

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



ITEM  
2.15  
(ID # 3340)

**MEETING DATE:**  
Tuesday, January 17, 2017

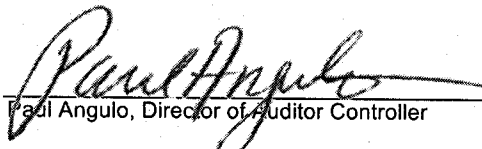
**FROM:** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Fiscal Year 2015-16 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (Financial Highlights), and Report on Statement on Auditing Standards (SAS) 114 The Auditors' Communication with those Charged with Governance. [All Districts]; [\$0].

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file the attached Comprehensive Annual Financial Report, Financial Highlights, and Report on SAS 114 for the fiscal year ended June 30, 2016

**ACTION:** Consent

  
Paul Angulo, Director of Auditor Controller 1/10/2017

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$	\$	\$	\$
<b>NET COUNTY COST</b>	\$	\$	\$	\$
<b>SOURCE OF FUNDS:</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	15/16


**C.E.O. RECOMMENDATION:** APPROVE

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

**Ayes:** Jeffries, Tavaglione, Washington and Ashley  
**Nays:** None  
**Absent:** None  
**Date:** January 17, 2017  
**xc:** Auditor

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy  
**2.15**

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

**BACKGROUND:**

**Summary**

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

The Financial Highlights provides a 22-page recap of the County's financial information in an easy-to-read format. The financial information contained in this publication is derived from the County's 226 pages CAFR for Fiscal Year 2015-16.

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

**Impact on Residents and Businesses**

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

**ATTACHMENT A.** Comprehensive Annual Financial Report

**ATTACHMENT B.** Popular Annual Financial Report

**ATTACHMENT C.** SAS 114 Report



*SUNNYLANDS CENTER & GARDENS, RANCHO MIRAGE*

*COUNTY OF RIVERSIDE, CALIFORNIA*

*POPULAR ANNUAL FINANCIAL REPORT*

*FISCAL YEAR ENDED JUNE 30, 2016*

*PAUL ANGULO, CPA, MA  
COUNTY AUDITOR-CONTROLLER*

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## A message from your **AUDITOR-CONTROLLER**

Dear Fellow Americans,

As Riverside County's Auditor-Controller, I am honored to serve as the County's top fiscal officer. Under my leadership, we have set a higher standard of performance, and I am pleased to report that we have achieved great results.

This publication of the Popular Annual Financial Report better known as *Financial Highlights* is designed to provide readers with an easy to understand summary of the County's activities and related information. The financial information in this report is unaudited, and it is presented in a non-GAAP (Generally Accepted Accounting Principles) basis. This report does not include information on discretely presented component units, fiduciary funds, nor does it contain the lengthy note disclosures. The information for this report is drawn exclusively from the County's primary financial report known as the *Comprehensive Annual Financial Report (CAFR)*. Both reports provide results for the fiscal year ended June 30, 2016.



The CAFR is independently audited by Brown Armstrong Accountancy Corporation and is prepared in conformity with GAAP. The CAFR also provides extensive information about county activities.

Both the *Comprehensive Annual Financial Report* and *Financial Highlights* are available at my office and online at [www.auditorcontroller.org](http://www.auditorcontroller.org). We welcome your questions and comments regarding the data contained in these reports.

Respectfully,

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

### **Fraud, Waste, and Abuse Program**

As part of our role in the stewardship and oversight of public funds, our office initiated a countywide fraud, waste, and abuse prevention program in 2009, known as **Riverside County Fraud Hotline**. The program provides employees and citizens with easy and anonymous ways to participate in helping the County protect its financial resources, as well as identify potential fraud, waste and abuse.

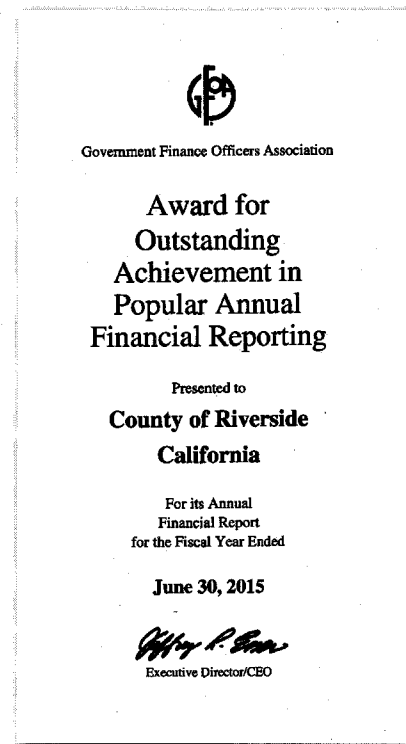
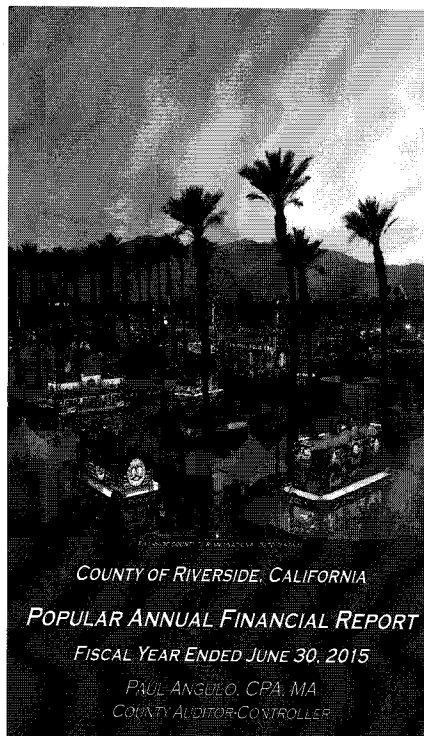
Incident reports can be made 24-hours a day, 365 days per year by phone (800) 461-9330 or via the Auditor-Controller website [www.rivcofraudhotline.com](http://www.rivcofraudhotline.com).

# FINANCIAL HIGHLIGHTS AWARD

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Riverside for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The County of Riverside received a Popular Award for last fiscal year ended June 30, 2015. This was the tenth consecutive year the County has achieved this award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we have submitted it to GFOA.



