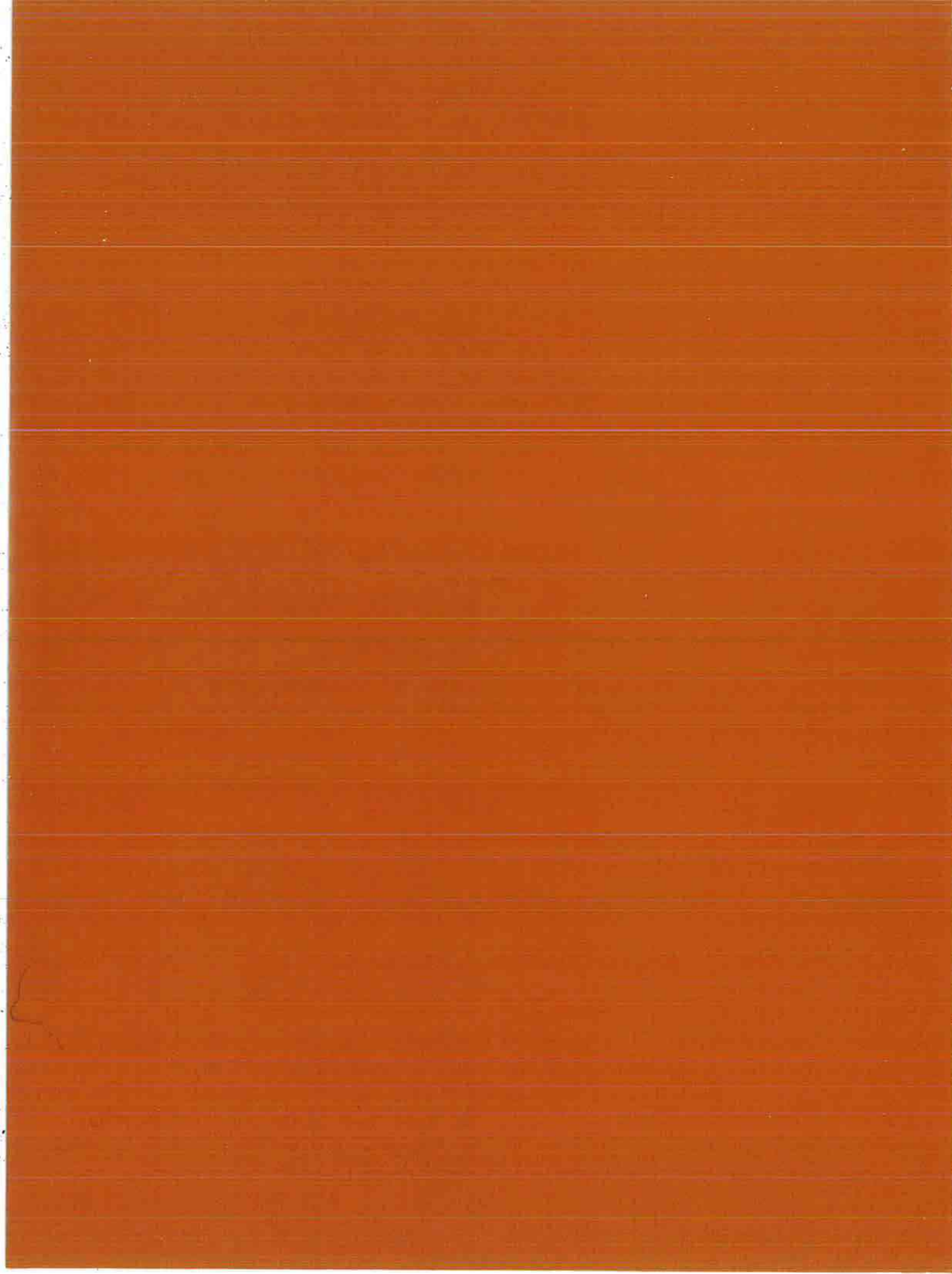


County of Riverside, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013



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



COUNTY OF RIVERSIDE, CALIFORNIA
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2013



PREPARED BY THE OFFICE OF:

PAUL ANGULO, CPA, M.A.
COUNTY AUDITOR-CONTROLLER

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION:	Page
Letter of Transmittal.....	v
Principal County Officials.....	xi
Organization Chart	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting for 2012	xiii
FINANCIAL SECTION:	
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 Position.....	29
Statement of Activities	30
<u>Fund Financial Statements:</u>	
<u>Governmental Funds:</u>	
Balance Sheet.....	34
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41
<u>Budgetary Comparison Statements:</u>	
General Fund.....	42
Transportation Special Revenue Fund	44
Flood Control Special Revenue Fund	45
<u>Proprietary Funds:</u>	
Statement of Net Position.....	46
Statement of Revenues, Expenses, and Changes in Fund Net Position	47
Statement of Cash Flows.....	48
<u>Fiduciary Funds:</u>	
Statement of Fiduciary Net Position	50
Statement of Changes in Fiduciary Net Position	51

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2013**

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED):

Page

Notes to the Basic Financial Statements:

(1) Summary of Significant Accounting Policies	53
(2) Stewardship, Compliance and Accountability.....	66
(3) Restatements of Beginning Fund Balances/Net Position	67
(4) Cash and Investments	68
(5) Restricted Cash and Investments	71
(6) Receivables.....	72
(7) Interfund Transactions.....	74
(8) Capital Assets	78
(9) Service Concession Arrangements	81
(10) Landfill Closure and Post-closure Care Costs.....	83
(11) Operating Leases	84
(12) Advances from Grantors and Third Parties	85
(13) Short-Term Debt.....	86
(14) Long-Term Obligations	87
(15) Deferred Inflows of Resources.....	99
(16) Fund Balances	100
(17) Risk Management.....	102
(18) Medi-Cal and Medicare Programs.....	103
(19) Jointly Governed Organizations	103
(20) Retirement Plan	105
(21) Defined Benefit Pension Plan.....	109
(22) Post Employment Benefits Other Than Pensions.....	111
(23) Commitments and Contingencies	114
(24) Subsequent Events.....	115

Required Supplementary Information (other than MD&A):

Schedules of Funding Progress and Employer Contributions.....	119
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Combining and Individual Fund Statements and Budgetary Schedules:

Budgetary Comparison Schedule – Teeter Debt Service Fund	123
Budgetary Comparison Schedule – Public Facilities Improvements Capital Projects Fund	124

Nonmajor Governmental Funds:

Combining Balance Sheet	125
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	126

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED):	Page
<i>Special Revenue Funds:</i>	127
Combining Balance Sheet.....	130
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	132
Budgetary Comparison Schedule – Community Services	134
Budgetary Comparison Schedule – County Service Areas.....	135
Budgetary Comparison Schedule – Regional Park and Open-Space.....	136
Budgetary Comparison Schedule – Air Quality Improvement.....	137
Budgetary Comparison Schedule – In-Home Support Services	138
Budgetary Comparison Schedule – Perris Valley Cemetery District	139
Budgetary Comparison Schedule – Other Special Revenue Fund	140
 <i>Debt Service Funds:</i>	 141
Combining Balance Sheet.....	142
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	144
Budgetary Comparison Schedule – Pension Obligation Bond	146
 <i>Capital Projects Funds:</i>	 147
Combining Balance Sheet.....	148
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	150
Budgetary Comparison Schedule – PSEC	152
Budgetary Comparison Schedule – Flood Control	153
Budgetary Comparison Schedule – Regional Park and Open-Space District.....	154
Budgetary Comparison Schedule – CREST	155
 <i>Permanent Fund:</i>	 157
Balance Sheet	158
Statement of Revenues, Expenditures, and Changes in Fund Balance	159
 <u>Nonmajor Enterprise Funds:</u>	 161
Combining Statement of Net Position	162
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	163
Combining Statement of Cash Flows.....	164

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

TABLE OF CONTENTS

	Page
FINANCIAL SECTION (CONTINUED):	
<u>Internal Service Funds:</u>	165
Combining Statement of Net Position	166
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	168
Combining Statement of Cash Flows.....	170
<u>Fiduciary Funds:</u>	173
<u>Agency Funds:</u>	
Combining Statement of Fiduciary Assets and Liabilities.....	174
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	175
 STATISTICAL SECTION (Unaudited):	
Statistical Section Table Index	177
Table 1 Net Position by Component.....	178
Table 2 Changes in Net Position	180
Table 3 Governmental Activities Tax Revenues by Source	184
Table 4 Fund Balances of Governmental Funds.....	186
Table 5 Changes in Fund Balances of Governmental Funds.....	188
Table 6 General Government Tax Revenues by Source.....	190
Table 7 Assessed Value and Estimated Actual Value of Taxable Property	192
Table 8 Property Tax Rates – Direct and Overlapping Governments	194
Table 9 Principal Property Tax Payers	195
Table 10 Property Tax Levies and Collections.....	196
Table 11 Ratios of Outstanding Debt by Type	198
Table 12 Ratios of General Bonded Debt Outstanding	200
Table 13 Direct and Overlapping Governmental Activities Debt	202
Table 14 Legal Debt Margin Information	204
Table 15 Pledged Revenue Coverage	206
Table 16 Demographic and Economic Statistics	208
Table 17 Principal Employers	209
Table 18 Full-time Equivalent County Government Employees by Function/Program.....	210
Table 19 Operating Indicators by Function	212
Table 20 Capital Asset Statistics by Function	218



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ACC AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

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

December 13, 2013

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 (CAFR) of the County of Riverside for the fiscal year ended June 30, 2013 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 complement 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 eleven 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 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 Riverside (the County seat) with a population of 311,955, Moreno Valley 198,129, Corona 156,823, Temecula 104,879, and Murrieta 105,832. Estimated population figures are

developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. Total County population was 2,255,059 on January 1, 2013, an increase of 1.2 percent as compared to the revised estimate for January 1, 2012. Approximately 16 percent of the residents live in unincorporated areas.

The County is governed by a five-member Board of Supervisors, who serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Supervisors represent five districts.

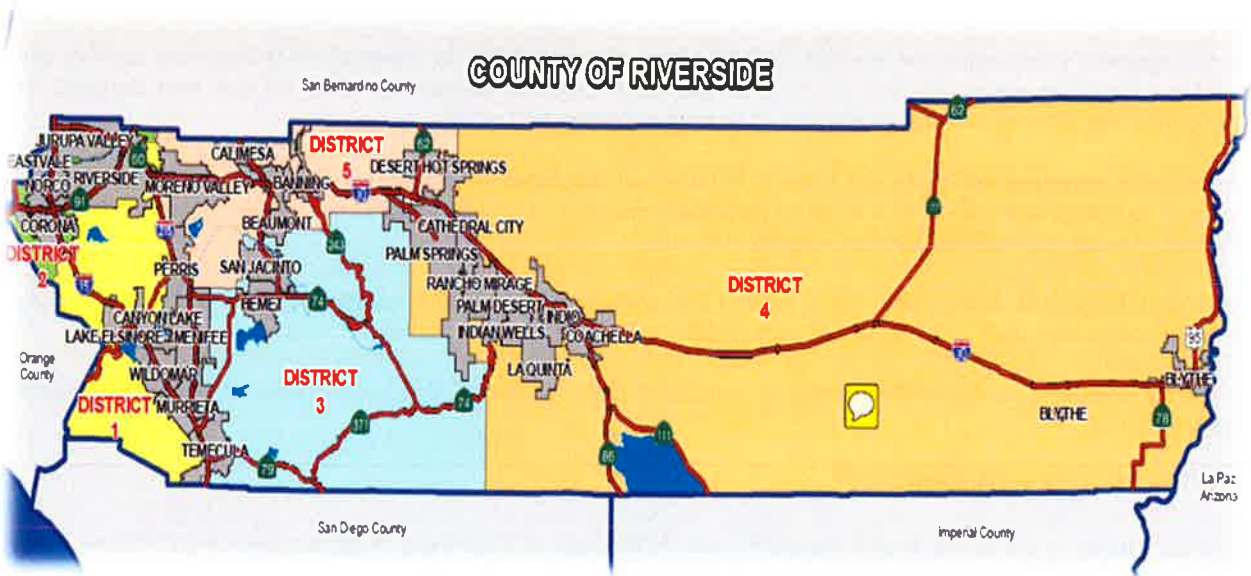
The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest.

The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley (the newest city as of July 1, 2011). The unincorporated communities consist of Home Gardens, El Cerrito, Coronita, and Highgrove.

District Three includes the cities of Hemet, Murrieta, San Jacinto, and Temecula. Major unincorporated areas in the District include Aguanga, Anza, Idyllwild, Valle Vista, Winchester, Wine Country, and Pinyon Pines.

District Four is the largest district, covering the eastern two-thirds of the County. Within this District are the cities of Palm Springs (except the northern portion which resides in District 5), Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Desert Hot Springs, and Blythe. Major unincorporated areas include Bermuda Dunes, Thousand Palms, Sky Valley, Indio Hills, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, Colorado River Communities, and Ripley.

The Fifth District includes the cities of Banning, Beaumont, Calimesa, Menifee, Moreno Valley, Perris, and the northern portion of Palm Springs. The 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.



Source: Riverside County GIS

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

Certificate, Licenses and Permits	Human Services
Birth, marriage, and death certificates, animal licensing and building permits	Assistance for Families, Veteran Services, Utility Assistance, Assistance for the Elderly
Children's Services	Libraries and Museums
Child Support Services, Mentor programs, and Children Medical Services	Edward Dean Museum, and Riverside County Law Library
Criminal Justice	Parks and Recreation
District Attorney, Probation, Public Defender, and Sheriff	Regional Parks
Education	Pets and Animal Services
Office of Education	Animal Control, and Animal Shelters
Emergency Services	Property Information
Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	Building permit report, obtain property information via GIS, pay property taxes online, track your property tax online, record map inquiry, information on new home owners and Riverside County land information
Environment	Public and Official Records
Solid waste, liquid waste, medical waste, sewage disposal, water systems, wells, backflow devices, food services, public pools and mobile home parks, vector control, hazardous materials services, fire protection services, waste reduction, and recycling	Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search
Flood Control	Roads and Highways
Flood Control and water conservation	Road maintenance, land development, engineering services, and survey
Health	Taxes
Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, medical marijuana identification cards	Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, and Auditor-Controller
Housing	
First time home buyer programs, low income housing, rental assistance program, homeless shelter, and neighborhood stabilization program	

FACTORS AFFECTING ECONOMIC CONDITION

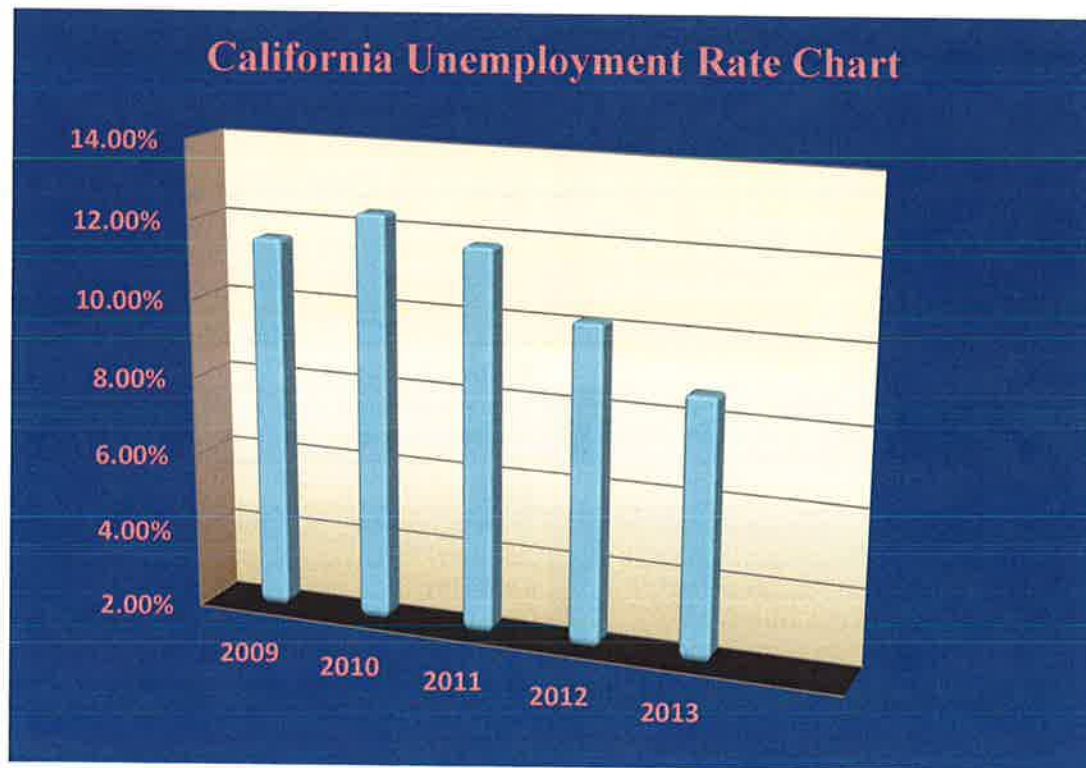
State Economy

The California economy continues to work towards recovery. It is predicted that Inland Southern California will regain its status as one of the high growth regions of the country within a few years. The region currently ranks fourth in the nation for price appreciation.

The number of California homeowners entering the foreclosure process fell last quarter to the second-lowest level in seven and a half years. The drop-off is the result of a stronger job market, home price appreciation, and a variety of government foreclosure avoidance efforts, a real estate information service reported.

The California's nonfarm payroll jobs increased by 39,800 in October for a total gain of 868,300 jobs since the recovery began in February 2010, according to data released by the California Employment Development Department (EDD). The year-over-year change, October 2012 to October 2013, nonfarm payroll employment in California increased by 207,300 jobs up to 1.4 percent.

The state's unemployment rate was 10.1 percent in October 2012 and it dropped to 8.7 percent in September 2013, unchanged in October. Statewide the unemployment ranges from a low 5.0 percent in Marin County to a high of 26.3 percent in Imperial County.



Local Economy

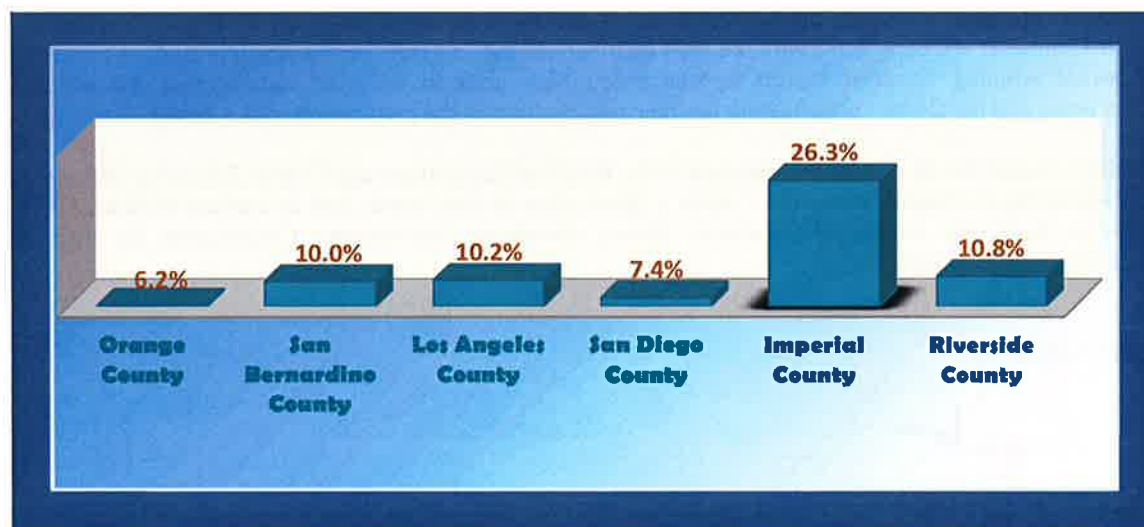
Economist at California State University, Fullerton, projected robust growth in assessed value under a positive economic scenario. The County Assessor applied the maximum 2 percent inflation factor allowed under Prop. 13 to the assessed role, in part offsetting ongoing Prop.8 reductions, and allowing for a projected overall rise in enrolled assessed valuations of 3.95 percent this fiscal year. Also significant reductions in foreclosure-related activity,

increases in year-over-year median sales prices for residential property, and improvement within the commercial property market continue to function as stabilizing factors for the rebound of the local real estate market.

Median sale prices of residential properties in Riverside County have increased by approximately 25 percent and sales volume is up 6 percent year-over-year for August. Accordingly, properties that have not been affected by Prop. 8 assessment reductions are not expected to increase by the traditional 2 percent for the 2014-15 tax year.

