were less than the final amended budget of \$1.1 billion by \$57.8 million, or 5.4%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$16.3 million, or 2.3%, less than budgeted primarily due to Sheriff, Probation, and the Department of Child Support Services (DCSS). Sheriff had savings of \$8.9 million due to early retirements and newly hired deputies which reduced overtime. Due to vacant positions and reduced temporary assistance, Probation had a salary savings of \$3.1 million. DCSS had savings of \$1.3 million mainly due to furloughs and vacancies.
- Services and supplies were \$29.6 million, or 9.1%, less than budgeted due to Fire, Sheriff, Public Defender, Executive Office, Animal Services, and County Clerk-Recorder. Fire had savings of \$21.1 million due to less than expected costs for CAL FIRE, contract partners, special program expense, equipment usage, weed abatement, professional services, fuel, protective gear, and medical and dental supplies. Sheriff had savings of \$5.4 million primarily due to less than expected costs for aircraft maintenance, aviation fuel, building maintenance, and support services. Public Defender had savings of \$1.2 million primarily from building maintenance and improvements, micrographic services, and office equipment. Executive Office had savings of \$1.2 million primarily from less than expected trial court funding costs. Due to loss of revenue, Animal Services had savings of \$1.1 million in administrative support, pharmaceuticals, animal feed, and communication services. County Clerk-Recorder had savings in software maintenance, micrographic services, and professional services of \$0.8 million mainly due to projects being carried into next fiscal year because of the lack of staff and budget concerns.
- Other charges were \$9.6 million, or 22.4%, less than budgeted due to Executive Office-Contribution to Trial Court, County Clerk Recorder, and Sheriff. Executive Office-Contribution to Trial Court had a \$1.3 million savings due to a lower Maintenance of Effort (MOE) payment. County Clerk-Recorder had savings of \$1.1 million due to delays in the clerk system upgrade, the recorder system upgrade, and the SB1287 Fraud Prevention Project. Sheriff had savings of \$1.1 million primarily due to reductions in building improvements.
- Capital assets were \$4.8 million, or 59.9%, less than budgeted due to Fire, Sheriff, and County Clerk-Recorder. Fire had savings of \$2.0 million mainly due to the purchase deferral of a fire engine and communication equipment. Sheriff had savings of \$1.5 million mainly due to patrol extending vehicle usage and not purchasing new vehicles and communication equipment. County Clerk-Recorder had savings of \$0.9 million in the purchase of an electronic recording system.
- Intrafund transfers were \$2.5 million, or 26.0%, less than budgeted primarily due to intergovernmental activities.

## Management's Discussion & Analysis (Unaudited)

General Government: Actual expenditures of \$130.5 million were less than the final amended budget of \$183.1 million by \$52.6 million, or 28.7%. The following describe the significant factors for the variances:

- Salaries and employee benefits were \$10.3 million less, or 9.2%, below budget primarily due to vacant positions at EDA for a savings of \$6.6 million. The department accommodated the required budget cuts and hiring restrictions by filling budgeted permanent positions with temporary employees and not filling all vacant positions. Human Resources had savings of \$2.0 million due to reduction in staff, furloughs, and vacant positions. Other General Government departments had similar savings of a lesser proportion.
- Services and supplies were \$25.3 million, or 17.2%, less than budgeted mainly due to EDA, Executive Office, Treasurer-Tax Collector, and Assessor. EDA accounts for approximately \$15.3 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. Executive Office accounts for \$5.9 million mainly due to savings in construction contracts and communication equipment. Treasurer-Tax Collector had savings of \$1.9 million due to reduction in expenses for auditors and enhancement upgrades. Assessor had savings of \$1.2 million due to reductions in data processing services and postage mail services.
- Other charges were \$25.0 million, or 65.7%, less than budgeted due to intergovernmental activities. Contributions to other funds were less than projected due to the collection of revenue from recording and filing court fees and property taxes being less than expected.
- Capital assets were \$2.3 million, or 86.3%, less than budgeted mainly due to the Energy Efficiency and Conservation Block Grant (EECBG) for EDA which was deferred to the next year.
- Intrafund transfers were \$17.5 million, or 14.2%, less than budgeted primarily due to EDA. EDA acquires reimbursements for maintenance, real estate, and other project services provided to General Fund departments. Lease reimbursements were lower than projected due to leases being renegotiated at lower amounts or 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 \$30.0 million for any such potential liabilities.

Debt Service: Actual expenditures of \$21.9 million were less than the final amended budget of \$38.2 million by \$16.3 million, or 42.8%, primarily due to a decrease in principal payments.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2010, the County's capital assets for both its governmental and business-type activities amounted to \$3.6 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, equipment, 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 15.1%, or \$468.3 million, from \$3.1 billion in fiscal year 2008-09 to \$3.6 billion in fiscal year 2009-10.

The increase of the County's capital assets was primarily due to construction in progress projects. Construction in progress rose from \$486.1 million in fiscal year 2008-09 to \$696.4 million in fiscal year 2009-10, a 43.3% increase. The 2010 balance includes additions of \$296.7 million, retirements of \$3.1 million, and transferred or completed projects of \$90.1 million. Structures and improvements increased by 29.0% as a result of acquisitions such as the downtown law buildings referred to as the Regency Tower by the Economic Development Agency.

In fiscal year 2009-10, new major projects budgeted for construction and design included the following: Mecca Boys and Girls Club with a budgeted amount of \$6.3 million will be a 30,000 square-foot youth recreation and counseling center. Riverside Centre Building Renovation budgeted at \$3.2 million and \$1.6 million for the building's fourth floor tenant improvement project. Mecca Downtown Street Revitalization Project at a budget amount of \$2.7 million,

## Management's Discussion & Analysis (Unaudited)

as well as \$2.4 million for the Mead Valley Road Improvement Project Phase 3. These projects are intended to eliminate blighted conditions by rehabilitating deteriorated infrastructure and provide necessary improvements within the communities. Energy projects include the Rubidoux Fleet Services solar shade structure for \$1.4 million, the County Farm central plant chiller upgrade for \$1.4 million, and \$1.1 million for the Riverside County Administrative Center Parking Structure Solar Project.

### Construction in Progress

#### Additions to Construction in Progress for Fiscal Year 2009-10:

In fiscal year 2009-10, additions in the amount of \$296.7 million consisted of costs related to existing projects and new projects.

Existing project costs include the following:

- The Economic Development Agency incurred \$135.8 million in costs for projects such as the 77,000 square foot Thermal Sheriff Station that will serve Eastern Coachella Valley and is 85 percent complete. Smith Correctional Facility 3<sup>rd</sup> expansion project in the City of Banning, as well as the Palm Desert Sheriff Station, one of the largest sheriff stations in Riverside County. Two new animal shelters, the Western Riverside Animal Shelters, which will be one of the largest animal shelters in the Inland Empire and Southern California, as well as the San Jacinto Valley Animal Shelter.
- Roads and signal infrastructures additions were \$63.2 million.
- Riverside County Regional Medical Center's Siemens Hospital Information System costs for the year were \$4.8 million. They also incurred \$2.6 million for the design and construction of an 84 bed Mental Health Facility, as well as \$2.5 million for the design and construction for the Emergency Department Expansion.
- Lake Skinner and Rancho Jurupa Parks incurred \$7.1 million in enhancements for water play splash pads, trails, and stages.

New project costs include the following:

- Public Safety Enterprise Communication experienced \$24.4 million in addition of radio communication sites. This project is to expand the County's radio tower network to approximately 70 locations and increase emergency telecommunication coverage to about 95 percent. The expansion of the systems capabilities and its associated infrastructure will help ensure the safety of the public and our safety officers.
- Roads and signal infrastructures additions were \$12.1 million.
- The Economic Development Agency experienced new projects in the amount of \$11.4 million. \$9.3 million for the Rubidoux Youth Opportunity Center and Rubidoux Boxing Club Project and \$2.1 million for the Jurupa Self Sufficiency Center, a 52,000 square foot facility that provides direct social services, employment training, and case management for clients of the Department of Public Social Services.
- Flood incurred \$6.6 million in new projects consisting of the Belltown Market Street Storm Drain, Stage 1 and the Calimesa Line L Storm Drain, intended to provide improved flood protection to existing residences, existing commercial development, and public roads.

#### Construction in Progress Transfers:

Completed construction in progress projects of approximately \$90.1 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2009-10. The major projects were as follows:

- \$57.8 million was transferred to structures and improvements. Examples include the Perris Sheriff's Complex and Family Care Clinic for \$29.8 million, the Ben Clark Training Center Drill Grounds Infrastructure for \$3.9 million, and \$2.6 million for the addition of 52 temporary modular classroom trailers to serve the training academies at the Ben Clark Training Center for Sheriff, Fire, and California Highway Patrol. \$2.3 million for the security camera systems for both the Riverside and Indio Juvenile Halls. \$1.9 million for the Western Coachella Valley Multi-Service Center in North Palm Springs and \$1.4 million for the Gilman Historic Ranch and Wagon Museum Expansion in Banning to accommodate the school population for educational field trips.

## Management's Discussion & Analysis (Unaudited)

- \$27.6 million was transferred to infrastructure. This included flood channels such as San Sevaine for \$8.3 million, Salt Creek for \$1.8 million, and the Norco Master Drainage Plan Line NA-S, Stage 2 consisting of 4,660 lineal feet of various sized underground storm drain for \$1.2 million. \$6.8 million in costs were incurred for the Edom Hill Sanitary Landfill closure construction. The Cajalco Road Resurfacing Project from La Sierra Avenue to Temescal Canyon Road for \$2.9 million and the drainage improvements project on Jamaica Sands Drive and Trinity Circle in the Bermuda Dunes area for \$1.3 million, both part of the Transportation Department. The ADA Paving Improvements Phase 3 project at the County's Fairground in Indio for \$2.7 million and \$2.0 million for construction of electrical upgrades at the Jacqueline Cochran Regional Airport by the Economic Development Agency, Aviation Division.