# COUNTY PROFILE

## County of Riverside Mission Statement

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

## County of Riverside Vision

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

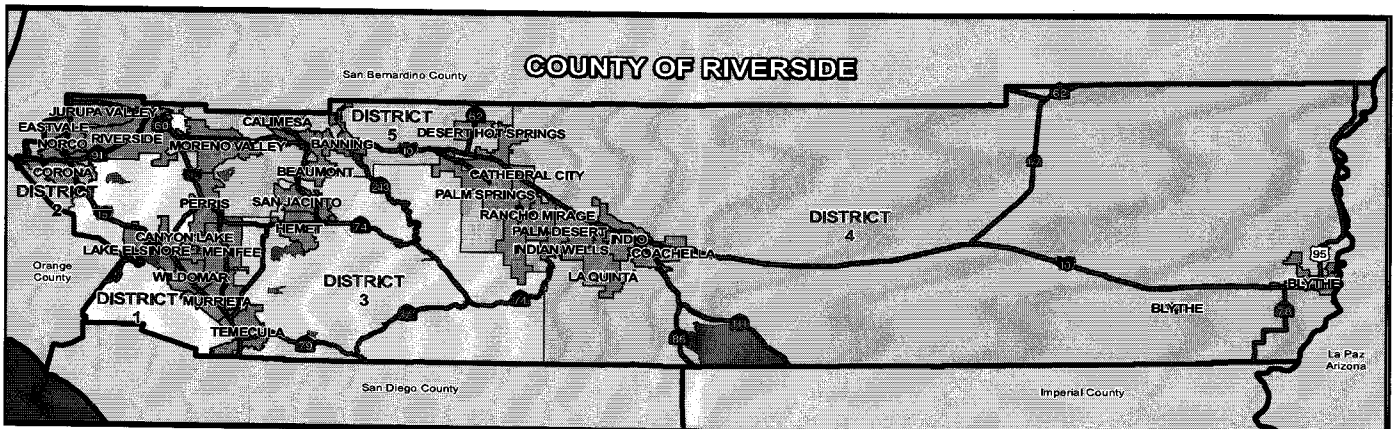
## County of Riverside Overview

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

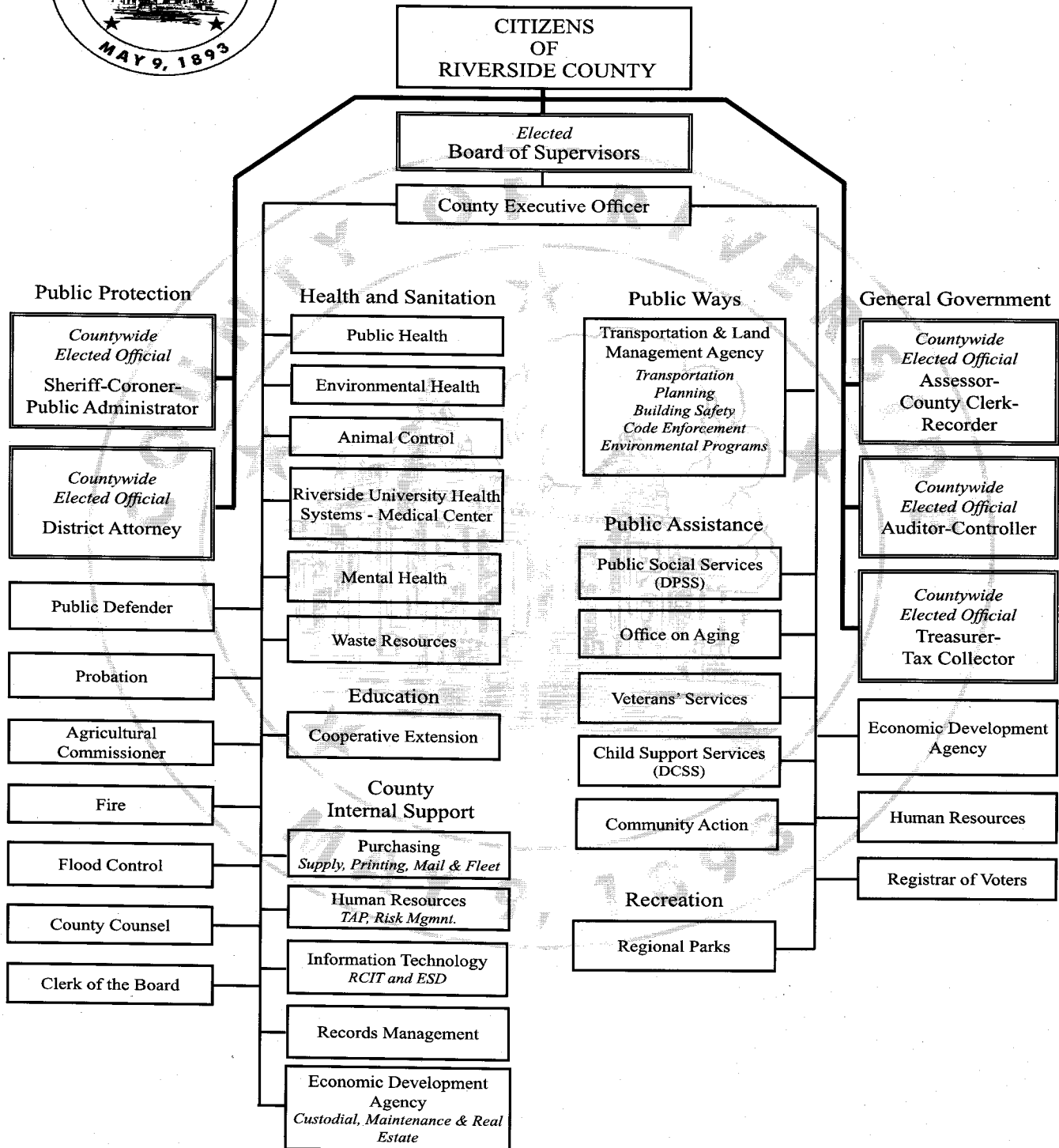
There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are the city of Riverside (the county seat) with a population of 324,696, Moreno Valley with a population of 205,383 and Corona with a population of 164,659.

Total County population was 2,347,828 on January 1, 2016, an increase of 1.3% compared to the revised estimate for 2015 from the California State Department of Finance. Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Approximately 15.5% of the County's residents live in the unincorporated area. Riverside County has a large and rapidly expanding trade, transportation, utilities, distribution and manufacturing industries.