Riverside County's unemployment rate has slightly improved from 12 percent in September 2012 to 10.8 percent in September 2013. The trade, transportation and utilities sector added the most nonfarm job growth in the Riverside-San Bernardino-Ontario statistical area on a year-over-year basis, followed by increases in retail trade, transportation, and warehousing. Leisure and hospitality sector also added jobs as well as education and health services.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, September 2013.

Relevant Financial Information

Debt Advisory Committee provides advice to the Board of Supervisors (the Board) on debt issuance and management.

Pension Advisory Committee provides an institutional framework to help guide policy decisions about retirement benefits.

Deferred Compensation Advisory Committee provides assurance of the financial stability of the Plan through prudent monitoring of investments and costs.

Investment Oversight Committee shall cause an annual audit to be performed, and review the annual audit report prior to submittal to the Board of Supervisors; and to review the County of Riverside (the County) investment policies.

Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its *CAFR* for the fiscal year ended June 30, 2012. This was the twenty-fifth consecutive year the County has achieved this prestigious award. In

order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The County of Riverside has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 2012. This was the seventh consecutive year the County has achieved this award. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR and PAFR continue to meet the Certificate of Achievement Program's requirements and we are submitting both reports to the GFOA to determine the eligibility for new certificates.

Acknowledgments

The preparation of this CAFR could not have been 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 consistently produce award winning financial reports. Special recognition goes to the staff members of the contributing component units, and the County departments for their participation in the preparation of this report.

Additionally, I would like to extend my gratitude to the Board of Supervisors and County Executive Office for their visionary leadership in making Riverside County a great place to live, work, and to conduct business. Finally, I would like to thank our independent auditors, Brown Armstrong Accountancy Corporation, for their efforts throughout this audit engagement.

Respectfully submitted,



PAUL ANGULO, CPA, M.A.
RIVERSIDE COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials As of June 30, 2013

ELECTED OFFICIALS

Board of Supervisors



KEVIN JEFFRIES
First District



**JOHN F.
TAVAGLIONE**
Second District



JEFF STONE
Vice Chairman
Third District



JOHN BENOIT
Chairman
Fourth District



MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS



PAUL ZELLERBACH
District Attorney



STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator



PAUL ANGULO
Auditor
Controller



LARRY WARD
Assessor
Clerk
Recorder



DON KENT
Treasurer
Tax Collector

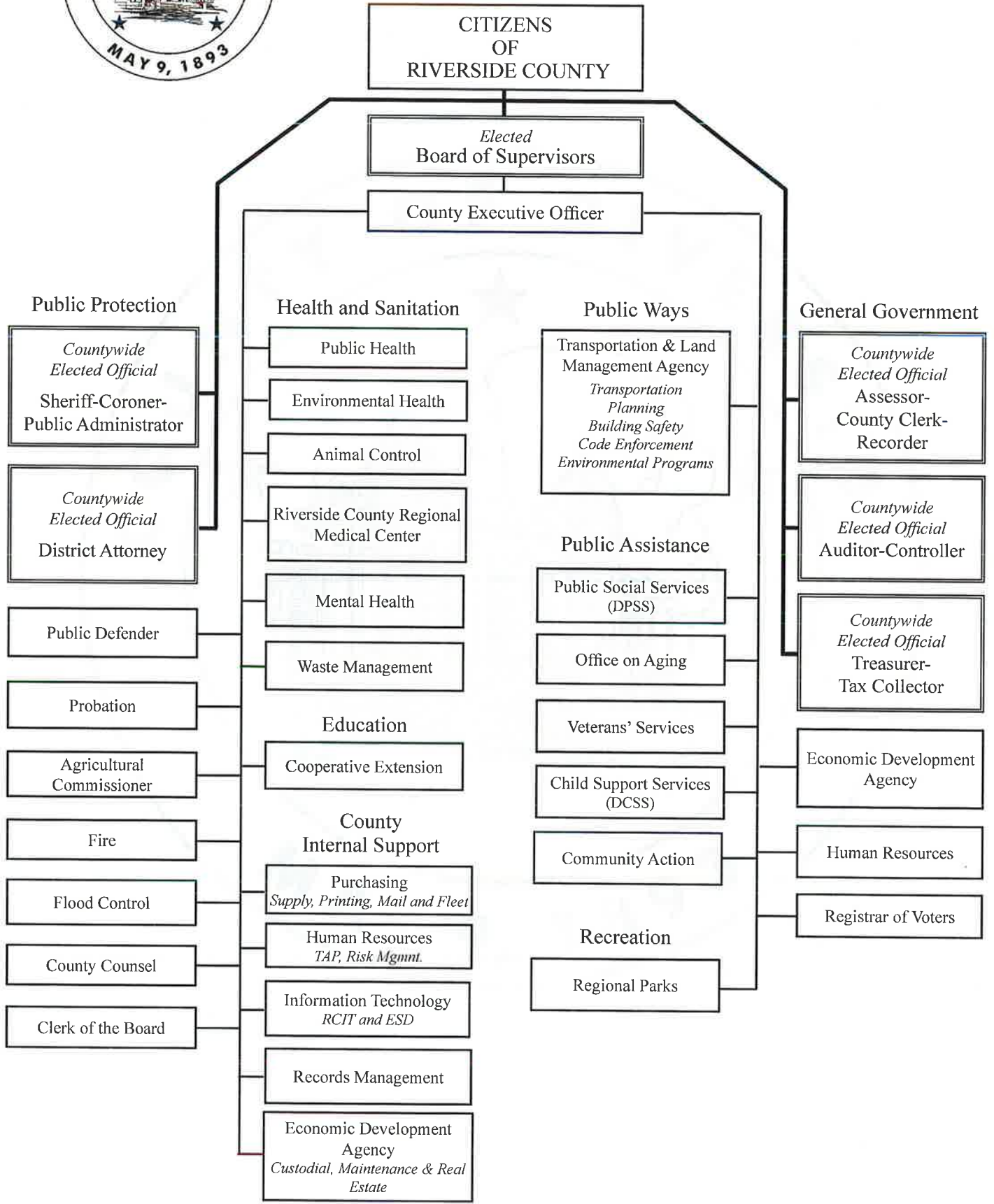
APPOINTED OFFICIALS

JAY ORR
County Executive Officer

PAMELA WALLS
County Counsel



**COUNTY OF RIVERSIDE
ORGANIZATION CHART**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Riverside
California**

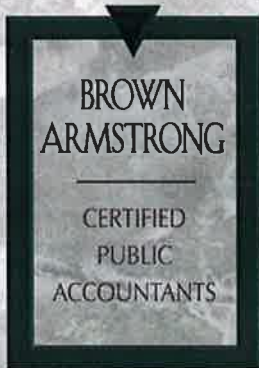
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

Report on the Financial Statements

We have audited the accompanying 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) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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), 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), Riverside County Redevelopment Successor Agency (the Successor Agency), and Riverside County Children and Families Commission (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	19%	3%
Business-Type Activities	22%	15%
Aggregate Remaining Fund Information	6%	1%
Discretely Presented Component Units	47%	72%

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, the Housing Authority, the Park District, the Cemetery District, the Successor Agency, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the general fund, the transportation special revenue fund, and the flood control special revenue fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in the Note 1 to the financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statements No. 60, 61, 62, and 63, and implemented GASB Statement No. 65 in advance during the fiscal year 2013. Among these new GASB Statements, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, have significant impact over the County's financial statements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-28, the County's Retirement Plans schedule of funding progress on pages 119-120, and the schedule of funding progress for the County's Other Post Employment Benefit (OPEB) plan on page 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and respective budgetary comparison schedules, and statistical section, 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 and respective budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual
Financial Report.

Management's Discussion & Analysis (Unaudited)

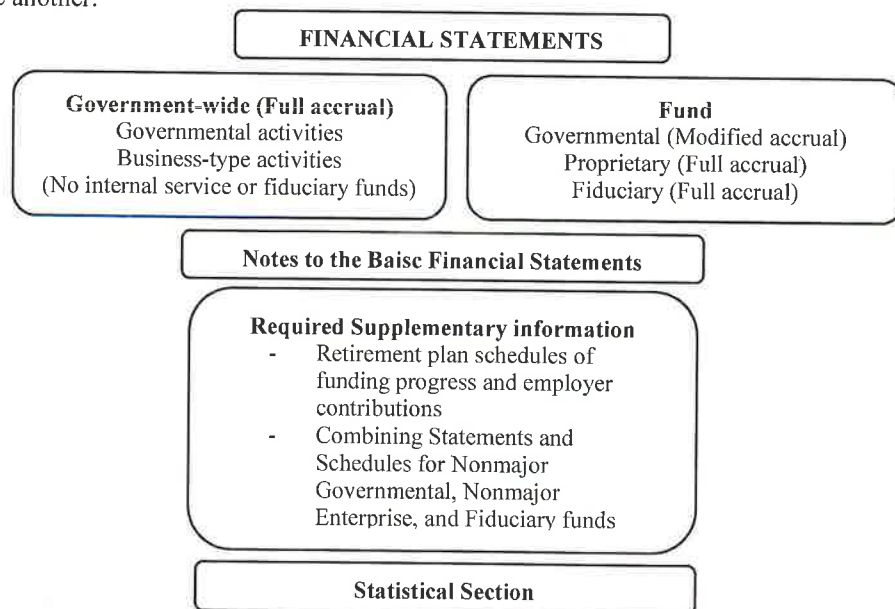
This section of the County of Riverside (the County)'s Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal beginning on page v and the County's basic financial statements which begin on page 29.

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.
- 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.

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 illustration below shows how the required parts of this annual report are arranged and related to one another.



Management's Discussion & Analysis (Unaudited)

The overview section below summarizes the major feature of the financial statements and describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire County (except fiduciary funds)	The day-to-day operating activities of the County for basic governmental services	The day-to-day operating activities of the County for business-type enterprises	Instances in which the County is the trustee or agent for someone's resources
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter, expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 position* presents financial information on all of the County's assets, liabilities, deferred inflow/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining. The statement of net position in summary can be found on page 8, and in more detail on page 29.

The *statement of activities*, presented on page 10 in summary and on pages 30 - 31 in detail, provides information showing how the County's net position changed during the most recent fiscal year. All changes in net position 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. For example, property tax revenues have been recorded that have been accrued but not yet collected, and expenditures for compensated absences have been accrued, but not paid.

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 cultural services. Governmental activities include five major funds, twenty 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, transportation special revenue fund, teeter debt service fund, and public facilities improvements capital projects fund. The business-type activities of the County include three major enterprise funds, and two nonmajor funds. The major enterprise funds are the Regional Medical Center, Waste Management, and Housing Authority.

Management's Discussion & Analysis (Unaudited)

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 (PDFA) 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 presented separately from the financial information of the primary government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- 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
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery District

Fund Financial Statements, illustrated on pages 34 - 51, 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 Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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 County's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures, and changes in fund balances provided are accompanied by 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, transportation special revenue fund, flood control special revenue fund, teeter debt service fund, and public facilities improvements capital projects fund) in separate columns.

Management's Discussion & Analysis (Unaudited)

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 Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority, Public Financing Authority, and Redevelopment Agency (RDA) Housing Successor Agency. 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, found on pages 46 - 49, 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, Housing Authority, County Service Areas, and Flood Control. RMC, Waste Management, and Housing Authority financial statements are reported in separate columns of the proprietary fund 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 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, Enterprise Solution Division (accounting and human resources information technology system), risk management, temporary assistance pool, Economic Development Agency (Facilities Management), 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 on pages 50 - 51, 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. The notes can be found on pages 53 - 117 of this report.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress and employer contribution. Required supplementary information can be found on pages 119 - 121 of this report.

Combining and individual fund statements and schedules provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 123 - 176 of this report.

Management's Discussion & Analysis (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The table below focuses on the net position and changes in net position in the County's governmental and business-type activities. It presents an analysis of the County's net position as of June 30, 2013, in comparison to the prior fiscal year 2011-12. At the end of the current fiscal year, the County reported positive net position in all three categories: net investment in capital assets, restricted net position and unrestricted net position. Total assets and deferred outflow of resources, as indicated below, exceeded liabilities and deferred inflow of resources by \$4.6 billion representing an increase of \$192.2 million (\$181.3 million changes in net position and restatement of \$10.9 million, See Note 3), or 4.1%.

A more detailed statement can be found on Page 29 in the government-wide financial statements.

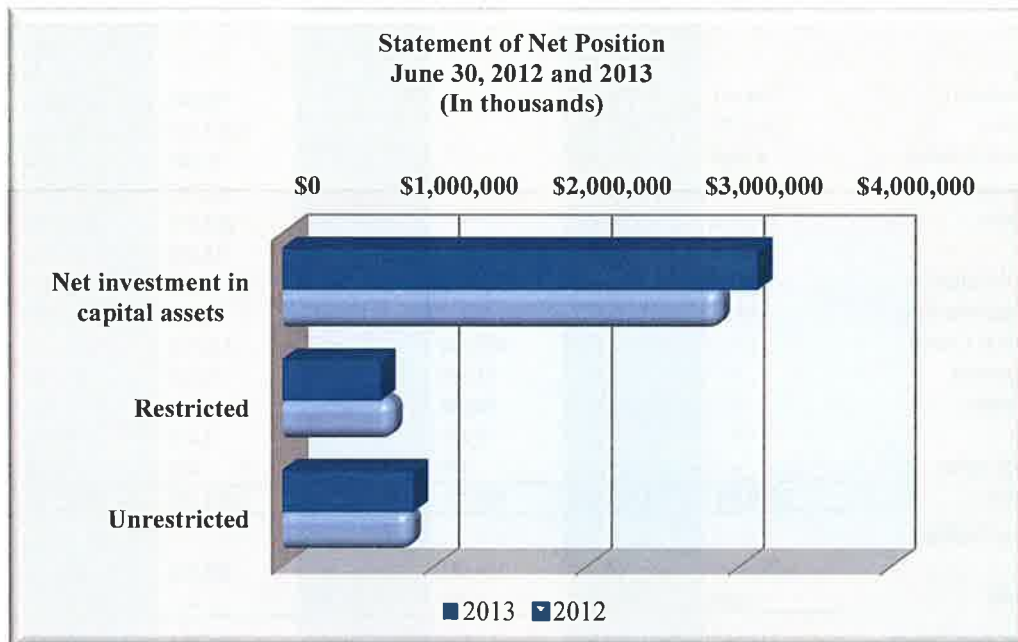
Statement of Net Position June 30, 2013 (In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Assets:							
Current and other assets	\$ 2,542,934	\$ 2,903,152	\$ 521,110	\$ 308,604	\$ 3,064,044	\$ 3,211,756	-4.6%
Capital assets	3,913,392	3,704,789	275,292	269,673	4,188,684	3,974,462	5.4%
Total assets	6,456,326	6,607,941	796,402	578,277	7,252,728	7,186,218	0.9%
Deferred outflows of resources:	26,821	-	347	-	27,168	-	0.0%
Total deferred outflows of resources	26,821	-	347	-	27,168	-	0.0%
Liabilities:							
Current liabilities	651,424	788,496	152,033	100,275	803,457	888,771	-9.6%
Long-term liabilities	1,492,824	1,543,912	333,806	311,845	1,826,630	1,855,757	-1.6%
Total liabilities	2,144,248	2,332,408	485,839	412,120	2,630,087	2,744,528	-4.2%
Deferred inflows of resources:	17,703	-	9,118	-	26,821	-	0.0%
Total deferred inflows of resources	17,703	-	9,118	-	26,821	-	0.0%
Net position:							
Net investment in capital assets	2,998,987	2,740,429	118,594	130,510	3,117,581	2,870,939	8.6%
Restricted	550,326	683,835	94,346	41,103	644,672	724,938	-11.1%
Unrestricted	771,883	851,269	88,852	(5,456)	860,735	845,813	1.8%
Total net position	\$ 4,321,196	\$ 4,275,533	\$ 301,792	\$ 166,157	\$ 4,622,988	\$ 4,441,690	4.1%

Management's Discussion & Analysis (Unaudited)

Below are the three components of net position and their respective balances as of June 30, 2013:

- Net investment in capital assets was \$3.1 billion, or 67.5%, of the County's total net position compared to \$2.9 billion, or 64.6%, for fiscal year 2011-12. This component consists of capital assets such as 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.
- \$644.7 million, or 13.9%, of the County's total restricted net position compared to \$724.9 million, or 16.3% for fiscal year 2011-12. This component 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.
- \$860.7 million, or 18.6%, of the County's total net position is unrestricted that may be used to meet the County's ongoing obligations to citizens and creditors. Of this amount, \$771.9 million is from governmental activities and \$88.8 million from business-type activities, compared to prior year whereas, \$851.3 million was from governmental activities and a \$5.5 million deficit from business-type activities.



Management's Discussion & Analysis (Unaudited)

The following table provides information from the Statement of Activities of the County as of June 30, 2013, as compared to the prior year:

Statement of Activities For the year ended June 30, 2013 (In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) %
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 588,461	\$ 580,797	\$ 600,747	\$ 505,665	\$ 1,189,208	\$ 1,086,462	9.5%
Operating grants and contributions	1,503,390	1,447,694	-	-	1,503,390	1,447,694	3.8%
Capital grants and contributions	27,695	27,909	698	335.00	28,393	28,244	0.5%
General revenues:							
Property taxes	277,417	322,337	-	-	277,417	322,337	-13.9%
Sales and use taxes	29,751	26,744	-	-	29,751	26,744	11.2%
Unrestricted intergovernmental revenue	220,811	226,384	-	-	220,811	226,384	-2.5%
Investment earnings	2,035	11,801	(33)	907	2,002	12,708	-84.2%
Other	206,337	176,113	-	-	206,337	176,113	17.2%
Total revenues	2,855,897	2,819,779	601,412	506,907	3,457,309	3,326,686	3.9%
Expenses:							
General government	194,641	270,474	-	-	194,641	270,474	-28.0%
Public protection	1,065,373	1,047,202	-	-	1,065,373	1,047,202	1.7%
Public ways and facilities	89,469	84,797	-	-	89,469	84,797	5.5%
Health and sanitation	422,982	374,950	-	-	422,982	374,950	12.8%
Public assistance	807,611	827,092	-	-	807,611	827,092	-2.4%
Education	18,998	10,376	-	-	18,998	10,376	83.1%
Recreation and culture	12,274	15,806	-	-	12,274	15,806	-22.3%
Interest on long-term debt	29,453	39,098	-	-	29,453	39,098	
Regional Medical Center	-	-	473,916	417,074	473,916	417,074	13.6%
Waste Management	-	-	53,069	57,272	53,069	57,272	-7.3%
Housing Authority	-	-	90,678	91,469	90,678	91,469	-0.9%
Flood Control	-	-	2,472	2,306	2,472	2,306	7.2%
County Service Areas	-	-	459	456	459	456	0.7%
Total expenses	2,640,801	2,669,795	620,594	568,577	3,261,395	3,238,372	0.7%
Excess (deficiency) before							
Transfers	215,096	149,984	(19,182)	(61,670)	195,914	88,314	121.8%
Transfer in (out)	(1,049)	(11,702)	1,049	11,702	-	-	0.0%
Change in net position, before extraordinary items	214,047	138,282	(18,133)	(49,968)	195,914	88,314	121.8%
Extraordinary Items	(158,337)	502,639	154,589	-	(3,748)	502,639	-100.7%
Change in net position	55,710	640,921	136,456	(49,968)	192,166	590,953	-67.5%
Net position, beginning of year, as Restated	4,265,486	3,634,612	165,336	216,125	4,430,822	3,850,737	15.1%
Net position, end of year	\$ 4,321,196	\$ 4,275,533	\$ 301,792	\$ 166,157	\$ 4,622,988	\$ 4,441,690	4.1%

Management's Discussion & Analysis (Unaudited)

The following are specific major factors that resulted in the net position changes in governmental activities between fiscal years 2012-13 and 2011-12 as shown in the table of the previous page.

Revenues for governmental activities

Revenues from *Charges for services* increased by \$7.7 million, or 1.3%. 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. The increase was mainly due to law enforcement services provided to cities within the County of Riverside who have contract with the Sheriff Department for city police services.

