

910

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



FROM: Auditor-Controller

SUBMITTAL DATE:
December 31, 2013

SUBJECT: Fiscal Year 2012-13 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (Financial Highlights), Management Letter, and Report on Statement on Auditing Standards (SAS) 114 *The Auditors' Communication with those Charged with Governance*.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the attached Comprehensive Annual Financial Report, Financial Highlights, Management Letter, and Report on SAS 114 for the fiscal year ended June 30, 2013

BACKGROUND:

Summary

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

Departmental Concurrence


 Paul Angulo, CPA, M.A.
 County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS:

Budget Adjustment: No
 For Fiscal Year: 2013

C.E.O. RECOMMENDATION:

APPROVE

BY:

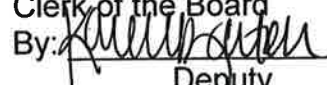

Karen Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Stone, Benoit and Ashley
 Nays: None
 Absent: Tavaglione
 Date: January 14, 2014
 xc: Auditor

Kecia Harper-Ihem
 Clerk of the Board
 By: 
 Deputy

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-3

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Fiscal Year 2012-13 Comprehensive Annual Financial Report (CAFR), Popular Annual
Financial Report (Financial Highlights), Management Letter, and Report on Statement on Auditing
Standards (SAS) 114 The Auditors' Communication with those Charged with Governance.**

DATE: December 31, 2013

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

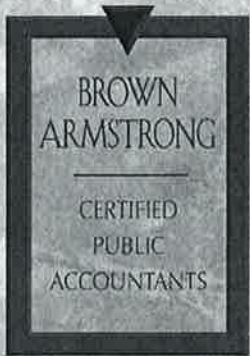
The Financial Highlights provides a 25-page recap of the County's financial information in an easy-to-read format. The financial information contained in this publication is derived from the County's 219 pages CAFR for Fiscal Year 2012-13.

The Management Letter is issued in accordance with Statement on Auditing Standard (SAS) 112, *Communicating Internal Control Related Matters Identified in an Audit*. It establishes a requirement to our external auditors to communicate with those matters related to the County's internal control over financial reporting identified in an audit of financial statements. The attached Management Letter discloses those matters to the County's Board of Supervisors.

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

Impact on Citizens and Businesses

There is no impact on Citizens and Businesses. The items provided are for informational purposes only.



BROWN ARMSTRONG

Certified Public Accountants

To the Honorable Board of Supervisors
County of Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California, (the County) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted Governmental Accounting Standards Board (GASB) Statements No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*; No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2013. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management’s estimate used in establishing allowances for accounts receivable, estimating date of collection to comply with period of availability for certain revenues, establishing self insurance reserves, estimating closure and post closure care costs, establishing the other post employment benefit obligation, depreciation, and valuations of certain infrastructure. We evaluated the key factors and assumptions used to developing these estimates and determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

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PASADENA, CALIFORNIA 91101

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SUITE 237
STOCKTON, CA 95207

TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

- The disclosure of Restatement of Beginning Fund Balances/Net Position in Note 3 to the financial statements.
- The disclosure of Commitments and Contingencies in Note 23 to the financial statements.
- The disclosure of Subsequent Events in Note 24 to the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matter

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

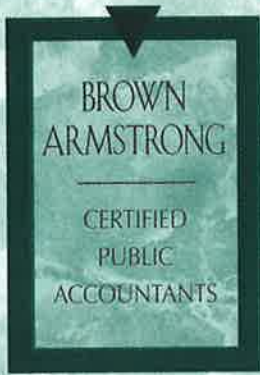
Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 13, 2013

**COUNTY OF RIVERSIDE,
CALIFORNIA**

MANAGEMENT LETTER

JUNE 30, 2013



BROWN ARMSTRONG
Certified Public Accountants

December 13, 2013

To the Honorable Board of Supervisors
County of Riverside
4080 Lemon Street
Riverside, California 92502

MAIN OFFICE

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In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside (the County) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Current Year Management Letter Findings

None.



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Status of Prior Year Management Letter Findings

2012-1 WASTE MANAGEMENT DEPARTMENT

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

While we performed our audit for the financial statements of the Waste Management Enterprise Fund, we detected reportable errors during our audit and proposed material adjusting journal entries to the closure/post-closure and remediation cost liabilities and the related expense/net assets accounts. In February 2012, the Waste Management Department (the Department) hired a Supervising Accountant who identified that closure/post-closure and remediation cost liabilities were distributed in both equity and liability accounts. In an attempt to consolidate closure/post-closure and remediation cost liabilities that in past years had been allocated to both equity and liability accounts, the Department reallocated these funds into equity accounts. Correcting entries were made during the financial review process to allocate these funds to liability accounts.

RECOMMENDATION:

We recommend that the County Waste Management Department and Auditor-Controller's Office (ACO) continue to record closure/post-closure and remediation cost liabilities to their appropriate accounts.

MANAGEMENT'S RESPONSE:

Management agrees with the recommendation.

CURRENT YEAR STATUS:

Implemented.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County of Riverside gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time. This report is intended solely for the information and use of the Board of Supervisors, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation



County of Riverside, California

Popular Annual Financial Report

Fiscal Year Ended June 30, 2013

***Paul Angulo, CPA, M.A.
County Auditor-Controller***

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A message from your Auditor-Controller

Dear Fellow Citizens,

As Riverside County's Auditor-Controller, I am honored to serve as your fiscal "watchdog" ensuring efficient and effective use of your tax dollars. Under my leadership, we have set a higher standard of performance in providing the kind of services the taxpayer expects and deserves.

County government's primary financial report is the Comprehensive Annual Financial Report (CAFR). CAFR provides information on consolidated revenues, expenditures, and net position. CAFR by its very nature is a complex financial report. This publication, Financial Highlights, is designed to address this complexity by providing a summarized version of CAFR in an easier-to-read format.

Most of the data in Financial Highlights are drawn from CAFR for the fiscal year ended June 30, 2013. For more in-depth information, CAFR provides detailed financial information in a variety of financial statements, disclosure notes, supplemental schedules and statistical tables. This specific data is not necessarily GAAP based. However, CAFR is prepared in conformance with generally accepted accounting principles which is audited by the independent firm of Brown Armstrong Accountancy Corporation. Both the CAFR and Financial Highlights are available at my office and online at www.auditorcontroller.org.



