

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

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 County is responsible for all financial debt, and management has operational responsibility. 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 County is responsible for all financial debt, and management has operational responsibility. The Bankruptcy Court is reported as a governmental fund type.

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

Discretely Presented Component Units

Riverside County Children and Families Commission (the Commission). The County Board 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. The Commission includes one member of the County Board. 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 board is not substantially the same as the County's governing board and it does not provide services entirely or exclusively to the County.

Palm Desert Financing Authority (PDFA). Is a joint powers authority between the County 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 PDFA 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 PDFA is a legally separate entity, in substance under GASB Statement No. 61, the County is financially accountable for the PDFA's issuance of the lease revenue bond that is under the PDFA's management (2008 Series A).

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

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

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.

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, 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, 35.35% or \$17.9 million, of the County's \$50.6 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions, which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

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 Resources department (Waste Resources) 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 Resources 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 ninety days of June 30, 2015, 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 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 74.0% of the funds on deposit in the County treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 26.0% 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 \$131.4 million and \$362.0 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 2014-15 gross assessed valuation (for tax purposes) of the County was \$230.4 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 30 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 years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

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

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

During 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 2014-15, \$27.0 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 nonspendable. The consumption method is used to account for prepaid items. Under the consumption method, prepaid items are recorded as expenditures during the period benefited by the prepayment.

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 value 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 of accounting, 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 nonspendable 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 thousand; 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The estimated useful lives are as follows:

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

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

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 Resources 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, 2015, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$255.7 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 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 15 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the County recognizes deferred outflows of resources 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 and outflows of resources the County has recognized.

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.

Pensions

For purposes of measuring the net pensions liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Landfill Closure and Post-Closure Care Costs

Waste Resources 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 Resources also recognizes expense closure and post-closure care costs for inactive landfills that have been closed under state and federal regulations.

Waste Resources, under state and federal regulations, may be required to perform corrective action for contaminate releases at any of its active or inactive landfills. Waste Resources provide 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 Resources 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

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Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

“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 is 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.

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 Balance

In the fund financial statements, fund balance 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. Commitments may be changed or lifted only by the County’s Board taking the same formal action that imposed the constraint originally.
- 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. The Board delegates the County Executive Officer or an Executive Officer designee for the establishment of assignments within the general fund. 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.

Fund Balance Policy

On September 13, 2011, the Board approved Policy B-30, Governmental fund balance 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

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.

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.

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.

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 2 years and submit the plan to the Board for approval.

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 stabilization funds should be as the last resort in balancing the County budget. In the general fund unassigned fund balance, commitments for economic uncertainty is \$124.7 million and budget stabilization of \$50.6 million, which is 25.0% of discretionary revenue.

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.

Current Governmental Accounting Standards Board Statements

GASB 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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements

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. GASB Statement No. 68 is effective for periods beginning after June 15, 2014.

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. GASB Statement No. 69 is effective for periods beginning after December 15, 2013.

Governmental Accounting Standards Board Statement No. 71

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 is applied simultaneously with the provision of GASB Statement 68.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for periods beginning after June 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 73

In June of 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB Statement No. 73 is effective for periods beginning after June 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 74

In June of 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 74 is effective for periods beginning after June 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 is effective for periods beginning after June 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 76

In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify in the context of current governmental financial reporting environment the hierarchy of generally accepted accounting principles. The “generally accepted accounting principles hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with accounting principles generally accepted in the United States of America and the framework for selecting those principles. GASB Statement No. 76 is effective for periods beginning after June 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 77

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assure financial statements prepared by state and local governments in conformity with accounting principles generally accepted in the United States of America provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. GASB Statement No. 77 is effective for periods beginning after December 15, 2015. The County has elected not to early implement this statement.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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 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 accounting principles generally accepted in the United States of America. 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, the Authority; the CORAL Capital Projects Fund; RDA Housing Successor Agency; 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.

Individual Fund Deficits

For the year ended June 30, 2015, Enterprise funds (EF) and Internal Service Funds (ISF) individual Fund Deficits are as follows (In thousands):

Proprietary Funds:

EF - Regional Medical Center	\$ 132,754
ISF - Information Services	\$ 50,013
ISF - Risk Management	\$ 25,570
ISF - Temporary Assistance Pool	\$ 1,385
ISF - EDA Facilities Management	\$ 20,743

The primary reason for the fund deficits in all funds listed are due to prior period adjustments related to GASB 68 Pension Statement.

Excess of expenditures over appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in capital outlay by \$54.5 million in the general fund. This excess of expenditures resulted from the acquisition of \$54.5 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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, 2015 is as follows (In thousands):

Government-wide:

Description	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Children and Families Commission
Government-wide net position as of June 30, 2014, as previously reported	\$ 4,382,887	\$ 216,807	\$ 46,368
Fund financial statements:			
Prior period adjustments:			
Deferred inflow of resources (1)	1,000	-	-
Compensated absences adjustment (2)	(1,219)	-	-
Incorrect fund type previously recorded (3)	(3,071)	-	-
Net pension liability adjustment (4)	(88,927)	(218,823)	-
Correction of notes receivable from redevelopment agency (5)	-	7,929	-
Post-closure and remediation liability adjustment (7)	-	(34,910)	-
Government-wide financial statements:			
Prior period adjustments:			
Net pension liability adjustment (4)	(1,890,052)	-	(1,638)
Bond premium and loss on refunding debt adjustments (6)	(3,466)	-	-
Net position as of June 30, 2014, as restated	<u>\$ 2,397,152</u>	<u>\$ (28,997)</u>	<u>\$ 44,730</u>

Fund Financials:

	Governmental Funds		Proprietary Funds			
	Major Funds	Enterprise Funds			Non Major Fund	Internal Service Funds
Description	General Fund	Regional Medical Center	Waste Resources	Housing Authority	Other Enterprise Funds	Internal Service Funds
Fund balances as of June 30, 2014, as previously reported	\$ 363,676	\$ (5,683)	\$ 150,065	\$ 150,242	\$ 2,543	\$ 42,249
Prior Period Adjustments:						
Deferred inflow of resources (1)	1,000	-	-	-	-	-
Compensated absences adjustment (2)	-	-	-	-	-	(1,219)
Incorrect fund type previously recorded (3)	-	-	-	-	-	(3,071)
Net pension liability adjustment (4)	-	(186,515)	(23,284)	(7,656)	(1,368)	(88,927)
Correction of notes receivable from redevelopment agency (5)	-	-	-	7,929	-	-
Post-closure and remediation liability adjustment (7)	-	-	(34,910)	-	-	-
Fund balances as of June 30, 2014, as restated	\$ 364,676	\$ (192,198)	\$ 91,871	\$ 150,515	\$ 1,175	\$ (50,968)

- (1) A prior period adjustment of \$1.0 million was made to increase the governmental activities' beginning net position. The adjustment was made due to prior year deferred inflow of resources was erroneously recorded as inter-fund transaction for operating transfer out.
- (2) A prior period adjustment of \$1.2 million was made to decrease the governmental activities' beginning net position for compensated absences adjustment.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION (Continued)

- (3) A prior period adjustment of \$3.1 million was made to decrease the governmental activities' beginning net position. The adjustment was made due to the fiduciary fund type was erroneously recorded for County self-insurance program.
- (4) The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability. The beginning net position decreased by \$2.0 billion in Governmental Activities, \$218.8 million in Business-type Activities, and \$1.6 million in Discretely Presented Component Unit.
- (5) A prior period adjustment of \$7.9 million was made to increase the business-type activities' beginning net position. The adjustment was made due to the notes receivable were not recorded in prior years as part of the absorption of the redevelopment agency and required to be added.
- (6) A prior period adjustment of \$3.5 million was made to decrease the governmental activities' beginning net position. The adjustment was made due to the bond premium and loss on refunding debt were not recorded in prior year.
- (7) A prior period adjustment of \$34.9 million was made to decrease the business-type activities' beginning net position. The adjustment was made to reflect the post-closure liability and remediation liability for 26 inactive sites that had not been recorded in the prior year.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2015, 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	\$ 1,008,724	\$ 150,248	\$ 41,298	\$ 4,702,768	\$ 5,903,038
Restricted cash and investments	786,113	129,942	11,387	-	927,442
Total cash and investments	<u>\$ 1,794,837</u>	<u>\$ 280,190</u>	<u>\$ 52,685</u>	<u>\$ 4,702,768</u>	<u>\$ 6,830,480</u>

As of June 30, 2015, cash and investments consist of the following (In thousands):

Deposits	\$ 542,070
Investments	6,288,410
Total cash and investments	<u>\$ 6,830,480</u>

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

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

Authorized investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal bonds (MUNI)	3 Years	15%	5% **
U.S. treasuries	5 Years	100%	N/A
Local agency obligations (LAO)	3 Years	2.5%	2.5%
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 REPOS	60 Days	10%	10%
Medium term notes (MTNO)	3 Years	20%	5% *
CalTRUST short term fund	Daily Liquidity	1%	1%
Money market mutual funds (MMF)	Daily Liquidity	20%	None
Local agency investment fund (LAIF)	Daily Liquidity	Max \$50M	N/A
Cash/deposit account	N/A	N/A	N/A

* Maximum of 5% per issuer 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.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2015, 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, 2015	% of Portfolio
County treasurer investments							
Federal home loan bank	\$ 1,072,418	0.130 - 1.850%	08/15 - 05/20	1.12	N/A	AA+/Aaa	17.68%
Federal national mortgage association	770,021	0.110 - 1.500%	08/15 - 02/20	1.36	N/A	AA+/Aaa	12.69%
Federal home loan mortgage corp.	1,093,929	0.080 - 2.000%	07/15 - 06/20	2.25	N/A	AA+/Aaa	18.03%
U.S. treasuries	550,522	0.250 - 0.875%	01/16 - 08/17	0.89	N/A	AA+/Aaa	9.07%
Federal farm credit bonds	835,609	0.140 - 0.875%	07/15 - 10/19	0.88	N/A	AA+/Aaa	13.77%
Commercial paper	393,902	0.100 - 0.180%	07/15 - 10/15	0.13	A1/P1	A1/P1	6.49%
Wells fargo repo	200,000	0.140%	07/15	0.00	A1/P1	A1/P1	3.30%
UB Managed Rate	260,000	0.080%	07/15	0.00	N/A	N/R	4.29%
Money market mutual funds (3)	410,000	0.059 - 0.1067%	07/15	0.00	AAA/Aaa	AAA/Aaa	6.76%
Municipal bonds zero coupon	138,796	0.120 - 0.180%	07/15 - 10/15	0.19	AA- ⁽²⁾	AA+/Aa1	2.29%
Municipal bonds	33,537	0.150 - 0.540%	08/15 - 05/16	0.44	AA- ⁽²⁾	AA+/Aa1	0.55%
Farmer mac	253,611	0.195 - 1.800%	07/15 - 05/20	2.55	N/A	N/R	4.18%
Caltrust short term fund	54,000	0.446%	07/15	0.00	N/A	AA/Aaa	0.89%
Local agency obligations	365	0.918%	06/20	4.96	N/A	N/R	0.01%
Total county treasurer investments	<u>6,066,710</u>						<u>100.00%</u>
Investments outside the county treasury							
Blended component unit investments							
Money market mutual funds (3)	71,756	0.040 - 0.439%	07/15	0.00	AAA/Aaa	AAA/Aaa	34.12%
Investment agreements	98,272	4.420 - 4.460%	07/15 - 11/36	18.00	AA-/Aa2	AA+/Aa1	46.73%
Money market mutual funds (4)	35,405	0.000%	N/A	0.00	N/A	N/R	16.83%
Local agency investment funds	4,880	0.000%	N/A	0.00	N/A	N/R	2.32%
Total blended component units	<u>210,313</u>						<u>100.00%</u>
Discretely presented component units							
Palm desert financing authority							
Money market mutual funds (3)	11,387	0.000%	N/A	0.45	AAA	AAA	100.00%
Total discretely presented component units	<u>11,387</u>						<u>100.00%</u>
Total investments	<u>\$ 6,288,410</u>						

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

(2) A rating permitted for the State of California securities.

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

(4) 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 is a voluntary participant in the 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 prorata 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 2015, CORAL has \$2.5 million, Housing Authority has \$1.7 million and RMC has \$0.7 million in LAIF.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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. 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 \$287.0 million. Investment securities are registered and held in the name of the 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 66.

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, 2015

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2015 is as follows (In thousands):

Governmental Activities

General Fund Restricted Program Money	\$	358,985
Flood Control Restricted Program Money		1,956
Public Financing Authority		303,845
Teeter Debt Service Commercial Paper Notes		49,787
Other Governmental Funds		
1990 Monterey Avenue	126	
2005 A Capital Improvement Family	3,523	
2005 B Historic Refunding	2,972	
2006 A Capital Improvements	2,187	
2007 A Public Safety & Refunding	5,825	
2008 A Southwest Justice Center	1,678	
2009 Larson Justice Center	2,755	
2009 Public Safety & Woodcrest Lib	653	
2012 CAC Annex	2,540	
2013A PD/ Probation and	14,738	
2014 A/B Court Facilities Projects	1,849	
District court Financing Corporation	1,110	
Inland Empire Tobacco Securitization	19,571	
Public Financing Authority	12,013	71,540
Total Governmental Activities		786,113

Business-type Activities

Housing Authority		17,636
Other Enterprise Funds Restricted Program Money - Flood		2,963
Regional Medical Center		
Hospital bonds	39,783	
Restricted program money	863	40,646
Waste Resources		
Remediation costs	29,882	
Closure and post-closure care costs	30,183	
Customer deposits	477	
Deferred revenue	589	
Deposit payable	38	
Deferred inflow or resources	7,528	68,697
Total Business-type Activities		129,942

Discretely Presented Component Unit

Palm Desert Financing Authority Investments	11,387
Total Discretely Presented Component Unit	11,387
Total Restricted Cash and Investments	\$ 927,442

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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					Total
Governmental activities:					Governmental
	Accounts	Interest	Taxes	Due From Other Govts	Activities
General fund	\$ 10,846	\$ 785	\$ 9,243	\$ 317,901	\$ 338,775
Transportation	440	43	13	7,729	8,225
Flood Control	519	111	993	607	2,230
Teeter debt service	-	13	60,410	-	60,423
Public facilities improvements	2,800	68	-	965	3,833
Nonmajor governmental funds	2,203	89	1,251	9,816	13,359
Internal service funds	9,393	90	-	526	10,009
Total receivables	\$ 26,201	\$ 1,199	\$ 71,910	\$ 337,544	\$ 436,854

Receivables						Allowance	Total
	Accounts	Interest	Taxes	Loans	Due From Other Govts	for uncollectibles	Business-type Activities
Business-type activities:							
Regional Medical Center	\$ 550,533	\$ -	\$ -	\$ -	\$ 66,972	\$ (493,431)	\$ 124,074
Waste Resources	4,958	65	-	5,000	55	-	10,078
Housing Authority	204,291	-	-	84,968	1,338	(204,246)	86,351
Nonmajor funds	267	5	11	-	10	-	293
Total receivables	\$ 760,049	\$ 70	\$ 11	\$ 89,968	\$ 68,375	\$ (697,677)	\$ 220,796