Revenues from *Operating grants and contributions* increased by \$55.7 million, or 3.8%, due to significant changes in the following state and federal sources:

- \$19.2 million increase in state's realignment of public safety programs pursuant to Assembly Bill (AB) 118 for the reallocation of trial court security revenue from charges for services. \$11.0 million increase in state allocation of the one-half cent proposition 172 public safety sales tax funds due to the improvement in sales activity in the County as the consumer confidence rebounded. \$9.6 million increase in local revenue AB109 criminal justice program due to individuals sentenced to non-serious and non-violent crimes will serve their sentences in County jails instead of state prison. \$37.2 million increase in caseload growth for calworks and in-home support services programs due to more individuals seeking assistance primarily in food stamps and medi-cal.
- The increase was offset by \$19.1 million decrease in federal grants for nutrition information and education in Women, Infant, and Children (WIC) programs, the highway user tax was decreased as the state recaptured overpayment made in fiscal year 2011-12, and American Recovery and Reinvestment Act (ARRA) program was ended.

Revenues from *Capital grants and contributions* decreased by \$214.0 thousand or 0.8%, due to a reduction in the number of projects that were awarded by the Federal Aviation Administration (FAA) for federal capital improvement projects.

Revenues from *Property taxes* decreased by \$44.9 million, or 13.9%, due to the fact the County no longer receiving the pass through tax increment from the former Redevelopment Agency.

Revenues from *Sales and used taxes* increased by \$3.0 million, or 11.2% was mainly generated from a strong demand in new automobiles, restaurant sales particularly in quick-service and fast casual chains, and use tax from the development of solar energy projects. The rate increased from 7.75% to 8.0%. In addition, the last city to incorporate was Jurupa Valley which received over \$6.0 million in sales tax revenue in fiscal year 2011-12, no new cities are anticipated in fiscal year 2012-13 to further decrease sales tax revenue.

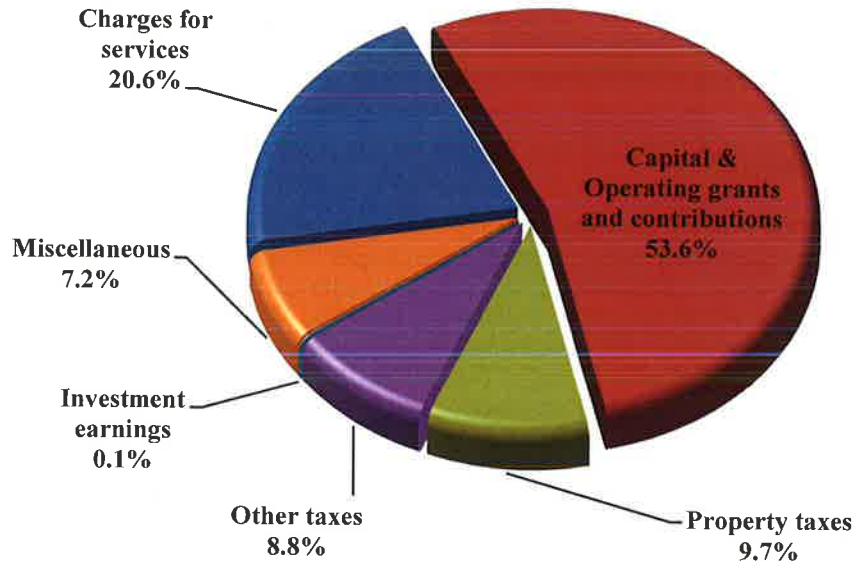
Revenues from *Unrestricted intergovernmental revenue* decreased by \$5.6 million or 2.5%. The decrease was attributed to \$4.5 million received in fiscal year 2011-12 from excess of County allocation of fiscal year 2006-07 to fiscal year 2009-10 vehicle license fee collections adjusted by State Controller Office. The realignment revenue received from vehicle license fee decreased by \$1.5 million in fiscal year 2012-13.

Revenues from *Investment earnings* decreased by \$9.8 million from \$11.8 million to \$2.0 million, or 82.8%, as a result of continual declines in interest earnings reflecting rate cuts by the Federal Reserve and decline in investment pool earnings.

The significant change in *Other revenue sources* was in Property Tax – Low and Moderate Income Housing (LMIH) Residual Assets due to the result of RDA dissolution where unencumbered low and moderate income housing set aside money AB1484 was distributed to the County according to Successor Agency debt requirement and available tax increment.

Management's Discussion & Analysis (*Unaudited*)

Governmental Activities Revenue by Source For fiscal year ended June 30, 2013



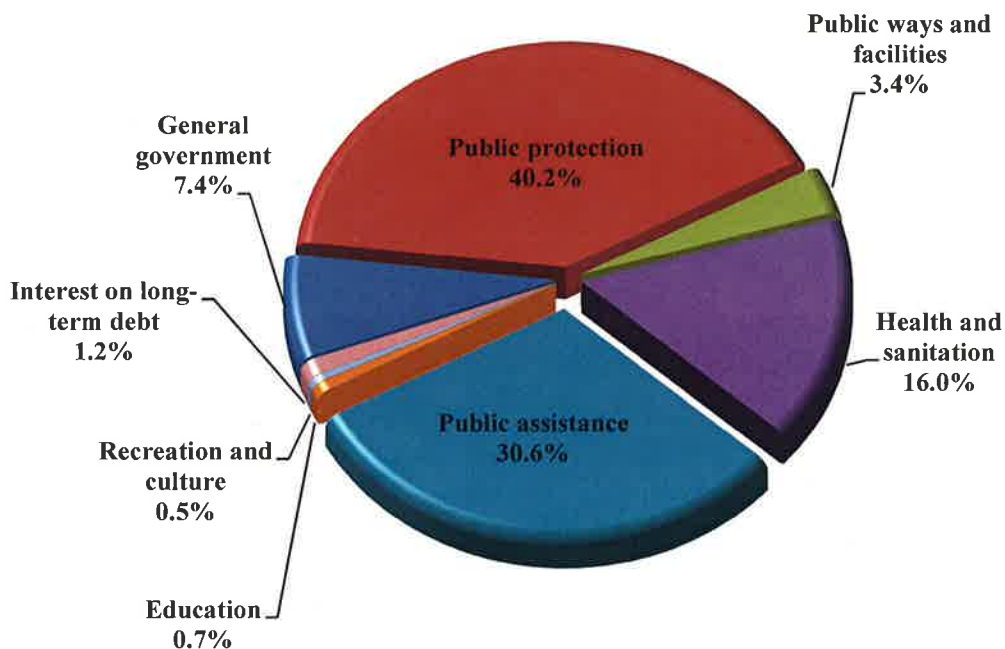
Expenses for governmental activities

Total expenses for governmental activities were \$2.6 billion for the current fiscal year, a decrease of \$29.0 million or 1.1%, as compared to prior fiscal year. The following are the key components accounting for the variance:

- General government represents \$194.6 million, or 7.4%, of the total governmental activities expenses, decreased by \$75.8 million or 28.0% from prior year. The decrease resulted from administrative and operation costs incurred by the former Redevelopment Agency for low and moderate income housing related programs, and construction costs of infrastructure and public facilities.
- Public protection represents \$1.1 billion or 40.3%, of the total governmental activities expenses, increased by \$18.2 million, or 1.7% from prior year due to sheriff's payroll and benefits, and construction costs of the new detention center. Additional analysis can be found in general fund financial analysis on page 18.
- Health and sanitation represents \$423.0 million or 16.0% of the total expenses, increased by \$48.0 million or 12.8% from prior year in services and supplies caused by the expansion of Mental Health Service Act (MHSA) formerly known as Proposition 63. It was approved by California voters to provide a 1.0% tax on personal income over \$1.0 million in order to expand and transform the county mental health service system.
- \$89.5 million, or 3.4% of the total governmental activities expenses, increased by \$4.7 million or 5.5% for public ways and facilities due to roads and road improvement projects.
- \$807.6 million or 30.6% of the total expenses, decreased by \$19.5 million or 2.4% from prior year for public assistance which was mainly due to the discontinuation of programs funded by Community Development Block Grant (CDBG) and the Neighborhood Stabilization Program. The remaining 2.3% represents education for \$19.0 million or 0.7%; recreation and culture for \$12.3 million or 0.5%, and interest on long-term debt for \$29.5 million or 1.1%.

Management's Discussion & Analysis (Unaudited)

Governmental Activities Expenses by Function For fiscal year ended June 30, 2013



Business-type Activities

The following are specific major factors that resulted in the net position changes in business-type activities between fiscal years 2012-13 and 2011-12 as shown in the above table.

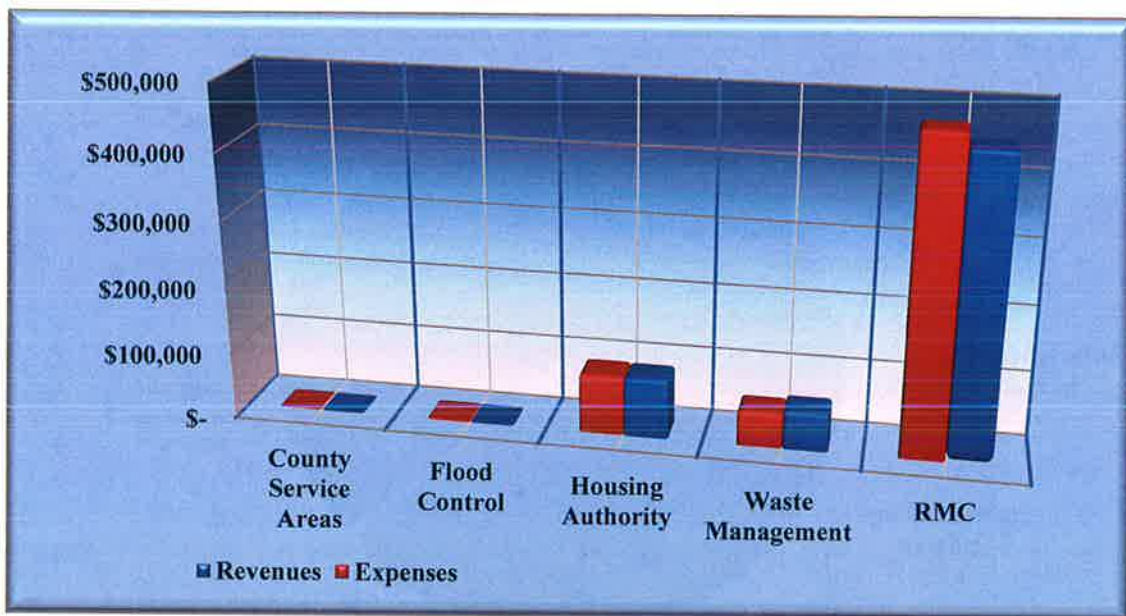
Revenues: The County has three major business-type activities: Riverside County Regional Medical Center (RMC), Waste Management, and Housing Authority. In addition, Flood Control and County Service Areas are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities.

For the current year, \$600.7 million or 99.9%, 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, \$450.3 million, was received by RMC as compared to \$371.8 million for the prior fiscal year. The increase was mainly attributed to the new revenue sources being earned in the current fiscal year: \$54.1 million in federal and state funds for subsidizing the costs associated with providing care to uninsured and indigent population, \$6.8 million in Hospital Quality Assurance Fee Program, \$5.7 million from Electronic Health Record (EHR) incentive program which is a reimbursement for conversion to electronic health records.

Expenses: Total expenses for business-type activities were \$620.6 million for the fiscal year compared to \$568.6 million for the prior fiscal year. This represents an increase of \$52.0 million or 9.1%. Expenses of \$473.9 million or 76.4% were incurred by RMC in the current fiscal year, as compared to \$417.1 million or 73.4%, for the prior fiscal year. In addition, expenses for Waste Management Department expenses were \$53.1 million or 8.6%, compared to \$57.3 million or 10.1% from prior fiscal year; Housing Authority expenses were \$90.7 million or 14.6% of total expenses for business-type activities, compared to prior fiscal year's expenses of \$91.5 million or 16.1%; Flood Control and County Service Areas account for the remaining 0.5% of expenses consistent with the prior fiscal year.

Management's Discussion & Analysis (Unaudited)

Revenues and Expenses Business Type Activities For fiscal year ended June 30, 2013 (In thousands)



FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Fund

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of spendable resources. Such information is useful in assessing the County's short-term financial requirements. In particular, the total fund balance less the nonspendable amount 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 fund.

As of June 30, 2013, 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. The components of total fund balance are as follows (See Note 16 - Fund Balances for additional information):

- Nonspendable fund balance – \$5.5 million, are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance – \$508.5 million, are amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – \$314.4 million, are amounts that are committed for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- Assigned fund balance – \$86.4 million, are amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – \$199.9 million, funds that are not reported in any other category and are available for any purpose within the general fund.

Management's Discussion & Analysis (Unaudited)

Total governmental fund revenue increased by \$18.1 million or 0.7%, from the prior fiscal year with \$2.8 billion being recognized for the fiscal year ended June 30, 2013. Expenditures decreased by \$40.2 million or 1.4%, from the prior fiscal year with \$2.8 billion being expended for governmental functions during fiscal year 2012-13. Overall, governmental fund balance decreased by \$218.7 million or 16.4%. In comparison, fiscal year 2011-12 had a decrease in governmental fund balance of \$432.1 million or 24.5%, over fiscal year 2010-11.

The *general fund* is the primary operating fund of the County. At the end fiscal year 2012-13, the general fund's total fund balance was \$357.2 million, as compared to \$336.6 million in fiscal year 2011-12. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The nonspendable portion of fund balance was \$3.2 million, and the spendable portion was \$354.0 million. The current year unassigned fund balance is 8.7% of the total general fund expenditures of \$2.3 billion, as compared to 7.6% of the prior year expenditures total of \$2.3 billion. The total fund balance of the general fund for the current year is 15.6% of the total general fund expenditures as compared to 14.9% for the prior year.

Transportation and Land Management Agency fund balance decreased by \$9.3 million or 8.9%, due to numerous large interchange improvement projects costs incurred during fiscal year 2012-13: North Indian Canyon Dr. Interchange, Palm Dr./Gene Autry Trail Inter-change, Goetz Rd Bridge, Van Buren Bridge and Van Buren Blvd Interchange.

Flood control fund balance decreased by \$1.3 million or 0.5%, \$256.3 million from prior year to \$254.9 million due to construction costs increased mainly in new drainage infrastructure projects and maintenance of flood control in the district's zones.

Public Facilities Improvement Capital Project fund balance decreased from \$242.5 million to \$199.6 million, 17.7% or \$42.9 million. The decrease was due to the completion of various building construction and remodeling projects and the utilization of the reserve for construction account to reimburse costs of multiple capital projects such as, Desert Hot Springs Family Care Clinic, Blythe Animal Shelter, North Shore Yacht, Smith Correctional Facility, Palm Desert Sheriff Station, and Lake Matthew Fire Station. In addition, the construction of Eastern Region Detention Center and Van Horn Youth Treatment and Education Center started during fiscal year 2012-13.

Other Governmental Funds

The other governmental funds reported a combined net decrease in fund balance of \$185.8 million. The significant change was primarily the result of transferring assets and liabilities of all housing functions to Housing Authority of the County of Riverside from Riverside County Redevelopment Successor Housing Agency.

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 (RMC) 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 position were \$448.3 million, compared to \$310.4 million for prior fiscal year, increased by \$137.1 million or 44.1%. Of the year ended balances, unrestricted net position was as follows:

- Regional Medical Center: \$-32.6 million
- Waste Management: \$56.8 million
- Housing Authority: \$131.3 million
- Other enterprise fund activities: \$2.5 million
- Internal service fund activities: \$56.6 million

Management's Discussion & Analysis (Unaudited)

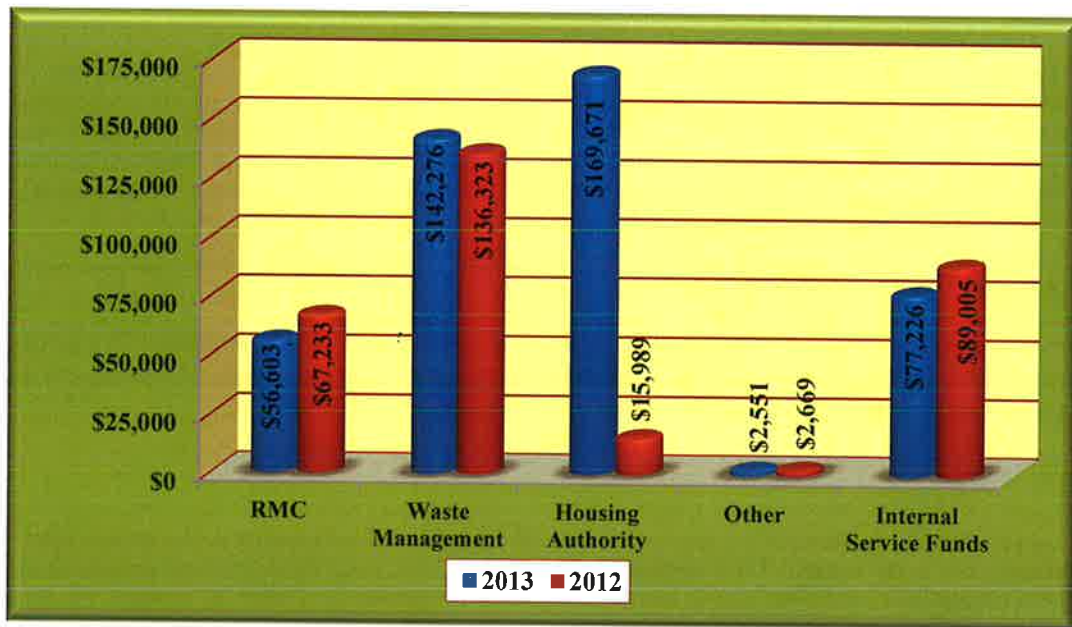
RMC's net position decreased by \$10.6 million (\$9.8 million and restatement of \$0.8 thousands) or 15.8%, from \$67.2 million to \$56.6 million. The decrease is attributable to operating expenses including employee benefit and pension expenses, medical supply purchases, and interest expense from new bond issuance.

Waste Management's net position increased from \$136.3 million to \$142.3 million. The increase resulted primarily from the reclassification of closure, post-closure, and remediation funds into liability accounts.

An increase of \$153.7 million in Housing Authority's net position attributed to the following:

- Increase in total operating revenues due to the additional income received from the Housing Successor Agency leases and short-term loans.
- Gain from sale of property as a result of transfer of land parcels, loans receivables, and cash to the Housing Authority as Successor Agency for the housing functions of the former Redevelopment Agency of the County of Riverside.
- Increase in capital contribution, which is primarily related to the site improvements and modernization projects that were completed this fiscal year.

Proprietary Funds Net Position
For fiscal year ended June 30, 2013
(In Thousands)



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:

General Fund - Revenues by Source
For fiscal year ended June 30, 2013
(In Thousands)

Revenues by Sources	2013		2012		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
Taxes	\$ 246,144	10.2%	\$ 216,746	9.3%	\$ 29,398	13.6%
Intergovernmental revenues	1,561,505	64.8%	1,487,205	63.5%	74,300	5.0%
Charges for services	374,750	15.6%	354,451	15.1%	20,299	5.7%
Other revenue	133,282	5.5%	156,017	6.7%	(22,735)	-14.6%
Other financing sources	94,019	3.9%	126,258	5.4%	(32,239)	-25.5%
Total	\$ 2,409,700	100.0%	\$ 2,340,677	100%	\$ 69,023	2.9%

General fund revenues had an overall increase of \$69.0 million, or 2.9%, from the prior year. The increase was due primarily to the changes in the following:

- An increase of \$29.4 million in *Taxes* from the distribution of property tax - LMIH residual assets as the result of RDA dissolution where unencumbered low and moderate income housing set aside money AB1484 according to successor agency debt requirement and available tax increment.
- The increase in *Intergovernmental revenues* was primarily attributed to allocation and realignment revenue from the State and Federal aids. See explanation previously discussed on page 11.
- *Charges for services* increased by \$20.3 million, or 5.7%, was primarily due to law enforcement services contracted with cities within Riverside County, and election services due to higher number of candidates running during fiscal year 2012-13 for governmental positions.
- The decrease in *Other revenue* was mainly due to a one time release of committed fund balance in fiscal year 2011-12 to support program activities related to public social services caused by the shortfall of state funding.
- The decreased in *Other financing sources* was mainly caused by the reimbursements from capital improvement program fund to finance capital projects costs in fiscal year 2011-12, and contribution from other county funds to finance debt service payments. In addition, the County no longer receives negotiated pass-through payments previously received from the former Redevelopment Agency.