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

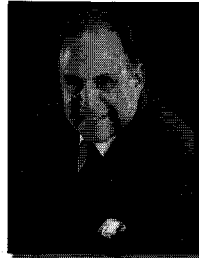


# ORGANIZATIONAL STRUCTURE

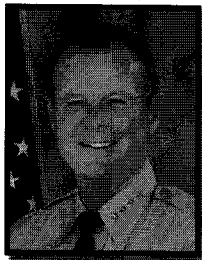




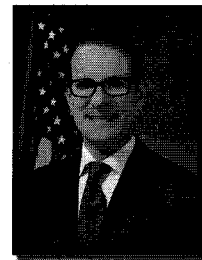
# COUNTYWIDE ELECTED OFFICIALS



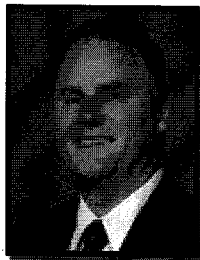
**Paul Angulo**  
Auditor  
Controller



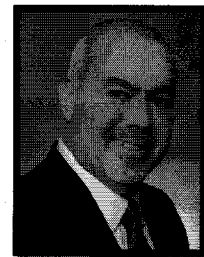
**Stanley Sniff**  
Sheriff  
Coroner  
Public Administrator



**Michael Hestrin**  
District Attorney



**Don Kent**  
Treasurer  
Tax Collector



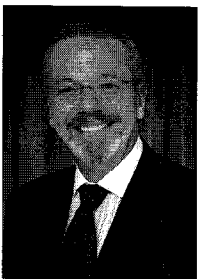
**Peter Aldana**  
Assessor  
County Clerk  
Recorder

# BOARD OF SUPERVISORS



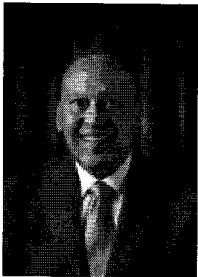
## **Kevin Jeffries - District 1**

The First Supervisorial District includes most of the City of Riverside, as well as the cities of Canyon Lake, Lake Elsinore, and Wildomar. The District is also comprised of unincorporated communities including Lakeland Village, Mead Valley, Temescal Valley, Woodcrest, Gavilan Hills, Good Hope, Meadowbrook, Tenaja, DeLuz, El Cariso, Spring Hills, Warm Springs, Lake Hills, La Cresta and Lake Mathews.



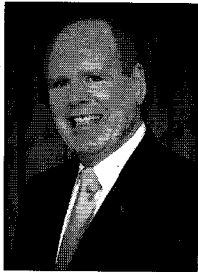
## **John F. Tavaglione - District 2**

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



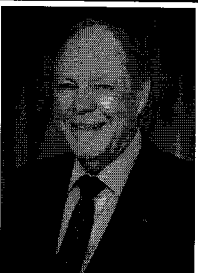
## **Chuck Washington - District 3**

The Third Supervisorial District includes the cities of Hemet, Murrieta, San Jacinto, and Temecula. The major unincorporated areas include Anza, Aguanga, Idyllwild, Valle Vista, Winchester, Gilman Hot Springs, Soboba Hot Springs, Poppet Flats, Murrieta Hot Springs, Pine Cove, Pine Meadow, Mountain Center, the Pinyon Communities, Cahuilla, East Hemet, Homeland and Rancho California.



## **John Benoit - District 4**

The Fourth Supervisorial District includes the cities of Palm Springs (excluding Northern Palm Springs in District 5), Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Blythe, and Desert Hot Springs. Unincorporated communities include: Bermuda Dunes, Thousand Palms, Sky Valley, Desert Palms, Desert Edge, Indio Hills, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, Ripley, and the Colorado River Communities.



## **Marion Ashley - District 5**

The Fifth Supervisorial District includes the cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, and Menifee. Unincorporated areas include Banning Bench, Cabazon, Cherry Valley, Desert Hills, El Nido area, Juniper Flats, Lake Perris, Lakeview, Lakeview Mountains, Mission Lakes, Mission Springs, Morongo Badlands, Nuevo, North Palm Springs, Painted Hills, Quail Lake, Reche Canyon, San Jacinto Wildlife Reserve, San Timoteo Canyon, Snow Creek, Twin Pines, West Garnet, Whitewater and Windy Point. The District's boundaries also include the tribal government from the Sovereign Nation of the Morongo Band of Mission Indians.

# FINANCIAL HIGHLIGHTS FY 2015-16

## Financial Highlights

- At the close of fiscal year 2015-16, the County's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$2.7 billion (*net position*). The net position included \$3.4 billion of net investment in capital assets, \$716.9 million of restricted resources for the County's ongoing obligations related to programs with external restrictions and \$1.4 billion deficit of unrestricted resources.
- As of June 30, 2016, the County's governmental funds reported combined fund balances of \$1.2 billion, a decrease of \$124.8 million in comparison with the prior year. Approximately 17.6% of this amount (\$217.3 million) is available for spending at the County's discretion (*unassigned fund balance*).
- The significant change in capital assets net of accumulated depreciation resulted from the acquisition of building and land, building improvement, equipment and leased vehicle purchases and completion of various projects related to roads, storm water drains, and other infrastructures.
- The decrease in outstanding long-term debt resulted mainly from three outstanding certificates of participation that were refunded by a Lease Revenue Refunding Bond and net of scheduled retirement of outstanding debts.
- At the end of the fiscal year, unrestricted fund balance (the total of the *committed, assigned and unassigned* components of *fund balance*) for the general fund was \$269.5 million, or approximately 9.7% of total general fund expenditures.

**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.

**Committed Fund Balance** – Amounts that are committed for a specific purpose and these funds require action from the Board of Supervisor to remove or change the specified use.

**Unassigned Fund Balance** – Amounts that are not reported in any other category and are available for any purpose within the general fund.