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2015 is as follows (In thousands):

Due to/from other funds :	Receivable Fund			
	General Fund	Transportation	Teeter Debt Service	Other Governmental Funds
Payable Fund				
General Fund				
Delinquent property tax	\$ -	\$ -	\$ 35	\$ -
Operating contribution	-	-	-	-
Interfund activity	-	11	-	210
Total general fund	-	-	-	-
Transportation				
Interfund activity	65	-	-	-
Total transportation	-	-	-	-
Flood Control				
Interfund activity	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service				
Interfund activity	8,725	-	-	-
Total teeter debt service	-	-	-	-
Public Facilities Improvements Capital Projects				
Interfund activity	1	-	-	-
Total public facilities imprv cap prog	-	-	-	-
Other Governmental Funds				
Capital projects	298	280	-	-
Interfund activity	-	119	-	9
Total other governmental funds	-	-	-	-
Regional Medical Center				
Interfund activity	10	-	-	-
Law Enforcement	421	-	-	-
Total Regional Medical Center	-	-	-	-
Waste Resources				
Landfill lease	2,137	-	-	-
Total Waste Resources	-	-	-	-
Housing Authority				
Interfund activity	35	-	-	-
Total Housing Authority	-	-	-	-
Other Enterprise Funds				
Interfund activity	-	-	-	-
Total other enterprise funds	-	-	-	-
Internal Service Funds				
Interfund activity	162	-	-	-
Total internal service funds	-	-	-	-
Total Receivable	\$ 11,854	\$ 410	\$ 35	\$ 219

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 General Fund advanced Housing Authority \$1.6 million to pay off the principal and interest on predevelopment loans.
The General Fund advanced \$2.5 million to Riverside County Information Technology for technology initiative costs.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund

Regional Medical Center	Other Enterprise Funds	Internal Service Funds	Total Payable	
				General Fund
\$ -	\$ -	\$ -	\$ 35	Delinquent property tax
1,893	-	-	1,893	Operating contribution
-	-	23	244	Interfund activity
-	-	-	2,172	Total general fund
				Transportation
-	-	3	68	Interfund activity
-	-	-	68	Total transportation
				Flood Control
-	-	86	86	Interfund activity
-	-	-	86	Total Flood Control
				Teeter Debt Service
-	-	-	8,725	Interfund activity
-	-	-	8,725	Total teeter debt service
				Public Facilities Improvements Capital Projects
-	-	-	1	Interfund activity
-	-	-	1	Total public facilities imprv cap prog
				Other Governmental Funds
-	-	-	578	Capital projects
-	-	-	128	Interfund activity
-	-	-	706	Total other governmental funds
				Regional Medical Center
-	-	-	10	Interfund activity
-	-	-	421	Law Enforcement
-	-	-	431	Total Regional Medical Center
				Waste Resources
-	-	-	2,137	Landfill lease
-	-	-	2,137	Total Waste Resources
				Housing Authority
-	-	-	35	Interfund activity
-	-	-	35	Total Housing Authority
				Other Enterprise Funds
-	2	-	2	Interfund activity
-	-	-	2	Total other enterprise funds
				Internal Service Funds
-	-	5	167	Interfund activity
-	-	-	167	Total internal service funds
\$ 1,893	\$ 2	\$ 117	\$ 14,530	Total Receivable

Advances to/from other funds (Continued):

Workers compensation fund advanced \$2.0 million to Public Facilities Capital Project Improvement Fund for East County Detention Center (ECDC).

Waste Resources advance \$4.0 million to Public Facilities Capital Project Improvement Fund for ECDC.

Waste Resources advanced \$25.9 million to Regional Medical Center for Huron Consulting Services.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

(b) Between Funds within the Governmental Activities:¹

Transfer-Out	Transfers In				
	General Fund	Transportation	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects
General Fund					
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 8,693
Debt service	-	-	-	2,362	-
Operating contribution	-	1,649	-	-	-
Other transfers	-	1,834	-	-	-
Pension obligation	-	-	-	-	-
Total general fund	-	-	-	-	-
Transportation					
Capital projects	-	-	-	-	469
Other transfers	2,243	56	-	-	-
Pension obligation	-	-	-	-	-
Total transportation	-	-	-	-	-
Flood Control					
Operating contribution	-	-	-	-	-
Pension obligation	-	-	-	-	-
Total Flood Control	-	-	-	-	-
Teeter Debt Service					
Debt service	80	-	-	-	-
Total teeter debt service	-	-	-	-	-
Public Facilities Improvements Capital Projects					
Capital projects	26,224	6,065	-	-	-
Other transfers	-	-	-	-	-
Total public facilities imprv cap prog	-	-	-	-	-
Other Governmental Funds					
Capital projects	-	244	-	-	499
Debt service	1,061	-	-	-	-
Fire	48,714	-	-	-	-
Other transfers	7,553	2,529	-	-	-
Operating contribution	1,207	-	-	-	-
Pension obligation	168	-	-	-	-
Total other governmental funds	-	-	-	-	-
Regional Medical Center					
Pension obligation	-	-	-	-	-
Total Regional Medical Center	-	-	-	-	-
Waste Resources					
Pension obligation	-	-	-	-	-
Total Waste Resources	-	-	-	-	-
Housing Authority					
Pension obligation	-	-	-	-	-
Total Housing Authority	-	-	-	-	-
Internal Service Funds					
Business Services	-	-	-	-	-
Operating contribution	674	-	429	-	-
Pension obligation	-	-	-	-	-
Total internal service funds	-	-	-	-	-
Total transfers in	<u>\$ 87,924</u>	<u>\$ 12,377</u>	<u>\$ 429</u>	<u>\$ 2,362</u>	<u>\$ 9,661</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, 2015

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

Transfers In						Total Transfers Out	
Public Financing Authority	Other Governmental Funds	Regional Medical Center	Other Enterprise Funds	Internal Service Funds			
\$	\$	\$	\$	\$	\$		General Fund
-	-	-	-	-	8,693		Capital projects
-	44,198	-	-	-	46,560		Debt service
-	5,590	11,364	-	484	19,087		Operating contribution
-	3,107	-	-	-	4,941		Other transfers
-	24,273	-	-	-	24,273		Pension obligation
-	-	-	-	-	103,554		Total general fund
-	-	-	-	-	469		Transportation
-	92	-	-	-	2,391		Capital projects
-	942	-	-	-	942		Other transfers
-	-	-	-	-	3,802		Pension obligation
-	-	-	-	-			Total transportation
-	-	-	-	159	159		Flood Control
-	2	-	-	-	2		Operating contribution
-	-	-	-	-	161		Pension obligation
-	-	-	-	-			Total Flood Control
-	-	-	-	-	80		Teeter Debt Service
-	-	-	-	-	80		Debt service
-	-	-	-	-			Total teeter debt service
-	140	5,000	-	15	37,444		Public Facilities Improvements Capital Projects
-	15	-	-	-	15		Capital projects
-	-	-	-	-	37,459		Other transfers
-	-	-	-	-			Total public facilities imprv cap prog
339,735	9	-	-	-	340,487		Other Governmental Funds
-	1,577	-	-	-	2,638		Capital projects
-	-	-	-	-	48,714		Debt service
-	9,006	-	-	-	19,088		Fire
-	1,401	-	-	-	2,608		Other transfers
-	609	-	-	-	777		Operating contribution
-	-	-	-	-	414,312		Pension obligation
-	-	-	-	-			Total other governmental funds
-	4,662	-	-	-	4,662		Regional Medical Center
-	-	-	-	-	4,662		Pension obligation
-	-	-	-	-			Total Regional Medical Center
-	262	-	-	-	262		Waste Resources
-	-	-	-	-	262		Pension obligation
-	-	-	-	-			Total Waste Resources
-	191	-	-	-	191		Housing Authority
-	-	-	-	-	191		Pension obligation
-	-	-	-	-			Total Housing Authority
-	-	-	-	2,746	2,746		Internal Service Funds
-	-	-	1	-	1,104		Business Services
-	2,219	-	-	-	2,219		Operating contribution
-	-	-	-	-	6,069		Pension obligation
-	-	-	-	-			Total internal service funds
\$ 339,735	\$ 98,295	\$ 16,364	\$ 1	\$ 3,404	\$ 570,552		Total transfers in

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows (In thousands):

	Balance July 1, 2014	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2015
Governmental activities:						
<i>Capital assets, not being depreciated:</i>						
Land & easements	\$ 507,989	\$ -	\$ 24,521	\$ (3,177)	\$ 552	\$ 529,885
Construction in progress	875,531	-	201,446	(4,952)	(314,805)	757,220
Total capital assets, not being depreciated	1,383,520	-	225,967	(8,129)	(314,253)	1,287,105
<i>Capital assets, being depreciated:</i>						
Infrastructure						
Flood channels	259,922	-	498	-	6,420	266,840
Flood storm drains	397,959	-	15,909	-	9,873	423,741
Flood dams and basins	33,968	-	-	-	-	33,968
Roads	1,675,035	-	39,932	-	172,028	1,886,995
Traffic signals	18,973	-	-	-	19,140	38,113
Bridges	105,500	-	404	-	96,910	202,814
Runways	24,179	-	-	-	-	24,179
Communication towers	16,146	-	-	-	-	16,146
Parks trails and improvements	12,287	-	-	-	3,275	15,562
Land improvements	110	-	-	-	-	110
Structures and improvements	1,529,034	-	70,866	(14,001)	6,599	1,592,498
Equipment	505,487	-	58,358	(39,080)	16	524,781
Total capital assets, being depreciated	4,578,600	-	185,967	(53,081)	314,261	5,025,747
Less accumulated depreciation for:						
Infrastructure	(1,124,954)	-	(96,527)	-	-	(1,221,481)
Land improvements	(24)	-	(1)	-	-	(25)
Structures and improvements	(399,382)	-	(33,915)	8,831	-	(424,466)
Equipment	(313,365)	-	(35,233)	37,379	(4)	(311,223)
Total accumulated depreciation	(1,837,725)	-	(165,676)	46,210	(4)	(1,957,195)
Total capital assets, being depreciated, net	2,740,875	-	20,291	(6,871)	314,257	3,068,552
Governmental activities capital assets, net	\$ 4,124,395	\$ -	\$ 246,258	\$ (15,000)	\$ 4	\$ 4,355,657

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 8 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows (In thousands):

	Balance July 1, 2014	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2015
Business-type activities:						
<i>Capital assets, not being depreciated:</i>						
Land & easements	\$ 25,777	\$ -	\$ -	\$ (1,418)	\$ -	\$ 24,359
Construction in progress	52,528	-	14,017	(644)	(437)	65,464
Concession arrangements	8,830	-	-	-	-	8,830
Total capital assets, not being depreciated	87,135	-	14,017	(2,062)	(437)	98,653
<i>Capital assets, being depreciated:</i>						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	67,050	-	6	-	-	67,056
Infrastructure-other	24,632	-	93	(180)	437	24,982
Structures and improvements	223,670	-	-	(72)	-	223,598
Equipment	107,171	-	9,257	(1,405)	(8)	115,015
Total capital assets, being depreciated	434,185	-	9,356	(1,657)	429	442,313
Less accumulated depreciation for:						
Land improvements	(9,164)	-	(582)	-	-	(9,746)
Infrastructure-landfill liners	(29,388)	-	(3,144)	-	-	(32,532)
Infrastructure-other	(9,358)	-	(1,149)	163	-	(10,344)
Structures and improvements	(104,878)	-	(6,087)	13	-	(110,952)
Equipment	(73,054)	-	(12,293)	1,326	4	(84,017)
Total accumulated depreciation	(225,842)	-	(23,255)	1,502	4	(247,591)
Total capital assets, being depreciated, net	208,343	-	(13,899)	(155)	433	194,722
Business-type activities capital assets, net	\$ 295,478	\$ -	\$ 118	\$ (2,217)	\$ (4)	\$ 293,375

Depreciation

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

General government	\$ 36,132
Public protection	9,843
Health and sanitation	1,306
Public assistance	744
Public ways and facilities	98,102
Recreation and culture	1,144
Education	3,441
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	14,964
Total depreciation expense – governmental functions	<u>\$ 165,676</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 8 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	\$ 16,113
Waste Resources	5,723
Housing Authority	1,413
County Service Areas	3
Flood Control	3
Total depreciation expense – business-type functions	<u>\$ 23,255</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	132,887	-
Equipment	99,892	14,816
Less: Accumulated amortization	<u>(46,148)</u>	<u>(8,994)</u>
Total leased property, net	<u>\$ 188,854</u>	<u>\$ 5,822</u>

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2015 was as follows (In thousands):

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 373	\$ -	\$ -	\$ 373
Construction in progress	19	(19)	-	-
Total capital assets, not being depreciated	<u>392</u>	<u>(19)</u>	<u>-</u>	<u>373</u>
Capital assets, being depreciated				
Building and improvements	1,868	30	-	1,898
Machinery and equipment	55	47	(13)	89
Total capital assets, being depreciated	<u>1,923</u>	<u>77</u>	<u>(13)</u>	<u>1,987</u>
Less accumulated depreciation for:				
Building and improvements	(7)	(108)	-	(115)
Machinery and equipment	(46)	51	13	18
Total accumulated depreciation	<u>(53)</u>	<u>(57)</u>	<u>13</u>	<u>(97)</u>
Total capital assets, being depreciated, net	<u>1,870</u>	<u>20</u>	<u>-</u>	<u>1,890</u>
Total capital assets, net	<u>\$ 2,262</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,263</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 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 GASB Statement No. 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 Statement No. 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 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 2044. 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.

Lake Skinner Recreation Area

On or about November 2007, the Park entered into an agreement with Pyramid Enterprise, Inc. d.b.a. Rocky Mountain Recreation Company of Piru, California (the Company) to sublease its rights to Lake Skinner Recreation Area Concessionaire. Under the provisions of the agreement, the Company is permitted to engage in the operation of a marina, camp store, cafe, parking lots, laundry facility, fueling station, and bike shop. The monthly payment from the Company to the District will be the greater of the combination of 7% of all retail gross sales, 9% of all rental gross sales, and 2% of all fuel gross sales or \$2.5 thousand. 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. The term of the agreement is 10 years, renewable in 5 year increments.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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

Edom Hill Transfer Station

On November 2, 2002, the Department of Waste Resources 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.