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):

General Fund - Expenditures by Function For fiscal year ended June 30, 2013 (In Thousands)

Expenditures by Function	2013		2012		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
General government	\$ 103,896	4.3%	\$ 127,195	5.4%	\$ (23,299)	-18.3%
Public protection	1,043,017	43.7%	1,010,999	43.0%	32,018	3.2%
Health and sanitation	388,325	16.3%	369,165	15.7%	19,160	5.2%
Public assistance	735,057	30.8%	719,670	30.6%	15,387	2.1%
Other expenditures	22,207	0.9%	25,000	1.1%	(2,793)	-11.2%
Other financing uses	96,547	3.9%	98,045	4.2%	(1,498)	-1.5%
Total	\$ 2,389,049	100.0%	\$ 2,350,074	100.0%	\$ 38,975	1.7%

Total expenditures for general fund were \$2.4 billion, an increase of \$39.0 million, or 1.7%, from the prior year. Significant changes are as follows:

- A decrease of \$23.3 million, or 18.3% in *General government* was mainly due to capital project costs funded by capital improvement program and legal costs incurred in settlement agreement with French Valley Business Center LLC during fiscal year 2011-12.
- The significant increase in *Public protection* were including the jail population and additional positions as the result of implementation of AB109, health benefit contribution to Riverside Sheriff Association (RSA) Public Safety Unit members from \$204.0 per pay period to \$356.0, disbursements to the State of CA Department of Forestry for fire protection services, and the retirement contribution rate for Safety Plan increased from 21.3% to 22.5%.
- The increase in *Health and sanitation* was mainly due to higher than anticipated usage of institution for mental disease, state hospital, and children's programs, and out-of-network health and mental health services provided to Low Income Health Program (LIHP) participants.
- The increase in *Public assistance* was due to hiring caseworkers and support staffs which were caused by more individuals seeking assistance primarily in Food Stamps and Medi-Cal.
- *Other expenditures* decreased by \$4.5 million, or 18.1%, were mainly due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the general fund variances between 1) the original adopted 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.

Management's Discussion & Analysis (Unaudited)

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variances

The original adopted general fund estimated revenue budget decreased by \$9.5 million, or 0.4%, from \$2.47 billion to the final amended revenue budget of \$2.46 billion. The \$9.5 million represents a decrease of \$51.3 million in charges for current services, a decrease of \$8.6 million in other revenue, offset by increases of \$23.4 million in state aid, \$14.3 million in federal aid, and \$11.6 million in taxes.

State aid: The increase in state aid of \$23.4 million, or 2.3%, was partially the result of increases of \$10.5 million for the Low Income Health Program, \$6.9 million for AB109, \$2.7 million for public health and \$1.5 million in Prop 10 funding. The increase for the LIHP will be used to cover costs associated with the out-of-network services provided by contracted and non-contracted providers for eligible LIHP participants. The increase in AB109 funding which shifts responsibility of incarcerating low level offenders from the State to Counties will add eighteen deputies, two supervisors and two accounting personnel. Lastly, the Riverside County Children and Families Commission (the Commission) awarded the Department of Public Health funding in the amount of \$2.7 million for the Nutrition and Physical Activity Self-Assessment for Child Care Program. Four positions will be added with this funding.

Federal aid: The increase in federal aid of \$14.3 million, or 2.9%, was partially the result of increases of \$5.1 million in Department of Public Social Services (DPSS) public assistance administration claims, \$3.3 in public health grants, \$2.7 Sheriff and \$2.0 Fire. DPSS increased the budget for the implementation of the Community First Choice Option, which provides home and community based attendant services and support to individuals who meet the State's nursing facility clinical eligibility standards. Public assistance administration experienced a shift in the flow of funds from the state resulting in the addition of five registered nurses and one senior public information specialist. The Sheriff received an additional \$1.0 million from the Department of Justice for a DNA grant aimed at investigating unsolved homicide cases. The Sheriff also received a \$1.1 million Indian Gaming Operation Stonegarden Grant (OPSG), intended to aid in intelligence gathering, seeking to weaken terrorist activities. The Fire Department increased their budget by rolling over the following grants from the prior fiscal year: Homeland Security and the Emergency Management Performance Grant.

Taxes: The increase in taxes of \$11.6 million, or 5.5%, was for the redevelopment – low and moderate income housing residual assets. At the direction of the State Department of Finance, the Auditor-Controller distributed the monies to the general fund, as ABX126 instructed that assets that were not essential in meeting enforceable obligations of the redevelopment agencies upon dissolution, be liquidated and distributed to taxing entities, such as the County.

Charges for current services: The net decrease of \$51.3 million, or 11.0%, for charges for current services was mainly the result of intergovernmental activities. There was also an offset of \$7.4 million due to contract increases to the following law enforcement contract cities: Coachella Valley, Eastvale, and Lake Elsinore.

Other revenue: The decrease in other revenue of \$8.6 million, or 10.2%, was primarily the result of intergovernmental activities and a reclassification of operating transfers to other financing sources. An estimate of \$3.2 million was returned to the county general fund related to a recent settlement resolving a long standing dispute for sales between fiscal years 2003 and 2012 pertaining to the tobacco master settlement agreement (MSA). Funds in the amount of \$2.2 million will be used for the Van Horn Youth Center construction and \$1.0 million will be set aside for budget stabilization. Unused Capital Improvement Program (CIP) contingency and capital funds for the Riverside Public Defender building remodel were re-appropriated to the general fund budget stabilization, with the change to bond financing of this project and completion of other projects.

Expenditure Appropriation Variances

The original adopted general fund appropriation budget of \$2.5 billion decreased by \$12.0 million, or 0.5%, during the fiscal year. The significant appropriation changes were an increase of \$20.8 million in health and sanitation, and an increase of \$18.6 million in public protection, offset by a decrease of \$44.0 million in debt service and a decrease of \$9.7 million in general government.

Management's Discussion & Analysis (Unaudited)

The major appropriation variances are described below.

General government: The appropriation budget decreased by \$9.9 million, or 5.0%, from the original adopted budget of \$197.2 million to \$187.3 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by \$2.4 million, or 3.0%. Of the \$2.4 million, \$1.4 million was attributed to Economic Development Agency (EDA) is plan to lay off all 25 positions that were initially slated for layoffs. The remainder is related to Human Resources projects exceeding budgeted payroll costs.
- Other charges increased by \$2.5 million, or 3.5%, mainly due to the use of community improvement designation funds to other county funds by the Board of Supervisors. These increases were offset by intergovernmental activities.
- Appropriation for contingencies decreased by \$13.7 million, or 68.6%. The Sheriff deferred six months of costs in the amount of \$6.0 million for the City of Jurupa Valley (the City), which will allow the City to remain incorporated, provide essential public safety, while working on the restoration of funding. \$1.1 million is to provide essential support and administrative services for court security funding per AB118 funding and SB1021 statutory changes, as these services were transferred from the superior courts to the counties. To cover the fourth quarter invoice owed per cooperative agreement with the California Department of Forestry, \$3.5 million was requested by the Fire Department. Past property tax administration fees (PTAF) are to be refunded to cities as a result of the ruling for disputes over tax calculations, with the first installment paid in April of 2013 for \$2.4 million.
- Intrafund transfers decreased by \$2.0 million, or 4.4%, mainly belongs to increases by the EDA Property Management division and Human Resources. The EDA Property Management division increased its budget by \$0.6 million to cover additional project cost being funded by the general fund. Human Resources increased budget by \$0.6 million due to a rise in arbitration and communication services.

Public protection: The appropriation budget increased by \$18.6 million, or 1.7%, from the original adopted budget of \$1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by \$2.5 million, or 0.3%, primarily due to Sheriff, Probation, Public Defender, and District Attorney for positions to implement AB109 criminal justice alignment, for which \$10.4 million was due to intergovernmental activities.
- Services and supplies increased by \$10.7 million, or 3.5%, mainly due to Sheriff, Probation, Public Defender, and District Attorney for implementation of AB109 criminal justice alignment. An increase of \$6.5 million for the Sheriff was distributed to staffing, facility improvement and operational costs, transportation costs, as well as program and jail alternatives reflecting a multi-disciplinary approach to realignment and reimbursement of the narrow banding Public Safety Enterprise Communication (PSEC) project. The Fire Department also added \$3.9 million for the California Department of Forestry and reimbursement for the narrow banding PSEC project.
- Capital assets increased by \$4.1 million, or 77.7%, primarily due to the Sheriff Correctional and Patrol equipment purchases related to AB109. Due to the congestion and the need for expansion, the correctional facilities increased security throughout the jail system.

Health and sanitation: The appropriation budget increased by \$20.8 million, or 4.8%, from the original adopted budget of \$430.1 million to \$450.8 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by \$3.7 million, or 1.8%, as a result of a funding increase from the state, for example, five registered nurse positions and one senior public information specialist were added to the Department of Public Health.
- Services and supplies increased by \$6.0 million, or 6.6%, mainly due increase related to fiscal year 2011-12 approved encumbrance items. In addition, Public Health received funding for the replacement equipment for 19 Women, Infant and Children (WIC) Supplemental Nutrition Program in addition to a host of other funding grants.

Management's Discussion & Analysis (Unaudited)

- Other charges increased by \$9.9 million, or 5.0%, mainly due to the \$10.5 million for the Low Income Health Program and the transfer of \$7.0 million in funding from Mental Health to the Regional Medical Center, offset by intergovernmental activity.

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 \$92.1 million resulting from unexpended appropriations of \$236.7 million, or 9.4%, and overestimated revenue of \$144.6 million, or 5.9%. The following contributed to the variance:

Revenue Variances

General fund actual revenues of \$2.3 billion were 5.9%, or \$144.6 million, less than the final amended revenue budget of \$2.5 billion. Other revenue, Charges for services, Federal aid, State aid and Rents and concessions were all less than the final budget with taxes offsetting with an increase to the final budget.

Other revenue: Actual revenues of \$26.3 million were less than the final amended budget of \$75.7 million by \$49.4 million, or 65.3%. This was primarily due to intergovernmental activities, which was offset by a reduction in contributions to other funds such as CORAL.

Charges for current services: Actual revenues of \$374.8 million were less than the final amended budget of \$414.5 million by \$39.8 million, or 9.6%. A majority of the variance is due to Fire Protection contract services. These services are budgeted at their full cost without factoring in any salary savings. Actuals were less than the final budget by \$22.6 million due to those savings. Public Health actuals were less than budget by \$15.1 million which was attributed to Low Income Health Program (LIHP) patients being seen in clinics rather than the Ambulatory Care Centers and the reduction in Medi-Cal rebates due to the LIHP program. EDA programs were less than budgeted by \$8.7 million, as a result of electricity reduction due to solar projects and loss of Successor Agency (former Redevelopment) funded projects. The Probation Department experience \$2.9 million less in revenue than what was budgeted, as the result of pretrial services that were transferred to the Superior Court of California as of July 1, 2012. These items were all offset by Intergovernmental activities.

Federal aid: Actual revenues of \$478.8 million were less than the final amended budget of \$508.2 million by \$29.4 million, or 5.8%. The following departments received revenue less than budgeted amounts: DPSS, Mental Health, Probation, Public Health and the Fire Department. Actual reimbursements for Public Assistance Claims were less than budgeted by \$16.4 million. Mental Health revised claims after year-end thus actuals were lower than budgeted amounts while Probation and Fire experienced a lower than expected reimbursable claim amount. Lastly, Public Health actuals were lower by \$3.0 million due to the late start of the California Visiting Nurse program.

State aid: Actual revenues of \$1.0 billion were less than the final amended budget of \$1.03 billion by \$24.8 million, or 2.4%. The following describes the significant factors for the variances: Due to a decrease in the amount of state funding received, contributions to Health and Mental Health Agencies also decreased by \$16.5 million. Expenditures related to the Mental Health Services Act were less than budget by \$9.0 million. The implementation of AB109 was slower than anticipated, which resulted in less actual expenditures than budgeted for Mental Health, Probation and the Sheriff Department. Public Health and DPSS received state funding greater than budgeted amounts. This was due to unanticipated realignment revenue received and increased caseload growth for DPSS.

Rents and concessions: Actual revenues of \$3.7 million were less than the final amended budget of \$25.3 million by \$21.7 million, or 85.5% as a result of amounts budgeted to the Capital Finance Administration but no activity throughout the fiscal year.

Taxes: Actual revenues of \$246.1 million were greater than the final amended budget of \$222.7 million by \$23.4 million, or 10.5% and this was the result of ABX126, the sale of redevelopment assets for dissolved agencies.

Management's Discussion & Analysis (Unaudited)

Expenditure Variances

General fund actual expenditures of \$2.3 billion were 9.4%, or \$236.7 million, less than the final amended appropriation budget of \$2.6 billion. General government, public assistance, public protection, health and sanitation, and debt service were the five most significant factors attributing to the unexpended appropriations as follows:

General government: Actual expenditures of \$103.9 million were less than the final amended budget of \$187.3 million by \$83.4 million, or 44.5%. The following describes the significant factors for the variances:

- Salaries and employee benefits were \$4.9 million, or 5.8%, below budget. Savings were achieved from delaying the layoff of EDA staff while other departments exercised conservative hiring practices.
- Services and supplies were \$5.7 million, or 8.5%, less than budgeted due to decrease in Executive Office subfund activity, lower utility costs and EDA's anticipated time of use rate that did not materialize as expected during fiscal year 2012-13.
- Other charges were \$66.6 million, or 87.8%, less than budgeted primarily due to intergovernmental activities. Other savings were the result of decreases in contributions to other funds, and differences in the variable rate for CORAL lease payments.

Public protection: Actual expenditures of \$1.0 billion were less than the final amended budget of \$1.1 billion by \$43.4 million, or 4.0%. The following describes the significant factors for the variances:

- Salaries and employee benefits were \$14.6 million, or 2.0%, less than budgeted primarily due to Probation, Sheriff, and the Department of Child Support Services (DCSS). Probation's savings of \$10.7 million is a result of over 230 unfilled positions. Sheriff had savings of \$4.5 from unfilled positions which were offset by changes in contract Memorandum of Understanding (MOU) rates and overtime law enforcement services at the Presidential Summit in Rancho Mirage when President Barack Obama met with Chinese President Xi Jinping. DCSS also experienced savings of \$2.1 million from the department's salary savings through staff attrition, recruitment issues and unfilled positions. Offset by intergovernmental activities.
- Services and supplies were \$13.7 million, or 4.3%, less than budgeted mainly due to Sheriff, Fire, District Attorney, Probation, Animal Services, Code Enforcement, and Executive Office. Sheriff had savings of \$4.6 million primarily due internal service cost variances as well as contract deferrals. Fire had savings of \$1.3 million due to an increase in contracted rates with the State of California offset by non-asset grant purchases. District Attorney had savings of \$2.4 million due to less than expected cost for software maintenance, office supplies, and other miscellaneous expenditures. Probation had savings of \$3.0 million primarily due to the implementation of AB109 criminal justice realignment. Probation planned for new leases to accommodate the anticipated growth and additional Post Release Community Supervision Accountability Teams (PRCSAT) related expenditures however many of these items were encumbered at year-end and re-allocated to fiscal year 2013-14. Code Enforcement had savings of \$0.8 million mainly due to fewer than expected abatements. Executive Office had savings of \$0.8 million primarily from less than expected projects costs for AB233 in trial court funding.
- Other charges were \$9.6 million, or 21.7%, less than budgeted primarily due to the Sheriff, Probation and Fire. The Sheriff's savings of \$7.0 million was mainly the result of capital project deferrals. Probation's Juvenile Hall Division had savings of \$2.1 million unexpended costs that were encumbered for fiscal year 2013-14. Executive Office had savings of \$0.9 million due to less expenditure for AB233 in trial court funding.
- Capital assets were \$4.3 million, or 45.0%, less than budgeted due to the County Clerk-Recorder delay in replacing the Recorder System (CARDS) for \$2.3 million along with the cancellation of the Sheriff's video visitation project which was cancelled, as the radio were not received by year end.

Health and sanitation: Actual expenditures of \$388.3 million were less than the final amended budget of \$450.8 million by \$62.5 million, or 13.9%.

Management's Discussion & Analysis (Unaudited)

The following describes the significant factors for the variances:

- Salaries and employee benefits were \$22.1 million, or 10.3%, less than budgeted amounts. Mental Health Treatment experienced an \$8.8 million savings as a result of vacancies in preparation for increased service demands due to the Affordable Care Act. \$4.1 million in additional budgeted Mental Health positions were not filled until late fiscal year 2012-13 resulting in additional savings. Public Health and Ambulatory care generated savings of \$9.0 million due to vacant positions.
- Services and supplies were \$10.0 million, or 10.3%, less than budgeted primarily due to a \$5.5 million savings in the Public Health Agency and a \$4.5 million savings in Mental Health. In fiscal year 2012-13, the Community Health Agency Administration was dissolved and separated into smaller departments such as Public Health, Environmental Health, and Animal Control. The savings was a result of the shifting of budgets between the departments and the allocation of expenditures among them. There were also savings for the Maddy Emergency Medical Services (EMS) program to County physicians and hospitals for their share of uncompensated emergency medical costs. Mental Health experienced lower actual expenditures due to lower than anticipated number of licenses required for outside vendors to access their new Electronic Management of Records System.
- Other charges were \$25.5 million, or 12.3%, less than budgeted primarily due to Executive Office, Mental Health, and the Medical Indigent Services Program (MISP). Executive Office received \$16.5 million less than expected allocation from the State which was based on actual vehicle license revenue. Therefore, less was available to distribute for the Executive Office's contribution to health and mental health. Mental Health had savings of \$7.8 million mainly due the ending of SB 90 placement services in fiscal year 2012-13, placement of clients in other facilities and reduced contractor costs due to programmatic service delivery costs. There was a saving of \$3.8 million for the transition of medically indigent patients to LIHP payments. These savings were offset by intergovernmental activities.

Public assistance: Actual expenditures of \$735.1 million were less than the final amended budget of \$762.4 million by \$27.3 million, or 3.6%. The following describes the significant factors for the variances:

- Salaries and employee benefits were \$8.0 million, or 3.2%, less than budgeted mainly due DPSS decreasing the level of temporary staff and vacancies.
- Services and supplies were \$10.2 million, or 13.1%, less than budgeted primarily due to DPSS lower than expected facility charges with the cancellation or delay of large projects, including Norco and Perris Self Sufficiency, unpurchased software and savings from the C-IV Service Center Technology Deployment project.
- Other charges were \$9.0 million, or 2.1%, less than budgeted primarily due to a decrease in caseloads for Stage 1 childcare services, CalWorks, ad Foster Care Programs. DPSS also had a \$3.3 million from the delay in the implementation of the Child Welfare Service (CWS) Counseling Assessment Referral Treatment (CART) Memorandum of Understanding (MOU) and the In-Home Supportive Services MOE which was not effective until December 2012.

Debt service: Actual expenditures of \$19.6 million were less than the final amended budget of \$41.1 million by \$21.5 million, or 52.4%, primarily due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the County's capital assets for both its governmental and business-type activities amounted to \$4.2 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, equipment, and infrastructure. The County's infrastructure is comprised of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 5.4%, or \$214.2 million, from \$4.0 billion in fiscal year 2011-12 to \$4.2 billion in fiscal year 2012-13.

Management's Discussion & Analysis (Unaudited)

Construction in progress experienced a decrease from a 24.1% in fiscal year 2011-12 to a 9.8% increase in fiscal year 2012-13, as the last major projects funded with capital improvement plan funds are underway or nearing completion and no new redevelopment projects were initiated. There are more worthy projects than there is debt capacity, which is currently reserved for jail construction and existing projects. This fiscal year an increase in equipment of 23.4% took place and 9.8% in structures and improvements, as major general fund projects that were underway were completed and equipment was distributed to respective departments for the Public Safety Enterprise Communication (PSEC) project, such as the Sheriff Department.

In fiscal year 2012-13, new major projects budgeted for construction and design included the following: The new Alternate Emergency Operations Center, Communications Hub and Tower Relocation project in Indio, with a budget amount of \$11.1 million. The Indio prime communication site will relocate to the County Sheriff's Station at Doctor Carreon Boulevard. It will meet required communication coverage objectives to immediate areas in and around the City of Indio, and will also provide the required network linkages to other sites within the PSEC system, consisting of approximately 14,000 square feet of improvements and a new tower that will measure 150 feet in height. The County was awarded grant funding for the expansion of the East County Detention Center, resulting in the demolition of four courtrooms and the creation of two projects which entail four new courtrooms strategically located to better serve the needs of the court. Two new courtrooms for \$7.8 million will be adjacent to Southwest Juvenile Hall and will provide courtrooms solely for juvenile cases and \$2.6 million for two 6,415 square feet new courtrooms at the Larson Justice Center, to alleviate the need to utilize existing criminal courtrooms for family law and community court cases. The County's Transportation Improvement Program budgeted for three major projects. The ramp improvement for \$4.0 million on Interstate 10 at Hobson Way, west of the inspection station will improve traffic flow and enhance safety, as well as \$2.5 million for the bike lane and multi-purpose trail improvements along the Santa Ana River from the Prado Basin near Highway 71 to the Green River Golf Course. The resurfacing of Stanford Street from Thornton Avenue to Florida Avenue and a traffic signal in the intersection of Stanford Street and Mayberry Avenue in the East Hemet community for \$1.5 million.