Respectfully,

Paul Angulo, CPA, M.A.
County Auditor-Controller

Fraud, Waste, and Abuse Program

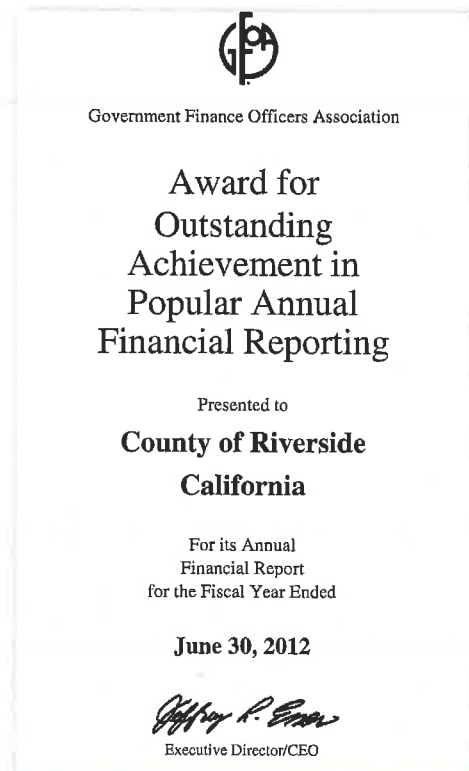
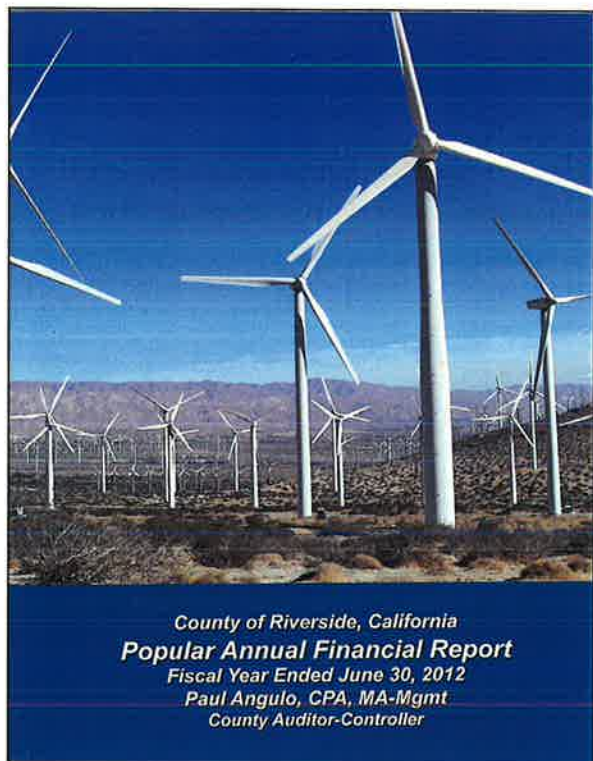
As part of our role in the stewardship of public funds, our office initiated a countywide fraud, waste, and abuse prevention program in 2009. This became known as **Riverside County Fraud Hotline**. The program provides employees and citizens with easy and anonymous ways to participate in helping the County protect its financial resources, as well as identify potential fraud, waste and abuse. Reports can be made 24-hours a day, 365 days per year by phone (800) 461-9330 or via Internet www.rivcofraudhotline.com.

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, 2012. 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 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.

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, 2012. This was the seventh consecutive year the County has achieved this award. 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.”

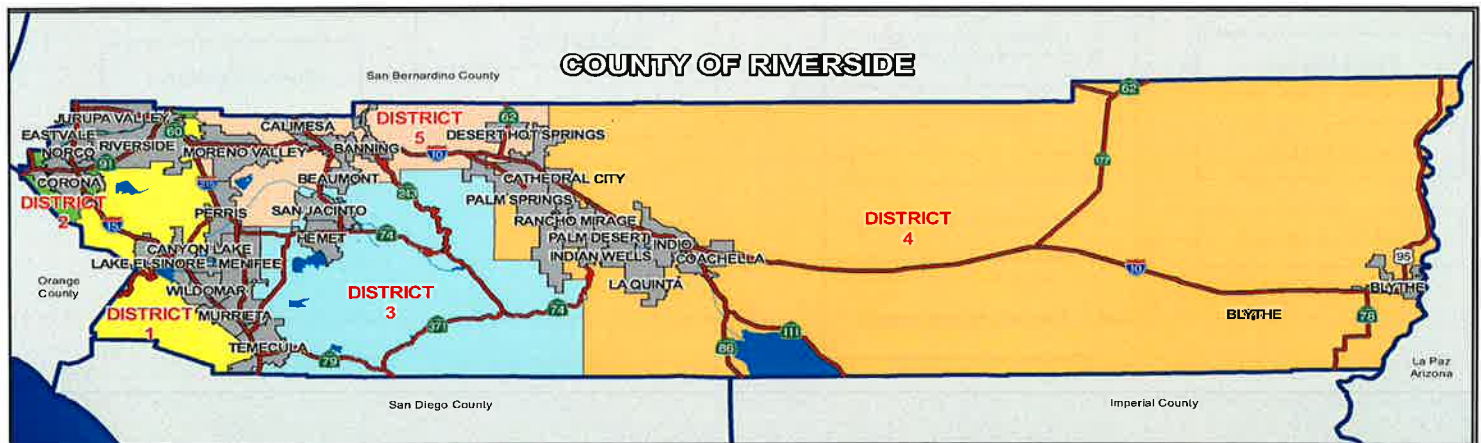
County of Riverside Overview

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.

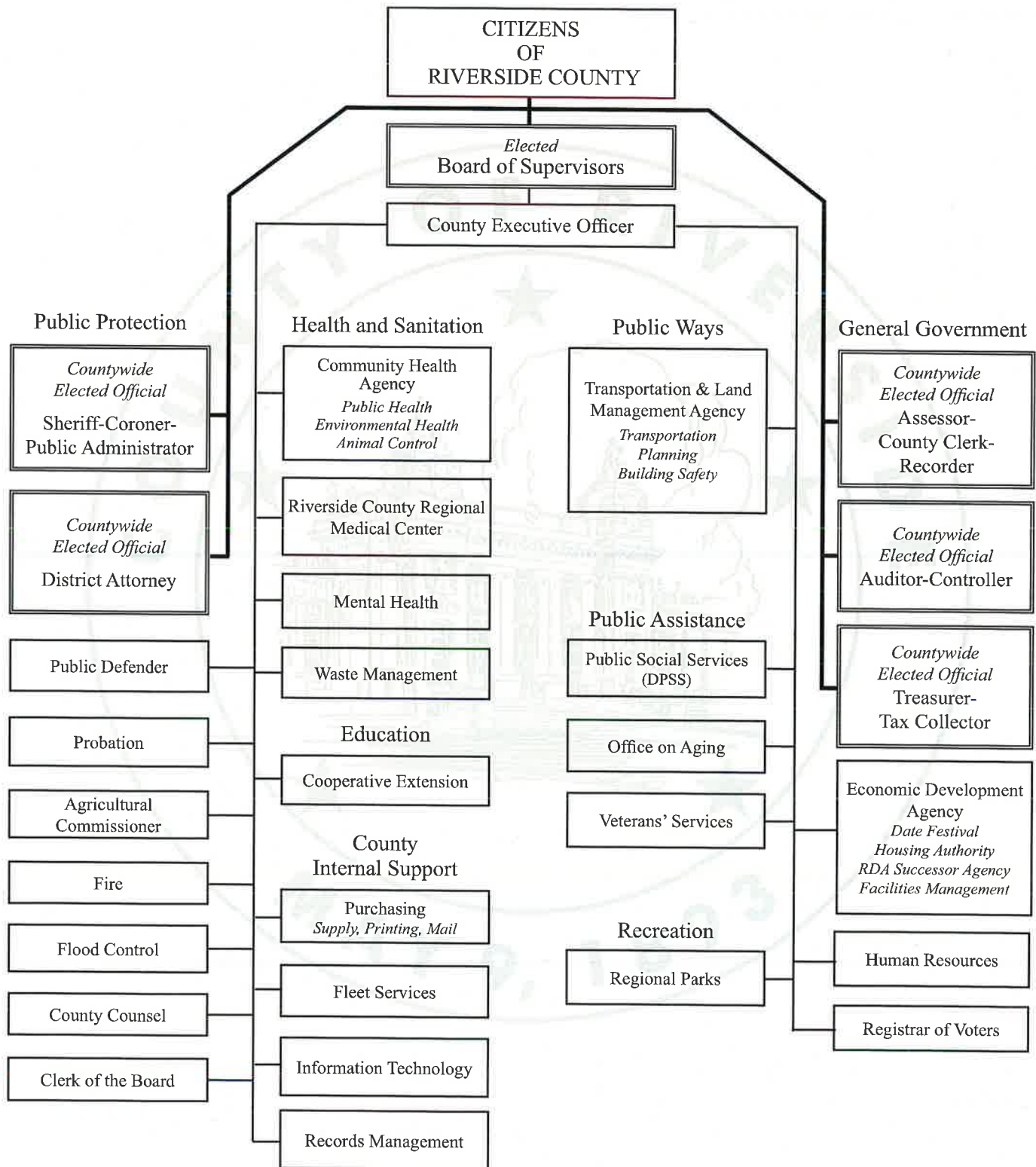
There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are the city of Riverside (the county seat) with a population of 311,955, Moreno Valley with a population of 198,129, and Corona with a population of 156,823.