A summary of the important details and capital assets pertaining to the SCA are described below. (In thousands)

	<u>Date SCA Entered Into</u>	<u>Term of SCA</u>	<u>Expiration of SCA</u>	<u>Revenue Sharing</u>	<u>Minimum Rent Payment (per month)</u>
McIntyre Park Campground	10/15/1985	62 years	10/15/2047	Between 10.0% and 17.0% of the revenues it earns from the operation of the campground.	\$ -
Riviera RV Resort	1/1/1970	74 years	6/30/2044	Greater of \$3 hundred or 7.0% of gross receipts earned from operation of the RV park.	-
Lake Skinner Recreation Area	11/1/2007	10 years	10/31/2017	Greater of the combination of 7% of all retail gross sales, 9% of all rental gross sales, and 2% of all fuel gross sales or \$2.5 thousand.	-
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	-
					<u>\$ -</u>

Capital assets balance for the SCA for the fiscal year-ended June 30, 2015, and over the term of the agreement are as follows: (In thousands)

	<u>Structures & Structure Improvements</u>
McIntyre Park Campground	\$ 52
Riviera RV Resort	131
Lake Skinner Recreation Area	-
Edom Hill Transfer Station	8,830
	<u>\$ 9,013</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

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

The deferred inflows of resources activity for the SCA for the year ended June 30, 2015 are as follows: (In thousands)

SCA Capital Assets	Balance July 1, 2014	Additions/ Restatements	Amortization ¹	Balance June 30, 2015
McIntyre Park Campground ²	\$ -	\$ -	\$ -	\$ -
Riviera RV Resort ²	-	-	-	-
Lake Skinner Recreation Area ²	-	-	-	-
Edom Hill Transfer Station	7,962	-	(434)	7,528
Total Deferred inflows	\$ 7,962	\$ -	\$ (434)	\$ 7,528

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

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require Waste Resources to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste Resources will recognize the remaining estimated cost of \$13.0 million as the remaining estimated capacity of 13.5 million tons is filled. Waste Resources expect all currently permitted landfill capacities to be filled by 2098. The total estimate closure liability of \$37.3 million and post-closure care cost of \$25.2 million is based on what it would cost to perform all closure and post-closure care costs at present value. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

In addition to the liability amounts calculated per CalRecycle regulations that are designated to the Escrow Funds, Waste Resources is also responsible for the post-closure costs related to twenty-six (26) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2015 the post-closure liability is estimated at \$31.3 million.

Cumulative expenses, percentage of landfill capacity used to date, and the estimated remaining landfill life by operating landfill are as follows (In thousands):

Closure Escrow Fund Landfill Sites

Facility Name (City)	Total Estimate	Capacity Used as of June 30, 2015 %	Outstanding Recognized Liability	Estimated Years Remaining
Badlands (Moreno Valley)	\$ 8,298	65.6	\$ 5,442	10
Blythe (Blythe)	6,113	37.6	2,300	33
Edom Hill (Cathedral City)	5,360	100.0	5,360	-
Lamb Canyon (Beaumont)	15,567	60.5	9,417	7
Desert Center (Desert Center)	388	69.6	270	73
Mecca II (Mecca)	849	98.8	838	23
Oasis (Oasis)	703	93.0	654	49
Total Closure Estimate	\$ 37,278		\$ 24,281	

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

Post-Closure Escrow Fund Landfill Sites

Facility Name (City)	Estimated Liability
Badlands (Moreno Valley)	\$ 4,721
Blythe (Blythe)	2,305
Coachella (Coachella)	1,363
Double Butte (Winchester)	2,080
Edom Hill (Cathedral City)	2,555
Highgrove (Riverside)	1,703
Lamb Canyon (Beaumont)	3,856
Mead Valley (Perris)	1,324
Anza (Anza)	1,548
Desert Center (Desert Center)	1,194
Mecca II (Mecca)	1,302
Oasis (Oasis)	1,252
Total Post-Closure Estimate	<u>\$ 25,203</u>

Waste Resources is required by state and federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 27 of the California Code of Regulations (CCR) requires solid waste landfill operators to demonstrate the availability of financial resources to conduct closure and post-closure maintenance activities. Waste Resources expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure and post-closure requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future landfill users.

In accordance with sections 22228 and 22245 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Department of Resources, Recycling and Recovery (CalRecycle) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste Resources has determined that the projected net revenues, after current operating costs, from tipping fees during the 30 year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by the Waste Resources and the CalRecycle.

NOTE 11 – OPERATING LEASES

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015. (In thousands):

Year Ending June 30	
2016	\$ 39,928
2017	35,423
2018	24,083
2019	17,893
2020	14,310
2021-2025	44,662
2026-2030	1,308
2031-2035	1,401
2036-2040	956
2041-2044	451
Total Minimum Payments	<u>\$ 180,415</u>

Total rental expenditure/expense for the year ended June 30, 2015 was \$102.8 million, of which \$5.9 million was recorded in the enterprise funds.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 12 – ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

The balance as of June 30, 2015 of advances from grantors and third parties are as follows (In thousands):

	Balance June 30, 2015
General Fund:	
Advances on state and federal grants for mental health services	\$ 112,364
Advances on state funding for social services	83,807
Advances on state grants for probation services	41,894
Advances on state grants and other 3rd party advances for public health services	14,151
Advances on state and federal grants for sheriff services	13,005
Advances on state grants and other 3rd party advances for environmental health services	1,870
Advances on state grants for district attorney services	1,240
Advances from flood control and water conservation district for permits	752
Other advances	193
Total general fund	<u>269,276</u>
Transportation Special Revenue Fund:	
Developer fees	7,642
Advances from developers for median projects	4,971
Mitigation fees	1,162
Survey fees	973
Utility relocation	318
Deposit based fees	259
Senate Bill (SB) 621 Indian gaming	98
Total transportation special revenue fund	<u>15,423</u>
Flood Special Revenue Fund:	
Advances for flood control projects	545
Total flood special revenue fund	<u>545</u>
Public Facilities Improvements Capital Projects Fund:	
Advance for construction of law building	51
Total public facilities improvements capital projects fund	<u>51</u>
Other Governmental Funds:	
Camping and recreation fees	728
Advance from state for community service block grant	409
Advance from state for the community recidivism reduction grant program	500
Advance from 3rd parties for recreational events	13
Advance for the Regional Access Project	23
Advance from state for bio-terrorism programs	351
Advances for aviation projects	10
Total other governmental funds	<u>2,034</u>
Grand total of advances from grantors and third parties	<u><u>\$ 287,329</u></u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 13 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

In July 1, 2014, the County issued \$250.0 million of tax exempt TRAN, which were repaid by June 30, 2015. The notes were issued with a yield rate of 0.12% and a stated interest rate of 1.5%. The notes were issued 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.

Taxable and Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the teeter plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the teeter plan. The current financing takes place through the sale of commercial paper notes (teeter notes). During fiscal year 2014-15, the County retired \$119.5 million and issued \$100.7 million, 2014 series D teeter obligation notes (tax-exempt), and \$8.2 thousand, 2014 series E teeter obligation notes (taxable), leaving an outstanding balance of \$101.5 million at June 30, 2015.

Short-term debt activity for the year ended June 30, 2015, was as follows (In thousands):

	Balance		Balance	
	June 30, 2014	Additions	Reductions	June 30, 2015
TRANs	\$ -	\$ 250,000	\$ (250,000)	\$ -
Teeter notes	119,462	101,520	(119,462)	101,520
Total	\$ 119,462	\$ 351,520	\$ (369,462)	\$ 101,520

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities that are payable from the general, debt service, enterprise, and internal service funds. The calculated legal debt limit for the County is \$2.9 billion.

Capital Leases

Capital leases for governmental funds are recorded both as capital expenditures and as other financing sources at inception in the fund financial statements, with the liability and the asset recorded in the government-wide statement of net position. Capital leases are secured by a pledge of the leased equipment.

See Note 8 (Capital Assets) for assets under capital leases and related disclosure information by major asset class.

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2015 (In thousands):

<u>Year Ending June 30</u>	<u>Palm Desert Financing Authority</u>	<u>Other Governmental Activities</u>	<u>Total Governmental Activities</u>	<u>Business-type Activities</u>
2016	\$ 6,308	\$ 24,005	\$ 30,313	\$ 1,885
2017	6,314	19,181	25,495	1,498
2018	6,311	16,658	22,969	1,234
2019	6,310	13,217	19,527	1,075
2020	6,309	10,743	17,052	486
2021-2025	12,616	17,654	30,270	-
2026-2030	-	15,827	15,827	-
2031-2035	-	15,414	15,414	-
2036-2040	-	15,325	15,325	-
2041-2045	-	15,247	15,247	-
Total minimum payments	44,168	163,271	207,439	6,178
Less amount representing interest	(8,809)	(51,352)	(60,161)	(300)
Present value of minimum lease payments	<u>\$ 35,359</u>	<u>\$ 111,919</u>	<u>\$ 147,278</u>	<u>\$ 5,878</u>

The statement of net position includes the PDFA capital lease of \$35.3 million for the construction and acquisition of certain public facilities within the County, including the Palm Desert Sheriff's Station, community centers, the Blythe County Administrative Center, an animal shelter and a clinic facility.

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County that are outstanding as of June 30, 2015 (In thousands):

<u>Type of Indebtedness</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding at June 30, 2015</u>
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Governmental activities:

Certificate of participations

CORAL

1990 Monterey Avenue: Serial Certificates	\$ 8,800	Variable	2020	\$ 3,900
2005A - Capital Improvement & Family Law				
Court Refunding: Serial Certificates	28,495	3.00% - 5.00%	2025	19,183
2005A - Capital Improvement & Family Law				

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

<u>Type of Indebtedness</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding at June 30, 2015</u>
Certificate of Participation (Continued)				
2005A - Capital Improvement & Family Law				
Court Refunding: Term Certificate	\$ 13,265	5.00%	2036	\$ 13,265
2005B - Historic Courthouse Refunding:				
Serial Certificates	18,835	3.00% - 5.00%	2025	13,109
2005B - Historic Courthouse Refunding:				
Term Certificates	3,775	5.00%	2027	3,775
2006 Series A - Capital Improvement Project:				
Serial Certificates	16,425	3.75% - 5.13%	2026	11,817
2006 Series A - Capital Improvement Project:				
Term Certificates	7,130	4.75%	2031	7,130
2006 Series A - Capital Improvement Project:				
Term Certificates	7,050	5.00%	2035	7,050
2006 Series A - Capital Improvement Project:				
Term Certificates	4,070	4.63%	2037	4,070
2007 Series A - Public Safety Communication and Refunding Projects	73,775	4.00% - 5.00%	2017	31,258
2009 Series A - Public Safety Communication and Woodcrest Library Refunding Projects	45,685	Variable	2039	43,961
2009 Larson Justice Center Refunding:				
Serial Certificates	24,680	2.00% - 5.00%	2021	17,337
Total CORAL	<u>261,890</u>			<u>185,760</u>
<u>District Court Financing Corporation</u>				
U.S. District Court Project: Term/Series 1999	2,165	7.59%	2017	2,165
U.S. District Court Project: Term/Series 2002	925	3.00%	2020	340
Total District Court Financing Corporation	<u>3,090</u>			<u>2,505</u>
<u>Flood Control</u>				
Zone 4 - 2015 Negotiable Promissory Note	21,000	2.00% - 5.00%	2025	23,423
Total Flood Control	<u>21,000</u>			<u>23,423</u>
Total certificate of participations	<u>\$ 285,980</u>			<u>\$ 211,688</u>
Bonds payable				
<u>CORAL</u>				
2012 CAC Annex Refunding Project	\$ 33,360	2.00% - 5.00%	2031	\$ 32,030
2008 A Southwest Justice Center: Term Certificate	78,895	5.16%	2032	76,415
1997 B & C (Hospital): Term Bonds (Series C)	1,733	5.81%	2019	1,733
2013 Probation & RCIT: Term Bonds (Series A)	66,015	3.00% - 5.25%	2043	65,523
2014 Lease Refunding Court Facilities Project, Series A	10,890	2.00% - 5.00%	2033	9,651
2015 Lease Refunding Court Facilities Project, Series B	7,605	0.55% - 2.73%	2019	7,605
Total CORAL	<u>198,498</u>			<u>192,957</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

<u>Type of Indebtedness</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding at June 30, 2015</u>
Bonds payable (continued)				
<u>Taxable Pension Obligation Bonds</u>				
Pension Obligation Bonds (Series 2005-A)	\$ 400,000	4.91% - 5.04%	2035	\$ 320,470
Total Taxable Pension Obligation Bonds	<u>400,000</u>			<u>320,470</u>
<u>Inland Empire Tobacco Securitization Authority</u>				
Series 2007 A	87,650	5.10%	2021	54,820
Series 2007 B	53,758	5.75%	2026	53,758
Series 2007 C-1	53,542	6.63%	2036	53,542
Series 2007 C-2	29,653	6.75%	2045	29,653
Series 2007 D	23,457	7.00%	2057	23,457
Series 2007 E	18,948	7.63%	2057	18,948
Series 2007 F	<u>27,076</u>	8.00%	2057	<u>27,076</u>
Total Inland Empire Tobacco Securitization Authority	<u>294,084</u>			<u>261,254</u>
<u>Riverside County Public Financing Authority</u>				
Series 2012	17,640	3.00% - 5.00%	2021	15,540
Series 2015	<u>325,000</u>	2.00% - 5.00%	2046	<u>351,276</u>
Total Riverside County Public Financing Authority	<u>342,640</u>			<u>366,816</u>
Total bonds payable	<u>\$ 1,235,222</u>			<u>\$ 1,141,497</u>
Loans payable				
<u>CORAL</u>				
2011 Monroe Park Building Refunding	\$ 5,535	3.54%	2021	\$ 3,350
Total 2011 Monroe Park Building Refunding	<u>5,535</u>			<u>3,350</u>
Total loans payable	<u>\$ 5,535</u>			<u>\$ 3,350</u>
Total governmental activities	<u>\$ 1,526,737</u>			<u>\$ 1,356,535</u>
Bonds payable				
<u>Regional Medical Center</u>				
1997 A Serial Capital Appreciation Bonds (net of future capital appreciation of \$130.5 million)	\$ 41,170	5.70% - 6.01%	2026	\$ 33,895
1997 Term bond (Series C)	1,532	5.81%	2019	1,087
2012 Term bond (Series A)	87,010	2.00% - 5.00%	2029	81,297
2012 Term bond (Series B)	<u>3,020</u>	3.25%	2019	<u>2,908</u>
Total Regional Medical Center	<u>132,732</u>			<u>119,187</u>
<u>Housing Authority</u>				
1998 Series A: Term Bonds	<u>2,405</u>	6.85%	2018	<u>730</u>
Total Housing Authority	<u>2,405</u>			<u>730</u>
Total bonds payable	<u>\$ 135,137</u>			<u>\$ 119,917</u>
Total business-type activities	<u>\$ 135,137</u>			<u>\$ 119,917</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

<u>Type of Indebtedness</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding at June 30, 2015</u>
Discretely Presented Component Unit:				
Bonds payable				
<u>Palm Desert Financing Authority</u>				
2008 Lease Revenue Bond Series A	\$ 72,445	4.00% - 6.20%	2022	\$ 45,937
Total Palm Desert Financing Authority	72,445			45,937
Total bonds payable	\$ 72,445			\$ 45,937
Total discretely presented component unit	\$ 72,445			\$ 45,937

As of June 30, 2015, annual debt service requirements of governmental activities to maturity are as follows (In thousands):