### Land and Easements

Additions of \$18.3 million in land were processed this fiscal year. Flood incurred additions of \$7.3 million for projects such as the Homeland/Romoland Master Drainage Plan. Approximately \$6.9 million consists of conveyed land from the Redevelopment Agency to the County for the construction of the Jurupa Youth and Opportunity Center, the Senior One-Stop in Hemet, and for the enhancement of communities within Jurupa Valley. \$3.9 million was acquired for the Downtown Law Building.

### 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 2009-10 depreciable capital asset current year additions of \$251.1 million, were comprised of the following:

- Infrastructure in the amount of \$102.1 million:
  - Roads in the amount of \$90.0 million, of which \$83.6 million consisted of donated assets. Flood storm drains in the amount of \$11.9 million.
- Structures and improvements amounted to \$128.6 million:
  - Buildings and improvements incurred \$127.5 million for the purchase of the Downtown Law Buildings located on 3960 Orange Street in Riverside.
- Equipment in the amount of \$20.4 million:
  - Equipment leased - \$9.8 million
  - Computer and office equipment - \$2.6 million
  - Equipment field - \$2.2 million
  - Equipment vehicles - \$2.2 million
  - Miscellaneous equipment - \$2.2 million
  - Vehicles leased - \$1.3 million

#### Retirements of Depreciable Assets:

Retirement of depreciable assets amounted to \$32.6 million. Equipment in the amount of \$26.9 million was retired consisting of assets primarily in the categories of computer and office equipment from Riverside County Information Technology and vehicles from Fleet Services and Waste Management. \$5.7 million of structures and improvements were retired, which included the conveyance of La Quinta Fire Station to the City of La Quinta, the abandoned Thousand Palm Fire Station for the development of an affordable housing project, and the demolition of the Mecca Fire Station for the purpose of revitalizing the downtown area.

#### Transfers:

\$86.2 million was transferred from completed construction in progress projects as noted above.

## Management's Discussion & Analysis (Unaudited)

### 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 \$140.0 million in depreciation.

### 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/<br>(Decrease)<br>% |
|--------------------------------|--|--------------------|-----------------------------|------------------|--------------------|--------------------|------------------------------|
|                                | Governmental<br>Activities                         |                    | Business-type<br>Activities |                  | Total              |                    |                              |
|                                | 2010   | 2009               | 2010                        | 2009             | 2010               | 2009               |                              |
| Infrastructure                 | \$1,377,579  | \$1,326,055        | \$ 53,885                   | \$ 50,752        | \$1,431,464        | \$1,376,807        | 4.0%                         |
| Land and easements             | 429,874  | 407,723            | 21,325                      | 21,081           | 451,199            | 428,804            | 5.2%                         |
| Land improvements              | 99   | 99                 | 4,826                       | 5,360            | 4,925              | 5,459              | -9.8%                        |
| Structures and<br>improvements | 732,044  | 532,844            | 136,098                     | 140,277          | 868,142            | 673,121            | 29.0%                        |
| Equipment                      | 100,136  | 117,964            | 20,673                      | 16,451           | 120,809            | 134,415            | -10.1%                       |
| Construction in progress       | 661,635  | 464,647            | 34,801                      | 21,468           | 696,436            | 486,115            | 43.3%                        |
| <b>Total</b>                   | <b>\$3,301,367</b>                                 | <b>\$2,849,332</b> | <b>\$271,608</b>            | <b>\$255,389</b> | <b>\$3,572,975</b> | <b>\$3,104,721</b> | <b>15.1%</b>                 |

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, 2010, the County had numerous debt issues outstanding, principally certificates of participation - lease rental obligations. (See Note 13)

Net bonded debt per capita equaled \$668.0 as of June 30, 2010. The calculated legal debt limit for the County is \$2.7 billion.

The following are credit ratings maintained by the County:

|                      | <u>Moody's Investors<br/>Service, Inc.</u> | <u>Standard &amp;<br/>Poor's Corp.</u> | <u>Fitch</u> |
|----------------------|--|--|--------------|
| Long-term lease debt | A1   | AA-                                    | AA-          |
| Issuer credit        | Aa2  | 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 2009-10, the County, as a participant in the California Statewide Communities Development Authority composite offering, issued \$293.0 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 2009-10, 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 \$71.3 million. The approximately \$257.3 million in total financing was comprised of \$163.1 million, representing fiscal year 2008-09 delinquent property taxes and \$94.2 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.



## Management's Discussion & Analysis *(Unaudited)*

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2010.

### County's Outstanding Debt Obligation (In Thousands)

|                               | Governmental Activities |                    | Business-Type Activities |                  | Total              |                    | Increase/<br>(Decrease)<br>% |
|-------------------------------|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|------------------------------|
|                               | 2010                    | 2009               | 2010                     | 2009             | 2010               | 2009               |                              |
| Loans payable                 | \$ 6,987                | \$ 7,222           | \$ -                     | \$ -             | \$ 6,987           | \$ 7,222           | -3.3%                        |
| Notes payable                 | 15,000                  | 6,000              | -                        | -                | 15,000             | 6,000              | 150.0%                       |
| Bonds payable                 | 1,408,017               | 1,359,277          | 147,924                  | 159,959          | 1,555,941          | 1,519,236          | 2.4%                         |
| Certificates of participation | 385,447                 | 391,914            | -                        | -                | 385,447            | 391,914            | -1.7%                        |
| Capital Leases                | 123,890                 | 117,611            | 20,842                   | 14,028           | 144,732            | 131,639            | 9.9%                         |
| <b>Total Outstanding</b>      | <b>\$1,939,341</b>      | <b>\$1,882,024</b> | <b>\$ 168,766</b>        | <b>\$173,987</b> | <b>\$2,108,107</b> | <b>\$2,056,011</b> | <b>2.5%</b>                  |

Outstanding Debt: The County of Riverside's total debt increased by 2.5%, \$52.1 million (\$57.3 million in governmental funds and a decrease of \$5.2 million in business-type), during the current fiscal year. The increase in governmental activities was a result of the issuance of two (2) 2009 Certificates of Participation Refunding Bonds, two (2) 2010 RDA's Tax Housing Allocation Bonds, and 2010 Bond Anticipation Notes. The decrease in business-type activities was a result of the annual principal payments.

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

## Management's Discussion & Analysis (Unaudited)

### ECONOMIC FACTORS AND THE FISCAL YEAR 2010-11 BUDGET OUTLOOK

Riverside County's economy continues to experience the negative impact of the recession. Locally, the economy was hit harder and is recovering more slowly than the nation at large. The county continues to experience high unemployment rates with declines that are less severe for personal income, taxable sales, residential building permits, and the real estate market than in the prior fiscal year.

To fund the fiscal year 2010-11 budget, the County drew on reserves creating a structural budget imbalance totaling about \$60.0 million. Fiscal year 2010-11 discretionary revenue is expected to decline by approximately three percent (\$17.0 million) when compared to fiscal year 2009-10. The following table reflects anticipated discretionary revenue totals and sources for Fiscal Year 2010-11.

| Source                             | Final<br>Budget<br>Estimate |
|------------------------------------|-----------------------------|
| Taxes                              | \$ 222,486                  |
| Other Taxes                        | 33,935                      |
| Licenses, Permits, Franchise Taxes | 7,000                       |
| Fines, Forfeitures, Penalties      | 25,471                      |
| Use of Money and Property          | 6,300                       |
| State                              | 191,523                     |
| Federal                            | 3,100                       |
| Other Government                   | 50                          |
| Charges for Services               | 266                         |
| Miscellaneous                      | 102,024                     |
| Total                              | <u>\$ 592,155</u>           |

The County's employee retirement benefit contribution rate for fiscal year 2010-11 for miscellaneous members is 12.2% and the Safety contribution rate is 19.3%. 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 2011-12 rates are projected at 13.1% (Miscellaneous) and 21.3% (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 2010-11 assessment roll value declined by 4.3%, yielding a total property tax roll of \$208.2 billion, compared to \$217.4 billion in fiscal year 2009-10. The \$9.2 billion decrease in assessment roll value reflected the continuing 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 values 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 - 11<sup>th</sup> Floor, P.O. Box 1326, Riverside, CA 92502-1326; Phone: (951) 955-3800; Fax: (951) 955-3802; website: [www.auditorcontroller.org](http://www.auditorcontroller.org).