Total County population was 2,255,059 on January 1, 2013, an increase of 1.2% compared to the revised estimate for 2012 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 16.0% 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



Paul Angulo
Auditor
Controller



Stanley Sniff, Jr
Sheriff
Coroner
Public Administrator



Paul Zellerbach
District Attorney



Don Kent
Treasurer
Tax Collector



Larry Ward
Assessor
County Clerk
Recorder



Board of Supervisors



Kevin Jeffries - District 1

The First Supervisorial District includes areas within the City of Riverside (the La Sierra and Arlington communities), as well as the cities of Canyon Lake, Lake Elsinore, and Wildomar. The District is also comprised of unincorporated communities including Lakeland Village, Mead Valley, Temescal Valley, Woodcrest, and Lake Mathews.



John F. Tavaglione - District 2

The Second Supervisorial District includes the cities of Corona, Norco, Jurupa Valley, and Eastvale; approximately one-third of the City of Riverside, including Northside, Downtown, Wood Streets, Magnolia Center, Grand and the northern half of Arlanza and La Sierra Acres. Unincorporated communities within the Second Supervisorial District consist of Home Gardens, El Cerrito, Coronita, and Highgrove.



Jeff Stone - District 3

The Third Supervisorial District includes the cities of Hemet, Murrieta, San Jacinto, and Temecula. The major unincorporated areas include Anza, Aguanga, Idyllwild, Valle Vista, Winchester, Gilman Hot Springs and Pinyon Communities.



John Benoit - District 4

The Fourth Supervisorial District includes the cities of Palm Springs (excluding Northern Palm Springs in District 5), Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Blythe, and Desert Hot Springs. Unincorporated communities include: Bermuda Dunes, Thousand Palms, Sky Valley, 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, and Menifee. Unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, 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's boundaries also include 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.

Financial Highlights FY 2012-13

Financial Highlights

- At the close of fiscal year 2012-13, the County's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$4.6 billion (*net position*). The net position included \$860.7 million of unrestricted resources, which may be used to meet the County's ongoing obligations to citizens and creditors; \$644.7 million of restricted resources, which is required by external sources or through enabling legislation to be used for specific purposes; and \$3.1 billion is net investment in capital assets.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$1.1 billion, a decrease of \$218.7 million in comparison with the prior year. Approximately 17.9% of this amount (\$199.9 million) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$252.6 million, or approximately 11.0 % of total general fund expenditures. The general fund is the primary fund for the County. The general fund records all financial transactions not assigned for a specific purpose.
- As of July 1, 2012, the County implemented Governmental Accounting Standards Board Statement (GASB) No. 65 – Items Previously Reported as Assets and Liabilities. The beginning net position restated by \$10.9 million to write off the unamortized bond issuance costs that were previously reported as assets. Furthermore, unavailable revenue in governmental funds of \$68.7 million was reclassified from liability to deferred inflows of resources which were recognized as a receivable before time requirements are met, but after all other eligibility requirements have been met.
- There is a net increase of \$8.4 million in deferred inflow of resources related to service concession arrangement (SCA) for capital assets.

Statement of Net Position

Primary Government (in thousands)

	2013	2012	Variance
ASSETS:			
Cash and investments	\$ 1,232,815	\$ 1,383,706	\$ (150,891)
Receivables, net	584,992	652,255	(67,263)
Inventories	14,987	13,537	1,450
Prepaid items and deposits	11,734	11,003	731
Restricted cash and investments	593,207	564,156	29,051
Other noncurrent receivables	41,356	39,135	2,221
Loans receivable	72,037	-	72,037
Pension asset, net	452,149	443,947	8,202
OPEB asset, net	26,399	23,596	2,803
Land held for resale	34,368	34,368	-
Unamortized bond issuance costs	-	10,868	(10,868)
Deferred outflows of resources	-	35,185	(35,185)
Capital assets:			
Nondepreciable assets	1,379,943	1,273,054	106,889
Depreciable assets, net	2,808,741	2,701,408	107,333
Total assets	7,252,728	7,186,218	66,510
DEFERRED OUTFLOWS OF RESOURCES:			
Defeasance of debt	347	-	347
Interest rate swap	26,821	-	26,821
Total deferred outflows of resources	27,168	-	27,168
LIABILITIES:			
Current Liabilities:			
Cash overdrawn	21,647	-	21,647
Accounts payable	124,483	154,103	(29,620)
Salaries and benefits payable	79,254	78,478	776
Due to other governments	124,759	123,205	1,554
Interest payable	9,830	9,412	418
Deposits payable	441	418	23
Advances from grantors and third parties	271,093	-	271,093
Notes payable	142,840	171,324	(28,484)
Other liabilities	2,289	3,386	(1,097)
Interest rate swap	26,821	35,185	(8,364)
Unearned revenue	-	313,260	(313,260)
Long-term liabilities:			
Due within one year	215,397	239,506	(24,109)
Due beyond one year	1,611,233	1,616,251	(5,018)
Total liabilities	2,630,087	2,744,528	(114,441)
DEFERRED INFLOWS OF RESOURCES:			
Teeter tax loss reserve	17,703	-	17,703
Grants received in advance	722	-	722
Service concession arrangement	8,396	-	8,396
Total deferred inflows of resources	26,821	-	26,821
NET POSITION:			
Invested in capital assets	3,117,581	2,870,939	246,642
Restricted for:			
Community development	173,461	307,843	(134,382)
Debt service	160,049	143,358	16,691
Health and sanitation	35,681	34,064	1,617
Public protection	79,493	38,085	41,408
Public ways & facilities	152,854	156,088	(3,234)
Other programs	43,134	45,500	(2,366)
Unrestricted	860,735	845,813	14,922
Total net position	\$ 4,622,988	\$ 4,441,690	\$ 181,299

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the County is improving.

The County's total net position increased by 4.1%, or \$181.3 million, during fiscal year 2012-13. Governmental activities increased by \$45.7 million in net assets while business-type activities increased by \$135.6 million. Below are the three components of net position and their respective fiscal year-end balances:

Net investment in capital assets

This component of net position 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 67.4%, or \$3.1 billion, of the County's total net assets under this category for fiscal year 2012-13.

Restricted net position

This component of net position 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 14.0%, or \$644.7 million, of the County's total net assets for fiscal year 2012-13.

Unrestricted net position

This component of the County's total net position 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 2012-13, \$771.9 million is from governmental activities, and \$88.8 million is from business-type activities. The balance in this category is 18.6%, or \$860.7 million, of the County's total net assets for fiscal year 2012-13.

Capital Assets & Long-Term Liabilities

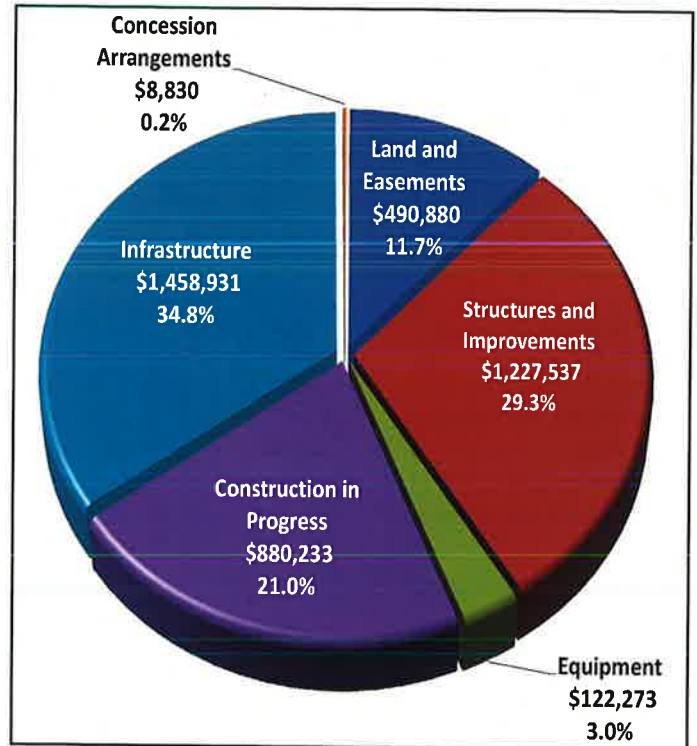
Capital Assets

As of June 30, 2013, the County's capital assets for both governmental and business-type activities amounted to \$4.2 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.