Governmental <u>Fiscal Year Ending June 30</u>	Loans Payable		Certificates of Participation	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 560	\$ 114	\$ 15,988	\$ 9,466
2017	585	94	18,421	8,675
2018	605	73	19,272	8,305
2019	620	51	21,006	7,214
2020	650	29	21,953	6,073
2021-2025	330	6	57,575	19,063
2026-2030	-	-	23,275	10,413
2031-2035	-	-	19,875	5,543
2036-2040	-	-	12,705	868
Total requirements	3,350	367	210,070	75,620
Bond discount/premium, net	-	-	3,825	-
Loss on refunding	-	-	(2,207)	-
Total	\$ 3,350	\$ 367	\$ 211,688	\$ 75,620

Governmental <u>Fiscal Year Ending June 30</u>	Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 37,045	\$ 45,508
2017	40,380	45,494
2018	87,845	43,830
2019	57,098	39,693
2020	45,093	35,498
2021-2025	228,325	147,457
2026-2030	121,410	100,831
2031-2035	134,325	67,732
2036-2040	137,907	44,555
2041-2045	83,345	17,280
2046-2050	69,303	4,009
2051-2055	-	-
2056-2060	69,481	4,671
Total requirements	1,111,557	596,558
Bond discount/premium, net	29,940	-
Total	\$ 1,141,497	\$ 596,558

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2015, annual debt service requirements of business-type activities to maturity are as follows (In thousands):

Business-type Fiscal Year Ending June 30	Bonds Payable		Other Long-term Liabilities	
	Principal	Interest	Principal	Interest
2016	\$ 13,339	\$ 6,388	\$ -	\$ -
2017	13,935	5,922	-	-
2018	15,715	5,317	-	-
2019	11,650	8,082	-	-
2020	4,981	15,769	-	-
2021-2025	20,697	83,055	6,795	-
2026-2030	34,580	19,758	-	-
Total requirements	114,897	144,291	6,795	-
Bond discount/premium, net	5,461	-	-	-
Loss on defeasance, net	(441)	-	-	-
Total	\$ 119,917	\$ 144,291	\$ 6,795	\$ -

Discretely Presented Component Unit Fiscal Year Ending June 30	Bonds Payable	
	Principal	Interest
2016	\$ 5,580	\$ 2,673
2017	5,880	2,380
2018	6,200	2,057
2019	6,540	1,716
2020	6,930	1,324
2021-2022	15,130	1,375
Total requirements	46,260	11,525
Bond discount/premium, net	(323)	-
Total	\$ 45,937	\$ 11,525

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2015 (In thousands):

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>Governmental Activities:</u>				
<i>Certificates of Participation:</i>				
Court Financing (U.S. District Court Project)	\$ 4,516	\$ 517	\$ -	\$ 5,033
<i>Bonds:</i>				
Inland Empire Tobacco Securitization Authority	107,107	17,694	-	124,801
Total governmental-type activities	\$ 111,623	\$ 18,211	\$ -	\$ 129,834
<u>Business-type Activities:</u>				
<i>Lease Revenue Bonds:</i>				
Regional Medical Center (1997A Hosp)	\$ 62,781	\$ 5,928	\$ (2,593)	\$ 66,116
Total business-type activities	\$ 62,781	\$ 5,928	\$ (2,593)	\$ 66,116

The accreted interest payable balances at June 30, 2015 represent accreted interest on the U.S. District Court project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were \$2.2 million for the U.S. District Court Project, \$294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and \$41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be \$7.2 million for the U.S. District Court Project, \$171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds and \$3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The increases of \$18.2 million and \$6.0 million represent current year's accretion for governmental activities and business-type activities, respectively. The accumulated accretion for business-type activities is \$66.1 million at June 30, 2015. The accumulated accretion for U.S. District Court Financing and the Authority in governmental activities is \$129.8 million. The un-accreted balances at June 30, 2015 are \$52.5 million for the 1997-A Hospital RMC project, \$2.2 million for the U.S. District Court, and \$3.4 billion for the Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation / Refunding

On June 2015, the County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project) issued \$325.0 million in lease revenue bonds. The Series 2015 Bonds are being issued to finance certain public improvements, make a deposit to the reserve fund for the Series 2015 Bonds, and pay the costs of issuance of the Series 2015 Bonds. The new bonds have an interest rate of 2.0% to 4.0%.

On June 2015, the County Flood Control issued \$21.0 million of zone 4 2015 promissory notes. The notes issued are to fund certain flood control facilities located in zone 4 of the district, including, but not limited to, construction of the Romoland MDP Lina A, stage for zone 4 and certain expenses incidental thereto. The new notes have an interest rate range of 2.0% and 5.0%.

Defeasance of Debt

In April 2005, CORAL issued \$22.6 million of certificates of participation, Series B (2005 Series B – Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund \$21.1 million of the 1997 Historic Courthouse certificates of participation. The advance refunding resulted in a loss on refunding of \$1.6 million. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates of participation have been included in the financial statements. The amount of the defeased debt outstanding at June 30, 2015, was \$591.4 thousand.

On December 2009, CORAL issued \$24.7 million of certificates of participation (2009 Larson Justice Center Project Refunding Certificate of Participation) to provide funds to refund and prepay the certificates of participation relating to 1998 Larson Justice Center Project with an outstanding principal amount of \$23.7 million; to fund the reserve fund; and to pay certain cost of issuance incurred in connection with this refunding. The requisition price exceeded the net carry amount of the old debt by \$1.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$3.7 million and a reduction of \$1.5 million in future debt service payments.

In December 2009, CORAL also issued \$45.7 million of certificates of participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding Certification of Participation) to provide funds to refund and redeem the certificates of participation relating to 2007 Series B Public Safety Communication Project with an outstanding principal amount of \$37.4 million; to provide funds to refund; and retire the series 2006 Certificates of Participation Anticipation Note relating to Woodcrest Library Project with an outstanding principal amount of \$6.0 million; to fund capitalized interest on a portion of the certificates of participation through July 1, 2012; to fund a security deposit with respect to base rental payable under the sublease; and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carry amount of the old debts by \$2.3 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$3.3 million and an addition of \$6.9 million in future debt service payments.

On February 28, 2011, CORAL issued \$5.5 million in private placement bonds (2011 Monroe Building) to provide funds to refund and redeem the notes payable relating to the 2007 Monroe Park Building loan with an outstanding principal amount of \$5.4 million and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by \$140.0 thousand. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$527.2 thousand and a reduction of \$339.2 thousand in future debt service payments.

On February 2012, CORAL issued \$33.4 million in lease revenue bonds (2012 County Administrative Center Refunding Projects) to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex with an outstanding principal amount of \$31.4 million; to fund the reserve fund, and to pay certain costs of issuance incurred in connection with this refunding and to acquire two office buildings located in Indio, California. The requisition price exceeded the net carry amount of the old debt by \$2.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$5.0 million and a reduction of \$3.6 million in future debt service payments.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

In July 2012, CORAL issued \$90.0 million in lease revenue bonds (2012 Series A and Taxable Series B County of Riverside Capital Projects) to provide funds to refund and prepay CORAL's Leasehold Revenue Bonds, 1997 Series B with an outstanding principal amount of \$64.4 million; to provide funds (\$30.0 million) for improvements to the Medical Center Campus; deposit funds into the debt service reserve fund; and pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a redemption premium of \$639.4 thousand for the 1997 Series B lease revenue bonds and a net premium of \$6.9 million for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carry amount of the old debt by \$26.6 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of \$8.0 million and a reduction of \$7.1 million in future debt service payments.

In June 2014, CORAL issued \$18.5 million in lease revenue bonds (2014 A & B Court Facilities Project) to provide funds mainly to refund in the 2003 A Historic Courthouse Projects, 2003 B Capital Facilities Project Refunding, and 2003 Bankruptcy Court Project (a County bond) with a total outstanding principal amount of \$20.0 million; and to pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a premium of \$756.0 thousand for the 2014 A and B Court Facilities Project. The reacquisition price exceeded the net carry amount of the old debt by \$1.5 million. This amount is being netted against the new debt and amortized over the new debt life. The transaction resulted in an economic gain of \$4.2 million and a reduction of \$3.3 in future debt service payments.

Single Family and Multi-Family Mortgage Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income.

A total of \$24.0 million of Mortgage Revenue Bonds have been issued and \$20.1 million is outstanding as of June 30, 2015. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$64.9 million at June 30, 2015, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds.

The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the agency funds.

The County is not obligated and does not expect to advance any available funds from the County general fund to the Community Facilities Districts or the Assessment Districts for any current or future delinquent debt service obligations. The County Special Districts continue to use all means available to bring current any delinquent special assessment taxes, including workouts, settlement agreements, and foreclosure actions when necessary.

The Flood Control has issued special assessment bonds, totaling \$1.3 million as June 30, 2015, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the reserve fund into the redemption fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County issued \$13.5 million of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the lease.

Interest Rate Swap

Objective of the Interest Rate Swap: As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008 Series A Leasehold Revenue Bonds in the notional amount of \$76.3 million. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.2%.

Terms: The bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of \$76.3 million approximately matches a portion of \$78.9 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000, and was amended and restated as of December 10, 2008. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty. The notional value of the swap and the principal amount of the associated debt decline starting in fiscal year 2014-15. Under the amended and restated swap agreement, CORAL pays Wells Fargo Bank, N.A. a fixed payment rate of 5.2%.

CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the bonds, expressed as a decimal, equal to 64.0% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedging. CORAL's net cash outflow or payment under the interest rate swap contract was \$288.2 thousand for the year ended June 30, 2015.

Fair Value: As of June 30, 2015 and 2014, the swap had a negative fair value of \$25.4 million and \$25.7 million, respectively, an increase in fair value of \$1.1 million occurred during the fiscal year 2013-14. The fair value was recorded in the CORAL's statement of net position as interest rate swap liability and deferred outflow in the assets section. Because the coupons on the Southwest Justice Center Series 2008 A Leasehold Revenue Refunding Bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June 30, 2015.

Credit Risks: The swap counterparty was rated Aa3 by Moody's, and AA- by Standard & Poor's and Fitch as of February 2013. The swap agreement specifies that if the long-term senior unsecured debt rating of Wells Fargo, N.A. is withdrawn, suspended or falls below BBB (Standard & Poor) or Baa2 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

Basis Risks: The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2015, CORAL's rate was 64.0% of LIBOR, or 0.1%, whereas BMA or the reset rate on bonds was 0.1%. The synthetic rate on the bonds at June 30, 2015 was 5.2%.

Termination Risks: CORAL always has the right to terminate the swap. Wells Fargo Bank, N.A. is limited in so far as both CORAL and the insurer are not performing. The swap may be terminated by CORAL if Wells Fargo Bank, N.A.'s credit quality rating falls below A- as issued by Standard & Poor's or A3 by Moody's. Additionally, the swaps may be terminated by Wells Fargo, N.A. if CORAL's credit quality rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's or if the bonds credit quality ratings fall below BBB+ as issued by

Standard & Poor's or Baa1 as issued by Moody's. If the swaps are terminated, the variable rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, CORAL, would be liable to Wells Fargo Bank, N.A. for a payment equal to the swaps' fair values.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Swap Payment and Associated Debt: Using rates as of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (In thousands):

Fiscal Year Ending June 30, 2015	Variable Rate Bonds		Net Swap Payments	Total Interest
	Principal	Interest		
2016	\$ 2,470	\$ 1,078	\$ 2,781	\$ 3,859
2017	2,690	1,040	2,685	3,725
2018	2,895	1,000	2,580	3,580
2019	3,000	958	2,470	3,428
2020	3,205	913	2,354	3,267
2021-2025	15,615	3,786	9,767	13,553
2026-2030	24,715	2,215	5,714	7,929
2031-2034	6,100	382	981	1,363
	<u>\$ 60,690</u>	<u>\$ 11,372</u>	<u>\$ 29,332</u>	<u>\$ 40,704</u>

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2015 (In thousands):

	Balance June 30, 2014	New Additions	Payments / Reclass	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	\$ 814,257	\$ 351,276	\$ (24,036)	\$ 1,141,497	\$ 37,045
Capital lease obligations	79,822	88,158	(20,702)	147,278	25,047
Certificates of participation	239,988	23,423	(51,723)	211,688	15,988
Loans payable	3,890	-	(540)	3,350	560
Total debt long-term liabilities	<u>1,137,957</u>	<u>462,857</u>	<u>(97,001)</u>	<u>1,503,813</u>	<u>78,640</u>
Other long-term liabilities:					
Accreted interest payable	111,623	18,211	-	129,834	-
Compensated absences (a)	194,645	35,407	(92)	229,960	131,215
Estimated claims liabilities (b)	142,459	-	16,493	158,952	38,563
Net pension liabilities	-	1,268,304	-	1,268,304	-
Accrued remediation costs (c)	2,574	-	(555)	2,019	558
Total other long-term liabilities	<u>451,301</u>	<u>1,321,922</u>	<u>15,846</u>	<u>1,789,069</u>	<u>170,336</u>
Total governmental activities – long-term liabilities	<u>\$ 1,589,258</u>	<u>\$ 1,784,779</u>	<u>\$ (81,155)</u>	<u>\$ 3,292,882</u>	<u>\$ 248,976</u>

- (a) General Fund, Special Revenue Fund, and Internal Service Fund are used to liquidate the compensated absences.
(b) Internal Service Funds are used to liquidate the estimated claims liabilities.
(c) General Fund is used to liquidate the remediation costs.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities (Continued)

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2015 (In thousands):

	Balance	New	Payments	Balance	Amounts Due
	June 30, 2014	Additions	/ Reclass	June 30, 2015	Within One Year
<u>Business-type activities:</u>					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses	\$ 132,941	\$ -	\$(13,024)	\$ 119,917	\$ 13,339
Capital lease (RMC)	3,854	4,755	(2,731)	5,878	1,521
Total debt long-term liabilities	136,795	4,755	(15,755)	125,795	14,860
Other long-term liabilities:					
Accreted interest payable	62,781	5,928	(2,593)	66,116	223
Accrued closure and post-closure costs	86,744	-	(5,986)	80,758	555
Compensated absences	24,165	1,590	-	25,755	14,638
Accrued remediation costs	39,579	111	-	39,690	719
OPEB obligation, net	126	14	-	140	-
Net pension liabilities	-	179,268	-	179,268	-
Other long-term liabilities (a)	6,795	-	-	6,795	-
Total other long-term liabilities	220,190	186,911	(8,579)	398,522	16,135
Total business-type activities – long-term liabilities	\$ 356,985	\$ 191,666	\$(24,334)	\$ 524,317	\$ 30,995
<u>Discretely Presented Component Unit</u>					
Debt long-term liabilities:					
Bonds payable	\$ 51,219	\$ -	\$(5,282)	\$ 45,937	\$ 5,580
Other long-term liabilities:					
Compensated absences	157	203	(182)	178	123
Net pension liability	-	1,340	-	1,340	-
Total discretely presented component unit – long-term liabilities	\$ 51,376	\$ 1,543	\$(5,464)	\$ 47,455	\$ 5,703

(a) The Housing Authority (Business-type Activity) has two notes payable, totaling \$6.8 million, under "Other long-term liabilities."