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## COUNTY OF RIVERSIDE

### Statement of Net Assets

June 30, 2010

(Dollars in Thousands)

|   | Primary Government  |                   |                     | Component Units  |                 |
|---|---------------------|-------------------|---------------------|------------------|-----------------|
|   | Governmental        | Business-type     | Total               | Children and     | Palm Desert     |
|   | Activities          | Activities        |                     | Families         | Financing       |
|   |                     |                   |                     | Commission       | Authority       |
| <b>ASSETS:</b>                                  |                     |                   |                     |                  |                 |
| Cash and investments (Note 5)                   | \$ 1,535,478        | \$ 102,759        | \$ 1,638,237        | \$ 58,220        | \$ -            |
| Receivables, net (Notes 1 and 7)                | 438,164             | 118,446           | 556,610             | 5,993            | -               |
| Inventories                                     | 6,449               | 7,683             | 14,132              | -                | -               |
| Internal balances (Note 8)                      | 43,518              | (43,518)          | -                   | -                | -               |
| Pension asset, net (Notes 18 and 19)            | 424,946             | 1,950             | 426,896             | -                | -               |
| OPEB asset, net (Note 20)                       | 18,523              | 62                | 18,585              | -                | -               |
| Prepaid items and deposits                      | 2,165               | 5,035             | 7,200               | -                | -               |
| Restricted cash and investments (Notes 5 and 6) | 592,477             | 122,330           | 714,807             | -                | 25,459          |
| Other noncurrent receivables (Note 7)           | 36,080              | -                 | 36,080              | -                | 64,066          |
| Notes receivable (Note 7)                       | 67,192              | -                 | 67,192              | -                | -               |
| Land held for resale                            | 79,665              | -                 | 79,665              | -                | -               |
| Unamortized bond issuance costs                 | 23,211              | 1,070             | 24,281              | -                | 1,206           |
| Deferred outflows of resources (Note 13)        | 27,890              | -                 | 27,890              | -                | -               |
| Capital assets (Note 9):                        |                     |                   |                     |                  |                 |
| Nondepreciable assets                           | 1,091,509           | 56,126            | 1,147,635           | -                | -               |
| Depreciable assets, net                         | 2,209,858           | 215,482           | 2,425,340           | 1                | -               |
| Total assets                                    | <u>6,597,125</u>    | <u>587,425</u>    | <u>7,184,550</u>    | <u>64,214</u>    | <u>90,731</u>   |
| <b>LIABILITIES:</b>                             |                     |                   |                     |                  |                 |
| Current Liabilities:                            |                     |                   |                     |                  |                 |
| Accounts payable                                | 129,024             | 21,529            | 150,553             | 3,348            | 1,841           |
| Salaries and benefits payable                   | 54,169              | 9,065             | 63,234              | 93               | -               |
| Due to other governments                        | 39,489              | 17,117            | 56,606              | 564              | -               |
| Interest payable                                | 16,870              | 752               | 17,622              | -                | 784             |
| Deposits payable                                | 3,434               | 87                | 3,521               | -                | -               |
| Notes payable (Note 12)                         | 257,300             | -                 | 257,300             | -                | -               |
| Other liabilities                               | 1,664               | 3,382             | 5,046               | -                | -               |
| Unearned revenue (Note 7)                       | 209,338             | -                 | 209,338             | 27               | -               |
| Interest rate swap (Note 13)                    | 27,890              | -                 | 27,890              | -                | -               |
| Long-term liabilities (Note 13) :               |                     |                   |                     |                  |                 |
| Due within one year                             | 193,361             | 38,408            | 231,769             | 149              | 5,030           |
| Due beyond one year                             | 2,070,228           | 277,401           | 2,347,629           | 104              | 83,946          |
| Total liabilities                               | <u>3,002,767</u>    | <u>367,741</u>    | <u>3,370,508</u>    | <u>4,285</u>     | <u>91,601</u>   |
| <b>NET ASSETS:</b>                              |                     |                   |                     |                  |                 |
| Invested in capital assets, net of related debt | 1,594,275           | 96,901            | 1,691,176           | -                | -               |
| Restricted for:                                 |                     |                   |                     |                  |                 |
| Children's programs                             | -                   | -                 | -                   | 59,929           | -               |
| Community development                           | 246,626             | -                 | 246,626             | -                | -               |
| Debt service                                    | 90,773              | 32,443            | 123,216             | -                | -               |
| Health and sanitation                           | 17,860              | 14,188            | 32,048              | -                | -               |
| Public protection                               | 46,521              | -                 | 46,521              | -                | -               |
| Public ways & facilities                        | 195,363             | -                 | 195,363             | -                | -               |
| Other programs                                  | 7,799               | 3,755             | 11,554              | -                | -               |
| Unrestricted                                    | 1,395,141           | 72,397            | 1,467,538           | -                | (870)           |
| Total net assets                                | <u>\$ 3,594,358</u> | <u>\$ 219,684</u> | <u>\$ 3,814,042</u> | <u>\$ 59,929</u> | <u>\$ (870)</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, 2010**  
**(Dollars in Thousands)**

| FUNCTION/PROGRAM ACTIVITIES:                          | Program Revenues    |                      |                                    |                  |
|---|---------------------|----------------------|------------------------------------|------------------|
|   | Expenses            | Charges for Services | Operating Grants and Contributions |                  |
| Primary government:                                   |                     |                      |                                    |                  |
| Governmental activities:                              |                     |                      |                                    |                  |
| General government                                    | \$ 323,949          | \$ 140,723           | \$ 158,445                         | \$ 33            |
| Public protection                                     | 1,062,213           | 331,162              | 216,359                            | 836              |
| Public ways and facilities                            | 31,024              | 38,177               | 29,193                             | 29,619           |
| Health and sanitation                                 | 347,634             | 48,103               | 185,231                            | -                |
| Public assistance                                     | 820,637             | 2,688                | 788,038                            | -                |
| Education   | 19,866              | 493                  | 6,600                              | 624              |
| Recreation and culture                                | 12,206              | 5,977                | 925                                | -                |
| Interest on long-term debt                            | 80,754              | -                    | -                                  | -                |
| Total governmental activities                         | <u>2,698,283</u>    | <u>567,323</u>       | <u>1,384,791</u>                   | <u>31,112</u>    |
| Business-type activities:                             |                     |                      |                                    |                  |
| Regional Medical Center                               | 389,991             | 367,273              | -                                  | 1,165            |
| Waste Management Department                           | 49,956              | 51,814               | -                                  | -                |
| Housing Authority                                     | 81,426              | 80,630               | -                                  | -                |
| Flood Control   | 3,233               | 1,436                | -                                  | -                |
| County Service Areas                                  | 454                 | 377                  | -                                  | -                |
| Total business-type activities                        | <u>525,060</u>      | <u>501,530</u>       | <u>-</u>                           | <u>1,165</u>     |
| Total primary government                              | <u>\$ 3,223,343</u> | <u>\$ 1,068,853</u>  | <u>\$ 1,384,791</u>                | <u>\$ 32,277</u> |
| Component units:                                      |                     |                      |                                    |                  |
| Children and Families Commission                      | \$ 30,347           | \$ -                 | \$ 26,175                          | \$ -             |
| Palm Desert Financing Authority                       | 5,922               | 4,928                | -                                  | -                |
| Total Component Units                                 | <u>\$ 36,269</u>    | <u>\$ 4,928</u>      | <u>\$ 26,175</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 |                                  |
| \$ (24,748)             | \$ -                     | \$ (24,748)         |                                  |                                 | FUNCTION/PROGRAM ACTIVITIES:     |
| (513,856)               | -                        | (513,856)           |                                  |                                 | Primary government:              |
| 65,965                  | -                        | 65,965              |                                  |                                 | Governmental activities:         |
| (114,300)               | -                        | (114,300)           |                                  |                                 | General government               |
| (29,911)                | -                        | (29,911)            |                                  |                                 | Public protection                |
| (12,149)                | -                        | (12,149)            |                                  |                                 | Public ways and facilities       |
| (5,304)                 | -                        | (5,304)             |                                  |                                 | Health and sanitation            |
| (80,754)                | -                        | (80,754)            |                                  |                                 | Public assistance                |
| <u>(715,057)</u>        | <u>-</u>                 | <u>(715,057)</u>    |                                  |                                 | Education                        |
|                         |                          |                     |                                  |                                 | Recreation and culture           |
|                         |                          |                     |                                  |                                 | Interest on long-term debt       |
|                         |                          |                     |                                  |                                 | Total governmental activities    |
|                         |                          |                     |                                  |                                 | Business-type activities:        |
|                         | (21,553)                 | (21,553)            |                                  |                                 | Regional Medical Center          |
|                         | 1,858                    | 1,858               |                                  |                                 | Waste Management Department      |
|                         | (796)                    | (796)               |                                  |                                 | Housing Authority                |
|                         | (1,797)                  | (1,797)             |                                  |                                 | Flood Control                    |
|                         | (77)                     | (77)                |                                  |                                 | County Service Areas             |
|                         | <u>(22,365)</u>          | <u>(22,365)</u>     |                                  |                                 | Total business-type activities   |
| <u>(715,057)</u>        | <u>(22,365)</u>          | <u>(737,422)</u>    |                                  |                                 | Total primary government         |
|                         |                          |                     | \$ (4,172)                       | \$ -                            | Component unit:                  |
|                         |                          |                     | -                                | (994)                           | Children and Families Commission |
|                         |                          |                     | <u>(4,172)</u>                   | <u>(994)</u>                    | Palm Desert Financing Authority  |
|                         |                          |                     |                                  |                                 | Total Component Units            |
| 440,282                 | -                        | 440,282             | -                                | -                               |                                  |
| 36,289                  | -                        | 36,289              | -                                | -                               |                                  |
| 8,610                   | -                        | 8,610               | -                                | -                               |                                  |
| 246,493                 | -                        | 246,493             | -                                | -                               |                                  |
| 29,026                  | 1,442                    | 30,468              | 566                              | 4                               |                                  |
| 91,044                  | -                        | 91,044              | 128                              | -                               |                                  |
| (17,436)                | 17,436                   | -                   | -                                | -                               |                                  |
| <u>834,308</u>          | <u>18,878</u>            | <u>853,186</u>      | <u>694</u>                       | <u>4</u>                        |                                  |
| 119,251                 | (3,487)                  | 115,764             | (3,478)                          | (990)                           |                                  |
| <u>3,475,107</u>        | <u>223,171</u>           | <u>3,698,278</u>    | <u>63,407</u>                    | <u>120</u>                      |                                  |
| <u>\$3,594,358</u>      | <u>\$ 219,684</u>        | <u>\$ 3,814,042</u> | <u>\$ 59,929</u>                 | <u>\$ (870)</u>                 |                                  |