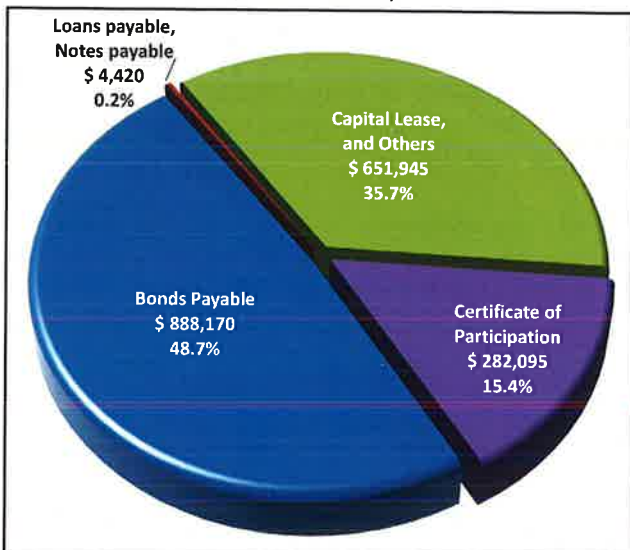
Major projects under construction in fiscal year 2012-2013 included the following:

- Roads and signal infrastructures – \$90.1 million
- Easy County Detention Center - \$50.3 million
- CREST project – \$5.5 million
- Library projects – \$11.7 million
- Building improvement and addition for EDA – \$4.8 million
- Flood storm drains and channel projects - \$19.8 million
- Public Safety Enterprise Communication - \$42.3 million

Capital Assets, net of depreciation
(in thousands)



Long-Term Obligations
(in thousands)



Long-Term Liabilities

As of June 30, 2013, the County's outstanding debt obligation for its government-wide activities amounted to \$1.8 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 & Poor's Corp.</u>
Long-term lease debt	Aa3	AA
Issuer credit	Aa3	AA

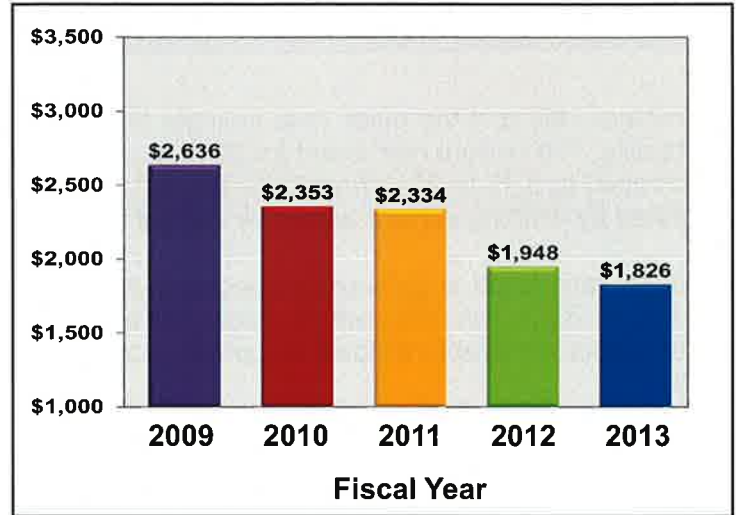
Cash and Investments, Net Position

Cash and Investments

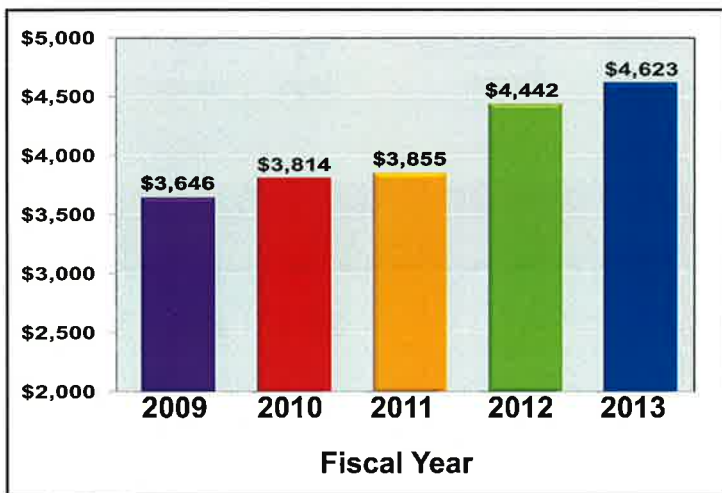
The Cash and Investments represented in the Government-wide Statement of Net Position includes cash and investments that are available for use, as well as restricted cash and investments for both governmental and business-type activities.

At the end of the current fiscal year, the County reported a decrease of \$121.8 million in cash and investments. Unrestricted cash and investments showed a decrease of \$150.9 million which was offset by an increase in restricted cash and investments in the amount of \$29.1 million. The general fund's cash balance decreased due to an additional payment made to the State in the amount of \$23.2 million for fire payment. Also, the public facilities improvement fund dropped by \$43.9 million and the transportation special revenue fund by \$29.8 million. For business type activities, the major decrease was from the Riverside County Regional Medical Center, which resulted in a cash and investments decrease of \$21.4 million, but its restricted cash and investments increased by \$29.9 million.

Cash and Investments
(in millions)



Net Position
(in millions)



Net Position

Net Position is total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources of the primary government. Net position serves 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 \$4.6 billion, which is a \$181.3 million increase over fiscal year 2012. The most significant increase in net position is the net investment in capital assets in the amount of \$246.6 million as well as unrestricted net position increasing by \$15.0 million. These increases were offset by a decrease in restricted net position in the amount of \$65.3 million.

Statistics

Liquidity Ratios

The current ratio and the quick ratio indicate the County's ability to pay its bills. The current ratio trend for 2013 is unfavorable because it decreased to 3.77 in 2013 from 3.79 in 2012. The current ratio is calculated by dividing current assets by current liabilities.

	2013	2012	2011
Current Ratio	3.77	3.79	4.18

The quick ratio trend is unfavorable because it fell to 5.34 in 2013 from 5.52 in 2012. The quick ratio is calculated by cash, investments and accounts receivable divided by current accounts payable and accruals.

Quick Ratio	5.34	5.52	6.67
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Fund Balance Ratio	0.26	0.26	0.40
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The fund balance ratio remained the same. It was 0.26 in 2012 and 0.26 in 2013. This trend represents the County's ability to pay its short-term obligations when they come due. The fund balance ratio is unrestricted net position divided by annual expense.

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 favorable. It is 5.91 in 2013 as compared to 5.10 in 2012.

	2013	2012	2011
AR Turnover	5.91	5.10	6.00

The average collection period is a representation of the AR turnover in terms of days. This ratio is favorable. In 2013, it took 62 days to collect (365days/5.91), as compared to 72 days 2012 (365 days/5.10).

Average Collection Period	62 days	72 days	61 days
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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 2013, this ratio is favorable at 25.2%, compared to 25.8% in 2012.

	2013	2012	2011
Long-term Debt/Assets	25.2%	25.8%	36.5%

The debt service coverage indicates the resources available to repay the debt already issued. In 2013, this ratio is favorable at 19.56 in 2013, compared to 16.58 in 2012.