**Restricted Fund Balance** – Amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws or regulations.

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

# STATEMENT OF NET POSITION

## Primary Government (In Thousands)

	2016	2015	Variance
<b>ASSETS:</b>			
Cash and investments	\$ 1,187,295	\$ 1,158,972	\$ 28,323
Receivables, net	629,664	544,688	84,976
Inventories	14,397	13,883	514
Prepaid items and deposits	8,710	8,124	586
Restricted cash and investments	820,848	916,055	(95,207)
Other noncurrent receivables	23,434	22,994	440
Loans receivable	92,638	89,968	2,670
Pension asset, net	-	1,858	(1,858)
OPEB asset, net	32,780	30,342	2,438
Land held for resale	39,494	38,825	669
Capital assets:			
Nondepreciable assets	1,333,754	1,385,758	(52,004)
Depreciable assets, net	3,537,499	3,263,274	274,225
<b>Total assets</b>	<b>7,720,513</b>	<b>7,474,741</b>	<b>245,772</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension	584,221	209,468	374,753
Defeasance of debt	139	208	(69)
Interest rate swap	29,091	25,375	3,716
<b>Total deferred outflows of resources</b>	<b>613,451</b>	<b>235,051</b>	<b>378,400</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	160,974	154,001	6,973
Salaries and benefits payable	135,265	108,887	26,378
Due to other governments	211,132	148,499	62,633
Interest payable	8,009	9,029	(1,020)
Deposits payable	953	882	71
Advances from grantors and third parties	282,015	287,329	(5,314)
Notes payable	88,507	101,520	(13,013)
Other liabilities	32,298	10,904	21,394
Interest rate swap	29,091	25,375	3,716
Long-term liabilities:			
Due within one year	325,123	279,971	45,152
Due beyond one year	3,828,776	3,537,228	291,548
<b>Total liabilities</b>	<b>5,102,143</b>	<b>4,663,625</b>	<b>438,518</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension	488,311	463,435	24,876
Teeter tax loss reserve	21,715	19,376	2,339
Service concession arrangement	7,093	7,528	(435)
Other deferred inflows	-	2	(2)
<b>Total deferred inflows of resources</b>	<b>517,119</b>	<b>490,341</b>	<b>26,778</b>
<b>NET POSITION:</b>			
Net investment in capital assets	3,353,794	3,104,208	249,586
Restricted for:			
Community development	147,900	135,121	12,779
Debt service	123,898	139,467	(15,569)
Health and sanitation	40,094	46,728	(6,634)
Public protection	91,694	88,231	3,463
Public ways & facilities	309,773	131,810	177,963
Other programs	3,578	4,571	(993)
Unrestricted	(1,356,029)	(1,094,310)	(261,719)
<b>Total net position</b>	<b>\$ 2,714,702</b>	<b>\$ 2,555,826</b>	<b>\$ 158,876</b>

The Statement of Net Position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases serve as a useful indicator on the County's financial position and whether it is improving or not.

The County's total net position increased by 6.2%, or \$158.9 million, during fiscal year 2015-16. Governmental activities increased by \$139.3 million in net position while business-type activities increased by \$19.6 million. Below are the three components of net position and their respective fiscal year-end balances:

### Net investment in capital assets

This component of net position represents the amount that is unavailable for reducing debt or paying for services because it is the value of the capital assets themselves, not liquid assets like cash or equivalents that could be used to pay the bills. The balance represents 123.5%, or \$3.4 billion, of the County's total net position for fiscal year 2015-16.

### Restricted net position

This component of net position represents the amount that is available for use only as allowed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. The balance in this category accounts for 26.4%, or \$716.9 million, of the County's total net position for fiscal year 2015-16.

### Unrestricted net position

This component of the County's total net position is the amount that is available and may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2015-16, \$(1.2) billion is from governmental activities, and \$(113.1) million is from business-type activities. The balance in this category is (50.0)%, or \$(1.4) billion, of the County's total net position for fiscal year 2015-16.

# CAPITAL ASSETS & LONG-TERM LIABILITIES

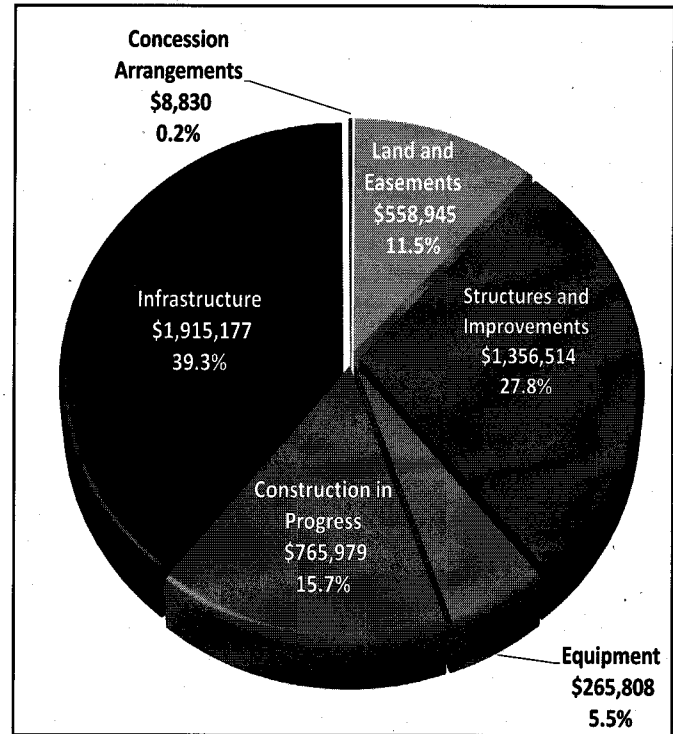
## Capital Assets

As of June 30, 2016, the County's capital assets for both governmental and business-type activities amounted to \$4.9 billion (net of depreciation). The capital assets include land and easements, land improvements, construction in progress, infrastructure (channels, storm drains, basins, roads, traffic signals, bridges, runways, and parks), structures and improvements, and equipment.

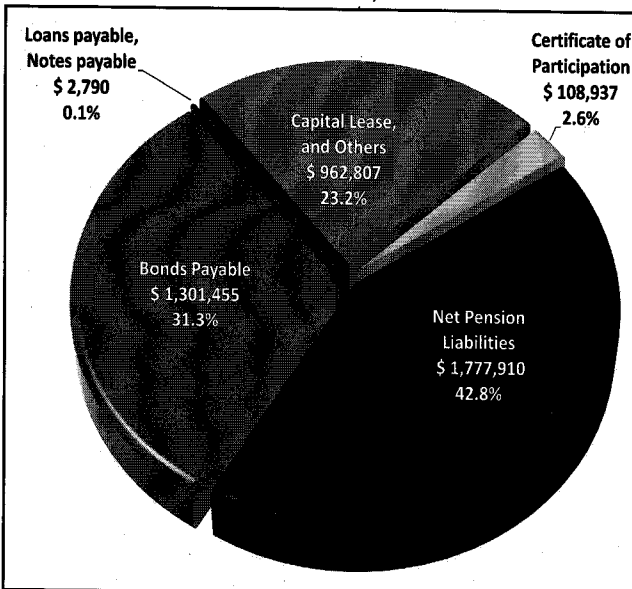
Major capital assets and projects under construction in fiscal year 2015-2016 included the following:

- Roads and signal infrastructures – \$355.7 million
- Perris Aquatic Center - \$25.0 million
- CREST project – \$6.7 million
- Jurupa Valley Aquatic Center Buildings A to D – \$21.3 million
- Riverside University Health Systems - Medical Center remodel and expansion – \$21.9 million
- Flood storm drains and channel projects - \$49.1 million
- Fire and Fleet vehicles - \$11.1 million
- Land easements - \$4.7 million

**Capital Assets, net of depreciation**  
(In Thousands)



**Long-Term Obligations**  
(In Thousands)



## Long-Term Obligations

As of June 30, 2016, the County's outstanding debt obligation for its government-wide activities amounted to \$4.2 billion. Long-term obligations incurred by the County of Riverside includes bonds, certificates of participation, loans, capital leases, net pension liabilities and others.

The following are credit ratings maintained by the County

	<u>Moody's Investors Service, Inc</u>	<u>Standard &amp; Poor's Corp.</u>
Short-term notes	MIG1	SP-1+
Long-term general oblig.	Aa3	AA

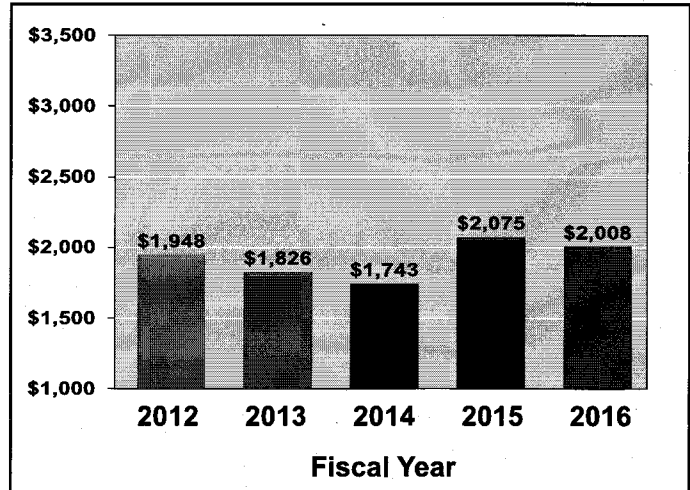
# CASH AND INVESTMENTS, NET POSITION

## Cash and Investments

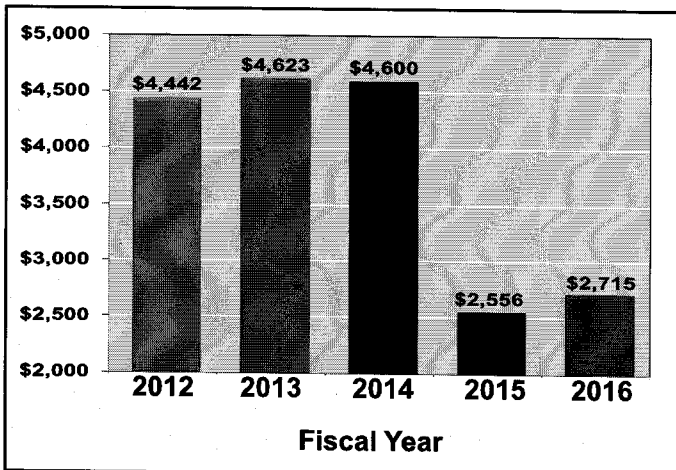
The Cash and Investments represented in the Government-wide Statement of Net Position includes cash and investments that are available for use, as well as restricted cash and investments for both governmental and business-type activities.

At the end of the current fiscal year, the County reported a decrease of \$66.9 million in cash and investments. Unrestricted cash and investments showed an increase of \$28.3 million and restricted cash and investments decreased in the amount of \$95.2 million. The general fund's cash and investments balance increased by \$1.8 million and restricted cash and investment decreased by \$26.4 million. Also, the capital projects public facilities improvement fund saw a decrease of \$6.2 million and the flood control special revenue fund decreased by \$38.2 million. For business type activities, the major increase was from the Riverside University Health Systems - Medical Center which saw an increase of \$31.7 million in cash and investments which was slightly offset by a decrease in restricted cash and investments in the amount of \$4.2 million in fiscal year 2016. Waste Resources saw an increase of \$2.5 million in cash and investments and an increase of \$841.0 thousand in restricted cash and investments.

Cash and Investments  
(In Millions)



Net Position  
(In Millions)



## Net Position

Net Position is total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources of the primary government. Net position serves as a useful indicator of a government's financial condition.

At the end of the current fiscal year, the County reported positive net position balances for both governmental and business-type activities, with total assets exceeding liabilities by \$2.7 billion, which is a \$158.9 million increase over fiscal year 2015. The most significant increase in net position was in net investment in capital assets which saw an increase of \$249.6 million. Restricted net position increased by \$171.0 million. These increases were offset by a decrease of \$261.7 million in unrestricted net position.

# STATEMENT OF ACTIVITIES

## Primary Government (In Thousands)

	2016	2015	Variance
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,411,295	\$1,311,659	\$ 99,636
Operating grants	1,907,919	1,800,158	107,761
Capital grants	56,368	32,115	24,253
General revenues:			
Property taxes	346,851	327,504	19,347
Sales and use taxes	29,573	32,851	(3,278)
Other taxes	22,005	18,632	3,373
Investment earnings	15,668	9,595	6,073
Unrestricted intergovernmental revenue	232,453	244,003	(11,550)
Other	160,521	164,177	(3,656)
<b>Total revenues</b>	<b>4,182,653</b>	<b>3,940,694</b>	<b>241,959</b>
<b>Expenses:</b>			
General government	283,081	179,575	103,506
Public protection	1,328,608	1,217,731	110,877
Public ways and facilities	149,768	177,870	(28,102)
Health and sanitation	468,382	499,669	(31,287)
Public assistance	980,550	970,415	10,135
Education	23,283	23,409	(126)
Recreation and culture	20,758	18,335	2,423
Interest on long-term debt	46,306	45,904	402
Riverside University Health Systems - MC	506,338	468,562	37,776
Waste Resources	75,358	56,299	19,059
Housing Authority	88,166	90,903	(2,737)
Flood Control	3,591	3,056	535
County Service Areas	413	390	23
<b>Total expenses</b>	<b>3,974,602</b>	<b>3,752,118</b>	<b>222,484</b>
<b>Extraordinary items:</b>			
Extraordinary item	(2,803)	(905)	(1,898)
<b>Change in net assets</b>	<b>205,248</b>	<b>187,671</b>	<b>17,577</b>
<b>Net Position, Beginning of Year,</b> as Restated	<b>2,509,454</b>	<b>2,368,155</b>	<b>141,299</b>
<b>Net Position, End of Year</b>	<b>\$ 2,714,702</b>	<b>\$ 2,555,826</b>	<b>\$ 158,876</b>