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, 2010  
 (Dollars in Thousands)

|   | General           | Flood Control     | Teeter Debt Service | Public Facilities Improvements Capital Projects |
|---|-------------------|-------------------|---------------------|---|
| <b>ASSETS:</b>                                  |                   |                   |                     |   |
| Cash and investments (Note 5)                   | \$ 122,902        | \$ 244,604        | \$ -                | \$ 346,620                                      |
| Accounts receivable (Notes 1 and 7)             | 8,468             | 552               | -                   | -   |
| Interest receivable (Note 7)                    | 2,091             | 393               | 175                 | 478   |
| Taxes receivable (Note 7)                       | 27,714            | 5,668             | 113,346             | -   |
| Due from other governments (Note 7)             | 263,240           | 202               | -                   | 612   |
| Inventories                                     | 1,941             | -                 | -                   | -   |
| Due from other funds (Note 8)                   | 25,353            | -                 | 35                  | -   |
| Prepaid items                                   | 888               | 832               | -                   | -   |
| Restricted cash and investments (Notes 5 and 6) | 296,543           | 5,655             | 153,217             | -   |
| Advance to other funds (Note 8)                 | -                 | -                 | -                   | -   |
| Notes receivable (Note 7)                       | -                 | -                 | -                   | -   |
| Land held for resale                            | -                 | -                 | -                   | -   |
| <b>Total assets</b>                             | <b>\$ 749,140</b> | <b>\$ 257,906</b> | <b>\$ 266,773</b>   | <b>\$ 347,710</b>                               |
| <b>LIABILITIES AND FUND BALANCES:</b>           |                   |                   |                     |   |
| <b>Liabilities:</b>                             |                   |                   |                     |   |
| Accounts payable                                | \$ 57,236         | \$ 8,169          | \$ 23               | \$ 9,057  |
| Salaries and benefits payable                   | 46,376            | 733               | -                   | -   |
| Due to other governments                        | 35,161            | 2,057             | -                   | -   |
| Due to other funds (Note 8)                     | 2,155             | 86                | 9,450               | -   |
| Deposits payable                                | 3,050             | -                 | -                   | -   |
| Teeter notes payable (Note 12)                  | -                 | -                 | 257,300             | -   |
| Advances from other funds (Note 8)              | -                 | -                 | -                   | -   |
| Deferred revenue (Note 7)                       | 218,676           | 4,937             | -                   | -   |
| <b>Total liabilities</b>                        | <b>362,654</b>    | <b>15,982</b>     | <b>266,773</b>      | <b>9,057</b>                                    |
| <b>Fund balances (Note 14):</b>                 |                   |                   |                     |   |
| Reserved  | 90,374            | 833               | -                   | 327,803   |
| Unreserved, designated, reported in:            |                   |                   |                     |   |
| General fund                                    | 250,463           | -                 | -                   | -   |
| Special revenue funds                           | -                 | 236,269           | -                   | -   |
| Capital projects funds                          | -                 | -                 | -                   | 10,850  |
| Unreserved, undesignated, reported in:          |                   |                   |                     |   |
| General fund                                    | 45,649            | -                 | -                   | -   |
| Special revenue funds                           | -                 | 4,822             | -                   | -   |
| <b>Total fund balances</b>                      | <b>386,486</b>    | <b>241,924</b>    | <b>-</b>            | <b>338,653</b>                                  |
| <b>Total liabilities and fund balances</b>      | <b>\$ 749,140</b> | <b>\$ 257,906</b> | <b>\$ 266,773</b>   | <b>\$ 347,710</b>                               |

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

| Redevelopment<br>Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | ASSETS:   |
|--------------------------------------|--------------------------------|--------------------------------|---|
| \$ 187,880                           | \$ 394,552                     | \$ 1,296,558                   | Cash and investments (Note 5)                   |
| 5,992                                | 2,888                          | 17,900                         | Accounts receivable (Notes 1 and 7)             |
| 431                                  | 500                            | 4,068                          | Interest receivable (Note 7)                    |
| -                                    | 4,094                          | 150,822                        | Taxes receivable (Note 7)                       |
| -                                    | 34,034                         | 298,088                        | Due from other governments (Note 7)             |
| -                                    | 822                            | 2,763                          | Inventories                                     |
| 2,971                                | 229                            | 28,588                         | Due from other funds (Note 8)                   |
| -                                    | 445                            | 2,165                          | Prepaid items                                   |
| -                                    | 136,059                        | 591,474                        | Restricted cash and investments (Notes 5 and 6) |
| -                                    | 2,050                          | 2,050                          | Advance to other funds (Note 8)                 |
| 28,674                               | 38,518                         | 67,192                         | Notes receivable (Note 7)                       |
| 50,583                               | 29,082                         | 79,665                         | Land held for resale                            |
| <u>\$ 276,531</u>                    | <u>\$ 643,273</u>              | <u>\$ 2,541,333</u>            | Total assets                                    |
|                                      |                                |                                | LIABILITIES AND FUND BALANCES:                  |
|                                      |                                |                                | Liabilities:                                    |
| \$ 8,184                             | \$ 32,169                      | \$ 114,838                     | Accounts payable                                |
| -                                    | 3,904                          | 51,013                         | Salaries and benefits payable                   |
| -                                    | 2,231                          | 39,449                         | Due to other governments                        |
| -                                    | 14,450                         | 26,141                         | Due to other funds (Note 8)                     |
| -                                    | 384                            | 3,434                          | Deposits payable                                |
| -                                    | -                              | 257,300                        | Teeter notes payable (Note 12)                  |
| -                                    | 2,050                          | 2,050                          | Advances from other funds (Note 8)              |
| -                                    | 30,370                         | 253,983                        | Deferred revenue (Note 7)                       |
| <u>8,184</u>                         | <u>85,558</u>                  | <u>748,208</u>                 | Total liabilities                               |
|                                      |                                |                                | Fund balances (Note 14):                        |
| 178,505                              | 331,320                        | 928,835                        | Reserved  |
|                                      |                                |                                | Unreserved, designated, reported in:            |
| -                                    | -                              | 250,463                        | General fund                                    |
| -                                    | 32,782                         | 269,051                        | Special revenue funds                           |
| 89,842                               | 7,734                          | 108,426                        | Capital projects funds                          |
|                                      |                                |                                | Unreserved, undesignated, reported in:          |
| -                                    | -                              | 45,649                         | General fund                                    |
| -                                    | 185,879                        | 190,701                        | Special revenue funds                           |
| <u>268,347</u>                       | <u>557,715</u>                 | <u>1,793,125</u>               | Total fund balances                             |
| <u>\$ 276,531</u>                    | <u>\$ 643,273</u>              | <u>\$ 2,541,333</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, 2010  
(Dollars in Thousands)

|   |                |                            |
|---|----------------|----------------------------|
| Fund balances - total governmental funds (page 31)  |                | \$ 1,793,125               |
| 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.  |                | 3,259,190                  |
| Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.   |                | 23,211                     |
| Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.   |                | 443,469                    |
| 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.                                      |                | 44,645                     |
| 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   | \$ 1,408,017   |                            |
| Capital lease obligations   | 101,165        |                            |
| Certificates of participation   | 385,447        |                            |
| Loans payable   | 6,987          |                            |
| Notes payable   | 15,000         |                            |
| Accrued interest payable  | 16,870         |                            |
| Accreted interest payable   | 44,750         |                            |
| Accrued remediation cost  | 2,014          |                            |
| Compensated absences  | <u>153,244</u> | (2,133,494)                |
| 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. |                | <u>164,212</u>             |
| Net assets of governmental activities (page 25)   |                | <u><u>\$ 3,594,358</u></u> |

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, 2010

(Dollars in Thousands)