Debt Service Coverage	19.56	16.58	12.06
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Statement of Activities

Primary Government (in thousands)

	2013	2012	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 1,189,208	\$1,086,462	\$ 102,746
Operating grants	1,503,390	1,447,694	55,696
Capital grants	28,393	28,244	149
General revenues:			
Property taxes	277,417	322,337	(44,920)
Sales and use taxes	29,751	26,744	3,007
Other taxes	37,883	6,715	31,168
Motor vehicle in-lieu taxes	-	226,384	(226,384)
Investment earnings	2,002	12,708	(10,706)
Unrestricted intergovernmental revenue	220,811	-	220,811
Other	168,454	169,399	(945)
Total revenues	<u>3,457,309</u>	<u>3,326,687</u>	<u>130,622</u>
Expenses:			
General government	194,641	270,474	(75,833)
Public protection	1,065,373	1,047,202	18,171
Public ways and facilities	89,469	84,797	4,672
Health and sanitation	422,982	374,950	48,032
Public assistance	807,611	827,092	(19,481)
Education	18,998	10,376	8,622
Recreation and culture	12,274	15,806	(3,532)
Interest on long-term debt	29,453	39,098	(9,645)
Regional Medical Center	473,916	417,074	56,842
Waste Management	53,069	57,272	(4,203)
Housing Authority	90,678	91,469	(791)
Flood Control	2,472	2,306	166
County Service Areas	459	456	3
Total expenses	<u>3,261,395</u>	<u>3,238,372</u>	<u>23,023</u>
RDA Successor dissolution	(3,748)	502,638	(506,386)
Change in net assets	192,166	590,953	(398,787)
Net Assets, Beginning of Year, as Restated	<u>4,430,822</u>	<u>3,850,737</u>	<u>580,085</u>
Net Assets, End of Year	<u>\$ 4,622,988</u>	<u>\$ 4,441,690</u>	<u>\$ 181,298</u>

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 reported in the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and Internal Service Funds. Business-type activities are supported by Enterprise Funds.

The majority of the functions that are supported by governmental activities are: Information Services, ESD, Sheriff, District Attorney, Social Services, Transportation, Economic Development, Facilities Management, Community Health, Mental Health, Auditor-Controller, 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

The County's revenue increased in 2013 in the amount of \$130.6 million. The major source for the increase was due to charges for services which saw a \$102.7 million increase. Operating grants saw a \$55.7 million increase. Those increases in revenue were slightly offset by a continued decrease of property taxes collected.

Expenses

The expenses in 2013 also increased by \$23.0 million. There were two main factors that caused the increase: 1) Regional Medical Center saw a \$56.8 million increase and 2) Health and Sanitation saw a jump in expenses in the amount of \$48.0 million. These increases were offset by a decrease in General Government in the amount of \$75.8 million.

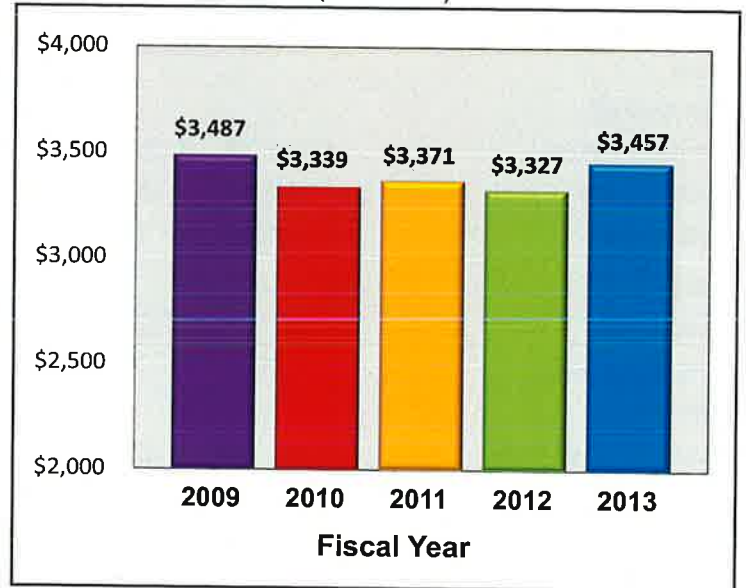
Revenues and Expenses

Revenues

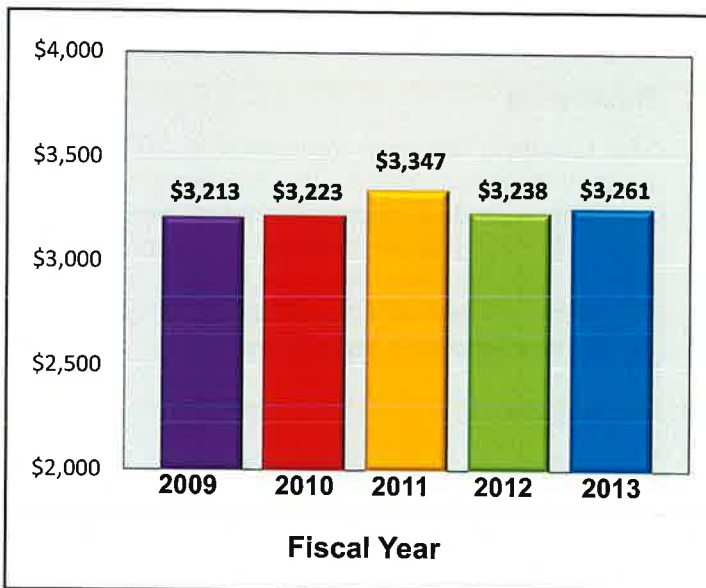
As the economy slowly recovers, so do revenues for the County. 2013 saw an increase in revenue in the amount of \$130.6 million. Charges for services for governmental activities and business-type activities both saw an increase. The increase in governmental activities was mainly due to law enforcement services provided to cities within the County. Operating grants and other taxes are the other two major revenue sources that caused revenue to increase in 2013.

Even with revenue slightly improving, assessed property values continue to vacillate; therefore causing property tax revenue to decrease for the fifth consecutive year. Investment earnings also saw a decrease in revenue.

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. The increase in population 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 2013, expenses increased by \$23.0 million. Governmental activities saw a \$29.0 million decrease. General government decrease resulted from administrative and operation costs incurred by the former Redevelopment Agency for low and moderate income housing related programs. Also, due to the discontinuation of programs funded by Community Development Block Grant and the Neighborhood Stabilization Program expenses decreased for public assistance. Public protection and health and sanitation were functions that saw expenses increase for governmental activities.

Business-type activities saw an increase in expenses in 2013 in the amount of \$52.0 million. The County's Regional Medical Center was the major reason for the increase. Personnel services and supplies were the influencing factors which caused the increase.

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.