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued \$294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County tobacco assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first \$10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first \$11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County tobacco assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County tobacco assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 15.2% to the County and 84.8% to the Inland Empire Tobacco Securitization Authority for calendar year 2015. During the fiscal year ended June 30, 2015, \$19.3 million was received by the Inland Empire Tobacco Securitization Authority; \$10.0 million, or 52.4%, was distributed to the County per the above agreement, leaving \$9.1 million, or 47.6%, of the specific tobacco settlement revenues available to be pledged (see page 151). The County is under no obligation to make payments of the principal or accreted value of or redemption premiums, if any, or interest on the Series 2007 bonds in the event that revenues are insufficient for the payment thereof.

*** Tobacco settlement revenue required to be paid to the State of California under the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, California, and six other U.S. jurisdictions, in November 1998 in settlement of certain cigarette smoking-related litigation.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

The Housing Authority 1998 bonds are secured by an agreement with the City of Corona, which has pledged to pay \$218.0 thousand to the Housing Authority each year until the bonds are redeemed in their entirety on December 1, 2018. The bond indenture requires the Housing Authority to remit the entire \$218.0 thousand received each year to the bond trustee to pay for the bond's annual debt service payments.

The Housing Authority reports the \$218.0 thousand received each year as revenue. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2015, before applying the deferred charge, was \$730.0 thousand.

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to 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*, the County recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County has two items that are reportable on the government-wide statement of net position: the first item relates to outflows from charges in the net pension liability (notes 20 and 21) and the second item relates to interest rate swap (note 14) that have met all requirements other than timing. Deferred outflows of resources that are reported in the proprietary funds are included in the government-wide statement of net position.

Deferred outflows of resources balances for the year ended June 30, 2015 were as follows (In thousands):

	Balance June 30, 2015
Government-wide deferred outflows:	
Governmental activities	
Interest rate swap	\$ 25,375
Pension	184,224
Total governmental activities	<u>209,599</u>
Business-type activities:	
Defeasance of debt	208
Pension	25,244
Total business-type activities	<u>25,452</u>
Total government-wide deferred outflows	<u>\$ 235,051</u>
Discretely presented component unit deferred outflows:	
Pension	\$ 196
Total discretely presented component unit deferred outflows	<u>\$ 196</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

Pursuant to 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*, the County recognized deferred inflows of resources in the governmental and government-wide financial statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The largest portions of the County's deferred inflows of resources are pensions, SB90 and Teeter tax loss reserve. Pensions are related to GASB Statement No. 68, which can be found in notes 20 and 21. SB90 is California SB90 of 1972, which established a requirement that the State of California reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. Teeter tax loss reserve pursuant to California Revenue and Taxation Code Section 4703 was established as a tax loss reserve fund for covering losses that may occur in the amount of tax liens as a result of special sales of tax defaulted property.

Deferred inflows of resources balances for the year ended June 30, 2015 were as follows (In thousands):

	Balance June 30, 2015
Government-wide deferred inflows:	
Governmental activities	
Teeter tax loss reserve	\$ 19,376
Pension	403,674
Total governmental activities	<u>423,050</u>
Business-type activities	
Service concession arrangement	7,528
Pension	59,763
Total business-type activities	<u>67,291</u>
Total government-wide deferred inflows	<u><u>\$ 490,341</u></u>
Governmental funds deferred inflows:	
General Fund:	
SB 90	\$ 22,994
Teeter tax loss reserve	19,376
Property tax	4,775
Miscellaneous unavailable revenue	1,342
Sales tax	48
Total general fund	<u>48,535</u>
Flood Control Special Revenue Fund:	
Property tax	933
Special assessments	60
Total flood control special revenue fund	<u>993</u>
Other Governmental Funds:	
Property tax	4
Total other governmental funds	<u>4</u>
Total governmental funds deferred inflows	<u><u>\$ 49,532</u></u>
Discretely presented component unit	
deferred inflows:	
Pension	\$ 452
Total discretely presented component unit	
deferred inflows	<u><u>\$ 452</u></u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 16 – FUND BALANCES

Fund balances that presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See Note 1 for a description of each category). A detailed schedule of fund balances as of June 30, 2015 is as follows (In thousands):

	Major Funds					Total Major Governmental Funds
	General Fund	Transportation	Flood Control	Public Facilities Improvements	Public Financing Authority	
Fund balances:						
Nonspendable						
Inventory	\$ 1,638	\$ 1,164	\$ -	\$ -	\$ -	\$ 2,802
Prepaid items	-	2,600	730	-	-	3,330
Imprest cash	363	12	1	-	-	376
Permanent fund	-	-	-	-	-	-
Total nonspendable	2,001	3,776	731	-	-	6,508
Restricted						
Aging	-	-	-	-	-	-
Air quality planning	120	-	-	-	-	120
Airport	-	-	-	-	-	-
Auto theft interdiction	484	-	-	-	-	484
CAP local initiative program	-	-	-	-	-	-
Child support services	21	-	-	-	-	21
Code enforcement	180	-	-	-	-	180
Construction & capital projects	9,481	-	-	73,138	302,498	385,117
Court services	4,645	-	-	-	-	4,645
Debt services	4,882	-	-	-	-	4,882
Developer impact fees	-	-	-	1	-	1
District attorney	20,768	-	-	-	-	20,768
Domestic violence	1,518	-	-	-	-	1,518
Education	1,563	-	-	-	-	1,563
Emergency medical services	6,181	-	-	-	-	6,181
Environmental health	401	-	-	-	-	401
Public ways and facilities	84	-	236,749	18,230	-	255,063
Fire protection	-	-	-	15,607	-	15,607
Geographical info system	-	-	-	-	-	-
Hazmat	2,739	-	-	-	-	2,739
HUD/CDBG home grants	-	-	-	-	-	-
Landscape maintenance	-	8,645	-	-	-	8,645
Libraries	-	-	-	-	-	-
Mental health	5,607	-	-	-	-	5,607
Modernization	5,976	-	-	-	-	5,976
Other purposes	914	-	-	-	-	914
Parks and recreation	-	-	-	13,165	-	13,165
Public assistance	3,147	-	-	-	-	3,147
Public health	1,963	-	-	-	-	1,963
Public protection	1,129	-	-	-	-	1,129
Public safety revenue	32,093	-	-	-	-	32,093
Roads	-	41,230	-	-	-	41,230
Sheriff patrol	10,225	-	-	-	-	10,225
Teeter tax losses	8,846	-	-	-	-	8,846
Total restricted	122,967	49,875	236,749	120,141	302,498	832,230

Note: Encumbrances - see Note 23 – Contingencies and Commitments

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental	Total Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,802	Fund balances:
7	-	580	-	587	3,917	Nonspendable
67	-	-	-	67	443	Inventory
-	-	-	527	527	527	Prepaid items
74	-	580	527	1,181	7,689	Imprest cash
						Permanent fund
						Total nonspendable
14	-	-	-	14	14	Restricted
266	-	-	-	266	386	Aging
1,958	-	-	-	1,958	1,958	Air quality planning
-	-	-	-	-	484	Airport
1,134	-	-	-	1,134	1,134	Auto theft interdiction
-	-	-	-	-	21	CAP local initiative program
616	-	-	-	616	796	Child support services
-	-	18	-	18	385,135	Code enforcement
-	-	-	-	-	4,645	Construction & capital projects
-	68,311	12,699	-	81,010	85,892	Court services
-	-	-	-	-	1	Debt services
-	-	-	-	-	20,768	Developer impact fees
-	-	-	-	-	1,518	District attorney
-	-	-	-	-	1,563	Domestic violence
-	-	-	-	-	6,181	Education
4,039	-	-	-	4,039	4,440	Emergency medical services
-	-	-	-	-	255,063	Environmental health
6,065	-	-	-	6,065	21,672	Public ways and facilities
513	-	-	-	513	513	Fire protection
-	-	-	-	-	2,739	Geographical info system
1,939	-	-	-	1,939	1,939	Hazmat
21,083	-	-	-	21,083	29,728	HUD/CDBG home grants
26,422	-	-	-	26,422	26,422	Landscape maintenance
-	-	-	-	-	5,607	Libraries
-	-	-	-	-	5,976	Mental health
316	-	-	-	316	1,230	Modernization
825	-	6,966	-	7,791	20,956	Other purposes
3,809	-	-	-	3,809	6,956	Parks and recreation
780	-	-	-	780	2,743	Public assistance
3,473	-	-	40	3,513	4,642	Public health
-	-	-	-	-	32,093	Public protection
1,279	-	-	-	1,279	42,509	Public safety revenue
5,907	-	-	-	5,907	16,132	Roads
-	-	-	-	-	8,846	Sheriff patrol
80,438	68,311	19,683	40	168,472	1,000,702	Teeter tax losses
						Total restricted

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 16 – FUND BALANCES (Continued)

	Major Funds					Total Major Governmental Funds
	General Fund	Transportation	Flood Control	Public Facilities Improvements	Public Financing Authority	
Fund balances:						
Committed						
Code enforcement	\$ -	\$ 2,215	\$ -	\$ -	\$ -	\$ 2,215
Community improvement	308	-	-	-	-	308
Construction & capital projects	243	193	-	3,000	-	3,436
Disaster relief	15,000	-	-	-	-	15,000
District attorney	29	-	-	-	-	29
EDA special projects	-	-	-	-	-	-
Environmental programs	1,463	311	-	-	-	1,774
Facilities	500	-	-	-	-	500
Other purposes	2,504	-	-	-	-	2,504
Planning	191	-	-	-	-	191
DPSS realignment growth	4,300	-	-	-	-	4,300
SB90	1,380	-	-	-	-	1,380
Sheriff correction	12,971	-	-	-	-	12,971
Solar program	-	-	-	-	-	-
Youth protection	533	-	-	-	-	533
Total committed	39,422	2,719	-	3,000	-	45,141
Assigned						
Airports	-	-	-	-	-	-
Capital improvement projects	289	-	-	6,586	-	6,875
Construction & capital projects	-	-	-	8,894	-	8,894
Community improvement	53	-	-	-	-	53
Debt service	-	-	-	-	-	-
Equipment	-	5,700	-	-	-	5,700
Other purposes	520	-	3,174	-	-	3,694
Parks	-	-	-	-	-	-
Probation	1,989	-	-	-	-	1,989
Public health	863	-	-	-	-	863
Registrar of voters	112	-	-	-	-	112
Roads	-	9,082	-	-	-	9,082
Sheriff correction	1,318	-	-	-	-	1,318
Total assigned	5,144	14,782	3,174	15,480	-	38,580
Unassigned	225,855	-	-	-	-	225,855
Total fund balances	\$ 395,389	\$ 71,152	\$ 240,654	\$ 138,621	\$ 302,498	\$ 1,148,314

Note: Encumbrances - see Note 23 – Contingencies and Commitments

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental	Total Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,215	Fund balances:
-	-	-	-	-	308	Committed
-	-	-	-	-	3,436	Code enforcement
-	-	-	-	-	15,000	Community improvement
-	-	-	-	-	29	Construction & capital projects
3,810	-	-	-	3,810	3,810	Disaster relief
-	-	-	-	-	1,774	District attorney
-	-	-	-	-	500	EDA special projects
-	-	-	-	-	2,504	Environmental programs
-	-	-	-	-	191	Facilities
-	-	-	-	-	4,300	Other purposes
-	-	-	-	-	1,380	Planning
-	-	-	-	-	12,971	DPSS realignment growth
592	-	-	-	592	592	SB90
-	-	-	-	-	533	Sheriff correction
4,402	-	-	-	4,402	49,543	Solar program
						Youth protection
						Total committed
2,932	-	-	-	2,932	2,932	Assigned
-	-	-	-	-	6,875	Airports
-	-	14,812	-	14,812	23,706	Capital improvement projects
-	-	-	-	-	53	Construction & capital projects
-	3,636	-	-	3,636	3,636	Community improvement
-	-	-	-	-	5,700	Debt service
2,919	-	-	-	2,919	6,613	Equipment
10,253	-	-	-	10,253	10,253	Other purposes
-	-	-	-	-	1,989	Parks
-	-	-	-	-	863	Probation
-	-	-	-	-	112	Public health
-	-	-	-	-	9,082	Registrar of voters
-	-	-	-	-	1,318	Roads
16,104	3,636	14,812	-	34,552	73,132	Sheriff correction
						Total assigned
-	-	-	-	-	225,855	Unassigned
\$ 101,018	\$ 71,947	\$ 35,075	\$ 567	\$ 208,607	\$ 1,356,921	Total fund balances

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 17 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that incurred but are not reported (IBNR) at fiscal year end. The funding of these estimates is based on actuarial experience and projections. The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are \$10 million, subject to a self-insured retention (SIR) of \$2 million for each occurrence. A SIR is a form of a deductible. The County also purchases an additional \$15 million per occurrence in excess of the \$10 million for a total of \$25 million in limits. Medical malpractice utilizes an excess policy providing coverage on a per occurrence basis. Limits under the malpractice policy are \$20 million subject to a SIR of \$1.1 million. The maximum limit under the excess workers' compensation, Section A, is statutory (unlimited); Section B, employer liability is \$5 million per claim. Section A is subject to a \$2 million SIR for each accident, employee injury, or disease. Settlements have not exceeded coverage for each of the past three fiscal years.

The County's property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2.0% deductible (subject to a \$100,000 minimum) per unit within a 100-year flood zone (as determined by Federal Emergency Management Agency) and \$25,000 per unit deductible outside a 100-year flood zone. (A 'unit' is defined as; a separate building, contents in a separate building, property in the open (yard) or, time element coverage in a separate building.) The County's property is categorized into four towers and the overall all risk coverage is \$600 million. Earthquake (covering scheduled locations equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$90 million with an additional \$290.5 million excess rooftop limit available to any one tower. The excess rooftop limit may be triggered during the policy year if a covered earthquake event somewhere in the state has depleted the initial underlying limits. Earthquake coverage is subject to a deductible equal to 5.0% of replacement cost value per unit subject to a \$100,000 minimum per unit. Boiler and machinery coverage is included and provides up to \$100 million per accident in limits, with a \$5,000 per occurrence deductible. The limits in each tower are shared with other counties on a per event basis. Should a catastrophic event occur and losses exceed the limits, the County would be responsible.

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2015, are reported in these funds. Where certain ISF funds have an accumulated deficit or insufficient reserves, the County provides funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70.0% confidence level, an appropriate reduction in funding including a one-time holiday on department charges may be granted. For fiscal year 2014-15 the Board approved to continue reduced funding at slightly below the 55.0% confidence level for the general liability ISF and for the workers' compensation ISF. Funding for the medical malpractice ISF was at the 70.0% confidence level. Revenues for these internal service funds are primarily provided by other county departments and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and/or other uninsured liabilities. Cash available in the risk management and workers' compensation ISF at June 30, 2015, plus revenues to be collected during fiscal year 2015-2016 are expected to be sufficient to cover all fiscal year 2015-2016 payments. The carrying amount of unpaid claim liabilities is \$159.0 million. The liabilities are discounted at 2.0% for general liability and medical malpractice and 2.5% for workers' compensation.