|  | General<br>Fund   | Flood<br>Control  | Teeter<br>Debt<br>Service | Public<br>Facilities<br>Improvements<br>Capital Projects |
|--|-------------------|-------------------|---------------------------|--|
| <b>REVENUES:</b>   |                   |                   |                           |  |
| Taxes  | \$ 229,631        | \$ 43,534         | \$ -                      | \$ -   |
| Licenses, permits, and franchise fees                        | 16,724            | -                 | -                         | -  |
| Fines, forfeitures, and penalties                            | 112,813           | -                 | -                         | -  |
| Use of money and property:                                   |                   |                   |                           |  |
| Interest   | 12,197            | 2,263             | 1,005                     | 4,101  |
| Rents and concessions  | 3,936             | 180               | -                         | -  |
| Aid from other governmental agencies:                        |                   |                   |                           |  |
| Federal  | 504,605           | 165               | -                         | -  |
| State  | 820,432           | 630               | -                         | -  |
| Other  | 89,312            | -                 | -                         | 55,551   |
| Charges for services   | 367,249           | 10,537            | -                         | 35,406   |
| Other revenue  | 30,670            | 7,384             | -                         | 5,712  |
| Total revenues   | <u>2,187,569</u>  | <u>64,693</u>     | <u>1,005</u>              | <u>100,770</u>   |
| <b>EXPENDITURES:</b>   |                   |                   |                           |  |
| <b>Current:</b>  |                   |                   |                           |  |
| General government   | 130,516           | -                 | 597                       | 219,654  |
| Public protection  | 1,005,679         | 51,175            | -                         | -  |
| Public ways and facilities                                   | -                 | -                 | -                         | 635  |
| Health and sanitation  | 333,068           | -                 | -                         | -  |
| Public assistance  | 712,353           | -                 | -                         | -  |
| Education  | 551               | -                 | -                         | -  |
| Recreation and culture                                       | 312               | -                 | -                         | -  |
| <b>Debt service:</b>   |                   |                   |                           |  |
| Principal  | 13,958            | -                 | -                         | -  |
| Interest   | 7,918             | -                 | 2,629                     | -  |
| Cost of issuance   | -                 | -                 | -                         | -  |
| Capital outlay   | 31,018            | -                 | -                         | -  |
| Total expenditures   | <u>2,235,373</u>  | <u>51,175</u>     | <u>3,226</u>              | <u>220,289</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (47,804)          | 13,518            | (2,221)                   | (119,519)  |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                   |                   |                           |  |
| Transfers in   | 163,833           | 481               | 3,077                     | 45,595   |
| Transfers out  | (132,682)         | (991)             | (856)                     | (125,854)  |
| Issuance of debt   | -                 | -                 | -                         | -  |
| Issuance of refunding bonds                                  | -                 | -                 | -                         | -  |
| Discount on long-term debt                                   | -                 | -                 | -                         | -  |
| Premium on long-term debt                                    | -                 | -                 | -                         | -  |
| Redemption of refunded debt                                  | -                 | -                 | -                         | -  |
| Capital leases   | 31,018            | -                 | -                         | -  |
| Total other financing sources (uses)                         | <u>62,169</u>     | <u>(510)</u>      | <u>2,221</u>              | <u>(80,259)</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <u>14,365</u>     | <u>13,008</u>     | <u>-</u>                  | <u>(199,778)</u>   |
| Fund balances, beginning of year, as previously reported     | 372,121           | 228,916           | -                         | 538,431  |
| Adjustments to beginning fund balances (Note 4)              | -                 | -                 | -                         | -  |
| Fund balances, beginning of year, as restated                | <u>372,121</u>    | <u>228,916</u>    | <u>-</u>                  | <u>538,431</u>   |
| <b>FUND BALANCES, END OF YEAR</b>                            | <u>\$ 386,486</u> | <u>\$ 241,924</u> | <u>\$ -</u>               | <u>\$ 338,653</u>  |

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

| Redevelopment<br>Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  |
|--------------------------------------|--------------------------------|--------------------------------|--|
| \$ -                                 | \$ 166,270                     | \$ 439,435                     | REVENUES:  |
| -                                    | 2,473                          | 19,197                         | Taxes  |
| -                                    | 1,507                          | 114,320                        | Licenses, permits, and franchise fees                    |
|                                      |                                |                                | Fines, forfeitures, and penalties                        |
|                                      |                                |                                | Use of money and property:                               |
| 2,733                                | 4,630                          | 26,929                         | Interest   |
| 98                                   | 13,179                         | 17,393                         | Rents and concessions                                    |
|                                      |                                |                                | Aid from other governmental agencies:                    |
| -                                    | 131,397                        | 636,167                        | Federal  |
| -                                    | 36,129                         | 857,191                        | State  |
| -                                    | 27,735                         | 172,598                        | Other  |
| -                                    | 56,148                         | 469,340                        | Charges for services                                     |
| 5,397                                | 16,548                         | 65,711                         | Other revenue  |
| <u>8,228</u>                         | <u>456,016</u>                 | <u>2,818,281</u>               | Total revenues   |
|                                      |                                |                                | EXPENDITURES:  |
|                                      |                                |                                | Current:   |
| 93,456                               | 110,092                        | 554,315                        | General government                                       |
| -                                    | 11,197                         | 1,068,051                      | Public protection  |
| -                                    | 129,675                        | 130,310                        | Public ways and facilities                               |
| -                                    | 8,176                          | 341,244                        | Health and sanitation                                    |
| -                                    | 100,495                        | 812,848                        | Public assistance  |
| -                                    | 18,359                         | 18,910                         | Education  |
| -                                    | 12,308                         | 12,620                         | Recreation and culture                                   |
|                                      |                                |                                | Debt service:  |
| -                                    | 59,420                         | 73,378                         | Principal  |
| 75                                   | 68,067                         | 78,689                         | Interest   |
| -                                    | 1,819                          | 1,819                          | Cost of issuance   |
| -                                    | 8,826                          | 39,844                         | Capital outlay   |
| <u>93,531</u>                        | <u>528,434</u>                 | <u>3,132,028</u>               | Total expenditures                                       |
|                                      |                                |                                | Excess (deficiency) of revenues                          |
| (85,303)                             | (72,418)                       | (313,747)                      | over (under) expenditures                                |
|                                      |                                |                                | OTHER FINANCING SOURCES (USES):                          |
| 41,592                               | 208,718                        | 463,296                        | Transfers in   |
| (21,561)                             | (197,199)                      | (479,143)                      | Transfers out  |
| 15,000                               | 66,745                         | 81,745                         | Issuance of debt   |
| -                                    | 70,365                         | 70,365                         | Issuance of refunding bonds                              |
| -                                    | (626)                          | (626)                          | Discount on long-term debt                               |
| -                                    | 937                            | 937                            | Premium on long-term debt                                |
| -                                    | (65,713)                       | (65,713)                       | Redemption of refunded debt                              |
| -                                    | -                              | 31,018                         | Capital leases   |
| <u>35,031</u>                        | <u>83,227</u>                  | <u>101,879</u>                 | Total other financing sources (uses)                     |
| <u>(50,272)</u>                      | <u>10,809</u>                  | <u>(211,868)</u>               | NET CHANGE IN FUND BALANCES                              |
| 305,703                              | 557,614                        | 2,002,785                      | Fund balances, beginning of year, as previously reported |
| 12,916                               | (10,708)                       | 2,208                          | Adjustments to beginning fund balances (Note 4)          |
| <u>318,619</u>                       | <u>546,906</u>                 | <u>2,004,993</u>               | Fund balances, beginning of year, as restated            |
| <u>\$ 268,347</u>                    | <u>\$ 557,715</u>              | <u>\$ 1,793,125</u>            | 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, 2010  
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 35) \$ (211,868)

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         | \$ 534,517       |         |
| Less loss on disposal of capital assets | (4,855)          |         |
| Less current year depreciation          | <u>(104,764)</u> | 424,898 |

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. 12,833

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. 828

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 |  | (69,499) |
| Current amortization of bond premiums    |  | 127      |

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. (10,540)

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

|  |                 |          |
|--|-----------------|----------|
| Change in accrued interest               | (60)            |          |
| Change in accreted interest              | (16,298)        |          |
| Change in long-term compensated absences | <u>(14,350)</u> | (30,708) |

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. 3,180

|   |                   |
|---|-------------------|
| Change in net assets of governmental activities (page 27) | <u>\$ 119,251</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, 2010  
 (Dollars in Thousands)

|                                       | Budgeted Amounts  |                   | Actual<br>Amounts | Variance With<br>Final Budget<br>Over (Under) |
|---------------------------------------|-------------------|-------------------|-------------------|---|
|                                       | Original          | Final             |                   |   |
| <b>REVENUES:</b>                      |                   |                   |                   |   |
| Taxes                                 | \$ 245,003        | \$ 223,403        | \$ 229,631        | \$ 6,228                                      |
| Licenses, permits, and fees           | 20,680            | 20,480            | 16,724            | (3,756)                                       |
| Fines, forfeitures, and penalties     | 101,671           | 102,065           | 112,813           | 10,748  |
| Use of money and property:            |                   |                   |                   |   |
| Interest                              | 8,685             | 8,685             | 12,197            | 3,512   |
| Rents and concessions                 | 30,604            | 21,490            | 3,936             | (17,554)                                      |
| Aid from other governmental agencies: |                   |                   |                   |   |
| Federal                               | 497,562           | 510,023           | 504,605           | (5,418)                                       |
| State                                 | 959,347           | 933,271           | 820,432           | (112,839)                                     |
| Other government                      | 85,191            | 88,191            | 89,312            | 1,121   |
| Charges for current services          | 484,980           | 406,189           | 367,249           | (38,940)                                      |
| Other revenue                         | 47,704            | 42,628            | 30,670            | (11,958)                                      |
| Total revenues                        | <u>2,481,427</u>  | <u>2,356,425</u>  | <u>2,187,569</u>  | <u>(168,856)</u>                              |
| <b>EXPENDITURES:</b>                  |                   |                   |                   |   |
| <b>Current:</b>                       |                   |                   |                   |   |
| <b>General government</b>             |                   |                   |                   |   |
| Salaries and employee benefits        | 114,047           | 112,078           | 101,802           | (10,276)                                      |
| Services and supplies                 | 139,087           | 146,701           | 121,417           | (25,284)                                      |
| Other charges                         | 103,915           | 38,047            | 13,046            | (25,001)                                      |
| Capital assets                        | 400               | 2,621             | 360               | (2,261)                                       |
| Intrafund transfers                   | (118,962)         | (123,622)         | (106,109)         | 17,513  |
| Appropriation for contingencies       | 30,000            | 7,271             | -                 | (7,271)                                       |
| Total general government              | <u>268,487</u>    | <u>183,096</u>    | <u>130,516</u>    | <u>(52,580)</u>                               |
| <b>Public protection:</b>             |                   |                   |                   |   |
| Salaries and employee benefits        | 698,111           | 694,909           | 678,598           | (16,311)                                      |
| Services and supplies                 | 316,849           | 327,471           | 297,826           | (29,645)                                      |
| Other charges                         | 48,068            | 42,764            | 33,179            | (9,585)                                       |
| Capital assets                        | 5,121             | 7,980             | 3,200             | (4,780)                                       |
| Intrafund transfers                   | (9,563)           | (9,626)           | (7,124)           | 2,502   |
| Total public protection               | <u>1,058,586</u>  | <u>1,063,498</u>  | <u>1,005,679</u>  | <u>(57,819)</u>                               |
| <b>Health and sanitation:</b>         |                   |                   |                   |   |
| Salaries and employee benefits        | 196,990           | 192,964           | 169,801           | (23,163)                                      |
| Services and supplies                 | 107,604           | 113,356           | 89,726            | (23,630)                                      |
| Other charges                         | 192,454           | 191,697           | 171,018           | (20,679)                                      |
| Capital assets                        | 1,119             | 1,997             | 748               | (1,249)                                       |
| Intrafund transfers                   | (103,625)         | (103,932)         | (98,225)          | 5,707   |
| Total health and sanitation           | <u>\$ 394,542</u> | <u>\$ 396,082</u> | <u>\$ 333,068</u> | <u>\$ (63,014)</u>                            |