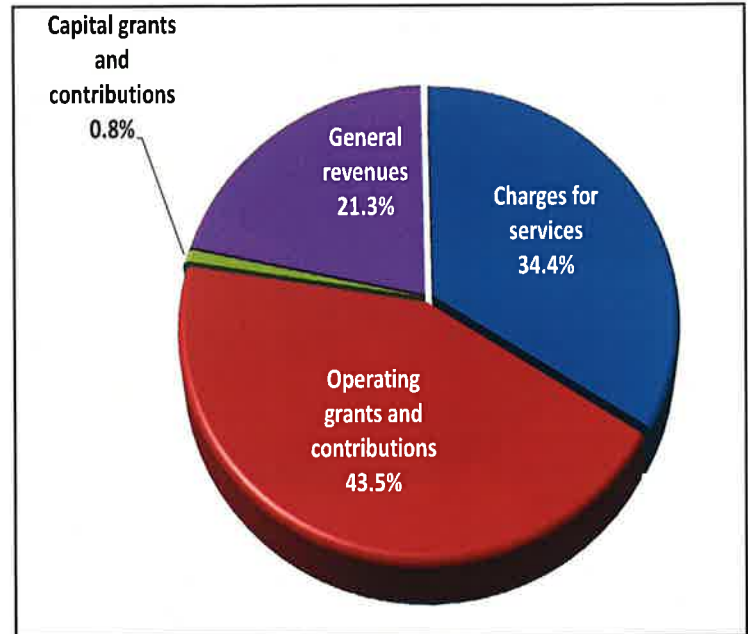
Capital Grants

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

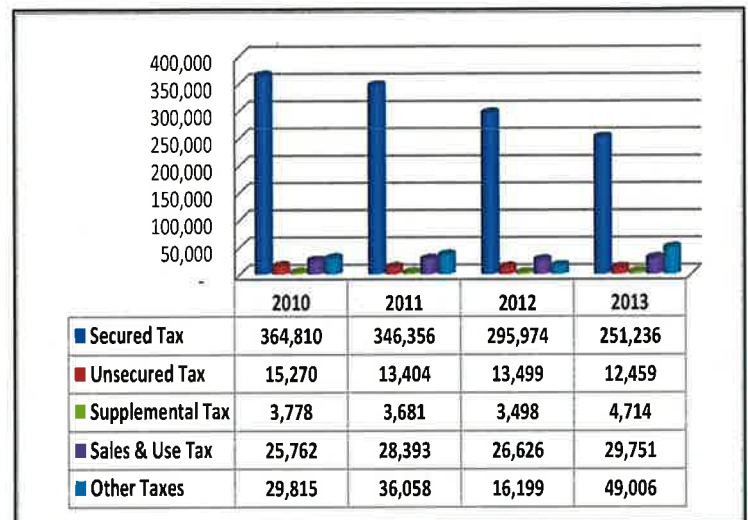
General Revenues

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

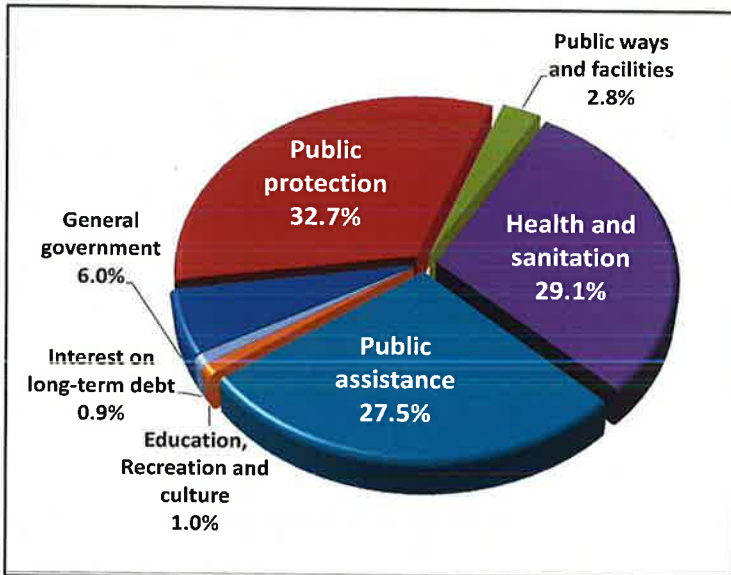


General Government Tax Revenues
(Dollars in Thousands)



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

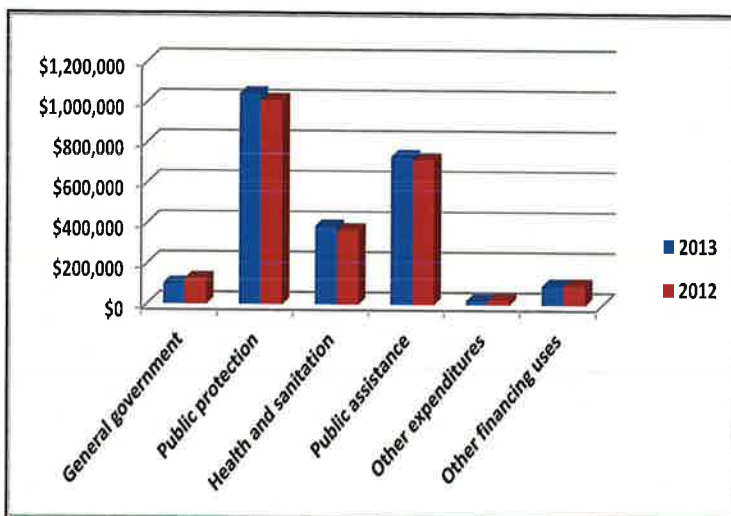
Education

Cooperative Extension and County Library

Recreation and Culture

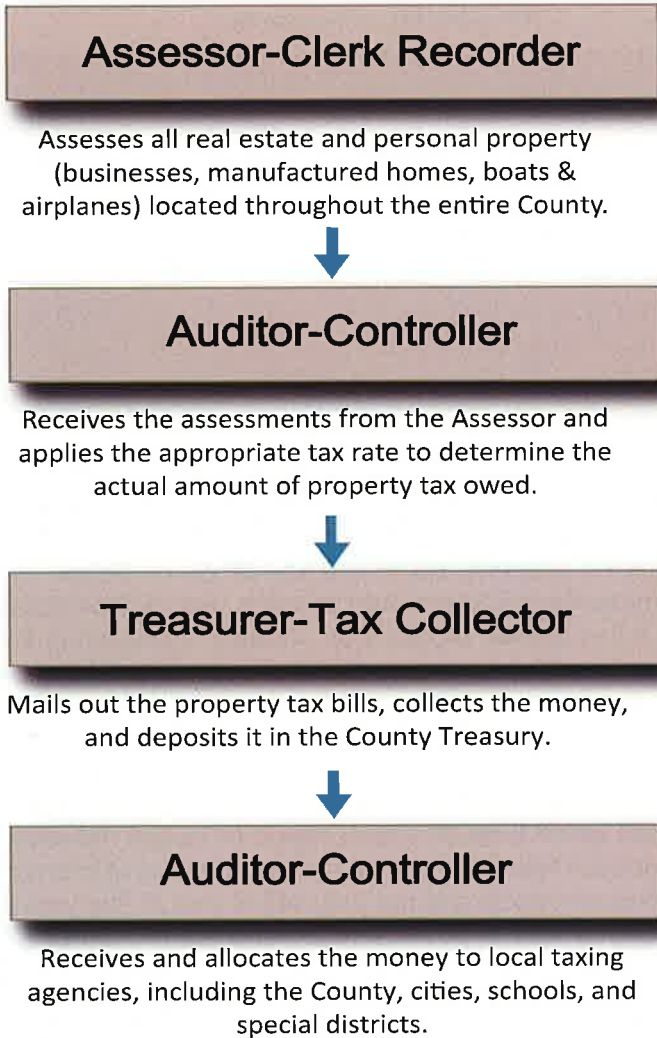
Regional Parks and Edward Dean Museum

General Fund Expenditures & Other Financing Uses
(Dollars in Thousands)



Property Taxes

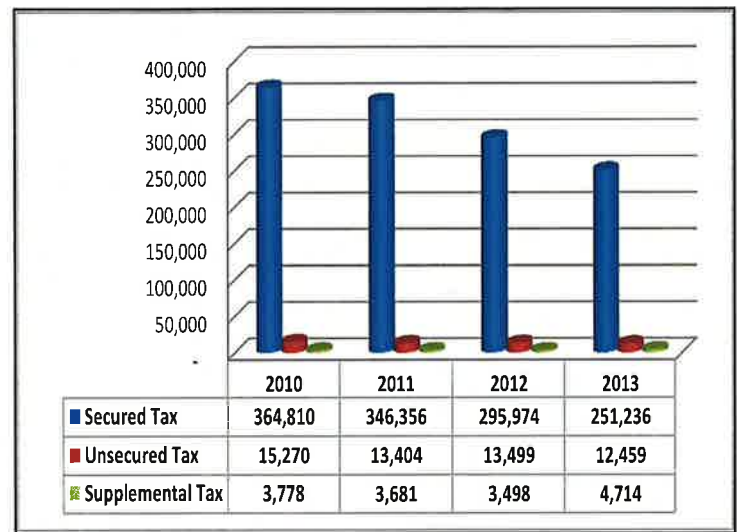
How the Property Tax System Works



CREST Project

The Assessor-County Clerk-Recorder, Auditor-Controller, and Treasurer-Tax Collector are collectively developing a new integrated property tax management system. The project began with a Business Process Re-engineering phase that documented the integrated roles of the three departments. This phase identified 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. Project was started in fiscal year 2007 and anticipated completion date is fiscal year 2015.