	June 30, 2014	June 30, 2015
Unpaid claims, beginning of year	\$ 130,919	\$ 142,459
Increase (decrease) in provision for insured events of prior years	2,840	1,136
Incurred claims for current year	46,584	76,624
Claim payments	(37,884)	(61,267)
Unpaid claims, end of year	<u>\$ 142,459</u>	<u>\$ 158,952</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS

The RMC provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP) and Low Income Health Plan (LIHP) which ended on December 31, 2013 and was replaced by the Medi-Cal Managed Care AB85 Expansion Program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services (DHCS). Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. The RMC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the RMC and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited the RMC's Medicare cost reports thru June 30, 2012 and Medi-Cal cost reports through June 30, 2012. The RMC has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2012 and has also issued a (NPR) without audit for Medicare cost report year ending June 30, 2013. For Medi-Cal Fee for Service, the RMC is final settled thru the California public hospital P-14 cost reports. Notice of final settlement has been received thru June 30, 2007.

In September 2005, the State of California significantly modified its Medi-Cal program under a new waiver with the Centers for Medicare and Medicaid Services (CMS). In connection with the new waiver, the State legislature passed the Medi-Cal Hospital Uninsured Demonstration Project Act, or SB 1100, which replaced the SB 855 and SB 1255 programs. For the SB 1100 program, the State continues to provide supplemental payments to the hospital for uncompensated care. However, the use of intergovernmental transfers (IGTs) by the State, as the non-federal match, was modified to a methodology consisting of CPEs up to 50 percent of costs or Federal Medical Assistance Program (FMAP) rate. The RMC has recorded net patient revenue of \$75.6 million for SB 1100 for the fiscal year ended June 30, 2014, of which \$38.5 million is from the Delivery System Reform Incentive Program (DSRIP), a waiver incentive based payment component of the Section 1115 Medicaid Waiver.

All CPEs reported by the hospital will be subject to state and federal audit and final reconciliation process. If at the end of the final reconciliation process it is determined that the hospital's claimed CPEs resulted in an overpayment to the state, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

Waiver Reform

California's current Section 1115 Medicaid Demonstration Waiver which funds hospitals and indigent care expires this coming September 30, 2015. The (DHCS) has been working with the legislature to negotiate a successful new waiver with CMS that accomplishes the goal of continuing support of local Counties to maximize federal funds and improve the system of care.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS (Continued)

Redirection of 1991 State Health Realignment

Realignment was affected by California electing to implement a state-run Medicaid Expansion program thru the Affordable Care Act (ACA) , the State anticipates that counties' costs and responsibilities for the health care Services for the indigent population has decreased for much of this population who became eligible for coverage through Medi-Cal or the Healthcare Exchange offering affordable coverage thru Covered California. On June 27, 2013, Governor Brown signed into law AB85 that provides a mechanism for the State to redirect State health realignment funding to fund social service programs.

The redirected amount was determined according to an agreed to formula option for California's twelve public hospital system counties, thirty-four County Medical Services Program (CMSP) counties, and the remaining twelve counties (Article 13 counties). The formula options were developed in consultation with the counties and DHCS to ensure continued viability of the county safety net. For CMSP counties, AB85 outlines that 60% of health realignment that would have otherwise been received will be redirected, while the remaining two county groups had an option to either have 60% of health realignment redirected, or, to use a formula-based approach that takes into account a county's cost and revenue experience, and redirect 80% (70% in FY 13-14) of the savings realized by the county.

RMC has fully reserved for any potential liabilities due back to the State for any State health realignment overpayments estimated due back to the State from the savings realized by the County Health System for the Fiscal Year ended June 30, 2015 as a result of the AB85 formula.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The board of directors for each of these organizations is composed of one representative of each member organization. The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. The following jointly governed organizations were not included as either blended or discretely presented component units in these financial statements.

A representation of the jointly governed organizations on which the County served at June 30, 2015 follows:

The California State Association of Counties (CSAC) Excess Insurance Authority was formed in October 1979 and has a current membership of 52 California counties. The CSAC operates programs for excess workers' compensation, two excess liability programs, two property programs, and medical malpractice. It also provides support services for selected programs such as claims administration, risk management, loss prevention and training, and subsidies for actuarial studies and claims audits.

Coachella Valley Association of Governments was formed in November 1973. Currently, the association includes the following members: the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage; the local tribes of Agua Caliente Band of Cahuilla Indians and the Cabazon Band of Mission Indians; and Riverside County. The purpose of the Association is to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis.

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula for the purpose of serving as a forum for consideration, study, and recommendation on area-wide and regional problems.

Riverside County Habitat Conservation Agency (RCHCA) was formed in July 1990. The RCHCA is a Joint Powers Agreement Agency comprised of the cities of Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Perris, Riverside, Temecula, and the County of Riverside for the purpose of planning, acquiring, administering, operating, and maintaining land and facilities for ecosystem conservation and habitat reserves for the Stephen's Kangaroo Rat and other endangered species under Article 1, Chapter 5, Division 7, Title 1 of the Government Code.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Van Horn Regional Treatment Facility was organized in January 1991 with Los Angeles, San Diego, San Bernardino, Orange, and Riverside Counties for the purpose of constructing and operating a treatment center for emotionally disturbed minors. The Facility's Board of Directors consists of the Chief Probation Officer and the Director of Mental Health for each county.

Riverside County Abandoned Vehicle Abatement Authority was formed in June 1993 with those cities within the County that have elected to create and participate in the Authority, pursuant to Vehicle Code Section 22710. The purpose of the Authority is to implement a program and plan for the abatement of abandoned vehicles.

The March Joint Powers Commission was formed in August 1993 with the cities of Moreno Valley, Perris, and Riverside to formulate and implement plans for the use and reuse of March Air Force Base.

The Salton Sea Authority was formed in August 1993 with Imperial County, Imperial Irrigation District, and Coachella Valley Water District to direct and coordinate actions relating to improvement of water quality, stabilization of water elevation, and to enhance recreational and economic development potential of the Salton Sea and other beneficial uses.

Coachella Valley Regional Airport Authority was formed in April 1994 with the cities of Coachella, Indian Wells, Indio, La Quinta, and Palm Desert for the purpose of acting as a planning commission for the continued growth and development of Thermal Airport and the surrounding area.

Inland Empire Health Plan was formed with the County of San Bernardino in June 1994 to be the administrative body and governing board to form and develop a managed health care system for Medi-Cal recipients in the two counties through the Local Initiative.

Palm Springs Visitors and Convention Bureau were formed in December 1995 with those member cities located in the Coachella Valley area of the County. The purpose of the Authority is to encourage and promote all aspects of the hospitality, convention, and tourism industry in the Coachella Valley.

Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan were formed in January 2004 with the responsibility of issuing the permits required to implement the Multi-Species Habitat Conservation Plan, which will ultimately create a 500,000-acre reserve system in the County. The conservation plan's proposed reserve system protects habitat for 146 varieties of species.

Coachella Valley Conservation Commission (CVCC) was formed in October 2005. The CVCC is a Joint Powers Agreement Agency comprised of the cities of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, Riverside, and the Coachella Valley Water District as well as the Imperial Irrigation District. The purpose of the CVCC was to implement the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP). The CVMSHCP goal is to enhance and maintain biological diversity and ecosystem processes while allowing future economic growth.

Southern California Regional Airport Authority (SCRAA) was originally founded in 1985 by the joint powers authority to begin the process of regionalizing aviation. It has been reactivated in an attempt to reduce projected future passenger loads at Los Angeles International Airport (LAX), by spreading the growth in commercial air traffic to other regional airports. The Southern California Association of Governments (SCAG) has also coordinated dispersal planning of the significant new MAP (million air passengers) that would have to be absorbed at other airports if LAX's future MAP is reduced.

Coachella Valley Enterprise Zone Authority (CVEZA) was formed in September 2010 by the Joint Powers Agreement comprised of the County of Riverside, the City of Indio, and the City of Coachella. The purpose of the authority is to manage, coordinate, market, and administer economic development programs and projects in the enterprise zone areas.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN

General Information about the Pension Plans

Plan descriptions. The County, Flood Control, Park District, and Waste Resources contract with the CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance. CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual actuarial valuation report which summarizes plan assets, liabilities, and employer rates for its plans. Under GASB Statement No. 68, both the County (Miscellaneous and Safety) and Flood Control are agent multiple-employer defined benefit pension plans, while the Park District and Waste Resources are cost-sharing multi-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS CAFR may be obtained from: California Public Employees' Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, CA 94229-2701.

Benefits provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and plan beneficiaries. The County of Riverside has three retirement Tiers through the California Public Employee's Retirement System (CalPERS). Tier I - Applicable to employees hired prior to August 23, 2012. Formula is 3.0% at age 50 for County Safety employees and age 60 for all other plans. Tier II - Applicable to employees hired on or after August 23, 2012 through December 31, 2012. Formula is 2.0% at age 50 for County Safety employees and age 60 for all other plans. Tier III - Applicable to new CalPERS members hired on or after January 1, 2013 as a result of Public Employees' Pension Reform Act of 2013 (PEPRA), new lower retirement benefit formulas, final compensation periods, and contribution requirements were implemented. Formula is 2.7% at age 57 for County Safety employees and 2.0% at age 62 for all other plans. New members who were hired by Waste Resources on or after August 23, 2012 are applicable to the County Miscellaneous plan. Listed below is a table with the new retirement options and provision changes.

Summary of Benefits by plan:

	Plan	EPMC	Earliest Retirement Age	PEPRA Compensation Limits	Final Compensation	Effective Date
Tier I						
County Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
County Safety	3.0% at 50	Yes	50	N/A	12 months	N/A
Flood Control	3.0% at 60	Yes	50	N/A	12 months	N/A
Park District	3.0% at 60	Yes	50	N/A	12 months	N/A
Waste Resources	3.0% at 60	Yes	50	N/A	12 months	N/A
Tier II						
County Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
County Safety	2.0% at 50	No	50	N/A	36 months	8/23/2012
Flood Control	2.0% at 60	No	50	N/A	36 months	8/23/2012
Park District	2.0% at 60	No	50	N/A	36 months	8/23/2012
Waste Resources	N/A	N/A	N/A	N/A	N/A	N/A
Tier III (PEPRA)						
County Miscellaneous	2.0% at 62	No	52	\$ 117,020	36 months	1/1/2013
County Safety	2.7% at 57	No	50	\$ 140,424	36 months	1/1/2013
Flood Control	2.0% at 62	No	52	\$ 117,020	36 months	1/1/2013
Park District	2.0% at 62	No	52	\$ 117,020	36 months	1/1/2013
Waste Resources	N/A	N/A	N/A	N/A	N/A	N/A

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

Employees covered by benefit terms. At June 30, 2014, the following employees were covered by the benefit terms:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources
Inactive employees or beneficiaries currently receiving benefits	8,880	2,073	199	64	93
Inactive employees entitled to but yet receiving benefits	11,049	1,054	124	100	59
Active employees	15,530	3,448	230	107	29
	<u>35,459</u>	<u>6,575</u>	<u>553</u>	<u>271</u>	<u>181</u>

Contributions. Active plan members in CalPERS may be required to contribute up to 8.0% (Miscellaneous employees) and up to 9.0% (Safety employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statute.

The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used to establish the employer contribution rate are adopted by the CalPERS Board of Administration. The County, Flood Control, Park District, and Waste Resources are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

For fiscal year 2014-15, the employer and employee contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources
County contribution rates:					
County Tier I	14.5%	21.9%	18.0%	18.5%	22.1%
County Tier II	14.5%	21.9%	18.0%	8.7%	N/A
County Tier III	14.5%	21.9%	18.0%	6.7%	N/A
Plan Members contribution rates					
County Tier I	8.0%	9.0%	8.0%	8.0%	8.0%
County Tier II	7.0%	9.0%	7.0%	7.0%	N/A
County Tier III	6.5%	10.8% *	6.5%	6.5%	N/A

*During the term of Memorandum of Understanding (MOU), the employee contributions pursuant to the cost-sharing provision cannot exceed less than that which the employees are obligated under the MOU to contribute.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

Actuarial assumptions. For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

By Plan	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Asset Valuation Method	Market Value of Assets	Market Value of Assets	Market Value of Assets	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:					
Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services
Investment Rate of Return:	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality Rate Table for all Plans ⁽¹⁾	Derive using CalPERS' Membership Data for all Funds				
Post Retirement Benefit Increase	Contract COLA up to 2.8% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.8% thereafter				

*Net of Pension Plan Investment and Administrative Expenses; including inflation

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. More details on this table are available in 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations are accounted for as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class applied to all plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

<u>Asset Class</u>	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employee Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB Statement No. 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. This difference was deemed immaterial to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time when there is a methodology change.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability for Agent Multiple-Employer Plans

The following table shows the changes in net pension liability recognized over the measurement period (In thousands).

By Plan:	County Miscellaneous			County Safety			Flood Control		
	Increase (Decrease)			Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)
Balance at 06/30/13	\$ 5,048,239	\$ 3,804,999	\$ 1,243,240	\$ 2,425,684	\$ 1,779,847	\$ 645,837	\$ 146,854	\$ 102,534	\$ 44,320
Changes of the year:									
Service cost	158,164	-	158,164	77,706	-	77,706	2,659	-	2,659
Interest on the Total Pension Liability	377,221	-	377,221	181,393	-	181,393	10,889	-	10,889
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-	-
Contributions - employer	-	134,673	(134,673)	-	72,947	(72,947)	-	2,793	(2,793)
Contributions - employee	-	69,872	(69,872)	-	28,396	(28,396)	-	1,394	(1,394)
Net investment income	-	666,911	(666,911)	-	312,502	(312,502)	-	17,670	(17,670)
Benefit payments, including refunds of employee contributions	(195,420)	(195,420)	-	(91,921)	(91,921)	-	(6,007)	(6,007)	-
Net changes	339,965	676,036	(336,071)	167,178	321,924	(154,746)	7,541	15,850	(8,309)
Balance at 06/30/14	\$ 5,388,204	\$ 4,481,035	\$ 907,169	\$ 2,592,862	\$ 2,101,771	\$ 491,091	\$ 154,395	\$ 118,384	\$ 36,011

Changes in the Aggregate and Plan Net Pension Liability for Cost Sharing Employer Plans

The following table shows the changes in net pension liability recognized over the measurement period for the entire risk pool (In thousands).

By Plan:	Park District			Waste Resources		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)
Balance at 06/30/13	\$ 32,127	\$ 23,881	\$ 8,246	\$ 39,403	\$ 28,550	\$ 10,853
Changes of the year:						
Service cost	1,029	-	1,029	529	-	529
Interest on the Total Pension Liability	2,392	-	2,392	2,933	-	2,933
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	753	(753)	-	900	(900)
Contributions - employee	-	385	(385)	-	194	(194)
Net investment income	-	4171	(4,171)	-	4,987	(4,987)
Benefit payments, including refunds of employee contributions	(1,509)	(1,509)	-	(1,117)	(1,117)	-
Adjustment due to Differences in Proportions	-	169	(169)	-	(218)	218
Net changes	1,912	3,969	(2,057)	2,345	4,746	(2,401)
Balance at 06/30/14	\$ 34,039	\$ 27,850	\$ 6,189	\$ 41,748	\$ 33,296	\$ 8,452

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

The following table shows the proportionate share of the net pension liability over the measurement period.