Construction in Progress

Additions to Construction in Progress for fiscal year 2012-13:

In fiscal year 2012-13, additions in the amount of \$270.1 million consisted of costs related to existing projects and new projects.

Existing project costs include the following:

- Roads and signal infrastructure additions were \$90.1 million.
- The EDA incurred \$50.3 million for projects such as the East County Detention Center consisting of 1,250 new beds up from 353 beds, as Riverside County has the fastest growing population and the detention center bed growth has not kept pace with the population growth. Approximately 10,000 square feet for the Jurupa Valley Sheriff's Evidence Warehouse and 14,335 square feet for the Rubidoux Child Development Center.
- Public Safety Enterprise Communication (PSEC) experienced \$16.7 million.
- Library projects for \$11.7 million include the renovation to the Palm Desert Library, which will include a new audio-visual section, computer area, and additional visitor space.
- CREST project incurred an additional \$5.5 million towards the new integrated property tax management system.

New project costs include the following:

- Transportation and Land Management Agency experienced the addition of \$30.9 million in infrastructure.
- PSEC sustained \$25.6 million towards the cell towers.
- Flood Control incurred \$19.8 million in new cost for storm drains and channels.
- The EDA cost was \$4.8 million for projects such as the addition of 12 new offices on 14th Street and improvement for the Department of Mental Health and the new classroom and special training facility space dedicated to the Sheriff and Fire Department at the Ben Clark Training Center.

Management's Discussion & Analysis (Unaudited)

Construction in Progress Transfers

Completed construction in progress projects of approximately \$169.5 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2012-13. The major projects were as follows:

- \$148.2 million was transferred to structures and improvements. Examples include, the 77,000 square foot Thermal Sheriff Station for \$41.2 million, which is comprised of a forensic laboratory, a 12,000 gallon fueling station, and a 12,000 square foot hanger. Perris Valley's Big League of Dreams Sports Park for \$26.8 million, consists of six baseball fields, four of which are designed to look like scaled down versions of the Dodger, Angel, and Yankee stadiums, as well as Fenway Park. The completion of the state of the art Northwest Riverside County/City Animal Shelter, which accommodates for 400 dogs, 200 cats, 12 horses, and a variety of other animals for \$26.7 million. Cabazon's Civic Center for \$16.0 million, provides the benefit of a 13,026 square feet child development center, a 5,470 square feet library, an administration building for Cabazon Water District and many other amenities. \$11.4 million for the Mead Valley Library Project, consisting of a 22,000 square foot library, reading rooms, a photovoltaic system, amphitheater, and street improvements.
- \$12.2 million was transferred to infrastructure. The Day Creek Channel, Stage 6, Phase 2 located in Jurupa Valley and the Calimesa Avenue L Storm Drain were completed by the Flood Control and Water Conservation District at a cost of \$10.9 million. Regional Park and Open Space District incurred \$1.0 million, primarily design and development for ventures such as the Santa Ana River Trail (SART) and the Prado Dam linkage. Land acquisition for the expansion of the Highgrove Trails to serve the increased demand for recreational trails resulting from large population increases in western Riverside County and the Highgrove area in particular, as well as for future infrastructure intended to connect city water and sewer to Mayflower Park, situated alongside the Colorado River in Blythe.

Land and Easements

Additions of \$19.6 million in land were processed this fiscal year. Approximately 37.4 acres of land located on the southwest corner of Highway 111 and Oasis Street in Indio was acquired for \$13.0 million. Currently the National Date Festival Fair Grounds buildings occupy 33 acres of the land and 4.21 acres is used by the existing County Jail buildings in Indio, which are subject to demolition as part of the New East County Detention Center Project. The Flood Control District had land additions of \$4.4 million, for which \$1.1 million was for the construction of flood control improvements with appurtenances for the Homeland/Romoland Master Drainage Plan Line A Stage 3. The project traverses the cities of Perris and Menifee and consists of new road crossings, mostly an interim unlined open channel with the intent to provide immediate flooding relief for the area east of the I-215 freeway, in particular for the area adjacent to Encanto Road.

Service Concession Arrangements

Pursuant to GASB Statement Number 60, Waste Management reports \$8.8 million for the Edom Hill Transfer Station Building and Improvements Service Concession Arrangement. The 30,000 square foot facility provides transfer capabilities for the County of Riverside solid waste processing and follows the closure of the adjacent Edom Hill Landfill. It includes a Household Hazardous Waste operation and a 460,000 gallon water tank for fire protection.

Depreciable Capital Assets

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 2012-13 depreciable capital asset current year additions of \$81.3 million were comprised of the following:

- Infrastructure in the amount of \$37.1 million consisting of donated roads in the amount of \$28.4 million and \$8.4 million in flood storm drains and channels.

Management's Discussion & Analysis (Unaudited)

- Equipment in the amount of \$42.9 million distributed as follows:

Equipment leased	\$ 25.9 million
Equipment field	7.4 million
Computer and office equipment	3.3 million
Miscellaneous equipment	3.6 million
Equipment vehicles	2.7 million

Retirements of Depreciable Assets:

Retirement of depreciable assets totaled \$25.1 million. Equipment was retired ranging from the categories of computer and office equipment to vehicle and leased equipment in the amount of \$18.3 million. This figure includes \$11.0 million in vehicles sent to surplus for auction sales and approximately \$2.2 million in phone system equipment, making way for the converged network project to reduce communication cost. Structures and improvements experienced \$6.6 million, such as the demolition of the 11th Street jail. The structure was approximately 30,000 square feet, which posed a health and safety hazard and is intended to be replaced by a pedestrian plaza immediately adjacent to the to the historic Riverside County Courthouse.

Depreciable Transfers:

Completed construction in progress transferred for approximately \$169.5 million as noted above.

Depreciation Note:

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made. This fiscal year, depreciable capital assets for governmental and business-type activities combined incurred \$137.5 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)

	Governmental		Business-type		Total		Increase/ (Decrease)
	Activities		Activities				%
	2013	2012	2013	2012	2013	2012	
Infrastructure	\$ 1,415,087	\$ 1,436,036	\$ 43,844	\$ 47,366	\$ 1,458,931	\$ 1,483,402	-1.6%
Land and easements	469,522	449,978	21,358	21,351	490,880	471,329	4.1%
Land improvements	87	88	3,080	3,662	3,167	3,750	-15.5%
Structures and improvements	1,103,314	988,262	121,056	126,899	1,224,370	1,115,161	9.8%
Equipment	110,155	84,889	12,118	14,206	122,273	99,095	23.4%
Construction in progress	815,227	745,536	65,006	56,189	880,233	801,725	9.8%
Concession Arrangements	-	-	8,830	-	8,830	-	0.0%
Total Outstanding	\$ 3,913,392	\$ 3,704,789	\$ 275,292	\$ 269,673	\$ 4,188,684	\$ 3,974,462	5.4%

Additional information on the County's capital assets can be found in Note 8 of this report.

Management's Discussion & Analysis (Unaudited)

Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. Net bonded debt per capita equaled \$359.0 million as of June 30, 2013. The calculated legal debt limit for the County is \$2.5 billion.

The following are credit ratings maintained by the County:

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

The County issued tax-exempt Tax and Revenue Anticipation Notes (TRANS) to provide needed cash to cover the projected intra-period cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2012-13, the County issued \$250.0 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 2012-13, funding for the County's ongoing obligation under Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes. During fiscal year 2012-13, the County retired \$79.0 million of the \$171.3 million principal amount outstanding at June 30, 2012. The County then issued \$50.5 million of Series D notes, leaving an outstanding balance of \$142.8 million at June 30, 2013. This amount includes funding to advance \$52.9 million fiscal year 2011-12 delinquencies and refunding of \$89.90 million of prior years' property taxes that remain delinquent. The County's General Fund is pledged to the repayment of the Series B delinquent taxes.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities as of June 30, 2013.

County's Outstanding Debt Obligations (In Thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Loan payable	\$ 4,420	\$ 4,925	\$ -	\$ -	\$ 4,420	\$ 4,925	-10.3%
Bonds payable	744,460	750,492	143,710	121,061	888,170	871,553	1.9%
Certificate of participation	282,095	309,511	-	-	282,095	309,511	-8.9%
Capital leases	67,748	100,995	7,224	12,055	74,972	113,050	-33.7%
Total outstanding	\$ 1,098,723	\$ 1,165,923	\$ 150,934	\$ 133,116	\$ 1,249,657	\$ 1,299,039	-3.8%

Outstanding Debt: The County of Riverside's total debt decreased by 3.8% or \$49.4 million during the current fiscal year primarily due to scheduled retirements of outstanding debt. Additional information on the County's long-term debt can be found in Note 14 of this report.

Management's Discussion & Analysis (Unaudited)

ECONOMIC FACTORS AND THE FISCAL YEAR 2013-14 BUDGET OUTLOOK

Economists' forecasts remain relatively unchanged for the upcoming fiscal year. There will be slow growth, if any, over the near future. Riverside County's budget plans for fiscal year 2013-14 eliminate the use of one-time reserves to fund ongoing operating costs. Reports of improving job and housing markets produce confirmation that economic recovery is under way and that the worst is in the past.

Fiscal year 2013-14 discretionary revenue is expected to increase by approximately 3.0% (\$16.4 million) when compared to fiscal year 2012-13. The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2013-14.

Source	Final Budget Estimate (In Thousands)
Taxes	\$ 216,203
Other Taxes	42,658
Licenses, Permits, Franchise Taxes	5,000
Fines, Forfeitures, Penalties	24,006
Use of Money and Property	2,603
State	195,666
Federal	2,050
Charges for services	629
Miscellaneous	97,844
Total	<u>\$ 586,659</u>

The County's employee retirement benefit contribution rate for fiscal year 2013-14 for miscellaneous members is 15.0% and the Safety contribution rate is 23.4%. 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 2014-15 rates are projected at 14.5% (Miscellaneous) and 21.9% (Safety). Additional information regarding the County's retirement plans are included in Notes 20, 21, and 22 of the financial statements and schedules of retirement funding progress are included in the required supplementary information section.

The fiscal year 2013-14 assessment roll value increased by 4.0%, yielding a total property tax roll of \$213.0 billion, compared to \$204.9 billion in fiscal year 2012-13. The \$8.1 million increase included a reduction in foreclosure related activity, increase in both residential sales prices and volume, a full 2.0% increase in inflation factor, and a slight increase in some commercial properties.

REQUESTS FOR INFORMATION

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

COUNTY OF RIVERSIDE
Statement of Net Position
June 30, 2013
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
ASSETS:					
Cash and investments (Note 4)	\$ 1,090,226	\$ 142,589	\$ 1,232,815	\$ 43,522	\$ -
Receivables, net (Notes 1 and 6)	403,805	181,187	584,992	4,252	-
Internal balances (Note 7)	60,577	(60,577)	-	-	-
Inventories	6,569	8,418	14,987	-	-
Prepaid items and deposits	6,344	5,390	11,734	-	-
Restricted cash and investments (Notes 4 and 5)	456,157	137,050	593,207	-	12,163
Other noncurrent receivables (Note 6)	41,356	-	41,356	-	42,702
Loans receivable (Note 6)	-	72,037	72,037	-	-
Pension asset, net (Notes 20 and 21)	451,501	648	452,149	-	-
OPEB asset, net (Note 22)	26,399	-	26,399	-	-
Land held for resale	-	34,368	34,368	-	-
Capital assets (Note 8):					
Nondepreciable assets	1,284,749	95,194	1,379,943	-	-
Depreciable assets, net	2,628,643	180,098	2,808,741	-	-
Total assets	<u>6,456,326</u>	<u>796,402</u>	<u>7,252,728</u>	<u>47,774</u>	<u>54,865</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Defeasance of debt	-	347	347	-	-
Interest rate swap (Note 14)	26,821	-	26,821	-	-
Total deferred outflows of resources	<u>26,821</u>	<u>347</u>	<u>27,168</u>	<u>-</u>	<u>-</u>
LIABILITIES:					
Current Liabilities:					
Cash overdrawn (Note 4)	-	21,647	21,647	-	-
Accounts payable	107,241	17,242	124,483	2,666	1
Salaries and benefits payable	66,455	12,799	79,254	94	-
Due to other governments	27,071	97,688	124,759	13	-
Interest payable	8,960	870	9,830	-	532
Deposits payable	352	89	441	-	-
Advances from grantors and third parties (Note 12)	271,093	-	271,093	-	-
Notes payable (Note 13)	142,840	-	142,840	-	-
Other liabilities	591	1,698	2,289	-	-
Interest rate swap (Note 14)	26,821	-	26,821	-	-
Long-term liabilities (Note 14) :					
Due within one year	178,450	36,947	215,397	161	5,070
Due beyond one year	1,314,374	296,859	1,611,233	118	51,175
Total liabilities	<u>2,144,248</u>	<u>485,839</u>	<u>2,630,087</u>	<u>3,052</u>	<u>56,778</u>
DEFERRED INFLOWS OF RESOURCES:					
Teeter tax loss reserve (Note 15)	17,703	-	17,703	-	-
Grants received in advance (Note 15)	-	722	722	-	-
Service concession arrangement (Note 9)	-	8,396	8,396	-	-
Total deferred inflows of resources	<u>17,703</u>	<u>9,118</u>	<u>26,821</u>	<u>-</u>	<u>-</u>
NET POSITION:					
Net investment in capital assets	2,998,987	118,594	3,117,581	-	-
Restricted for:					
Children's programs	-	-	-	44,722	-
Community development	173,461	-	173,461	-	-
Debt service	106,440	53,609	160,049	-	-
Health and sanitation	25,373	10,308	35,681	-	-
Public protection	79,493	-	79,493	-	-
Public ways and facilities	152,854	-	152,854	-	-
Other programs	12,705	30,429	43,134	-	-
Unrestricted	771,883	88,852	860,735	-	(1,913)
Total net position	<u>\$ 4,321,196</u>	<u>\$ 301,792</u>	<u>\$ 4,622,988</u>	<u>\$ 44,722</u>	<u>\$ (1,913)</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, 2013
(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 194,641	\$ 138,851	\$ 123,043	\$ -
Public protection	1,065,373	339,379	287,413	-
Public ways and facilities	89,469	51,004	48,516	27,514
Health and sanitation	422,982	47,558	265,409	-
Public assistance	807,611	2,719	771,230	-
Education	18,998	364	7,072	-
Recreation and cultural services	12,274	8,586	707	181
Interest on long-term debt	29,453	-	-	-
Total governmental activities	<u>2,640,801</u>	<u>588,461</u>	<u>1,503,390</u>	<u>27,695</u>
Business-type activities:				
Regional Medical Center	473,916	450,340	-	698
Waste Management Department	53,069	58,302	-	-
Housing Authority	90,678	90,015	-	-
Flood Control	2,472	1,735	-	-
County Service Areas	459	355	-	-
Total business-type activities	<u>620,594</u>	<u>600,747</u>	<u>-</u>	<u>698</u>
Total primary government	<u>\$ 3,261,395</u>	<u>\$ 1,189,208</u>	<u>\$ 1,503,390</u>	<u>\$ 28,393</u>
Component units:				
Children and Families Commission	\$ 22,194	\$ -	\$ 21,739	\$ -
Palm Desert Financing Authority	9,607	8,635	-	-
Total Component Units	<u>\$ 31,801</u>	<u>\$ 8,635</u>	<u>\$ 21,739</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Other taxes				
Unrestricted intergovernmental revenue				
Investment earnings (loss)				
Other				
Transfers				
Total general revenues and transfers				
Changes in net position before extraordinary items				
Extraordinary Item				
Extraordinary gain (loss), RDA Successor dissolution				
Changes in net position				
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)				
NET POSITION, END OF YEAR				

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority	
\$ 67,253	\$ -	\$ 67,253			FUNCTION/PROGRAM ACTIVITIES:
(438,581)	-	(438,581)			Primary government:
37,565	-	37,565			Governmental activities:
(110,015)	-	(110,015)			General government
(33,662)	-	(33,662)			Public protection
(11,562)	-	(11,562)			Public ways and facilities
(2,800)	-	(2,800)			Health and sanitation
(29,453)	-	(29,453)			Public assistance
(521,255)	-	(521,255)			Education
					Recreation and cultural services
					Interest on long-term debt
					Total governmental activities
					Business-type activities:
-	(22,878)	(22,878)			Regional Medical Center
-	5,233	5,233			Waste Management Department
-	(663)	(663)			Housing Authority
-	(737)	(737)			Flood Control
-	(104)	(104)			County Service Areas
-	(19,149)	(19,149)			Total business-type activities
(521,255)	(19,149)	(540,404)			Total primary government
			\$ (455)	\$ -	Component units:
			-	(972)	Children and Families Commission
			(455)	(972)	Palm Desert Financing Authority
					Total Component Units
					General revenues:
					Taxes:
277,417	-	277,417	-	-	Property taxes
29,751	-	29,751	-	-	Sales and use taxes
37,883	-	37,883	-	-	Other taxes
220,811	-	220,811	-	-	Unrestricted intergovernmental revenue
2,035	(33)	2,002	(26)	28	Investment earnings (loss)
168,454	-	168,454	263	-	Other
(1,049)	1,049	-	-	-	Transfers
735,302	1,016	736,318	237	28	Total general revenues and transfers
214,047	(18,133)	195,914	(218)	(944)	Changes in net position before extraordinary items
(158,337)	154,589	(3,748)	-	-	Extraordinary Item
55,710	136,456	192,166	(218)	(944)	Extraordinary gain (loss), RDA Successor dissolution
4,265,486	165,336	4,430,822	44,940	(969)	Changes in net position
\$ 4,321,196	\$ 301,792	\$ 4,622,988	\$ 44,722	\$ (1,913)	NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)
					NET POSITION, END OF YEAR

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, 2013
(Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	General	Transportation	Flood Control	Teeter Debt Service
Assets:				
Cash and investments (Note 4)	\$ 128,655	\$ 145,644	\$ 256,683	\$ -
Accounts receivable (Notes 1 and 6)	9,167	1,463	525	-
Interest receivable (Note 6)	687	53	130	20
Taxes receivable (Note 6)	10,931	22	1,357	83,276
Due from other governments (Note 6)	308,532	12,015	1,334	-
Due from other funds (Note 7)	9,071	-	52	35
Inventories	2,059	1,031	-	-
Prepaid items and deposits	818	2,600	1,971	-
Restricted cash and investments (Notes 4 and 5)	307,452	-	1,806	67,984
Advances to other funds (Note 7)	3,342	-	-	-
Total assets	780,714	162,828	263,858	151,315
Deferred outflows of resources:				
Total assets and deferred outflows of resources	\$ 780,714	\$ 162,828	\$ 263,858	\$ 151,315
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 24,234	\$ 38,241	\$ 4,231	\$ -
Salaries and benefits payable	57,519	1,804	1,037	-
Due to other governments	23,377	1,553	1,820	-
Due to other funds (Note 7)	9,190	72	37	8,475
Deposits payable	19	-	-	-
Advances from grantors and third parties (Note 12)	242,271	26,856	-	-
Teeter notes payable (Note 13)	-	-	-	142,840
Advances from other funds (Note 7)	-	-	-	-
Total liabilities	356,610	68,526	7,125	151,315
Deferred inflows of resources (Note 15)				
	66,855	-	1,808	-
Fund balances (Note 16):				
Nonspendable	3,247	1,044	1	-
Restricted	101,440	79,127	-	-
Committed	42,183	1,310	253,117	-
Assigned	10,460	12,821	1,807	-
Unassigned	199,919	-	-	-
Total fund balances	357,249	94,302	254,925	-
Total liabilities, deferred inflows of resources and fund balances	\$ 780,714	\$ 162,828	\$ 263,858	\$ 151,315

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

Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
\$ 203,494	\$ 126,976	\$ 861,452	Assets:
-	1,498	12,653	Cash and investments (Note 4)
89	124	1,103	Accounts receivable (Notes 1 and 6)
-	1,511	97,097	Interest receivable (Note 6)
15	8,570	330,466	Taxes receivable (Note 6)
-	33	9,191	Due from other governments (Note 6)
-	-	3,090	Due from other funds (Note 7)
-	587	5,976	Inventories
-	78,915	456,157	Prepaid items and deposits
-	1,700	5,042	Restricted cash and investments (Notes 4 and 5)
-	-	-	Advances to other funds (Note 7)
203,598	219,914	1,782,227	Total assets
-	-	-	Deferred outflows of resources:
\$ 203,598	\$ 219,914	\$ 1,782,227	Total assets and deferred outflows of resources