Property Tax Revenue
(in thousands)

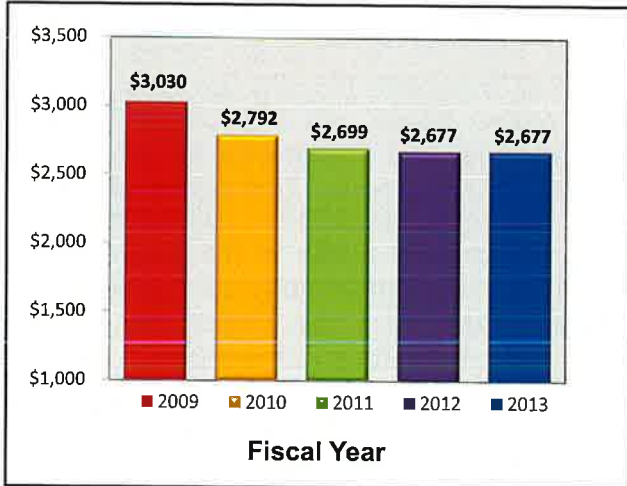


Where did your property tax dollar go in fiscal year 2012-2013?

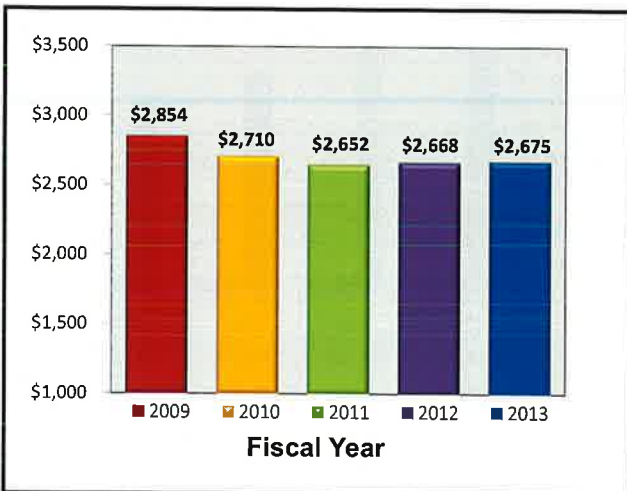


Property Taxes

Tax Levies
(in millions)



Tax Collections
(in millions)



**Riverside County
Principal Property Tax Payers**

(Property tax in thousands)

1. Southern California Edison Co.....	\$23,532
2. Verizon California Inc.....	9,205
3. So. California Gas Co.....	6,789
4. Inland Empire Energy Center LLC.....	5,994
5. Federal Natl Mortgage Assn.....	3,416
6. Tyler Mall LTD Partnership.....	2,899
7. Abott Vascular Inc.....	2,898
8. Blythe Energy LLC.....	2,739
9. Bank of New York Mellon.....	2,726
10. Chelsea GCA Realty Partnership.....	2,525

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

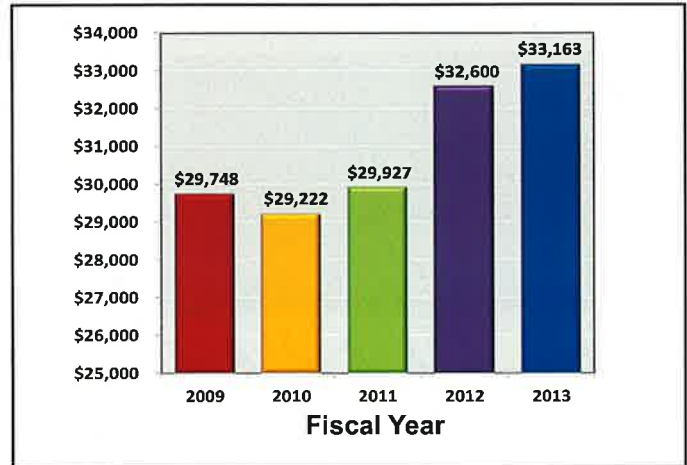
PROPERTY TAX PORTAL

Demographics

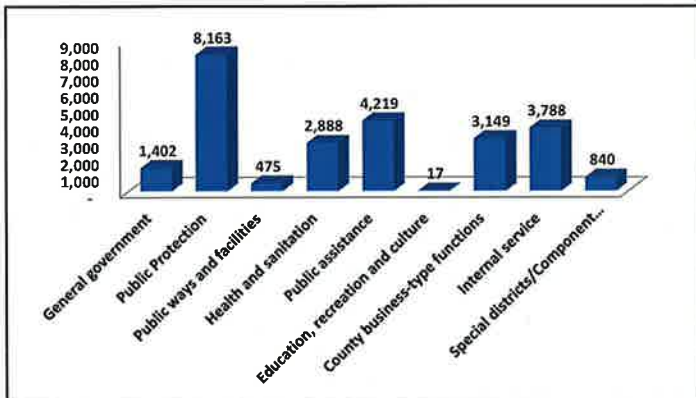
Riverside County Principal Employers (number of employees)

1. County of Riverside	18,728
2. March Air Reserve Base.....	9,000
3. Stater Brothers Market	6,900
4. Walmart	5,681
5. U.C. Riverside	5,497
6. Riverside Unified School District	5,000
7. Corona-Norco Unified School District.....	4,633
8. Kaiser Permanente Riverside Medical ...	4,500
9. Moreno Valley Unified School District.....	3,355
10. Hemet Unified School District.....	3,270

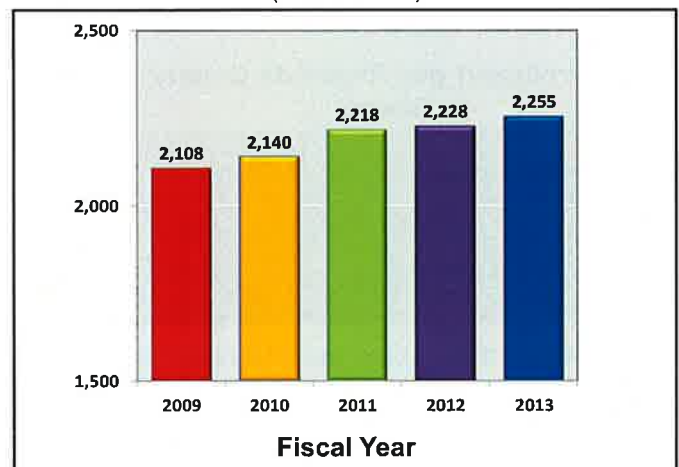
Per Capita Income



Full-time Equivalent County Government Employees by Function/Program*

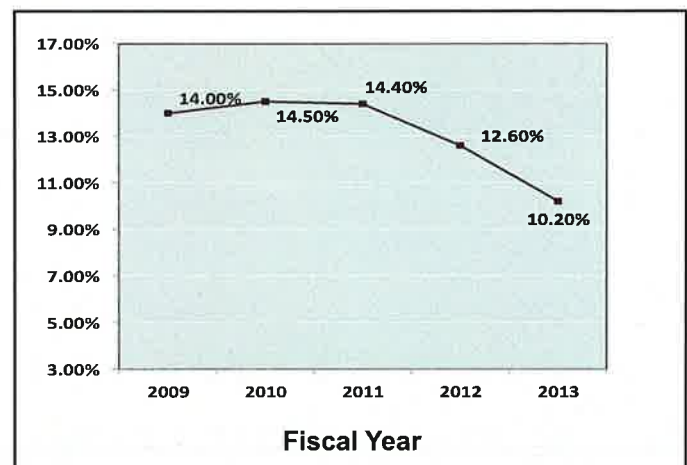


Population (in thousands)