(Continued)

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

**COUNTY OF RIVERSIDE**  
 Budgetary Comparison Statement  
 General Fund(Continued)  
 For the Fiscal Year Ended June 30, 2010  
 (Dollars in Thousands)

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance With<br>Final Budget<br>Over (Under) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| Public assistance:   |                   |                   |                   |   |
| Salaries and employee benefits                               | \$ 249,535        | \$ 227,250        | \$ 210,219        | \$ (17,031)                                   |
| Services and supplies  | 95,322            | 87,630            | 74,612            | (13,018)                                      |
| Other charges  | 479,398           | 457,265           | 426,645           | (30,620)                                      |
| Capital assets   | 73                | 2,117             | 1,034             | (1,083)                                       |
| Intrafund transfers  | (8,849)           | (90)              | (157)             | (67)  |
| Total public assistance                                      | <u>815,479</u>    | <u>774,172</u>    | <u>712,353</u>    | <u>(61,819)</u>                               |
| Education:   |                   |                   |                   |   |
| Salaries and employee benefits                               | 292               | 287               | 227               | (60)  |
| Services and supplies  | 366               | 369               | 324               | (45)  |
| Total education  | <u>658</u>        | <u>656</u>        | <u>551</u>        | <u>(105)</u>                                  |
| Recreation and culture:                                      |                   |                   |                   |   |
| Salaries and employee benefits                               | 127               | 125               | 100               | (25)  |
| Services and supplies  | 124               | 218               | 213               | (5)   |
| Other charges  | 84                | 4                 | -                 | (4)   |
| Intrafund transfers  | -                 | (1)               | (1)               | -   |
| Total recreation and culture                                 | <u>335</u>        | <u>346</u>        | <u>312</u>        | <u>(34)</u>                                   |
| Debt service:  |                   |                   |                   |   |
| Principal  | 64,808            | 29,901            | 13,958            | (15,943)                                      |
| Interest   | 6,832             | 8,323             | 7,918             | (405)   |
| Total debt service   | <u>71,640</u>     | <u>38,224</u>     | <u>21,876</u>     | <u>(16,348)</u>                               |
| Capital outlay   | -                 | -                 | 31,018            | 31,018  |
| Total expenditures   | <u>2,609,727</u>  | <u>2,456,074</u>  | <u>2,235,373</u>  | <u>(220,701)</u>                              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (128,300)         | (99,649)          | (47,804)          | 51,845  |
| OTHER FINANCING SOURCES (USES):                              |                   |                   |                   |   |
| Transfers in   | -                 | 163,833           | 163,833           | -   |
| Transfers out  | -                 | (132,682)         | (132,682)         | -   |
| Capital leases   | -                 | -                 | 31,018            | 31,018  |
| Total other financing sources (uses)                         | <u>-</u>          | <u>31,151</u>     | <u>62,169</u>     | <u>31,018</u>                                 |
| NET CHANGE IN FUND BALANCE                                   | (128,300)         | (68,498)          | 14,365            | 82,863  |
| Fund balance, beginning of year                              | 372,121           | 372,121           | 372,121           | -   |
| FUND BALANCE, END OF YEAR                                    | <u>\$ 243,821</u> | <u>\$ 303,623</u> | <u>\$ 386,486</u> | <u>\$ 82,863</u>                              |

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



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**COUNTY OF RIVERSIDE**  
**Budgetary Comparison Statement**  
**Flood Control Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2010**  
**(Dollars in Thousands)**

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Over (Under) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>REVENUES:</b>   |                   |                   |                   |   |
| Taxes  | \$ 50,879         | \$ 50,879         | \$ 43,534         | \$ (7,345)                                    |
| Use of money and property:                                   |                   |                   |                   |   |
| Interest   | 1,777             | 1,777             | 2,263             | 486   |
| Rents and concessions  | 290               | 290               | 180               | (110)   |
| Aid from other governmental agencies:                        |                   |                   |                   |   |
| Federal  | 1                 | 1                 | 165               | 164   |
| State  | 504               | 504               | 630               | 126   |
| Charges for services   | 10,160            | 10,160            | 10,537            | 377   |
| Other revenue  | 6,554             | 6,073             | 7,384             | 1,311   |
| Total revenues   | <u>70,165</u>     | <u>69,684</u>     | <u>64,693</u>     | <u>(4,991)</u>                                |
| <b>EXPENDITURES:</b>   |                   |                   |                   |   |
| Current:   |                   |                   |                   |   |
| Public protection  | 128,711           | 128,419           | 51,175            | (77,244)                                      |
| Total expenditures   | <u>128,711</u>    | <u>128,419</u>    | <u>51,175</u>     | <u>(77,244)</u>                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | (58,546)          | (58,735)          | 13,518            | 72,253  |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                   |                   |                   |   |
| Transfers in   | -                 | 481               | 481               | -   |
| Transfers out  | -                 | (991)             | (991)             | -   |
| Total other financing sources (uses)                         | <u>-</u>          | <u>(510)</u>      | <u>(510)</u>      | <u>-</u>                                      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (58,546)          | (59,245)          | 13,008            | 72,253  |
| Fund balance, beginning of year                              | 228,916           | 228,916           | 228,916           | -   |
| <b>FUND BALANCE, END OF YEAR</b>                             | <u>\$ 170,370</u> | <u>\$ 169,671</u> | <u>\$ 241,924</u> | <u>\$ 72,253</u>                              |

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, 2010

(Dollars in Thousands)

|   | Business-type Activities - Enterprise Funds |                     |                  |                   | Governmental      |
|---|---|---------------------|------------------|-------------------|-------------------|
|   | Regional                                    | Waste<br>Management | Other            | Total             | Internal          |
|   | Medical<br>Center                           |                     |                  |                   | Service<br>Funds  |
| <b>ASSETS:</b>  |   |                     |                  |                   |                   |
| Current assets:   |   |                     |                  |                   |                   |
| Cash and investments (Note 5)   | \$ 34,565                                   | \$ 52,538           | \$ 15,656        | \$ 102,759        | \$ 238,920        |
| Accounts receivable - net (Notes 1 and 7)   | 62,809                                      | 4,137               | 1,699            | 68,645            | 2,453             |
| Interest receivable (Note 7)  | 26  | 219                 | 12               | 257               | 354               |
| Taxes receivable (Note 7)   | -   | -                   | 8                | 8                 | -                 |
| Due from other governments (Note 7)   | 47,658                                      | 570                 | 1,308            | 49,536            | 559               |
| Inventories   | 7,352                                       | 331                 | -                | 7,683             | 3,686             |
| Pension asset, net (Note 18)  | -   | 1,950               | -                | 1,950             | -                 |
| OPEB asset, net (Note 20)   | -   | 62                  | -                | 62                | -                 |
| Due from other funds (Note 8)   | 1,954                                       | -                   | -                | 1,954             | 86                |
| Restricted cash and investments (Notes 5 and 6)   | 32,636                                      | 86,559              | 3,135            | 122,330           | 1,003             |
| Prepaid items and deposits  | 5,018                                       | -                   | 17               | 5,035             | -                 |
| Total current assets  | <u>192,018</u>                              | <u>146,366</u>      | <u>21,835</u>    | <u>360,219</u>    | <u>247,061</u>    |
| Noncurrent assets:  |   |                     |                  |                   |                   |
| Bond issuance costs   | 1,070                                       | -                   | -                | 1,070             | -                 |
| Capital assets (Note 9):  |   |                     |                  |                   |                   |
| Nondepreciable assets   | 39,813                                      | 10,242              | 6,071            | 56,126            | 1,699             |
| Depreciable assets  | 139,032                                     | 65,910              | 10,540           | 215,482           | 40,478            |
| Total noncurrent assets   | <u>179,915</u>                              | <u>76,152</u>       | <u>16,611</u>    | <u>272,678</u>    | <u>42,177</u>     |
| Total assets  | <u>371,933</u>                              | <u>222,518</u>      | <u>38,446</u>    | <u>632,897</u>    | <u>289,238</u>    |
| <b>LIABILITIES:</b>   |   |                     |                  |                   |                   |
| Current liabilities:  |   |                     |                  |                   |                   |
| Accounts payable  | 15,793                                      | 2,655               | 3,081            | 21,529            | 14,186            |
| Salaries and benefits payable   | 8,228                                       | 816                 | 21               | 9,065             | 3,156             |
| Due to other funds (Note 8)   | 4,480                                       | -                   | -                | 4,480             | 7                 |
| Due to other governments  | 17,106                                      | 4                   | 7                | 17,117            | 40                |
| Interest payable  | 744   | -                   | 8                | 752               | -                 |
| Deposits payable  | -   | 38                  | 49               | 87                | -                 |
| Other liabilities   | -   | 597                 | 2,785            | 3,382             | 1,664             |
| 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)   | 11,423                                      | 1,412               | 108              | 12,943            | 4,023             |
| Capital lease obligations (Note 13)   | 6,430                                       | -                   | -                | 6,430             | 12,282            |
| Bonds payable (Note 13)   | 13,435                                      | -                   | 120              | 13,555            | -                 |
| Estimated claims liabilities (Notes 13 and 15)  | -   | -                   | -                | -                 | 32,718            |
| Total current liabilities   | <u>77,639</u>                               | <u>11,002</u>       | <u>6,179</u>     | <u>94,820</u>     | <u>68,076</u>     |
| Noncurrent liabilities:   |   |                     |                  |                   |                   |
| Compensated absences (Note 13)  | 4,861                                       | 1,412               | 943              | 7,216             | 2,954             |
| Accrued closure and post closure care costs (Note 10)   | -   | 45,636              | -                | 45,636            | -                 |
| Accrued remediation costs (Note 21)   | -   | 20,162              | -                | 20,162            | -                 |
| Capital lease obligations (Notes 1 and 13)  | 14,412                                      | -                   | -                | 14,412            | 10,443            |
| Bonds payable (Note 13)   | 133,635                                     | -                   | 734              | 134,369           | -                 |
| Estimated claims liabilities (Notes 13 and 15)  | -   | -                   | -                | -                 | 84,545            |
| Other long-term liabilities (Note 13)   | 48,811                                      | -                   | 6,795            | 55,606            | -                 |
| Total noncurrent liabilities  | <u>201,719</u>                              | <u>67,210</u>       | <u>8,472</u>     | <u>277,401</u>    | <u>97,942</u>     |
| Total liabilities   | <u>279,358</u>                              | <u>78,212</u>       | <u>14,651</u>    | <u>372,221</u>    | <u>166,018</u>    |
| <b>NET ASSETS:</b>  |   |                     |                  |                   |                   |
| Invested in capital assets, net of related debt   | 10,933                                      | 76,152              | 9,816            | 96,901            | 19,452            |
| Restricted for debt service   | 32,443                                      | -                   | -                | 32,443            | -                 |
| Restricted for health and sanitation  | -   | 14,188              | -                | 14,188            | -                 |
| Restricted other  | 193   | -                   | 3,562            | 3,755             | -                 |
| Unrestricted  | 49,006                                      | 53,966              | 10,417           | 113,389           | 103,768           |
| Total net assets  | <u>\$ 92,575</u>                            | <u>\$ 144,306</u>   | <u>\$ 23,795</u> | <u>260,676</u>    | <u>\$ 123,220</u> |
| Adjustments to reflect the consolidation of<br>internal service fund activities related to enterprise funds |   |                     |                  | (40,992)          |                   |
| Net assets of business-type activities  |   |                     |                  | <u>\$ 219,684</u> |                   |