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND FUND BALANCES:

\$ 4,035	\$ 4,539	\$ 75,280	Liabilities:
-	2,150	62,510	Accounts payable
-	313	27,063	Salaries and benefits payable
3	191	17,968	Due to other governments
-	333	352	Due to other funds (Note 7)
-	1,966	271,093	Deposits payable
-	-	142,840	Advances from grantors and third parties (Note 12)
-	1,700	1,700	Teeter notes payable (Note 13)
-	-	-	Advances from other funds (Note 7)
4,038	11,192	598,806	Total liabilities
-	-	68,663	Deferred inflows of resources (Note 15)
-	1,168	5,460	Fund balances (Note 16):
153,404	174,552	508,523	Nonspendable
1,912	15,914	314,436	Restricted
44,244	17,088	86,420	Committed
-	-	199,919	Assigned
-	-	-	Unassigned
199,560	208,722	1,114,758	Total fund balances
\$ 203,598	\$ 219,914	\$ 1,782,227	Total liabilities, deferred inflows of resources 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 Position
June 30, 2013
(Dollars in Thousands)

Fund balances - total governmental funds (page 35) \$ 1,114,758

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 3,880,708

Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds. 477,900

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. 50,960

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 Payable	\$ 744,460	
Capital lease obligations	55,648	
Certificates of participation	282,095	
Loans payable	4,420	
Accrued interest payable	8,960	
Accreted interest payable	94,661	
Accrued remediation cost	2,793	
Compensated absences	<u>156,628</u>	(1,349,665)

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 position. 146,535

Net position of governmental activities (page 29) \$ 4,321,196

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, 2013
(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service
REVENUES:				
Taxes	\$ 246,144	\$ 6,492	\$ 40,226	\$ -
Licenses, permits, and franchise fees	16,442	2,324	-	-
Fines, forfeitures, and penalties	85,241	-	-	-
Use of money and property:				
Investment earnings (loss)	1,676	(243)	(217)	(155)
Rents and concessions	3,670	-	180	-
Aid from other governmental agencies:				
Federal	478,791	28,609	-	-
State	1,001,545	41,025	619	-
Other	81,169	4,115	-	-
Charges for services	374,750	41,175	5,946	-
Other revenue	26,253	22,566	14,937	4
Total revenues	<u>2,315,681</u>	<u>146,063</u>	<u>61,691</u>	<u>(151)</u>
EXPENDITURES:				
Current:				
General government	103,895	-	-	469
Public protection	1,043,017	5,545	62,825	-
Public ways and facilities	-	161,842	-	-
Health and sanitation	388,325	-	-	-
Public assistance	735,057	-	-	-
Education	564	-	-	-
Recreation and culture	346	-	-	-
Debt service:				
Principal	14,464	568	-	-
Interest	5,112	46	-	-
Cost of issuance	-	-	-	-
Capital outlay	1,721	-	-	-
Total expenditures	<u>2,292,501</u>	<u>168,001</u>	<u>62,825</u>	<u>469</u>
Excess (deficiency) of revenues over (under) expenditures	23,180	(21,938)	(1,134)	(620)
OTHER FINANCING SOURCES (USES):				
Transfers in	92,297	18,763	-	703
Transfers out	(96,547)	(6,088)	(200)	(83)
Issuance of refunding bonds	-	-	-	-
Premium on long-term debt	-	-	-	-
Redemption of refunded debt	-	-	-	-
Capital leases	1,721	-	-	-
Total other financing sources (uses)	<u>(2,529)</u>	<u>12,675</u>	<u>(200)</u>	<u>620</u>
Net change in fund balances before Extraordinary loss	20,651	(9,263)	(1,334)	-
EXTRAORDINARY ITEMS:				
Extraordinary loss	-	-	-	-
NET CHANGE IN FUND BALANCES	20,651	(9,263)	(1,334)	-
Fund balances, beginning of year	336,598	103,565	256,259	-
FUND BALANCES, END OF YEAR	<u>\$ 357,249</u>	<u>\$ 94,302</u>	<u>\$ 254,925</u>	<u>\$ -</u>

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

Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ -	\$ 54,304	\$ 347,166	REVENUES:
-	32	18,798	Taxes
-	1,140	86,381	Licenses, permits, and franchise fees
(209)	1,518	2,370	Fines, forfeitures, and penalties
344	15,052	19,246	Use of money and property:
			Investment earnings (loss)
			Rents and concessions
			Aid from other governmental agencies:
28	61,902	569,330	Federal
-	4,296	1,047,485	State
24,144	22,692	132,120	Other
9,741	32,662	464,274	Charges for services
908	28,161	92,829	Other revenue
<u>34,956</u>	<u>221,759</u>	<u>2,779,999</u>	Total revenues
			EXPENDITURES:
			Current:
35,406	68,472	208,242	General government
-	6,010	1,117,397	Public protection
799	14,826	177,467	Public ways and facilities
-	5,232	393,557	Health and sanitation
-	63,793	798,850	Public assistance
-	18,255	18,819	Education
-	16,244	16,590	Recreation and culture
			Debt service:
-	40,331	55,363	Principal
-	22,830	27,988	Interest
-	378	378	Cost of issuance
-	23,706	25,427	Capital outlay
<u>36,205</u>	<u>280,077</u>	<u>2,840,078</u>	Total expenditures
			Excess (deficiency) of revenues
(1,249)	(58,318)	(60,079)	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
15,449	104,362	231,574	Transfers in
(57,148)	(73,743)	(233,809)	Transfers out
-	17,640	17,640	Issuance of refunding bonds
-	759	759	Premium on long-term debt
-	(18,155)	(18,155)	Redemption of refunded debt
-	-	1,721	Capital leases
<u>(41,699)</u>	<u>30,863</u>	<u>(270)</u>	Total other financing sources (uses)
			Net change in fund balances before
(42,948)	(27,455)	(60,349)	Extraordinary loss
			EXTRAORDINARY ITEMS:
-	158,337	158,337	Extraordinary loss
(42,948)	(185,792)	(218,686)	NET CHANGE IN FUND BALANCES
242,508	394,514	1,333,444	Fund balances, beginning of year
<u>\$ 199,560</u>	<u>\$ 208,722</u>	<u>\$ 1,114,758</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, 2013
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 39) \$ (218,686)

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	\$ 349,490	
Less loss on disposal of capital assets	(26,850)	
Less current year depreciation	<u>(111,061)</u>	211,579

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 position. 11,439

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Proceeds in excess of principal payments		63,809
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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 revenue must be eliminated in the government-wide financial statements. 904

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest	35	
Change in accreted interest	(15,838)	
Change in long-term compensated absences	<u>995</u>	(14,808)

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. 1,473

Change in net position of governmental activities (page 31)		<u><u>\$ 55,710</u></u>
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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, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 211,112	\$ 222,742	\$ 246,144	\$ 23,402
Licenses, permits, and fees	17,707	18,324	16,442	(1,882)
Fines, forfeitures, and penalties	85,195	85,222	85,241	19
Use of money and property:				
Investment earnings	3,113	3,113	1,676	(1,437)
Rents and concessions	25,194	25,343	3,670	(21,673)
Aid from other governmental agencies:				
Federal	493,961	508,235	478,791	(29,444)
State	1,002,869	1,026,300	1,001,545	(24,755)
Other government	80,642	80,782	81,169	387
Charges for services	465,778	414,521	374,750	(39,771)
Other revenue	84,233	75,678	26,253	(49,425)
Total revenues	2,469,804	2,460,260	2,315,681	(144,579)
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	82,292	84,720	79,825	(4,895)
Services and supplies	67,466	67,721	61,990	(5,731)
Other charges	73,339	75,871	9,238	(66,633)
Capital assets	505	1,148	520	(628)
Intrafund transfers	(46,412)	(48,445)	(47,678)	767
Appropriation for contingencies	20,000	6,282	-	(6,282)
Total general government	197,190	187,297	103,895	(83,402)
Public protection:				
Salaries and employee benefits	720,938	723,396	708,800	(14,596)
Services and supplies	304,287	315,007	301,321	(13,686)
Other charges	44,096	44,433	34,790	(9,643)
Capital assets	5,332	9,473	5,209	(4,264)
Intrafund transfers	(6,790)	(6,057)	(7,103)	(1,046)
Total public protection	1,067,863	1,086,252	1,043,017	(43,235)
Health and sanitation:				
Salaries and employee benefits	210,766	214,468	192,338	(22,130)
Services and supplies	90,913	96,880	86,919	(9,961)
Other charges	197,250	207,136	181,617	(25,519)
Capital assets	894	1,425	536	(889)
Intrafund transfers	(69,765)	(69,082)	(73,085)	(4,003)
Total health and sanitation	\$ 430,058	\$ 450,827	\$ 388,325	\$ (62,502)

(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, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Public assistance:				
Salaries and employee benefits	\$ 248,402	\$ 248,402	\$ 240,445	\$ (7,957)
Services and supplies	78,177	78,181	67,934	(10,247)
Other charges	434,150	435,961	426,949	(9,012)
Capital assets	100	115	19	(96)
Intrafund transfers	(294)	(294)	(290)	4
Total public assistance	760,535	762,365	735,057	(27,308)
Education:				
Salaries and employee benefits	289	289	279	(10)
Services and supplies	304	299	285	(14)
Total education	593	588	564	(24)
Recreation and culture:				
Services and supplies	-	419	328	(91)
Other charges	-	139	18	(121)
Capital assets	-	1	-	(1)
Total recreation and culture	-	559	346	(213)
Debt service:				
Principal	80,191	36,144	14,464	(21,680)
Interest	4,997	4,997	5,112	115
Total debt service	85,188	41,141	19,576	(21,565)
Capital outlay	-	-	1,721	1,721
Total expenditures	2,541,427	2,529,029	2,292,501	(236,528)
Excess (deficiency) of revenues over (under) expenditures	(71,623)	(68,769)	23,180	91,949
OTHER FINANCING SOURCES (USES):				
Transfers in	-	92,297	92,297	-
Transfers out	-	(96,547)	(96,547)	-
Capital leases	-	-	1,721	1,721
Total other financing sources (uses)	-	(4,250)	(2,529)	1,721
NET CHANGE IN FUND BALANCE	(71,623)	(73,019)	20,651	93,670
Fund balance, beginning of year	336,598	336,598	336,598	-
FUND BALANCE, END OF YEAR	\$ 264,975	\$ 263,579	\$ 357,249	\$ 93,670

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

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Transportation Special Revenue Fund
 For the Fiscal Year Ended June 30, 2013
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 5,100	\$ 5,100	\$ 6,492	\$ 1,392
Licenses, permits, and franchise fees	2,530	2,530	2,324	(206)
Use of money and property:				
Investment earnings (loss)	443	443	(243)	(686)
Aid from other governmental agencies:				
Federal	17,650	17,650	28,609	10,959
State	44,466	44,466	41,025	(3,441)
Other	5,514	5,514	4,115	(1,399)
Charges for services	76,085	58,711	41,175	(17,536)
Other revenue	5,458	4,558	22,566	18,008
Total revenues	<u>157,246</u>	<u>138,972</u>	<u>146,063</u>	<u>7,091</u>
EXPENDITURES:				
Current:				
Public protection	7,530	6,445	5,545	(900)
Public ways and facilities	152,048	154,598	161,842	7,244
Debt service:				
Principal	-	597	568	(29)
Interest	-	49	46	(3)
Total expenditures	<u>159,578</u>	<u>161,689</u>	<u>168,001</u>	<u>6,312</u>
Excess (deficiency) of revenues over (under) expenditures	(2,332)	(22,717)	(21,938)	779
OTHER FINANCING SOURCES (USES):				
Transfers in	-	18,763	18,763	-
Transfers out	-	(6,088)	(6,088)	-
Total other financing sources (uses)	<u>-</u>	<u>12,675</u>	<u>12,675</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,332)	(10,042)	(9,263)	779
Fund balance, beginning of year	103,565	103,565	103,565	-
FUND BALANCE, END OF YEAR	<u>\$ 101,233</u>	<u>\$ 93,523</u>	<u>\$ 94,302</u>	<u>\$ 779</u>

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

COUNTY OF RIVERSIDE
 Budgetary Comparison Statement
 Flood Control Special Revenue Fund
 For the Fiscal Year Ended June 30, 2013
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 40,182	\$ 40,182	\$ 40,226	\$ 44
Use of money and property:				
Investment earnings (loss)	1,507	1,507	(217)	(1,724)
Rents and concessions	170	170	180	10
Aid from other governmental agencies:				
Federal	1	1	-	(1)
State	589	589	619	30
Charges for services	4,261	4,261	5,946	1,685
Other revenue	17,543	17,543	14,937	(2,606)
Total revenues	64,253	64,253	61,691	(2,562)
EXPENDITURES:				
Current:				
Public protection	161,047	160,847	62,825	(98,022)
Total expenditures	161,047	160,847	62,825	(98,022)
Excess (deficiency) of revenues over (under) expenditures	(96,794)	(96,594)	(1,134)	95,460
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(200)	(200)	-
Total other financing sources (uses)	-	(200)	(200)	-
NET CHANGE IN FUND BALANCE	(96,794)	(96,794)	(1,334)	95,460
Fund balance, beginning of year	256,259	256,259	256,259	-
FUND BALANCE, END OF YEAR	\$ 159,465	\$ 159,465	\$ 254,925	\$ 95,460

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

COUNTY OF RIVERSIDE

Statement of Net Position

Proprietary Funds

June 30, 2013

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
ASSETS:						
Current assets:						
Cash and investments (Note 4)	\$ 10	\$ 110,809	\$ 29,113	\$ 2,657	\$ 142,589	\$ 228,774
Accounts receivable - net (Notes 1 and 6)	56,411	3,723	180	303	60,617	3,192
Interest receivable (Note 6)	-	83	-	4	87	103
Taxes receivable (Note 6)	-	-	-	14	14	-
Due from other governments (Note 6)	113,039	5,252	2,164	14	120,469	547
Due from other funds (Note 7)	9,050	-	-	-	9,050	112
Inventories	8,178	240	-	-	8,418	3,479
Land held for sale	-	-	34,368	-	34,368	-
Prepaid items and deposits	5,386	-	4	-	5,390	368
Restricted cash and investments (Notes 4 and 5)	53,804	52,153	28,374	2,719	137,050	-
Total current assets	245,878	172,260	94,203	5,711	518,052	236,575
Noncurrent assets:						
Loans Receivable (Note 6)	-	-	72,037	-	72,037	-
Pension asset, net (Note 20)	-	648	-	-	648	-
Capital assets (Note 8):						
Nondepreciable assets	66,256	23,635	5,303	-	95,194	806
Depreciable assets	119,062	51,580	9,428	28	180,098	31,788
Total noncurrent assets	185,318	75,863	86,768	28	347,977	32,684
Total assets	431,196	248,123	180,971	5,739	866,029	269,259
DEFERRED OUTFLOWS OR RESOURCES:						
Defeasance of debt (Note 15)	-	-	347	-	347	-
Total deferred outflows of resources	-	-	347	-	347	-
LIABILITIES:						
Current liabilities:						
Cash overdrawn (Note 4)	21,647	-	-	-	21,647	-
Accounts payable	11,661	2,606	135	2,840	17,242	31,961
Salaries and benefits payable	12,049	723	-	27	12,799	3,945
Due to other governments	96,836	5	847	-	97,688	8
Due to other funds (Note 7)	306	-	-	12	318	67
Interest payable	864	-	6	-	870	-
Deposits payable	-	38	-	51	89	-
Other liabilities	-	570	954	174	1,698	591
Accrued closure and post-closure costs (Notes 10 and 2)	-	6,978	-	-	6,978	-
Accrued remediation costs (Note 23)	-	834	-	-	834	-
Compensated absences (Notes 1 and 14)	13,341	1,042	116	15	14,514	4,972
Capital lease obligations (Note 14)	3,946	-	-	-	3,946	6,952
Bonds payable (Note 14)	10,530	-	145	-	10,675	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	22,933
Total current liabilities	171,180	12,796	2,203	3,119	189,298	71,429
Noncurrent liabilities:						
Compensated absences (Note 2)	6,873	1,564	1,042	69	9,548	4,128
Advances from other funds (Note 7)	-	-	-	-	-	3,342
Accrued closure and post closure care costs (Note 10)	-	47,147	-	-	47,147	-
Accrued remediation costs (Note 10 & 23)	-	35,831	-	-	35,831	-
Capital lease obligations (Notes 1 and 2)	3,277	-	-	-	3,277	5,148
Bonds payable (Note 14)	132,150	-	885	-	133,035	-
Notes payable	-	-	6,795	-	6,795	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	107,986
OPEB obligation, net (Note 22)	-	113	-	-	113	-
Other long-term liabilities (Note 14)	61,113	-	-	-	61,113	-
Total noncurrent liabilities	203,413	84,655	8,722	69	296,859	120,604
Total liabilities	374,593	97,451	10,925	3,188	486,157	192,033
DEFERRED INFLOWS OF RESOURCES:						
Grants received in advance (Note 15)	-	-	722	-	722	-
Service concession arrangement (Note 9)	-	8,396	-	-	8,396	-
Total deferred inflows of resources	-	8,396	722	-	9,118	-
NET POSITION:						
Net investment in capital assets	35,415	75,215	7,936	28	118,594	20,584
Restricted for debt service	53,609	-	-	-	53,609	-
Restricted for health and sanitation	-	10,308	-	-	10,308	-
Restricted other	193	-	30,463	41	30,697	-
Unrestricted	(32,614)	56,753	131,272	2,482	157,893	56,642
Total net position	\$ 56,603	\$ 142,276	\$ 169,671	\$ 2,551	371,101	\$ 77,226
Adjustments to reflect the consolidation of						
internal service fund activities related to enterprise funds					(69,309)	
Net position of business-type activities					\$ 301,792	

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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Regional	Waste Management	Housing Authority	Other	Total	Internal
	Medical Center					Service Funds
OPERATING REVENUES:						
Net patient revenue (Notes 1 and 18)	\$ 392,069	\$ -	\$ -	\$ -	\$ 392,069	\$ -
Charges for services	34,442	56,436	7,626	1,843	100,347	206,364
Other revenue	23,829	1,866	82,389	247	108,331	34,291
Total operating revenues	<u>450,340</u>	<u>58,302</u>	<u>90,015</u>	<u>2,090</u>	<u>600,747</u>	<u>240,655</u>
OPERATING EXPENSES:						
Cost of material used	-	212	-	-	212	1,851
Personnel services	250,284	15,565	8,906	1,031	275,786	74,374
Communications	2,166	222	-	-	2,388	3,995
Insurance	5,996	196	366	-	6,558	8,736
Maintenance of building and equipment	10,584	1,239	827	99	12,749	15,822
Insurance claims	-	-	-	-	-	108,391
Supplies	78,024	1,831	-	24	79,879	30,024
Purchased services	74,098	16,112	-	891	91,101	18,859
Depreciation and amortization	9,275	5,181	1,306	12	15,774	10,624
Rents and leases of equipment	3,872	47	-	8	3,927	51,280
Public assistance	-	5	71,614	-	71,619	-
Utilities	3,530	283	612	114	4,539	1,684
Remediation costs (recovery)	-	(764)	-	-	(764)	-
Other	11,142	12,056	6,679	34	29,911	4,858
Total operating expenses	<u>448,971</u>	<u>52,185</u>	<u>90,310</u>	<u>2,213</u>	<u>593,679</u>	<u>330,498</u>
Operating income (loss)	<u>1,369</u>	<u>6,117</u>	<u>(295)</u>	<u>(123)</u>	<u>7,068</u>	<u>(89,843)</u>
NONOPERATING REVENUES (EXPENSES):						
Investment income (loss)	(47)	96	(87)	5	(33)	(259)
Interest expense	(13,214)	-	(368)	-	(13,582)	(1,500)
Gain (loss) on disposal of capital assets	(36)	(45)	-	-	(81)	18
Other nonoperating revenues / (expenses)	-	-	-	-	-	(8)
Extraordinary items, net gain	-	-	154,589	-	154,589	-
Total nonoperating revenues (expenses)	<u>(13,297)</u>	<u>51</u>	<u>154,134</u>	<u>5</u>	<u>140,893</u>	<u>(1,749)</u>
Income (loss) before capital contributions and transfers	(11,928)	6,168	153,839	(118)	147,961	(91,592)
Premium contributions	698	-	-	-	698	78,627
Transfers in	5,000	-	-	-	5,000	6,487
Transfers out	(3,579)	(215)	(157)	-	(3,951)	(5,301)
CHANGE IN NET POSITION	<u>(9,809)</u>	<u>5,953</u>	<u>153,682</u>	<u>(118)</u>	<u>149,708</u>	<u>(11,779)</u>
Net position, beginning of the year, as previously reported	67,233	136,323	15,989	2,669		89,005
Adjustments to beginning net position (Note 3)	(821)	-	-	-		-
Net position, beginning of the year	<u>66,412</u>	<u>136,323</u>	<u>15,989</u>	<u>2,669</u>		<u>89,005</u>
NET POSITION, END OF YEAR	<u>\$ 56,603</u>	<u>\$ 142,276</u>	<u>\$ 169,671</u>	<u>\$ 2,551</u>		<u>\$ 77,226</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