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

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

### Revenues

The County's revenue increased in 2016 in the amount of \$242.0 million. The major source for the increase was due to operating grants which saw a \$107.8 million increase. Charges for services saw a \$99.6 million increase. Those increases in revenue were slightly offset by a decrease in unrestricted intergovernmental revenue in the amount of \$11.6 million and sales and use taxes saw a \$3.3 million decrease.

### Expenses

The expenses in 2016 also increased by \$222.5 million. There were two main factors that caused the increase: 1) Public protection saw a \$110.9 million increase and 2) General government saw a jump in expenses in the amount of \$103.5 million. However, health and sanitation decreased in the amount of \$31.3 million. Two of the three County's major business-type activities saw an increase in 2016: 1) Riverside University Health Systems-Medical Center by \$37.8 million and 2) Waste Resources by \$19.1 million.

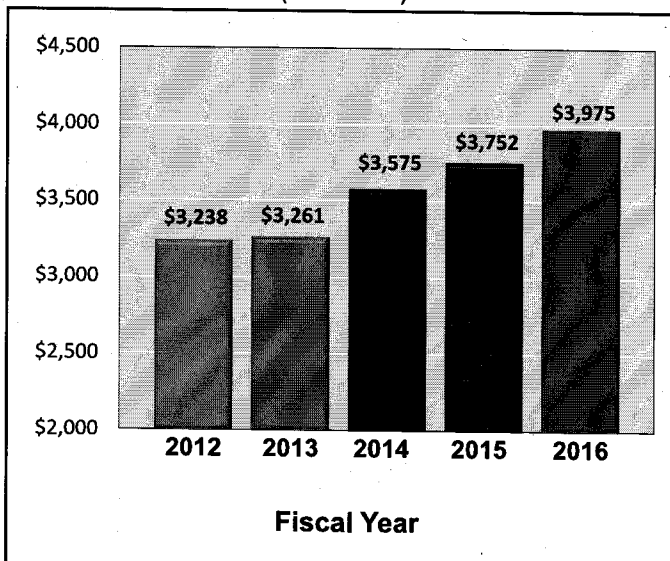
# REVENUES AND EXPENSES

## Revenues

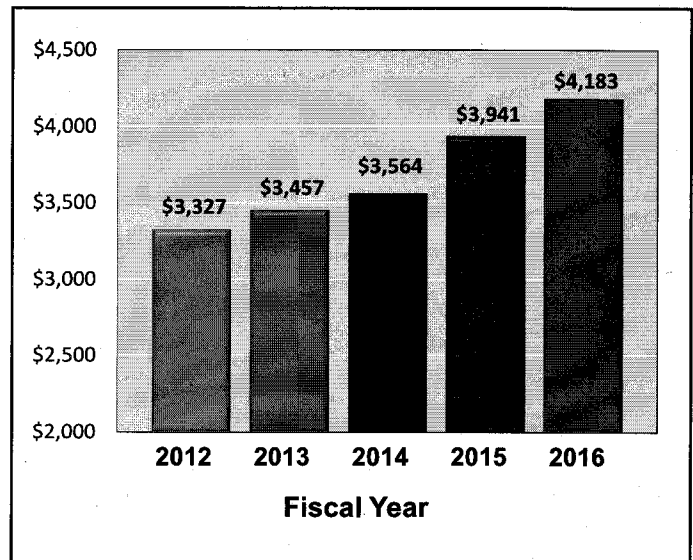
As the economy shows signs of recovering, so do revenues for the County. 2016 saw an increase in revenue in the amount of \$242.0 million. Revenues increased in both governmental and business-type activities. The increase in governmental activities was mainly due to operating grants. There was an increase of \$86.7 million in federal and state funds for programs including Medi-Cal, adult protective services, in-home support services, child welfare services, CalFresh, CalWorks, adoptions and foster care programs.

Charges for services and capital grants were the other two major revenue sources that caused revenue to increase in 2016. Charges for services increased by \$99.6 million due to additional patrolling services in the unincorporated areas of Riverside County by contractual law enforcement. Capital grants increased due to the County being awarded \$24.7 million from the SB81 State Financing Program for the new East County Detention Center and Van Horn Youth Treatment and Education Center.

**Five Year Trend - Expenses**  
(In Millions)



**Five Year Trend - Revenues**  
(In Millions)



## Expenses

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

In fiscal year 2016, expenses increased by \$222.5 million. Governmental activities saw a \$167.8 million increase. Public protection saw the biggest increase which was caused by negotiated labor increases, raising liability coverage, correction health increases, the ongoing impact of Assembly Bill (AB) 109 public safety reignment and Proposition 47 re-sentencing cases. General government saw a \$103.5 million increase due to contributions made to support several building construction projects. These increases were offset by a decrease in health and sanitation as the Mental Health Department continues to expand clinics and services throughout the County with funding received from the Mental Health Services Act (MHSA) due to the joint location where health care and treatment are offered. Business-type activities saw an increase in expenses in 2016 in the amount of \$54.7 million.