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, 2010

(Dollars in Thousands)

|  | Business-type Activities - Enterprise Funds |                   |                  |                   | Governmental      |
|--|---|-------------------|------------------|-------------------|-------------------|
|  | Regional                                    | Waste             | Other            | Total             | Internal          |
|  | Medical                                     | Management        |                  |                   | Service           |
| Center   |   |                   |                  | Funds             |                   |
| <b>OPERATING REVENUES:</b>   |   |                   |                  |                   |                   |
| Net patient revenue (Notes 1 and 16)   | \$ 319,114                                  | \$ -              | \$ -             | \$ 319,114        | \$ -              |
| Charges for services   | 42,509                                      | 49,684            | 3,813            | 96,006            | 150,146           |
| Other revenue  | 5,650                                       | 2,130             | 78,630           | 86,410            | 23,050            |
| <b>Total operating revenues</b>  | <b>367,273</b>                              | <b>51,814</b>     | <b>82,443</b>    | <b>501,530</b>    | <b>173,196</b>    |
| <b>OPERATING EXPENSES:</b>   |   |                   |                  |                   |                   |
| Cost of material used  | -   | 109               | -                | 109               | 1,548             |
| Personnel services   | 207,929                                     | 18,218            | 8,387            | 234,534           | 67,729            |
| Communications   | 2,435                                       | 319               | 1                | 2,755             | 3,088             |
| Insurance  | 2,974                                       | 415               | 350              | 3,739             | 11,067            |
| Maintenance of building and equipment  | 8,065                                       | 1,986             | 1,888            | 11,939            | 8,134             |
| Insurance claims   | -   | -                 | -                | -                 | 79,181            |
| Supplies   | 47,637                                      | 1,841             | 22               | 49,500            | 27,996            |
| Purchased services   | 72,179                                      | 17,013            | 1,033            | 90,225            | 10,650            |
| Depreciation and amortization  | 9,589                                       | 5,809             | 1,719            | 17,117            | 18,073            |
| Rents and leases of equipment  | 4,050                                       | 39                | 13               | 4,102             | 3,977             |
| Public assistance  | -   | -                 | 68,356           | 68,356            | -                 |
| Utilities  | 3,745                                       | 289               | 687              | 4,721             | 553               |
| Closure and post-closure care costs  | -   | 253               | -                | 253               | -                 |
| Other  | 10,359                                      | 3,086             | 1,012            | 14,457            | 3,941             |
| <b>Total operating expenses</b>  | <b>368,962</b>                              | <b>49,377</b>     | <b>83,468</b>    | <b>501,807</b>    | <b>235,937</b>    |
| <b>Operating income (loss)</b>   | <b>(1,689)</b>                              | <b>2,437</b>      | <b>(1,025)</b>   | <b>(277)</b>      | <b>(62,741)</b>   |
| <b>NONOPERATING REVENUES (EXPENSES):</b>   |   |                   |                  |                   |                   |
| Investment income  | (19)  | 1,313             | 148              | 1,442             | 2,096             |
| Interest expense   | (13,419)                                    | -                 | (169)            | (13,588)          | (2,005)           |
| Gain (loss) on disposal of capital assets  | (9)   | 663               | -                | 654               | (83)              |
| <b>Total nonoperating revenues (expenses)</b>  | <b>(13,447)</b>                             | <b>1,976</b>      | <b>(21)</b>      | <b>(11,492)</b>   | <b>8</b>          |
| <b>Income (loss) before capital contributions and transfers</b>  | <b>(15,136)</b>                             | <b>4,413</b>      | <b>(1,046)</b>   | <b>(11,769)</b>   | <b>(62,733)</b>   |
| Capital contributions  | 1,165                                       | -                 | -                | 1,165             | 57,183            |
| Transfers in   | 22,017                                      | -                 | -                | 22,017            | 3,507             |
| Transfers out  | (4,111)                                     | (312)             | (158)            | (4,581)           | (5,096)           |
| <b>CHANGE IN NET ASSETS</b>  | <b>3,935</b>                                | <b>4,101</b>      | <b>(1,204)</b>   | <b>6,832</b>      | <b>(7,139)</b>    |
| Net assets, beginning of the year,<br>as previously reported   | 86,513                                      | 133,413           | 24,999           |                   | 128,859           |
| Adjustments to beginning net assets (Note 4)   | 2,127                                       | 6,792             | -                |                   | 1,500             |
| <b>Net assets, beginning of the year</b>   | <b>88,640</b>                               | <b>140,205</b>    | <b>24,999</b>    |                   | <b>130,359</b>    |
| <b>NET ASSETS, END OF YEAR</b>   | <b>\$ 92,575</b>                            | <b>\$ 144,306</b> | <b>\$ 23,795</b> |                   | <b>\$ 123,220</b> |
| Adjustment to reflect the consolidation of internal service fund activities<br>related to enterprise funds |   |                   |                  | (10,319)          |                   |
| <b>Change in net assets of business-type activities</b>  |   |                   |                  | <b>\$ (3,487)</b> |                   |

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, 2010  
(Dollars in Thousands)

|   | Business-type Activities - Enterprise Funds |                     |                  |                   | Governmental<br>Activities   |
|---|---|---------------------|------------------|-------------------|------------------------------|
|   | Regional<br>Medical<br>Center               | Waste<br>Management | Other            | Total             | Internal<br>Service<br>Funds |
|   | Cash flows from operating activities        |                     |                  |                   |                              |
| Cash receipts from customers / other funds                              | \$ 330,400                                  | \$ 51,895           | \$ 81,469        | \$ 463,764        | \$ 174,466                   |
| Cash paid to suppliers for goods and services                           | (139,718)                                   | (25,809)            | (73,197)         | (238,724)         | (149,878)                    |
| Cash paid to employees for services                                     | (213,386)                                   | (18,180)            | (8,355)          | (239,921)         | (68,581)                     |
| Net cash provided by (used in) operating activities                     | (22,704)                                    | 7,906               | (83)             | (14,881)          | (43,993)                     |
| Cash flows from noncapital financing activities                         |   |                     |                  |                   |                              |
| Transfers received  | 22,017                                      | -                   | -                | 22,017            | 3,507                        |
| Transfers paid  | (4,111)                                     | (312)               | (158)            | (4,581)           | (5,096)                      |
| Net cash provided by (used in) noncapital financing activities          | 17,906                                      | (312)               | (158)            | 17,436            | (1,589)                      |
| Cash flows from capital and related financing activities                |   |                     |                  |                   |                              |
| Proceeds from sale of capital assets                                    | -   | 663                 | 800              | 1,463             | 437                          |
| Acquisition and construction of capital assets                          | (8,987)                                     | (1,149)             | (2,610)          | (12,746)          | (4,212)                      |
| Principal paid on capital leases  | (5,666)                                     | -                   | -                | (5,666)           | (15,002)                     |
| Capital contributions   | 1,165                                       | -                   | -                | 1,165             | 57,183                       |
| Principal paid on bonds payable   | (11,994)                                    | -                   | (41)             | (12,035)          | -                            |
| Interest paid on long-term debt   | (13,392)                                    | -                   | (170)            | (13,562)          | (2,005)                      |
| Net cash provided by (used in) capital and related financing activities | (38,874)                                    | (486)               | (2,021)          | (41,381)          | 36,401                       |
| Cash flows from investing activities                                    |   |                     |                  |                   |                              |
| Interest received on investments  | 303   | 1,440               | 158              | 1,901             | 2,359                        |
| Net cash provided by investing activities                               | 303   | 1,440               | 158              | 1,901             | 2,359                        |
| Net increase (decrease) in cash and cash equivalents                    | (43,369)                                    | 8,548               | (2,104)          | (36,925)          | (6,822)                      |
| Cash and cash equivalents, beginning of year                            | 110,570                                     | 130,549             | 20,895           | 262,014           | 246,745                      |
| Cash and cash equivalents, end of year                                  | <u>\$ 67,201</u>                            | <u>\$ 139,097</u>   | <u>\$ 18,791</u> | <u>\$ 225,089</u> | <u>\$ 239,923</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, 2010  
(Dollars in Thousands)