(13,252)

Change in net position of business-type activities

\$ 136,456

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, 2013
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
Cash flows from operating activities						
Cash receipts from customers / other funds	\$ 393,842	\$ 58,441	\$ 88,283	\$ 2,077	\$ 542,643	\$ 241,321
Cash paid to suppliers for goods and services	(159,171)	(21,986)	(79,576)	(1,147)	(261,880)	(230,239)
Cash paid to employees for services	(247,581)	(14,892)	(8,909)	(1,050)	(272,432)	(73,895)
Net cash provided by (used in) operating activities	(12,910)	21,563	(202)	(120)	8,331	(62,813)
Cash flows from noncapital financing activities						
Other Non-Operating Expenses	-	-	-	-	-	(8)
Transfers received	5,000	-	-	-	5,000	6,487
Transfers paid	(3,579)	(215)	(157)	-	(3,951)	(5,301)
Net cash provided by (used in) noncapital financing activities	1,421	(215)	(157)	-	1,049	1,178
Cash flows from capital and related financing activities						
Acquisition of Assets from RDA dissolution	-	-	(106,405)	-	(106,405)	-
Gain (Loss) on Disposal of Capital Assets	(36)	(45)	154,589	-	154,508	18
Acquisition and construction of capital assets	(6,998)	(13,152)	(1,243)	-	(21,393)	(7,648)
Principal paid on capital leases	(4,832)	-	-	-	(4,832)	(3,000)
Premium contributions	698	-	-	-	698	78,627
Acquisition on bonds payable	22,367	-	282	-	22,649	-
Interest paid on long-term debt	(12,759)	-	(369)	-	(13,128)	(1,500)
Net cash provided by (used in) capital and related financing activities	(1,560)	(13,197)	46,854	-	32,097	66,497
Cash flows from investing activities						
Interest received on investments	(47)	93	(87)	5	(36)	(259)
Net cash provided by investing activities	(47)	93	(87)	5	(36)	(259)
Net increase (decrease) in cash and cash equivalents	(13,096)	8,244	46,408	(115)	41,441	4,603
Cash and cash equivalents, beginning of year	45,263	154,718	11,079	5,491	216,551	224,171
Cash and cash equivalents, end of year	\$ 32,167	\$ 162,962	\$ 57,487	\$ 5,376	\$ 257,992	\$ 228,774

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, 2013
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 1,369	\$ 6,117	\$ (295)	\$ (123)	\$ 7,068	\$ (89,843)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	9,275	5,181	1,306	12	15,774	10,624
Decrease (Increase) accounts receivable	(871)	347	(76)	(46)	(646)	(224)
Decrease (Increase) due from other funds	(8,283)	4	-	-	(8,279)	88
Decrease (Increase) due from other governments	(47,344)	(212)	(1,309)	33	(48,832)	802
Decrease (Increase) deferred outflow of resources	-	-	(347)	-	(347)	-
Decrease (Increase) inventories	(727)	34	-	-	(693)	143
Decrease (Increase) prepaid items and deposits	846	-	(2)	-	844	79
Increase (Decrease) accounts payable	(1,070)	196	135	63	(676)	14,428
Increase (Decrease) due to other funds	79	-	-	10	89	(19)
Increase (Decrease) due to other governments	30,077	-	829	(10)	30,896	(50)
Increase (Decrease) deposits payable	-	-	-	2	2	-
Increase (Decrease) accrued closure costs	-	1,588	-	-	1,588	-
Increase (Decrease) accrued remediation costs	-	(764)	-	-	(764)	-
Increase (Decrease) other liabilities	1,036	3	(1,162)	(42)	(165)	199
Increase (Decrease) estimated claims liability	-	-	-	-	-	481
Increase (Decrease) deferred inflows of resources	-	8,396	722	-	9,118	-
Increase (Decrease) salaries and benefits payable	710	30	-	(11)	729	87
Increase (Decrease) compensated absences	1,993	96	(3)	(8)	2,078	392
Decrease (Increase) pension assets, net	-	547	-	-	547	-
Net cash provided (used) by operating activities	<u>\$ (12,910)</u>	<u>\$ 21,563</u>	<u>\$ (202)</u>	<u>\$ (120)</u>	<u>\$ 8,331</u>	<u>\$ (62,813)</u>
Noncash investing, capital, and financing activities:						
Capital lease obligations	<u>\$ 611</u>					<u>\$ 4,604</u>
Acquisition of Assets from RDA dissolution			<u>\$ 106,405</u>			

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

COUNTY OF RIVERSIDE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 4)	\$ -	\$ -	\$ 155,261	\$ 226,773
Federal agency	18,211	2,172,800	-	-
Cash and equivalent	2,645	315,575	-	-
Commercial paper	1,272	151,761	-	-
Negotiable CDs	663	79,052	-	-
Municipal bonds	211	25,151	-	-
Bond - U.S. Treasury	3,262	389,144	-	-
Local agency obligation	3	307	-	-
Accounts receivable	113	12,596	1,307	47
Interest receivable	-	1,454	45	38
Taxes receivable	-	31	-	36,133
Due from other governments	-	-	1,816	350
Due from other funds	-	-	5	-
Advance to other funds	-	-	5,517	-
Land held for sale	-	-	50,468	-
Total assets	<u>26,380</u>	<u>3,147,871</u>	<u>214,419</u>	<u>263,341</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	-	5,351	-
LIABILITIES:				
Accounts payable	-	-	17,725	132,561
Salaries and benefits payable	-	-	-	6
Due to other governments	-	-	2,600	130,774
Note payable	-	-	790,643	-
Interest payable	-	-	9,791	-
Accreted interest payable	-	-	3,713	-
Other long-term liabilities	-	-	5,690	-
Total liabilities	<u>-</u>	<u>-</u>	<u>830,162</u>	<u>\$ 263,341</u>
NET POSITION:				
Held in trust for pension benefits, external pool participants, and other purposes	<u>\$ 26,380</u>	<u>\$ 3,147,871</u>	<u>\$ (610,392)</u>	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust
ADDITIONS:			
Employer contributions	\$ 946	\$ -	\$ -
Employee contributions	1,332	-	-
Contributions to pooled investments	-	21,594,435	-
Contributions to private-purpose trust	-	-	23,253
Investment income	-	-	43
Total additions	<u>2,278</u>	<u>21,594,435</u>	<u>23,296</u>
DEDUCTIONS:			
Distributions from pension trust	-	-	-
Distributions from pooled investments	-	21,161,499	-
Distributions from private-purpose trust	-	-	85,180
Administrative and other expenses	24	-	-
Total deductions	<u>24</u>	<u>21,161,499</u>	<u>85,180</u>
Change in net position	2,254	432,936	(61,884)
Net position held in trust, beginning of the year	<u>24,126</u>	<u>2,714,935</u>	<u>(548,508)</u>
Net position held in trust, end of the year	<u>\$ 26,380</u>	<u>\$ 3,147,871</u>	<u>\$ (610,392)</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, 2013

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.

Component Units are legally separate organizations for which the elected officials of the County are either financially accountable or for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the County's operations. The 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 County.

In conformity with generally accepted accounting principles, the financial statements of thirteen component units have been included and combined with financial data of the County. Eleven component units have an integral relationship with and serve as an extension of the County. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, management has determined that each entity is presented as a blended component unit due to the composition of each governing board and the control of the day-to-day activities through the budget process. Two component units are presented discretely. 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 Asset Leasing Corporation (CORAL) The Board appoints the governing board of CORAL and CORAL provides services entirely to the County through the purchase of land and construction of 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 Riverside County Redevelopment Successor Agency and other local agencies. The Public Financing Authority is reported as a governmental fund type.

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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Components (Continued)

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 PA functions as required and retained by the County. The IHSS PA is reported as a governmental fund type.

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 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 (the Authority) is a joint powers authority between the County of Riverside and Palm Desert Successor Agency (the Agency) established on January 1, 2002 under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the Agency 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 Governmental Accounting Standards Board Statement (GASB) Statement No. 61, the County is financially accountable for the Authority's issuance of the lease revenue bond that is under the Authority's management (2008 Series A).

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

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

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-eight 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.

Basis of Presentation

Government-wide Financial Statements

The statement of net position 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 units. 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, 32.8% or \$14.4 million, of the County's \$43.8 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

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

The County reports the following major governmental funds:

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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Transportation Fund accounts for revenue consist primarily of the County's share of highway user taxes and are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. The fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public.

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.

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.

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 County reports the following major enterprise funds:

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.

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.

Housing Authority was established to provide affordable, decent, safe housing opportunities to low and moderated income families including elderly and handicapped persons, while supporting programs to foster economic self-sufficiency.

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, Riverside County Information Technology (RCIT) Enterprise Solutions Division project (accounting, purchasing, and human resources information system), risk management, temporary assistance pool, custodial services, maintenance services, real estate, 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 position 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 California Public Employees' Retirement System (CalPERS) participation. The County's pension trust fund uses the economic resources measurement focus and accrual basis of accounting.

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Private-Purpose Trust Fund accounts for resources held and administered by the County in a fiduciary capacity for individuals, private organizations, or other governments based on trust arrangements. The fund includes the Redevelopment Successor Agency, 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 of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions occur. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources (e.g., bond issuance proceeds) are recognized when they become both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property and sales taxes are considered available for the year levied and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, 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.

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/cost 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, 2013, which are carried at cost. Bond anticipation notes are carried at fair value/cost. Commercial paper is carried at amortized cost/cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Cash and Investments (Continued)

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 cost 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 76.8% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 23.2% of the total funds on deposit in the County Treasury represented discretionary deposits.

Receivables

The RMC 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 \$245.1 million and \$738 million, respectively. The RMC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RMC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RMC 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 100.0% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total for fiscal year 2012-13 gross assessed valuation of the County was \$205.1 billion.

The property tax levy to support general operations of the various local government jurisdictions is limited to 1.0% 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 proceeding 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Property Taxes (Continued)

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

During fiscal year 1993-94, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100.0% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the general fund receiving distributions of approximately 50.0-55.0% in December, 40.0-45.0% in April and the remaining balance in the fall of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than 1.0% of the tax levy for participating entities may flow to the County general fund. For fiscal year 2012-13, \$32 million was transferred from the TLRF to the general fund.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is \$5.0 thousand; buildings, land and land improvements are \$1.0 dollar; and, infrastructure and intangibles are \$150.0 thousand. Betterments result in more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of \$2.5 thousand or more.

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

The estimated useful lives are as follows:

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Capital Assets (Continued)

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

Interest is capitalized on construction in progress in the proprietary funds. Interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The RMC capitalizes net interest expense as a cost of property constructed. The RMC capitalized \$37.1 thousand for the year ending June 30, 2013.

Leases

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

Restricted Assets

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

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2013, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$189.6 million.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the California Public Employees' Retirement System (CalPERS), unused accumulated sick leave for most employees with at least 5 but less than 15 years of service shall be credited at the rate of 50.0% of current salary value thereof provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay.

Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Number 63 and GASB Statement Number 65, the County recognizes deferred outflows and inflows of resources. The deferred outflow of resources is defined as a consumption of net position by the government that is applicable to the future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 15 for a detailed listing of the deferred inflows of resources the County has recognized.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Long-term Debt

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

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

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

Landfill Closure and Post-Closure Care Costs

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

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

Interfund Transactions

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

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

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted net position, or unrestricted net position.

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Fund Equity

In the fund financial statements, fund equity may be categorized as nonspendable, restricted, committed, assigned, and unassigned. All of the County's governmental fund balances will be comprised of the following categories:

- Nonspendable fund balance – amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – amounts that are committed can only be used for specific purposes determined by formal action from the Board, the County's highest level of decision-making authority.
- Assigned fund balance – amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Authority to assign: assignments within the general fund must be established by the County Executive Officer or an Executive Officer designee. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – funds that are not reported in any other category and are available for any purpose within the general fund.

The Board establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted fund balance resource first, followed by the unrestricted resources in the committed and unassigned fund balances, as they are needed.

No formal action is required to remove an assignment. Assignments within the general fund must be established by the County Executive Officer or an Executive Officer designee.

The general fund is the only fund that will have an unassigned fund balance.

Fund Balance Policy

On September 13, 2011, the Board approved Policy B-30, Governmental Fund Balance and Reserve Policy to ensure fund balance is accurately classified and reported on the annual financial statements per GASB Statement No. 54. This policy applies to governmental fund types which include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

The purpose of this policy is to establish the guidelines for:

- The use of reserves with a restricted purpose versus an unrestricted purpose when both are available for expenditures.
- The establishment of stabilization arrangements for governmental funds.
- The minimum fund balance allowable for governmental funds.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Spending Prioritization for Fund Categories

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policy for Governmental Funds

Establishing guidelines for minimum fund balance for governmental funds is essential to ensuring a prudent level of fund balance is maintained for unanticipated expenditures, delays in revenue receipt, or revenue shortfalls.

Unassigned Fund Balance - General Fund

The County shall maintain a minimum unassigned fund balance in its general fund of at least 25.0% of the fiscal year's estimated discretionary revenue. A significant portion of the minimum unassigned fund balance may be used for one-time or short-term expenditures caused by an economic crisis and should be designated within an "Economic Uncertainty" account. Use of these funds should be as the last resort in balancing the County budget.

During the initial implementation of this policy, the Executive Office will develop a plan to ensure fund balance is at the minimum level within three years. The plan for accomplishing this will be included with the recommended budget submitted to the Board for approval each fiscal year. Following the initial implementation of the policy, if fund balance drops below the established minimum levels, the Executive Office will develop a plan to replenish the balance to established minimum levels within two years and submit the plan to the Board for approval.

Fund Balance - Special Revenue Funds

Special revenue fund balances shall be kept at the higher of the minimum level dictated by the funding source or an amount that does not fall below zero. In the event that the fund balance drops below the established minimum levels, the department with primary responsibility for expending the special revenue will develop a plan to replenish the balance to established minimum levels within two years and submit the plan to the Board for approval.

Use of Estimates

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

Committed Fund Balance - Disaster Relief

The County shall commit a portion of the general fund for disaster relief. The use of these funds will be restricted to one-time or short-term expenditures that are the result of a natural disaster or act of terrorism. The funds restricted for this purpose shall be at least 2.0% of discretionary revenue or \$15.0 million, whichever is greater.

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this statement generally are required to be applied retroactively for all periods presented.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012.

Governmental Accounting Standards Board Statement No.62

In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. The codification incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. No new generally accepted accounting principles were released in this statement. Statement No. 62 is effective for periods beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No.63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previously, GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net position reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 is effective for periods beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concept Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, it provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for periods beginning after December 15, 2012. The County has elected to early implement this statement.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provisions that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, it will cause governments to base their decisions about fund type classification on the nature of the activity to be reported. Statement No. 66 also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Statement No. 66 is effective for periods beginning after December 15, 2012. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 67 amends the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 67 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The statement also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 68 is effective for periods beginning after June 15, 2014. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Statement No. 69 is effective for periods beginning after December 15, 2013. The County has elected not to early implement this statement.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 70

In October of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Statement No. 70 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

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

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

Excess of expenditures over appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in capital outlay by \$1.7 million in the general fund. This excess of expenditures resulted from the acquisition of \$1.7 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases. The expenditure exceeded appropriations in Special Revenue Transportation Fund by \$6.3 million. This excess of expenditures resulted from the overestimated reimbursement from other departments within the same fund.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION

The County's beginning net position has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatements as of June 30, 2013 is as follows (in thousands):

Government-wide:

	Primary Government	
	Governmental Activities	Business-Type Activities
Government-wide net position, as of June 30, 2012, as previously reported	\$ 4,275,533	\$ 166,157
Fund financial statements:		
Cumulative effect of change in accounting principle	-	(821)
Government-wide financial statements:		
Cumulative effect of change in accounting principle	(10,047)	-
Net position as of June 30, 2012, as restated	<u>\$ 4,265,486</u>	<u>\$ 165,336</u>

Fund Financials:

Description	Proprietary Funds			
	Enterprise Funds			Nonmajor Enterprise Funds
	Regional Medical Center	Waste Management	Housing Authority	Other Enterprise Funds
Net position as of June 30, 2012, as previously reported	\$ 67,233	\$ 136,323	\$ 15,989	\$ 2,669
Prior Period Adjustment:				
Cumulative effect of change in accounting principle	(821)	-	-	-
Net position, as of June 30, 2012, as restated	<u>\$ 66,412</u>	<u>\$ 136,323</u>	<u>\$ 15,989</u>	<u>\$ 2,669</u>

As of July 1, 2012, the County implemented *GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities* and restated the beginning net position by \$10.9 million to write off the unamortized bond issuance costs that were previously reported as assets. These amounts should be an expense in the year they are incurred. The County classified these items as a cumulative effect of changes in accounting principle in the current fiscal year.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2013, cash and investments are classified in the accompanying financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 1,090,226	\$ 120,942	\$ 43,522	\$ 3,542,091	\$ 4,796,781
Restricted cash and investments	456,157	137,050	12,163	-	605,370
Total cash and investments	\$ 1,546,383	\$ 257,992	\$ 55,685	\$ 3,542,091	\$ 5,402,151

As of June 30, 2013, cash and investments consist of the following (in thousands):

Deposits	\$ 150,997
Investments	5,251,154
Total Cash and Investments	\$ 5,402,151

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

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

Authorized investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal Bonds (MUNI)	3 Years	15%	5% **
U.S. Treasury	5 Years	100%	N/A
Local Agency Obligations (LAO)	3 Years	2.5%	2.50%
Federal Agencies	5 Years	100%	N/A
Commercial Paper (CP)	270 Days	40%	5% *
Certificate & Time deposits (NCD & TCD)	1 Year	25%	5% *
Repurchase Agreements (REPO)	45 Days	40% / 25%	20%
Reverse Repurchase Agreements ***	60 Days	10%	10%
Medium Term Notes	3 Years	20%	5% *
CalTRUST Short Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds	Daily Liquidity	20%	None
Local Agency Investment Fund	Daily Liquidity	Max \$50M	N/A
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 5% per issuer (rated AAA/Aaa) in combined commercial paper, certificate & time deposits, and medium term notes.

** For credit rated below AA-/Aa3 2% maximum in one issuer only for State of California debt

*** Only for emergency liquidity purposes

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2013, the County and Component Units had the following investments (in thousands):

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating (1) June 30, 2013	% of Portfolio
County Treasurer Investments							
Federal Home Loan Bank	\$ 1,133,198	0.100 - 1.500%	07/13 - 06/18	1.35	N/A	AAA/Aaa	22.87%
Federal National Mortgage Association	1,110,332	0.100 - 1.350%	08/13 - 05/18	3.14	N/A	AAA/Aaa	22.41%
Federal Home Loan Mortgage	588,571	0.160 - 1.465%	08/13 - 11/16	1.42	N/A	AAA/Aaa	11.88%
US Treasury Bills and Bonds	615,330	0.156 - 0.255%	09/13 - 07/14	0.62	N/A	AA+/Aaa	12.42%
Federal Farm Credit Bonds	421,335	0.130 - 1.300%	08/13 - 04/16	0.97	N/A	AAA/Aaa	8.50%
Negotiable Certificate of Deposits	125,000	0.140 - 0.160%	07/13 - 09/13	0.17	A1/P1	AA-/Aa1	2.52%
Commercial Paper	239,970	0.120 - 0.180%	07/13 - 08/13	0.08	A1/P1	AA+/Aa2	4.84%
Money Market Mutual Funds	445,000	0.048 - 0.081%	07/13	0.00	AAA	AAA/Aaa	8.98%
Municipal Bonds	39,770	0.300 - 1.190%	11/13 - 05/16	1.42	AA-/Aa3	AA+/Aaa	0.80%
Farmer Mac	182,283	0.180 - 0.750%	01/14 - 04/18	1.25	N/A	N/R	3.68%
CaITRUST	54,000	0.342%	07/13	0.00	N/A	AAA/Aaa	1.09%
Local Agency Obligations	485	0.878%	06/20	6.96	N/A	N/R	0.01%
Total County Treasurer Investments	4,955,274						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds (2)	107,099	0.010 - 0.389%	07/13	0.00	AA-/Aa2	AAA/Aaa	37.75%
Investment Agreements	125,637	2.385 - 4.460%	12/14 - 11/36	6.47	AA-/Aa2	AA+/Aaa	44.28%
Money Market Mutual Funds (3)	46,300	0%	N/A	0.00	N/A	N/R	16.32%
Local Agency Investment Funds	4,681	0.250%	07/13	0.00	N/A	N/R	1.65%
Total Blended Component Units	283,717						100.00%
Discretely Presented Component Units							
Palm Desert Financing Authority							
Local Agency Investment Funds	7,243	0.250%	07/13	0.00	N/A	NR	59.56%
Money Market Mutual Funds (2)	4,920	0.010%	07/13	0.48	AAA	AAA	40.45%
Total Discretely Presented Component Units	12,163						100.00%
Total Investments	\$ 5,251,154						

(1) Investment ratings are from S&P and Moody's

(2) Government Code requires money market mutual funds to be rated

(3) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated

Investment in State Investment Pool

The County of Riverside is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2013, CORAL has \$2.5 million, Housing Authority has \$1.5 million, Regional Medical Center has \$0.7 million and Palm Desert Financing Authority has \$7.2 million in LAIF.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 4 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount of \$319.6 million. Investment securities are registered and held in the name of Riverside County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table on page 69.