# REVENUES BY SOURCE

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

## Program Revenues

### Charges for Services

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

### Operating Grants

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

### Capital Grants

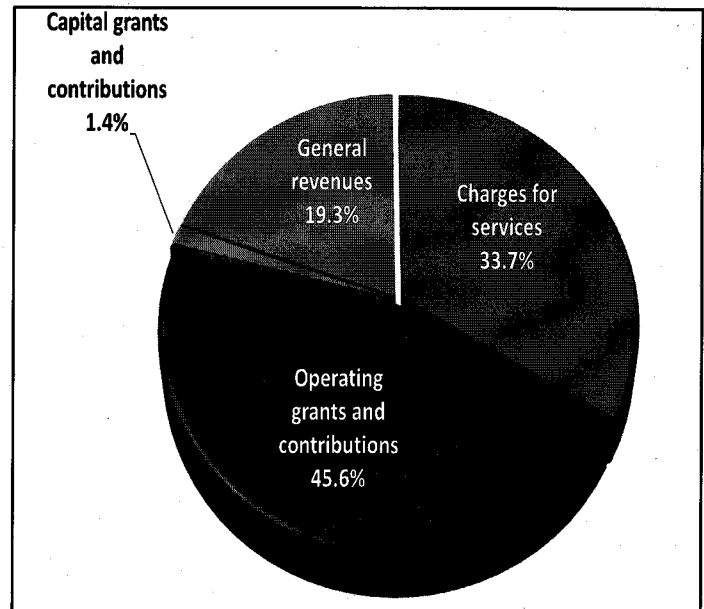
State, federal, other government, and private contributions to fund capital purchases for specific programs.

## General Revenues

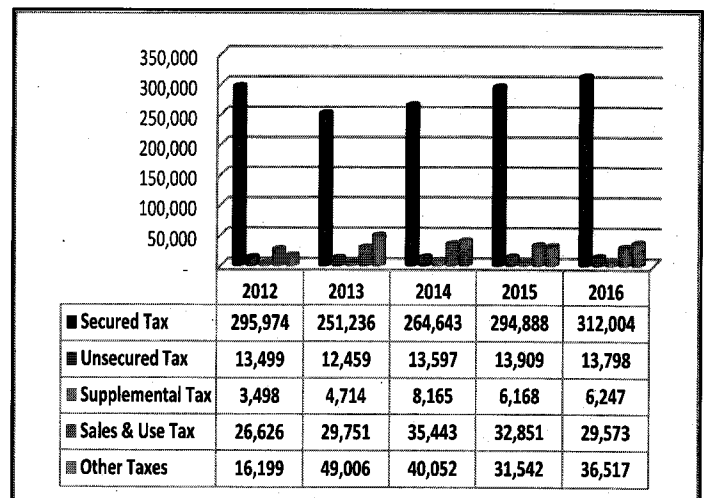
Taxes: Property taxes, sales and use taxes as well as other County levied taxes, investment income, rents and concessions, sale of surplus property, contributions and donations, non-governmental grants and unclaimed money.

- Secured Tax - property taxes on state and locally assessed property that are secured by a lien on the real property, in the opinion of the assessor (R&T Code 109)
- Unsecured Tax - taxes on property that are not secured by real property (ex. land and boats)
- Supplemental Tax - tax on property that has undergone a change in ownership or new construction

Revenues by Source

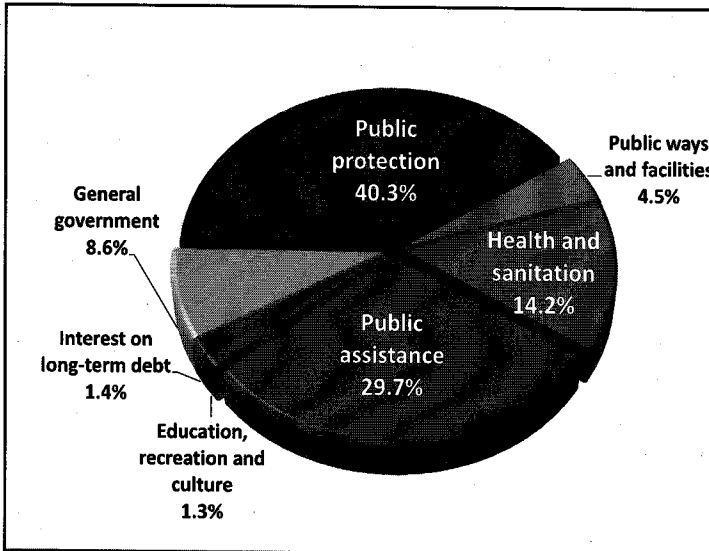


General Government Tax Revenues  
(Dollars in Thousands)



# EXPENSES BY FUNCTION

Expenses by Function



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

### General Government

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

### Public Protection

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

### Public Ways and Facilities

Transportation and Land Management Agency, Flood Control, County Airports, County Service Areas, Surveyor and Transportation

### Health and Sanitation

Public Health, Environmental Health, Detention Health Services, California Children's Services, Mental Health, Riverside University Health Systems-Medical Center and Waste Resources