By Plan	Park District			Waste Resources		
	Increase (Decrease)			Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability	Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)
Balance at 06/30/2013	\$ 32,127	\$ 23,881	\$ 8,246	\$ 39,403	\$ 28,550	\$ 10,853
Balance at 06/30/2014	\$ 34,039	\$ 27,850	\$ 6,189	\$ 41,748	\$ 33,296	\$ 8,452
Net changes during 2013-14	\$ 1,912	\$ 3,969	\$ (2,057)	\$ 2,345	\$ 4,746	\$ (2,401)

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the County and Flood Control, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate (In thousands):

Net Pension Liability By Plan	Current		
	Discount Rate - 1% (6.5%)	Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
County Miscellaneous	\$ 1,670,089	\$ 907,169	\$ 278,575
County Safety	877,234	491,091	176,235
Flood Control	56,422	36,011	19,056

The following presents the net pension liability of the Park District and Waste Resources, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if the discount rate was used as 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate (In thousands):

Proportionate Share of Net Pension Liability By Plan	Current		
	Discount Rate - 1% (6.5%)	Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Park District	10,700	6,186	2,440
Waste Resources	13,990	8,452	3,856

Pension plan fiduciary net position. Detailed information about the pension's plan fiduciary net position is available in the separately issued CalPERS financial report. The pension's plan fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, CalPERS must keep deficiency reserves, fiduciary self-insurance, and OPEB expense as assets. These amounts are excluded for rate setting purposes in the actuarial valuation report. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows related to pensions and are to be recognized in future pension expense.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2013-14 measurement period was obtained by dividing the total service years of the sum of remaining service lifetimes of the active employees by the total number of participants: (active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year-ended June 30, 2015, the County recognized pension expense of \$170.1 million. For the measurement period ending June 30, 2014, the Park District and Waste Resources reported a liability of \$6.2 million and \$8.5 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on a projection of long term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Park District's and Waste Resources' proportions were 0.25041 and 0.34198 percent, which was a decrease of 0.00126 and an increase of 0.01076 from its proportion measured as of June 30, 2013.

At June 30, 2015, the deferred outflows of resources and deferred inflows of resources related to pensions are reported from the following sources (In thousands):

Deferred Outflows of Resources By Plan:	Agent Multiple-Employer			Cost Sharing Employer		Total
	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources	
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change of assumptions	-	-	-	-	-	-
Adjustment due to Differences in Proportions	N/A	N/A	N/A	-	161	161
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	132,619	71,228	2,985	950	189	207,971
Total	\$ 132,619	\$ 71,228	\$ 2,985	\$ 950	\$ 350	\$ 208,132

\$208.0 million reported as deferred outflows of resources related to pensions resulting contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 20 – RETIREMENT PLAN (Continued)

Deferred Inflows of Resources By Plan:	Agent Multiple-Employer			Cost Sharing Employer		Total
	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources	
Net difference between projected and actual earnings on pension plan investments	\$ (305,964)	\$ (143,389)	\$ (8,066)	\$ (1,913)	\$ (2,287)	\$ (461,619)
Adjustment due to Differences in Proportions	N/A	N/A	N/A	(124)	-	(124)
Total	<u>\$ (305,964)</u>	<u>\$ (143,389)</u>	<u>\$ (8,066)</u>	<u>\$ (2,037)</u>	<u>\$ (2,287)</u>	<u>\$ (461,743)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows by measurement period ended June 30 (In thousands):

By Plan	County Miscellaneous	County Safety	Flood Control	Park District	Waste Resources	Total
2015	(76,491)	(35,847)	(2,016)	(522)	(514)	(115,391)
2016	(76,491)	(35,847)	(2,016)	(522)	(514)	(115,391)
2017	(76,491)	(35,847)	(2,016)	(514)	(526)	(115,395)
2018	(76,491)	(35,847)	(2,016)	(479)	(572)	(115,406)
2019	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
	<u>\$ (305,964)</u>	<u>\$ (143,389)</u>	<u>\$ (8,066)</u>	<u>\$ (2,037)</u>	<u>\$ (2,126)</u>	<u>\$ (461,582)</u>

Payable to the Pension Plan

At June 30, 2015, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2015.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The County provides a part-time and temporary employees' retirement plan (the Plan) to provide retirement benefits to eligible employees as a substitute for benefits under social security. The Plan is an IRS Section 401(a) defined benefit plan. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's investment consultant, investment manager and trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value. No financial report has been issued separately for public view under defined benefit pension plan.

Benefits provided. Retirement benefits are determined as 2.0 percent of the employee's compensation and payable as a single life annuity. The eligible retirement age is 65. Participants are immediately 100% vested in the Plan upon enrollment. Benefits are payable for the life of the employee only. The normal retirement benefit is accrued to the date of termination. A lump sum distribution is paid if the actuarial equivalent benefit is less than \$5,000. Actuarial Equivalence for this purpose is based on the greater of the factor produced under the UP1984 unisex mortality table at 6% or the applicable mortality table and interest rate under 417(e).

Employees covered by benefit terms. At June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	192
Inactive employees entitled to but yet receiving benefits	6,161
Active employees	<u>2,172</u>
	<u>8,525</u>

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 1, 2014 valuation, the County's current required contribution rate is 0.5%, however, the County elected to contribute 1.6 % of payroll in order to obtain a 90.0% target funded ratio within 5 years. The Plan's current funded ratio is 95.3%. The Plan actuary annually calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Net Pension Liability

The County's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Actuarial Cost Method Asset Valuation Method	Entry Age Market Value of Assets
Actuarial Assumptions	
Inflation	2.8%
Salary Increases	3.0%
Payroll Growth	3.0%
Investment Rate of Return:	6.5%

Mortality rates are based on the most recent CalPERS mortality table developed in 1997-2011 CalPERS Experience Study, with generational future improvement using scale MP-2014.

The actuarial assumption is used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Nominal</u>	
		<u>Return</u>	<u>Expected Volatility</u>
Cash	0.99%	3.2%	2.0%
Domestic equity	66.96%	9.7%	19.5%
Fixed income	32.05%	3.7%	5.0%

Discount rate. The discount rate used to measure the total pension liability was 6.5 percent. The project cash flow used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability (In thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at 06/30/13	\$ 27,003	\$ 26,805	\$ 198
Changes of the year:			-
Service cost	1,557	-	1,557
Interest at 6.5%	1,800	-	1,800
Differences between expected and actual experience	1,146	-	1,146
Contributions - employer	-	956	(956)
Contributions - employee	-	1,394	(1,394)
Net investment income at 16.5%	-	4,437	(4,437)
Benefit payments, including refunds of employee contributions	(1,762)	(1,762)	-
Administrative expense	-	(228)	228
Other changes	-	-	-
Net changes	2,741	4,797	(2,056)
Balance at 06/30/14	\$ 29,744	\$ 31,602	\$ (1,858)

Changes in Assumptions and Methods since the Prior Valuation

- 1) Mortality – mortality table changed from Internal Revenue Service (IRS) small plan combined table (projection of RP2000 Mortality) plus generational mortality improvements using scale AA to RP-2014 combined annuitant/non-annuitant mortality table with MP-2014 mortality projection scale.
- 2) Demographic Rates (retirement, termination, mortality) for Full-time Actives were changed to be based on the most recent CalPERS rates developed in the 1997-2011 Experience Study for Miscellaneous.
- 3) Value of Assets – for funding contribution, assets are adjusted for differences between actual and expected earnings, which are amortized over a 5 year period.
- 4) Administrative Expenses – increased from \$200,000 to \$225,000 per year to reflect most recent experience

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate (In thousands):

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
County's net pension liability	\$ 3,130,512	\$ (1,857,698)	\$ (5,785,600)

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan fiduciary net position

Statement of Fiduciary Net Position June 30, 2015		Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended June 30, 2015	
<u>ASSETS</u>	<u>Pension Trust</u>	ADDITIONS:	
Cash and investments	\$ 31,689	Contribution to pension trust:	
Accounts receivable	104	Employer	\$ 529
Total assets	<u>31,793</u>	Employee	1,266
		Interest and investment income	204
<u>LIABILITIES</u>		Total additions	<u>1,999</u>
Accounts payable	-		
Total liabilities	<u>-</u>	DEDUCTIONS:	
		Benefits paid to participants	1,803
<u>NET POSITION</u>		Total deductions	<u>1,803</u>
Held in trust for pension benefits	<u>\$ 31,793</u>	Change in net position	196
		Net position held in trust, beginning of the year	31,597
		Net position held in trust, end of the year	<u>\$ 31,793</u>

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows of resources and deferred outflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Recognition of Gains and Losses (Continued)

The EARSLS is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSLS for the Plan for the 2013-14 measurement period is 8.04 years, which was obtained by dividing the total service years of 68,541 (the sum of remaining service lifetimes of the active employees) by 8,525 (total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year-ended June 30, 2015, the County recognized pension expense of \$54.0 thousand. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (In thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,003	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,146)
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	529	-
Total	<u>\$ 1,532</u>	<u>\$ (2,146)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (In thousands):

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (394)
2017	(394)
2018	(394)
2019	(394)
2020	143
Thereafter	290

Payable to the Pension Plan

At June 30, 2015, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2015.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County and its Special Districts: Flood Control, Park District, and Waste Resources offer post employment benefits to eligible County retirees. Benefit provisions are established and amended through negotiations between the County and the various bargaining units.

The post employment benefits provide:

- The County provides retiree medical benefits for eligible retirees enrolled in County sponsored plans. The benefits are provided in the form of:
 - Monthly County contributions toward the retiree's medical premium, and
 - Monthly contributions of \$25 per month to the Riverside Sheriffs' Association (RSA) Benefit Trust for RSA law enforcement retirees.
- Previously, the County allowed certain retirees to receive coverage prior to age 65 by paying premiums that were developed by blending active and retiree costs, which resulted in an implicit subsidy to retirees. The implicit subsidy has been discontinued since January 1, 2011.

A qualified Internal Revenue Code Section 115 Trust has been established for the County and Special Districts, with the exception of Waste Resources, with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of receiving employer contributions that will prefund health and other post employment costs for retirees and their beneficiaries. The CERBT administers each plan's assets and issues a financial report available for public review, which includes financial statements and required supplementary information for the trust fund. The CERBT report may be obtained from CalPERS Affiliate Programs Services Division, CERBT (OPEB), P.O. Box 1494 Sacramento, CA 95812-1494.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy and Annual OPEB Cost

It is the policy of the County, along with the special districts (Park District and Flood Control) to fully contribute an amount at least equal to the Annual Required Contribution (ARC), as determined by the Post Retirement Benefits Actuarial Valuation for each trust. To facilitate funding for the ARC, the County has developed a rate structure. It is the policy of the Waste Resources to fund the ARC on a pay-as-you-go basis.

Contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the respective bargaining units. The liabilities and annual cost due to the County's contractual agreements to assist with retiree health care cost are calculated in accordance with Government Accounting Standards Board (GASB) Statement No. 45. GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (12 years for Waste Resources).

The County's annual OPEB cost for the current year and the related information for each plan are as follows (In thousands, except for contribution rates):

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Resources</u>
Contribution rates:				
County	Bargaining Unit Determined \$25-\$256	Bargaining Unit Determined \$25-\$256	Bargaining Unit Determined \$25-\$256	Bargaining Unit Determined \$25-\$256
Plan members	\$528-\$1,323	\$528-\$1,323	\$528-\$1,323	\$528-\$1,323
Annual required contribution	\$ 1,346	\$ 3	\$ -	\$ 140
Interest on net OPEB obligation	(2,051)	(44)	(21)	3
Adjustment to annual required contribution	1,647	11	17	(126)
Annual OPEB cost	942	(30)	(4)	17
Contributions made	(4,396)	(25)	(9)	(3)
Increase in net OPEB obligation (asset)	(3,454)	(55)	(13)	14
Net OPEB obligation (asset) beginning of year	(25,944)	(577)	(299)	126
Net OPEB obligation (asset) end of year	<u>\$ (29,398)</u>	<u>\$ (632)</u>	<u>\$ (312)</u>	<u>\$ 140</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years for each of the plans were as follows (In thousands):

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
County	06/30/13	\$ 2,272	220.6 %	\$ (25,575)
	06/30/14	1,974	118.7	(25,944)
	06/30/15	942	466.7	(29,398)
Flood Control	06/30/13	13	530.8	(539)
	06/30/14	12	416.7	(577)
	06/30/15	(30)	83.3	(632)
Park District	06/30/13	(4)	100.0	(285)
	06/30/14	(5)	180.0	(299)
	06/30/15	(4)	225.0	(312)
Waste Resources	06/30/13	117	3.4	113
	06/30/14	16	18.8	126
	06/30/15	17	17.7	140

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

The following is funded status information for each plan as of July 1, 2014, which is the most recent actuarial valuation date (In thousands):

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Resources</u>
Actuarial accrued liability (a)	\$ 40,121	\$ 479	\$ 132	\$ 982
Actuarial value of plan assets (b)	34,098	532	259	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ 6,023</u>	<u>\$ (53)</u>	<u>\$ (127)</u>	<u>\$ 982</u>
Funded ratio (b) / (a)	85.0%	111.1%	196.2%	0.0%
Covered payroll (c)	\$ 1,152,127	\$ 16,297	\$ 4,607	\$ 2,495
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	0.5%	-0.3%	-2.8%	39.4%

Actuarial valuations are estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are projected about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information reflecting whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant costing methods and projected assumptions were as follows:

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Resources</u>
Actuarial valuation date	7/1/2014	7/1/2014	7/1/2013	7/1/2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, close
Remaining amortization period	30 years	30 years	30 years	12 years
Actuarial assumptions:				
Investment rate of return	7.3%	7.3%	7.4%	4.5%
Projected salary increases	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate (initial)	5.0%	10.0%	10.0%	10.0%
Healthcare inflation rate (ultimate)	4.0%	5.0%	5.0%	5.0%
Inflation rate	2.8%	2.8%	2.8%	3.0%

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

The County has been named as a defendant in various lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, such loss has been accrued in the accompanying basic financial statements. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the County.

Property Tax Administration Fee

On July 7, 2010, the Court of Appeal of the State of California issued a decision in favor of the cities and against the County of Los Angeles in a case brought by 47 cities regarding the calculation of Property Tax Administration Fees (PTAF). The legal issue in dispute is whether counties can include “flip” and “swap” revenues in the calculation of administrative costs that counties recover from cities. At the trial court level, the court-appointed Referee had concluded that the County of Los Angeles’ calculation of the PTAF starting in fiscal year 2006-07 comported with Section 97.75 of California’s Revenue and Taxation Code. The Court of Appeal reversed the judgment and remanded for further proceedings, holding that the County of Los Angeles’ method of calculating its fee under Section 97.75 was unlawful. It is expected that the County of Los Angeles will petition the California Supreme Court for review. In the opinion of management, the decision to the case is significant for the County of Riverside because of similar claims against this County. The potential financial impact to the County related to the outcome of this case averages approximately \$7.2 million in tax administration fees for fiscal year 2006-07 through fiscal year 2011-12. There was no outstanding balance as total payments were completed as of June 30, 2015.