Credit Risk

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2013 is as follows (in thousand):

General Fund	
Restricted Program Money	\$ 307,452
Total General Fund	<u>307,452</u>
Flood Control	
Restricted Program Money	1,806
Total Flood Control	<u>1,806</u>
Teeter Debt	
Teeter Commercial Paper Notes	67,984
Total Teeter Debt	<u>67,984</u>
Other Governmental Funds	
1985 Certificates	18,456
1990 Monterey Avenue	133
1997 Historic Court House	280
2000 Southwest Justice Center	542
2003 A Historic Courthouse	1,356
2003 B Capital Facilities	423
2005 A Capital Improvement Family Law	3,522
2005 B Historic Refunding	2,789
2006 A Capital Improvements	2,188
2007 A Public Safety & Refunding	9,275
2008A Southwest Justice Center	912
2009 Larson Justice Center	2,667
2009 Public Safety & Woodcrest Lib Refunding	4,835
2012 CAC Annex	2,551
Bankruptcy Court	6,958
District Court Financing Corporation	1,026
Inland Empire Tobacco Securitization Authority	19,611
Public Financing Authority	1,391
Total Other Governmental Funds	<u>78,915</u>
Regional Medical Center	
1993 Hospital Bonds	53,804
Total Regional Medical Center	<u>53,804</u>
Waste Management	
Remediation costs	23,027
Closure and post-closure care costs	28,092
Customer deposits	431
Deferred revenue	565
Deposit payable	38
Total Waste Management	<u>52,153</u>
Housing Authority	
Housing Authority Bond	28,374
Total Housing Authority	<u>28,374</u>
Other Enterprise Funds	
Restricted Program Money - Flood	2,719
Total Other Enterprise Funds	<u>2,719</u>
Discretely Presented Component Unit	
Palm Desert Financing Authority	12,163
Total Discretely Presented Component Unit	<u>12,163</u>
Total Restricted Cash and Investments	<u>\$ 605,370</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 6— RECEIVABLES

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

Receivables Governmental activities:	Accounts	Interest	Taxes	Due From Other Govts	Total
					Governmental Activities
General fund	\$ 9,167	\$ 687	\$ 10,931	\$ 308,532	\$ 329,317
Transportation	1,463	53	22	12,015	13,553
Flood Control	525	130	1,357	1,334	3,346
Teeter debt service	-	20	83,276	-	83,296
Public facilities improvements	-	89	-	15	104
Nonmajor governmental funds	1,498	124	1,511	8,570	11,703
Internal service funds	3,192	103	-	547	3,842
Total receivables	\$ 15,845	\$ 1,206	\$ 97,097	\$ 331,013	\$ 445,161

Receivables Business-type activities:	Accounts	Interest	Taxes	Loans	Due From Other Govts	Allowance for uncollectibles	Total
							Business-type Activities
Regional Medical Center	\$ 1,039,531	\$ -	\$ -	\$ -	\$ 113,039	\$ (983,120)	\$ 169,450
Waste Management	3,723	83	-	-	5,252	-	9,058
Housing Authority	180	-	-	72,037	2,164	-	74,381
Nonmajor funds	303	4	14	-	14	-	335
Total receivables	\$ 1,043,737	\$ 87	\$ 14	\$ 72,037	\$ 120,469	\$ (983,120)	\$ 253,224



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COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2013 is as follows (in thousands):

Due to/from other funds :

Payable Fund	Receivable Fund			
	General Fund	Flood Control	Teeter Debt Service	Other Governmental Funds
General Fund				
Delinquent property tax	\$ -	\$ -	\$ 35	\$ -
Interfund activity	-	-	-	33
Medical services	-	-	-	-
Total General Fund	-	-	-	-
Transportation				
Interfund activity	72	-	-	-
Total Transportation	-	-	-	-
Flood Control				
Interfund activity	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service				
Delinquent property tax	8,475	-	-	-
Total Teeter Debt Service	-	-	-	-
Public Facilities Improvements Capital Projects				
Interfund activity	3	-	-	-
Total Public Facilities Imprv Cap projects	-	-	-	-
Nonmajor Governmental Funds				
Interfund activity	191	-	-	-
Total Nonmajor Governmental Funds	-	-	-	-
Regional Medical Center				
Interfund activity	1	-	-	-
Law enforcement	305	-	-	-
Total Regional Medical Center	-	-	-	-
Other Enterprise Funds				
Interfund activity	-	11	-	-
Total Other Enterprise Funds	-	-	-	-
Internal Service Funds				
Interfund activity	24	41	-	-
Total Internal Service Funds	-	-	-	-
Total Receivable	\$ 9,071	\$ 52	\$ 35	\$ 33

These interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Advances to/from other funds:

The General Fund advanced \$3.3 million to the Economic Development Agency for the internal service fund start up costs.

The Regional Park and Open-Space District Special Revenue Fund advanced \$700 thousand to the Regional Park and Open-Space District Capital Projects Fund for the purpose of land improvements being constructed throughout the County Parks.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund			
Regional Medical Center	Internal Service Funds	Total Payable	
			General Fund
\$ -	\$ -	\$ 35	Delinquent property tax
-	72	105	Interfund activity
9,050	-	9,050	Medical services
-	-	9,190	Total General Fund
-	-		Transportation
-	-	72	Interfund activity
-	-	72	Total Transportation
-	-		Flood Control
-	37	37	Interfund activity
-	-	37	Total Flood Control
-	-		Teeter Debt Service
-	-	8,475	Delinquent property tax
-	-	8,475	Total Teeter Debt Service
-	-		Public Facilities Improvements Capital Projects
-	-	3	Interfund activity
-	-	3	Total Public Facilities Imprv Cap Projects
-	-		Nonmajor Governmental Funds
-	-	191	Interfund activity
-	-	191	Total Nonmajor Governmental Funds
-	-		Regional Medical Center
-	-	1	Interfund activity
-	-	305	Law enforcement
-	-	306	Total Regional Medical Center
-	-		Other Enterprise Funds
-	1	12	Interfund activity
-	-	12	Total Other Enterprise Funds
-	-		Internal Service Funds
-	2	67	Interfund activity
-	-	67	Total Internal Service Funds
\$ 9,050	\$ 112	\$ 18,353	Total Receivable

Advances to/from other funds (Continued):

The Open-Space District Capital Projects Fund advanced \$1 million to the Regional Park and Open-Space District Special Revenue Fund as an operating cash loan.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

(b) Between Funds within the Governmental Activities:¹

Transfer-Out	Transfers In			
	General Fund	Transportation	Teeter Debt Service	Public Facilities Improvements Capital Projects
General Fund				
Capital projects	\$ -	\$ -	\$ -	\$ 12,060
Debt service	-	-	703	-
Operating contribution	-	-	-	-
Pension obligation	-	-	-	-
Reimbursement	-	1,936	-	-
Total General Fund	-	-	-	-
Transportation				
Capital projects	-	-	-	727
Pension obligation	-	-	-	-
Reimbursement	1,803	-	-	-
Total Transportation	-	-	-	-
Flood Control				
Capital projects	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service				
Debt service	83	-	-	-
Total Teeter Debt Service	-	-	-	-
Public Facilities Improvements Capital Projects				
Capital projects	291	14,186	-	-
Debt service	18,344	-	-	-
Operating contribution	12,200	-	-	-
Reimbursement	2,897	-	-	-
Total Public Facilities Imprv Cap Projects	-	-	-	-
Nonmajor Governmental Funds				
Capital projects	9	1,335	-	2,662
Debt service	-	-	-	-
Fire	27,154	-	-	-
Pension obligation	159	-	-	-
Reimbursement	28,517	1,306	-	-
Total Nonmajor Governmental Funds	-	-	-	-
Regional Medical Center				
Debt service	-	-	-	-
Pension obligation	-	-	-	-
Total Regional Medical Center	-	-	-	-
Waste Management				
Pension obligation	-	-	-	-
Total Waste Management	-	-	-	-
Housing Authority				
Pension obligation	-	-	-	-
Total Housing Authority	-	-	-	-
Internal Service Funds				
Business Services	-	-	-	-
Pension obligation	-	-	-	-
Reimbursement	840	-	-	-
Total Internal Service Funds	-	-	-	-
Total Transfers In	<u>\$ 92,297</u>	<u>\$ 18,763</u>	<u>\$ 703</u>	<u>\$ 15,449</u>

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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

Transfers In				
Other Governmental Funds	Regional Medical Center	Internal Service Funds	Total Transfers Out	
\$ 7,928	\$ -	\$ -	\$ 19,988	General Fund
43,163	-	-	43,866	Capital projects
423	-	500	923	Debt service
19,994	-	-	19,994	Operating contribution
6,964	-	2,876	11,776	Pension obligation
-	-	-	96,547	Reimbursement
-	-	-		Total General Fund
-	-	-	727	Transportation
777	-	-	777	Capital projects
2,781	-	-	4,584	Pension obligation
-	-	-	6,088	Reimbursement
-	-	-		Total Transportation
200	-	-	200	Flood Control
-	-	-	200	Capital projects
-	-	-		Total Flood Control
-	-	-	83	Teeter Debt Service
-	-	-	83	Debt service
-	-	-		Total Teeter Debt Service
4,229	5,000	-	23,706	Public Facilities Improvements Capital Projects
-	-	-	18,344	Capital projects
-	-	-	12,200	Debt service
1	-	-	2,898	Operating contribution
-	-	-	57,148	Reimbursement
-	-	-		Total Public Facilities Imprv Cap Projects
-	-	-	4,006	Nonmajor Governmental Funds
1,966	-	-	1,966	Capital projects
-	-	-	27,154	Debt service
636	-	-	795	Fire
9,999	-	-	39,822	Pension obligation
-	-	-	73,743	Reimbursement
-	-	-		Total Nonmajor Governmental Funds
3,579	-	-	3,579	Regional Medical Center
-	-	-	-	Debt service
-	-	-	3,579	Pension obligation
-	-	-	3,579	Total Regional Medical Center
215	-	-	215	Waste Management
-	-	-	215	Pension obligation
-	-	-		Total Waste Management
157	-	-	157	Housing Authority
-	-	-	157	Pension obligation
-	-	-		Total Housing Authority
-	-	3,111	3,111	Internal Service Funds
1,350	-	-	1,350	Business Services
-	-	-	840	Pension obligation
-	-	-	5,301	Reimbursement
				Total Internal Service Funds
\$ 104,362	\$ 5,000	\$ 6,487	\$ 243,061	Total Transfers In

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental activities:						
<i>Capital assets, not being depreciated:</i>						
Land & easements	\$ 449,978	\$ -	\$ 19,577	\$ (33)	\$ -	\$ 469,522
Construction in progress	745,536	-	259,323	(21,560)	(168,072)	815,227
Total capital assets, not being depreciated	<u>1,195,514</u>	-	278,900	(21,593)	(168,072)	<u>1,284,749</u>
<i>Capital assets, being depreciated:</i>						
Infrastructure						
Flood channels	252,969	-	1,783	-	5,170	259,922
Flood storm drains	376,325	-	6,627	-	5,706	388,658
Flood dams and basins	31,215	-	-	-	-	31,215
Roads	1,602,764	-	28,438	-	-	1,631,202
Traffic signals	18,972	-	1	-	-	18,973
Bridges	104,983	-	217	-	-	105,200
Runways	22,148	-	-	-	-	22,148
Parks trails and improvements	11,254	-	15	-	1,016	12,285
Land improvements	110	-	-	-	-	110
Structures and improvements	1,328,103	-	1,250	(6,641)	148,210	1,470,922
Equipment	382,041	-	40,490	(17,521)	7,970	412,980
Total capital assets, being depreciated	<u>4,130,884</u>	-	78,821	(24,162)	168,072	<u>4,353,615</u>
Less accumulated depreciation for:						
Infrastructure	(984,594)	-	(69,922)	-	-	(1,054,516)
Land improvements	(22)	-	(1)	-	-	(23)
Structures and improvements	(339,841)	-	(29,570)	1,803	-	(367,608)
Equipment	(297,152)	-	(22,192)	16,519	-	(302,825)
Total accumulated depreciation	<u>(1,621,609)</u>	-	(121,685)	18,322	-	<u>(1,724,972)</u>
Total capital assets, being depreciated, net	<u>2,509,275</u>	-	(42,864)	(5,840)	168,072	<u>2,628,643</u>
Governmental activities capital assets, net	<u>\$ 3,704,789</u>	\$ -	\$ 236,036	\$ (27,433)	\$ -	<u>\$ 3,913,392</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2013
Business-type activities:						
<i>Capital assets, not being depreciated:</i>						
Land & easements	\$ 21,351	\$ -	\$ 7	\$ -	\$ -	\$ 21,358
Construction in progress	56,189	-	10,793	(550)	(1,426)	65,006
Concession Arrangements	-	-	8,830	-	-	8,830
Total capital assets, not being depreciated	<u>77,540</u>	<u>-</u>	<u>19,630</u>	<u>(550)</u>	<u>(1,426)</u>	<u>95,194</u>
<i>Capital assets, being depreciated:</i>						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	55,226	-	-	-	-	55,226
Infrastructure-other	23,323	-	68	(158)	268	23,501
Structures and improvements	219,902	-	12	-	-	219,914
Equipment	77,554	-	2,427	(738)	1,158	80,401
Total capital assets, being depreciated	<u>387,667</u>	<u>-</u>	<u>2,507</u>	<u>(896)</u>	<u>1,426</u>	<u>390,704</u>
Less accumulated depreciation for:						
Land improvements	(8,000)	-	(582)	-	-	(8,582)
Infrastructure-landfill liners	(23,943)	-	(2,710)	-	-	(26,653)
Infrastructure-other	(7,240)	-	(1,084)	94	-	(8,230)
Structures and improvements	(93,003)	-	(5,855)	-	-	(98,858)
Equipment	(63,348)	-	(5,543)	608	-	(68,283)
Total accumulated depreciation	<u>(195,534)</u>	<u>-</u>	<u>(15,774)</u>	<u>702</u>	<u>-</u>	<u>(210,606)</u>
Total capital assets, being depreciated, net	<u>192,133</u>	<u>-</u>	<u>(13,267)</u>	<u>(194)</u>	<u>1,426</u>	<u>180,098</u>
Business-type activities capital assets, net	<u>\$ 269,673</u>	<u>\$ -</u>	<u>\$ 6,363</u>	<u>\$ (744)</u>	<u>\$ -</u>	<u>\$ 275,292</u>

Depreciation

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

General government	\$ 26,566
Public protection	15,532
Health and sanitation	1,579
Public assistance	1,187
Public ways and facilities	62,275
Recreation and culture	1,232
Education	2,690
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	<u>10,624</u>
Total depreciation expense – governmental functions	<u>\$ 121,685</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the business-type functions as follows (in thousands):

Regional Medical Center	\$	9,275
Waste Management		5,181
Housing Authority		1,306
County Service Areas		3
Flood Control		9
Total depreciation expense – business-type functions	<u>\$</u>	<u>15,774</u>

Capital Leases

Leased Property under capital leases by major class (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Land	\$ 2,223	\$ -
Structures and Improvements	88,505	-
Equipment	143,635	15,357
Less: Accumulated amortization	<u>(106,137)</u>	<u>(10,000)</u>
Total leased property, net	<u>\$ 128,226</u>	<u>\$ 5,357</u>

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2013, was as follows (in thousands):

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets, being depreciated:				
Equipment	\$ 77	\$ -	\$ (33)	\$ 44
Total capital assets, being depreciated	<u>77</u>	<u>-</u>	<u>(33)</u>	<u>44</u>
Less accumulated depreciation for:				
Equipment	(77)		33	(44)
Total accumulated depreciation	<u>(77)</u>	<u>-</u>	<u>33</u>	<u>(44)</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)* defines an SCA as a type of public-private or public-public partnership. As used in Statement Number 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met:

- a) The transferor conveys to the operator the right and related obligation to provide public service through the use and operation of a capital assets (referred to in the statement as a “facility”) in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCA in the County’s financial statements. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government’s facility. The County has determined that there are no incidences where the County would qualify as such an operator.

McIntyre Park Campground

On October 15, 1985, and as later amended, the Park District (“the Park”) entered into an agreement with California East Coast, Inc. (the “company”), under which the company will operate and collect user fees from a campground, camp store, boat launch and recovery ramp, day-use area and marina fuel station through a lease with the Park at McIntyre County Park through the year 2047. The company will pay the Park between ten and seventeen percent of the revenues it earns from the operation of the campground. The company is required to operate and maintain the campground in accordance with the Lease Contract. The Park reports the campground as a capital asset with a carrying amount of \$51.6 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Riviera RV Resort

On or about January 1, 1970, and as later amended, the County of Riverside and later the Park entered into an agreement with Cavan Inc., now Destiny RV, LLC who assigned its lease rights to Riviera-Reynolds (the “company”). Under the terms of the agreement, the company is permitted to engage in the operation of a travel trailer park, rental of spaces in the park, food service operations including a grocery store, boat launching ramp and other associated camping functions through June 2013. The company will pay the Park the greater of \$3.0 hundred or seven percent of gross receipts earned from operation of the RV Park. The Park reports the RV Park as a capital asset with a carrying amount of \$131.4 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Edom Hill Transfer Station

On November 2, 2002, the Waste Management Department entered into a 30-year agreement with Burrtec Recovery and Transfer LLC (Burrtec), under which Burrtec has the rights to construct the Edom Hill Transfer Station in order to serve the traditional users/wasteshed of the closed Edom Hill Landfill and operate the transfer station.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2013

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA) (continued)

A summary of the important details and capital assets pertaining to this SCA can be found below.

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Revenue Sharing	Minimum Rent Payment (per month)
McIntyre Park Campground	10/15/1985	62 years	10/15/1947	Between 10.0% and 17.0% of the revenues it earns from the operation of the campground,	\$ -
Riviera RV Resort	1/1/1970	43 years	6/30/2013	Greater of \$300 or 7.0% of gross receipts earned from operation of the RV park,	-
Edom Hill Transfer Station	11/2/2002	30 years	11/2/2032	Service Fee ranging from \$4.41 to \$4.13 per ton, Disposal fee of \$23.00 per ton, and City Mitigation Fee of \$1 per ton for all incoming solid waste	-
					\$ -

Capital assets balance for the SCA for the year ended June 30, 2013 and over the term of the agreement are as follows:

	Structures & Structure Improvements
McIntyre Park Campground	\$ 131
Riviera RV Resort	52
Edom Hill Transfer Station	8,830
	\$ 9,013

The deferred inflows of resources activity for the SCA for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions/ Restatements	Amortization¹	Balance June 30, 2013
SCA Capital Assets				
McIntyre Park Campground ²	\$ -	\$ -	\$ -	\$ -
Riviera RV Resort ²	-	-	-	-
Edom Hill Transfer Station	-	8,830	(434)	8,396
Total Deferred inflows	\$ -	\$ 8,830	\$ (434)	\$ 8,396

¹ Amortization calculate using straight-line method for the term of the agreement for the SCA

² No upfront payments received or installment payments that are required to be reported as a deferred inflow of resources