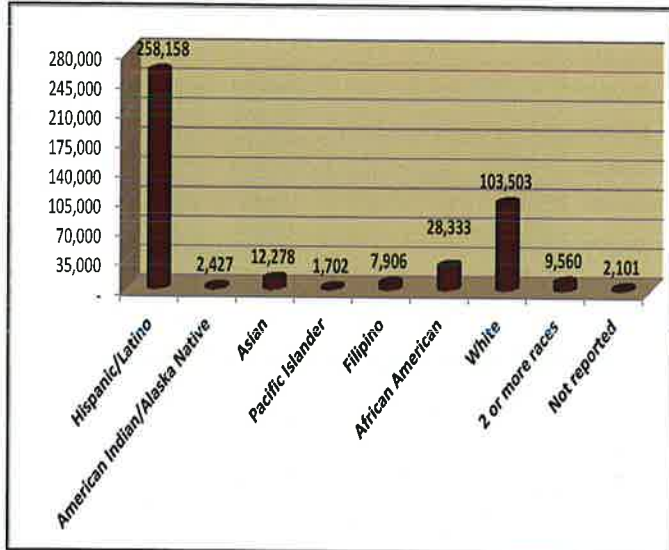
*Temporary employees, 2,089, filled as of 4/29/13, are included in the total number of employees.

Unemployment Rate



Demographics

Riverside County School Enrollment by Ethnicity 2012-2013



Public School Sites in Riverside County

Charter Schools.....	17
Elementary Sites	273
Middle/Junior High Sites.....	75
Continuation/Adult Education	33
High School	69
Total Schools	467

Number of Riverside County Public School Districts

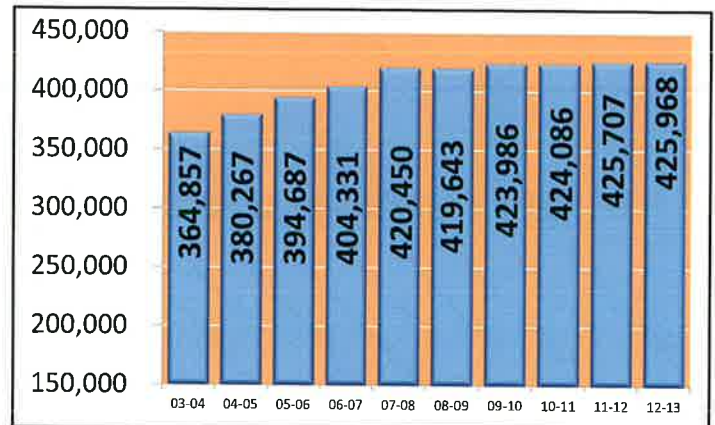
Elementary	4
High School	1
Unified	18

Highest Enrollment per Riverside County School District

Corona-Norco Unified.....	53,437
Riverside Unified	42,560
Moreno Valley Unified.....	34,924
Temecula Valley Unified	30,337

Additional information about the Riverside County Office of Education may be found at their website: www.rcoe.us

Kindergarten Through 12th Grade Enrollment Growth 2003-2013



Service Operating Indicators

Community Health Agency

Facilities inspections.....	32,045
Inspections include fixed food facilities, pools, spas, hazardous material generators and miscellaneous food operations	
Patient visits	135,795
Patient services performed.....	353,269
Services include family planning, primary health care, prenatal care, urgent care, breast cancer early detection, child health and disability prevention	
Animal impound.....	35,201
Spays and neuters.....	11,908

Public Social Services

CalWORKs clients	33,341
Food stamp clients	116,333
Medi-Cal clients	135,570
In-home supportive services.....	20,641
Services include meal preparation and cleanup, food shopping, bathing, dressing, personal care, domestic services (cleaning), assistance with medications, etc.	
Foster care placements	3,237
Child welfare services.....	9,178
Services include child adoptions and investigations of child abuse, neglect or abandonment	

Auditor-Controller

Invoices paid.....	426,660
Vendor warrants issued	259,458
Active vendors	80,011
Payroll warrants (checks) issued.....	509,376
Average paychecks per pay period	19,591

Waste Management

Landfill tonnage	1,102,626
Recycling tonnage.....	2,679

Sheriff

Number of bookings	57,330
Coroner case load	11,639
Calls for services—Unincorporated areas (contract cities not included).....	
	172,664

Veterans' Services

Phone inquiries answered	36,107
Client interviews	14,714
Claims filed	5,735

Fire

Medical assistance	97,054
Fires extinguished	13,517
Other services	20,049
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.....	94

Assessor-Clerk-Recorder

Assessments	906,467
Official records recorded	648,812
Vital records copies issued.....	78,405
Official records copies issued.....	32,792

Registrar of Voters

Voting precincts	1,218
Polling places	642
Voters	943,402
Number of voters that were mailed voting materials for all elections in the fiscal year	
Poll workers	2,960



Service Operating Indicators

County Regional Medical Center

Emergency room treatments	119,606
Emergency room services–Mental Health.....	14,275
Clinic visits.....	125,471
Admissions	24,260
Patient days.....	124,599
Discharges.....	24,279

TLMA - Building & Safety

Building permits issued.....	666
Building plans checked.....	665
Building structures inspected.....	514

Community Action Partnership

Utility assistance (households).....	13,911
Weatherization (households).....	179
Energy education attendees.....	6,368
Disaster relief (residents).....	11,316
Income tax returns prepared	3,111
After school program (students)	19,200
Mediation (cases)	1,905
Leadership program enrollment.....	166

County Library

Total circulation - books	3,059,094
Reference questions answered	434,057
Patron door count.....	4,148,012
Programs offered.....	6,521
Programs attendance	143,053
Branch libraries.....	35
Book mobiles.....	2

Probation

Adults on probation	17,406
Juveniles in secure detention	194
Juveniles in treatment facilities.....	86
Juveniles in detention facilities	8,505

Mental Health

Mental health clients.....	37,591
Substance abuse clients.....	15,755
Detention clients.....	11,899
Probate conservatorship clients	355
Mental health conservatorship clients	858

Agricultural Commissioner

Export phytosanitary certificates.....	18,346
Pesticide use inspections	783
Weights and measures regulated.....	138,547
Agriculture quality inspections	456
Plant pest inspections.....	10,361
Nursery acreage inspected.....	6,156
Weights and measures inspected	63,653

Parks and Recreation

Historic sites	5
Nature centers	4
Archaeological sites.....	6
Wildlife reserves	9
Regional parks.....	11



Internet Resources

Visit the County of Riverside's Official Website

www.countyofriverside.us

Where you can find information about:

Online services provided:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Board Agendas • County Agencies and Departments • County Employment • County Ordinances • Court Cases • Property Assessments • Public and Official Records • Roads and Highways • Voting and Elections | <ul style="list-style-type: none"> • 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 |
|--|--|



Visit the County of Riverside Auditor-Controller's Official Website
www.auditorcontroller.org

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 (CAFR)
- Popular Annual Financial Report (PAFR)
- Internal Audit Reports
- Single Audit Reports



Riverside County Popular Annual Financial Report



**Paul Angulo, CPA, M.A.
Riverside County Auditor-Controller**