County of Riverside Redevelopment Successor Agency

It is reasonably possible that the State Department of Finance could invalidate some but not all of the obligations reported on the Successor Agency’s Recognized Obligation Payment Schedule (ROPS). Sec. 34171 (d) (1) of the Health and Safety Code recognizes bonds as enforceable obligations, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service. The majority of the total outstanding obligations reported on the ROPS of the Successor Agency to the RDA (92.0%) consist of bond debt service payments. The range of potential loss of revenue is only between \$0 to \$126.6 million spread over the remaining life of the Successor Agency through 2045.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2014, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that could be disallowed by the granting agencies cannot be determined at this time; however, County management does not expect such amounts, if any, to be material to the basic financial statements. The fiscal year 2014-15 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 31, 2016.

Commitments

At June 30, 2015 the County had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts were financed through either the general fund or capital projects funds. \$458.4 million will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Resources Department entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste Resources has completed the installation of both of the planned landfill liners and does not anticipate the need for any additional liner expansion projects in the next five year.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Remediation Contingencies

Governmental Funds

Release of gasoline and diesel fuel has been reported at seven underground storage tanks. Orders have been issued by the California Regional Water Quality Control Board (CRWQCB) to assess and cleanup these sites by specific dates. It has determined the remediation plan and monitoring action are required. In addition to groundwater contamination, asbestos has been found in six facilities. As of June 30, 2015 the governmental activities reflect a \$2.0 million accrued remediation liability (Note 14). The liability has been calculated using the expected cash flow technique. The liability is subject to change over time. Cost may vary due to price fluctuations, changes in technology, results of environmental studies, changes to statute or regulations and other factors that could result in revisions to these estimates.

Enterprise Funds

Waste Resources Department has established restricted cash funds to set aside for future remediation costs as they are required to be performed. Investments of \$29.9 million are held for these purposes at June 30, 2015 and are classified as accrued remediation in the statements of net position.

The Department is aware of air/gas contamination at 17 landfills, 11 of which are closed, and required to have corrective action plans. Based on engineering studies, Waste Resources estimates the present value of the total costs of corrective action for foreseeable contaminate releases at \$36.1 million. At June 30, 2015, the Department has accrued \$29.9 million for the estimated costs required by CalRecycle and the Regional Water Quality Control Board (RWQCB), related to the outstanding remediation projects as needed at these landfills.

In addition to the liability amounts calculated per CalRecycle regulations that are designated to the Escrow Funds, the Department is also responsible for the corrective action costs related to Nineteen (19) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2015 the corrective action is estimated at \$3,635,522.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Encumbrances

The County uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchases orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. As of June 30, 2015, the encumbrance balances for the governmental funds are reported as follows (In thousands):

	<u>Restricted</u>	<u>Assigned</u>	<u>Total</u>
Major Governmental Funds			
General Fund:			
Capital improvement projects	\$ -	\$ 289	\$ 289
Community improvement	-	53	53
Other purposes	-	520	520
Probation	-	1,989	1,989
Public health	-	863	863
Registrar of voters	-	112	112
Sheriff correction	-	1,318	1,318
Transportation:			
Equipment	655	-	655
Roads	-	578	578
Public Facilities Improvements Capital Projects:			
Capital improvement projects	-	952	952
Nonmajor Governmental Funds			
Special Revenue Funds:			
Parks	125	-	125
Public health	253	-	253
Sheriff correction	215	-	215
Total Encumbrances	<u>\$ 1,248</u>	<u>\$ 6,674</u>	<u>\$ 7,922</u>

NOTE 24 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 2015, the County issued \$250.0 million in Tax and Revenue Anticipation Notes in the form of a 2016 Maturity bond due June 30, 2016. The stated interest rate for the bond is set at 2.0% per annum with a yield of 0.3%. In accordance with California law, the TRANS bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2016 and legally available for payment thereof. Proceeds for the bonds will be used for fiscal year 2016 general fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certificates of Participation

On September 2015, Fitch, one of the three major credit ratings, has assigned the County's bonds and certificates of participation ratings as follows:

- Riverside County implied general obligation (GO) bond rating at 'AA-',
- Riverside County pension obligation bonds (POB-series 2005A) at 'A+',
- Riverside County certificates of participation (COPs-, 2005A, 2005B, 2007A, 2007B, 2009) at 'A+',
- Riverside County Asset Leasing Corporation certification of participation (CORAL- COPS/series 2006A and lease revenue bonds (LRBs), series 1997A, 1997B, 1997C, 2013A) at 'A+',
- Riverside County Public Financing Authority (LRBs) (series 2012) at 'A+',
- Southwest Communities Financing Authority lease revenue bonds (LRBs) (series 2008A) at 'A+'.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2015

NOTE 24 – SUBSEQUENT EVENTS (Continued)

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated the County's miscellaneous and safety contribution rates for fiscal year 2015-16 will be 15.4% and 23.6%, respectively. Fiscal year 2016-17 contribution rates for miscellaneous and safety are estimated at 17.0% and 27.4%, respectively. They will be accounted for in fiscal year 2014-15 and future budget years.

CORAL

On November 1, 2015, the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, Series 2015 A (Capital Improvement Projects Refunding) were issued by the County Infrastructure Financing Authority to (i) refund approximately \$86.4 million aggregate principal amounts for the outstanding certificates of participation for the series 2005 A Capital Improvement Project; (ii) pay the costs of issuance of the Series 2015 A Bonds.

Housing Authority

Housing Authority of the County adopted the subsequent events topic of the GASB accounting standards, which require disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Authority's activity through, the audit report date, and has concluded that the following pertinent information should be disclosed.

The Housing Authority is currently working on applications to take part in the Rental Assistance Demonstration Program (RAD), which is voluntary program of the Department of Housing, the Urban Development (HUD). RAD seeks to preserve public housing by providing Public Housing Agencies, such as the Housing Authority, with access to more stable funding to make needed improvements to properties, RAD provides a way to rehabilitate, or repair, units without depending on additional money from the public sector.

The Housing Authority currently owns and operates 469 units of affordable housing with the County of Riverside. Funding to maintain these units is derived from the public housing program. The public housing program has continued to be underfunded through the years with additional budget cuts to the capital fund program that provides the income source for the modernization of public housing units. This dilemma has forced preventive maintenance. Therefore, the RAD would provide an opportunity for the Housing Authority to convert projects funded under the public housing program to long-term, project-based Section 8 rental assistance contracts, through the project-based voucher component of the RAD.

Regional Park and Open Space District

On July 9, 2015, the Board of Supervisors authorized the transfer of Fund 33200 (Perret Park) from the Economic Development Agency to the District. This transfer includes all assets, liabilities, and the related fund balance, in addition to full ownership and rights to the related tax revenues.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING
MEASUREMENT PERIOD**
(Dollar amounts in thousands)

Agent Multiple Employer Plan

Measurement Period	County Misc. 2013-14 ⁽¹⁾	County Safety 2013-14 ⁽¹⁾	Flood Control 2013-14 ⁽¹⁾
Total pension liability			
Service cost	\$ 158,164	\$ 77,706	\$ 2,659
Interest	377,221	181,393	10,889
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(195,420)	(91,921)	(6,007)
Net change in total pension liability	<u>339,965</u>	<u>167,178</u>	<u>7,541</u>
Total pension liability - beginning	<u>5,048,239</u>	<u>2,425,684</u>	<u>146,854</u>
Total pension liability - ending (a)	<u><u>\$ 5,388,204</u></u>	<u><u>\$ 2,592,862</u></u>	<u><u>\$ 154,395</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 134,673	\$ 72,947	\$ 2,793
Contributions - employee	69,872	28,396	1,394
Net investment income	666,911	312,502	17,670
Benefit payments, including refunds of employee contributions	(195,420)	(91,921)	(6,007)
Other Changes in Fiduciary Net Position	-	-	-
Net change in plan fiduciary net position	<u>676,036</u>	<u>321,924</u>	<u>15,850</u>
Plan fiduciary net position - beginning	<u>3,804,999</u>	<u>1,779,847</u>	<u>102,534</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,481,035</u></u>	<u><u>\$ 2,101,771</u></u>	<u><u>\$ 118,384</u></u>
Plan's net position liability - ending (a) - (b)	<u><u>\$ 907,169</u></u>	<u><u>\$ 491,091</u></u>	<u><u>\$ 36,011</u></u>
Plan fiduciary net position as a percentage of the total pension liability	83.2%	81.1%	76.7%
Covered-employee payroll	\$ 842,865	\$ 279,508	\$ 15,385
Plan's net pension liability as a percentage of covered-employee payroll	107.6%	175.7%	234.1%

⁽¹⁾ Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes for which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: There were no changes in assumptions.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015
SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Agent Multiple Employer Plan

	<u>County Misc.</u>	<u>County Safety</u>	<u>Flood Control</u>
Fiscal year	2013-14*	2013-14*	2013-14*
Actuarial determined contribution	\$ 131,378	\$ 71,295	\$ 2,793
Contributions in relation to the actuarially determined contribution	(134,673)	(72,947)	(2,793)
Contribution deficiency (excess)	<u>\$ (3,295)</u>	<u>\$ (1,652)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 842,865	\$ 279,508	\$ 15,385
Contributions as a percentage of covered-employee payroll	16.0%	26.1%	18.2%

* Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2013-14 were from the June 30, 2011 public agency valuations.

	<u>County Miscellaneous</u>	<u>County Safety</u>	<u>Flood Control</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining amortization period	32 years as of the Valuation Date	25 years as of the Valuation Date	25 years as of the Valuation Date
Asset valuation method	15-year Smoothed Market	15-year Smoothed Market	15-year Smoothed Market
Inflation	2.8%	2.8%	2.8%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Payroll growth	3.0%	3.0%	3.0%
Investment rate of return*	7.5%	7.5%	7.5%

The Retirement Age is determined by the probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

The Mortality is based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Net of Pension Plan Investment and Administrative Expense; includes inflation.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS**

As of the Measurement Date
(Dollar amounts in thousands)

Cost Sharing Multiple Employer Plan

Measurement Period	Park District 2013-14 ⁽¹⁾	Waste Resources 2013-14 ⁽¹⁾
Plan's proportion of the net pension liability (asset)	0.09946%	0.13583%
Plan's proportionate share of the net pension liability (asset)	\$ 6,189	\$ 8,452
Plan's covered-employee payroll	\$ 5,087	\$ 2,518
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	121.7% *	335.6%
Plan's proportion of fiduciary net position as a percentage of the Plan's total pension liability	81.8%	79.8%
Plan's proportionate share of aggregate employer contributions	\$ 753	\$ 900

⁽¹⁾ Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Cost Sharing Multiple Employer Plan

	Park District	Waste Resources
Fiscal year	2013-14*	2013-14*
Actuarial determined contribution	\$ 796	\$ 513
Contributions in relation to the actuarially determined contribution	(796)	(513)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 5,087	\$ 2,518
Contributions as a percentage of covered-employee payroll	15.6% *	20.4%

*Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015
SCHEDULE OF PLAN CONTRIBUTIONS (Continued)
(Dollar amounts in thousands)

Notes to Schedule

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes for which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: There were no changes in assumptions.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING
MEASUREMENT PERIOD**
(Dollar amounts in thousands)

Riverside County – Part-time and Temporary Help Retirement

Measurement Period	2013-14
Total pension liability	
Service cost	\$ 1,557
Interest	1,800
Changes of benefit terms	-
Differences between expected and actual experience	1,146
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,762)
Net change in total pension liability	2,741
Total pension liability - beginning	27,003
Total pension liability - ending (a)	<u>\$ 29,744</u>
Plan fiduciary net position	
Contributions - employer	\$ 956
Contributions - employee	1,394
Net investment income	4,437
Benefit payments, including refunds of employee contributions	(1,762)
Administrative expense	(228)
Other	-
Net change in plan fiduciary net position	4,797
Plan fiduciary net position - beginning	26,805
Plan fiduciary net position - ending (b)	<u>\$ 31,602</u>
Net position liability (asset) - ending (a) - (b)	<u>\$ (1,858)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.2%
Covered-employee payroll	\$ 29,517
Net pension asset as a percentage of covered-employee	6.3%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING
MEASUREMENT PERIOD (Continued)**

Notes to Schedule:

Changes of assumptions:

- 1) Mortality – mortality table changed from IRS small plan combined table (projection of RP2000 Mortality) plus generational mortality improvements using scale AA to RP-2014 combined annuitant/non-annuitant mortality table with MP-2014 mortality projection scale.
- 2) Demographic Rates (retirement, termination, mortality) for Full-time Actives were changed to be based on the most recent CalPERS rates developed in the 1997-2011 Experience Study for Miscellaneous.
- 3) Value of Assets – for funding contribution, assets are adjusted for differences between actual and expected earnings, which are amortized over a 5 year period.
- 4) Administrative Expenses – increased from \$200,000 to \$225,000 per year to reflect most recent experience

SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Riverside County – Part-time and Temporary Help Retirement

	Fiscal year 2013-14
Actuarial determined contribution	\$ 956
Contributions in relation to the actuarially determined contribution	(956)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 29,517
Contributions as a percentage of covered-employee payroll	3.2%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

Notes to Schedule

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level-Dollar Projected Payroll
Remaining amortization period	20 –year Amortization of Unfunded Liability, plus Normal Cost, less expected Employee Contributions
Asset valuation method	Market Value

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2015

SCHEDULE OF PLAN CONTRIBUTIONS (Continued)

Inflation	3.0%
Salary increases:	3.0%
Investment rate of return	6.5% (net of administrative expense)
Retirement age	65
Mortality	<p><i>Actives</i></p> <p>RP-2014 combined annuitant/non-annuitant mortality table with generational future improvement using scale MP-2014.</p>

Full-time Actives (no longer accruing benefits)

Mortality rates are based on the most recent CalPERS mortality table developed in the 1997-2011 CalPERS Experience Study, with generational future improvements using scale MP-2014.

Age	Male	Female
30	0.05%	0.03%
40	0.08%	0.05%
50	0.16%	0.11%
60	0.35%	0.22%
70	1.77%	1.26%
80	5.28%	3.69%
90	16.19%	12.33%

OPEB – SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

County of Riverside

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$ 22,572	\$ 42,850	\$ 20,278	52.68 %	\$ 1,026,755	1.97 %
July 1, 2013	26,764	43,829	17,065	61.06	1,096,375	1.56
July 1, 2014	34,098	40,121	6,023	84.99	1,152,127	0.52

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$ 269	\$ 482	\$ 213	55.81 %	\$ 15,600	1.37 %
July 1, 2013	321	494	173	64.98	15,339	1.13
July 1, 2014	532	479	(53)	111.06	16,297	-0.33