|  | Business-type Activities - Enterprise Funds |                 |                |                    | Governmental       |
|--|---|-----------------|----------------|--------------------|--------------------|
|  | Regional                                    | Waste           | Other          | Total              | Internal           |
|  | Medical<br>Center                           | Management      |                |                    | Service<br>Funds   |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities        |   |                 |                |                    |                    |
| Operating income (loss)  | \$ (1,689)                                  | \$ 2,437        | \$ (1,025)     | \$ (277)           | \$ (62,741)        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |   |                 |                |                    |                    |
| Depreciation and amortization  | 9,589                                       | 5,809           | 1,719          | 17,117             | 18,073             |
| Decrease (Increase) accounts receivable  | (6,056)                                     | (141)           | 16             | (6,181)            | 1,583              |
| Decrease (Increase) taxes receivable   | -   | -               | 1              | 1                  | -                  |
| Decrease (Increase) bond issuance cost   | 175   | -               | -              | 175                | -                  |
| Decrease (Increase) due from other funds   | (1,954)                                     | -               | 4              | (1,950)            | 116                |
| Decrease (Increase) due from other governments   | (29,038)                                    | 222             | (995)          | (29,811)           | (429)              |
| Decrease (Increase) inventories  | 156   | 15              | -              | 171                | (861)              |
| Decrease (Increase) prepaid items and deposits   | (2,967)                                     | -               | (14)           | (2,981)            | -                  |
| Increase (Decrease) accounts payable   | 3,416                                       | (1,293)         | 272            | 2,395              | 2,517              |
| Increase (Decrease) due to other funds   | 2,115                                       | -               | (11)           | 2,104              | (40)               |
| Increase (Decrease) due to other governments   | 3,891                                       | (23)            | -              | 3,868              | (225)              |
| Increase (Decrease) deposits payable   | -   | 41              | 1              | 42                 | -                  |
| Increase (Decrease) accrued closure costs  | -   | 252             | -              | 252                | -                  |
| Increase (Decrease) accrued remediation costs  | -   | 652             | -              | 652                | -                  |
| Increase (Decrease) other liabilities  | 5,115                                       | (103)           | (83)           | 4,929              | (1,117)            |
| Increase (Decrease) estimated claims liability   | -   | -               | -              | -                  | (17)               |
| Increase (Decrease) salaries and benefits payable  | (6,867)                                     | (522)           | (31)           | (7,420)            | (1,804)            |
| Increase (Decrease) compensated absences   | 1,410                                       | 188             | 63             | 1,661              | 952                |
| Decrease (Increase) pension assets, net  | -   | 372             | -              | 372                | -                  |
| Net cash provided (used) by operating activities   | <u>\$ (22,704)</u>                          | <u>\$ 7,906</u> | <u>\$ (83)</u> | <u>\$ (14,881)</u> | <u>\$ (43,993)</u> |
| Noncash investing, capital, and financing activities:  |   |                 |                |                    |                    |
| Capital lease obligations  | <u>\$ 12,641</u>                            |                 |                | <u>\$ 12,641</u>   | <u>\$ 2,545</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, 2010  
(Dollars in Thousands)

|  | Pension<br>Trust | Investment<br>Trust | Private-<br>Purpose<br>Trust | Agency<br>Funds   |
|--|------------------|---------------------|------------------------------|-------------------|
| <b>ASSETS:</b>   |                  |                     |                              |                   |
| Cash and investments (Note 5)  | \$ -             | \$ -                | \$ 14,820                    | \$ 265,977        |
| Federal agency   | 14,672           | 2,108,106           | -                            | -                 |
| Cash and equivalent  | 2,158            | 310,066             | -                            | -                 |
| Commercial paper   | 200              | 28,604              | -                            | -                 |
| Municipal bonds  | 168              | 24,027              | -                            | -                 |
| Bond - U.S. Treasury   | 2,648            | 380,432             | -                            | -                 |
| Local agency obligation  | 62               | 9,153               | -                            | -                 |
| Accounts receivable  | 82               | 9,938               | 5                            | -                 |
| Interest receivable  | 31               | 4,858               | 15                           | 412               |
| Taxes receivable   | -                | 7                   | -                            | 85,136            |
| Due from other governments   | -                | -                   | -                            | 2,320             |
| Total assets   | <u>20,021</u>    | <u>2,875,191</u>    | <u>14,840</u>                | <u>353,845</u>    |
| <b>LIABILITIES:</b>  |                  |                     |                              |                   |
| Accounts payable   | -                | -                   | 6,391                        | 174,144           |
| Salaries and benefits payable  | -                | -                   | -                            | 4                 |
| Due to other governments   | -                | -                   | -                            | 179,697           |
| Total liabilities  | <u>-</u>         | <u>-</u>            | <u>6,391</u>                 | <u>\$ 353,845</u> |
| <b>NET ASSETS:</b>   |                  |                     |                              |                   |
| Held in trust for pension benefits, external pool participants, and other purposes | <u>\$ 20,021</u> | <u>\$ 2,875,191</u> | <u>\$ 8,449</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, 2010**  
**(Dollars in Thousands)**

|   | Pension<br>Trust | Investment<br>Trust | Private-<br>Purpose<br>Trust |
|---|------------------|---------------------|------------------------------|
| <b>ADDITIONS:</b>                               |                  |                     |                              |
| Employer contributions                          | \$ 840           | \$ -                | \$ -                         |
| Employee contributions                          | 1,205            | -                   | -                            |
| Contributions to pooled investments             | -                | 18,540,588          | -                            |
| Contributions to private-purpose trust          | -                | -                   | 6,308                        |
| Investment income                               | 189              | -                   | 82                           |
| Total additions                                 | <u>2,234</u>     | <u>18,540,588</u>   | <u>6,390</u>                 |
| <b>DEDUCTIONS:</b>                              |                  |                     |                              |
| Distribution from pension trust                 | 1,285            | -                   | -                            |
| Distributions from pooled investments           | -                | 18,559,228          | -                            |
| Distributions from private-purpose trust        | -                | -                   | 7,078                        |
| Administrative and other expenses               | 393              | -                   | -                            |
| Total deductions                                | <u>1,678</u>     | <u>18,559,228</u>   | <u>7,078</u>                 |
| Change in net assets                            | 556              | (18,640)            | (688)                        |
| Net assets held in trust, beginning of the year | <u>19,465</u>    | <u>2,893,831</u>    | <u>9,137</u>                 |
| Net assets held in trust, end of the year       | <u>20,021</u>    | <u>\$ 2,875,191</u> | <u>\$ 8,449</u>              |

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



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# COUNTY OF RIVERSIDE

## Notes to the Basic Financial Statements

June 30, 2010

### 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, 2010, 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, 2010**

**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. The District is reported as a governmental fund type.

*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 Units**

*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 - 11<sup>th</sup> Floor, (P.O. Box 1326), Riverside, CA 92502-1326.

**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**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. 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. The County's intangible assets have been reported in Note 9.

*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. CORAL has determined that the interest rate swap contract for the Southwest Justice Center Series 2008 Leasehold Revenue Refunding Bonds qualifies as an effective derivative instrument under GASB Statement No. 53 and has reported the fair value of this derivative instrument on the County's Statement of Net Assets in accordance with GASB Statement No. 53. Please also see note disclosures for the interest rate swap contract under Note 13.

*Governmental Accounting Standards Board Statement No. 58*

In December of 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. As of June 30, 2010, this statement is not applicable to the County.

**Future Governmental Accounting Standards Board 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. This Statement also 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

**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Future Governmental Accounting Standards Board Statements (Continued)**

requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The County has elected not early implement GASB No. 54 and has not determined its effect on the County's financial statements.

*Governmental Accounting Standards Board Statement No. 57*

In December of 2009, GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the frequency and timing of measurements—for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. The County has elected not to early implement GASB No 57 and has not determined its effect on the County's financial statements.

*Governmental Accounting Standards Board Statement No. 59*

In June of 2010, GASB issued Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. National council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The County has elected not to early implement GASB 59 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, 14.7%, or \$6.8 million, of the County's \$46.5 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.

**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*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.

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 *Flood Control Special Revenue Fund* accounts for revenues and expenditures related to providing flood control in various geographical zones. The fund is primarily financed by ad valorem property taxes, developer fees and local cooperative agreements.

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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*Fund Financial Statements (Continued)*

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.

*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.

**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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.

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, 2010, 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 73.5% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 26.5% of the total funds on deposit in the County Treasury represented discretionary deposits.

**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*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 \$396.0 million and \$946.6 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 2009-10 gross assessed valuation of the County was \$217.2 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.

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.