### Public Assistance

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

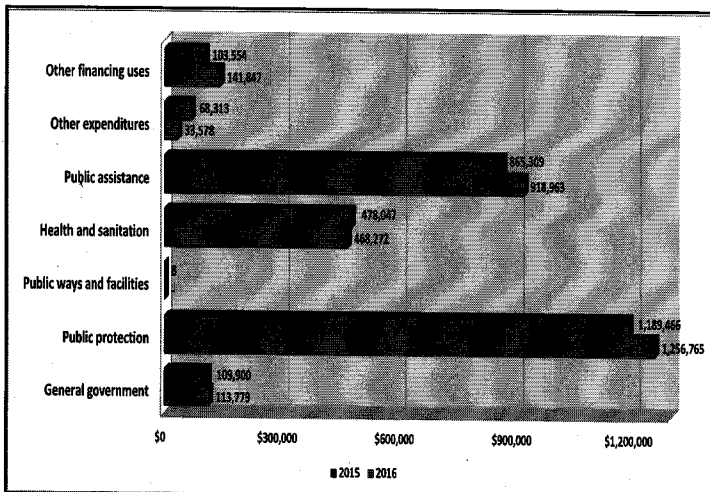
### Education

Cooperative Extension and County Library

### Recreation and Culture

Regional Parks and Edward Dean Museum

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



# PROPERTY TAXES

## How the Property Tax System Works

### Assessor-Clerk Recorder

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



### Auditor-Controller

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



### Treasurer-Tax Collector

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



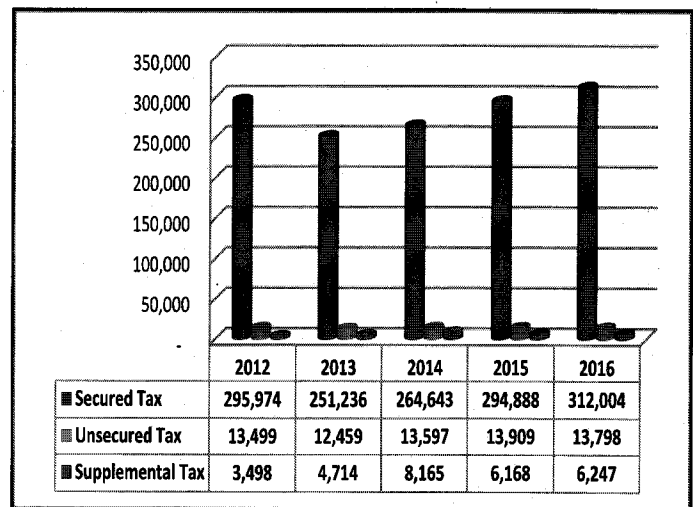
### Auditor-Controller

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

## CREST Project

The Assessor-County Clerk-Recorder, Auditor-Controller, and Treasurer-Tax Collector are collectively developing a new integrated property tax management system. The project began with a Business Process Re-engineering phase that documented the integrated roles of the three departments. This phase identified the current system's capabilities, strengths, and weaknesses. The second phase of the project is to implement a new integrated property tax management system based on new technology. Project was started in fiscal year 2007 and anticipated completion date is fiscal year 2017.

**Property Tax Revenue**  
(In Thousands)

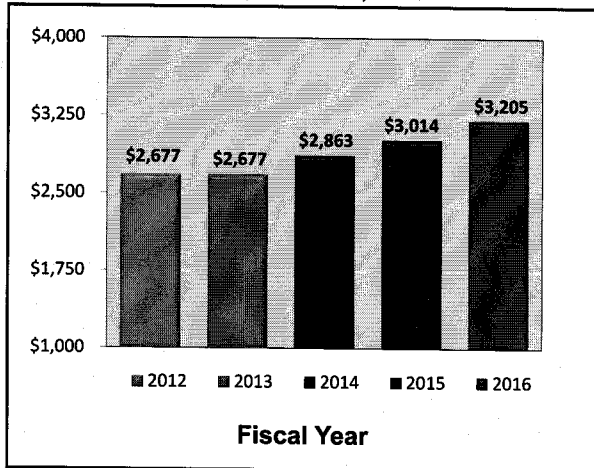


## Where did your property tax dollar go in fiscal year 2015-2016?

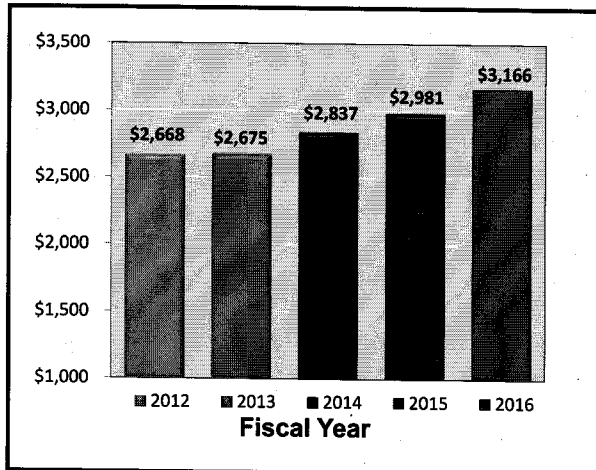


# PROPERTY TAXES

**Tax Levies**  
(In Millions)



**Tax Collections**  
(In Millions)



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

1. Southern California Edison Co.....	\$43,870
2. So. California Gas Co.....	8,997
3. Verizon California Inc.....	7,871
4. CPV Sentinel LLC.....	6,756
5. Chelsea GCA Realty Partnership.....	3,351
6. Inland Empire Energy Center LLC.....	3,186
7. Tyler Mall LTD Partnership.....	2,986
8. Blythe Energy LLC.....	2,960
9. Walgreen Company.....	2,951
10. KB Home Coastal Inc.....	2,812

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

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

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



Riverside County  
Property Tax Portal

Home Assessor Treasurer-Tax Collector Auditor/Controller Clerk of the Board County Home I Want to

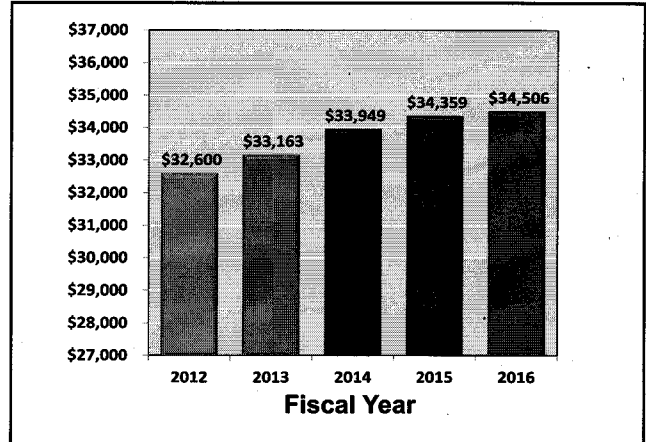
You are at: Home

# DEMOGRAPHICS

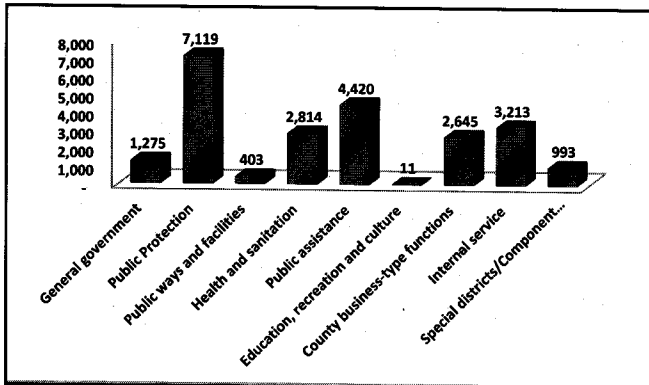
## Riverside County Principal Employers (Number of employees)

1. County of Riverside .....	21,479
2. March Air Reserve Base .....	8,500
3. U. C. Riverside .....	8,306
4. Amazon.....	7,500
5. Stater Brothers Market .....	6,900
6. Kaiser Permanente Riverside Medical ...	5,300
7. Corona-Norco Unified School District.....	5,098
8. Desert Sands Unified School District.....	4,202
9. Riverside Unified School District.....	3,973
10. Pechanga Resort Casino.....	3,931

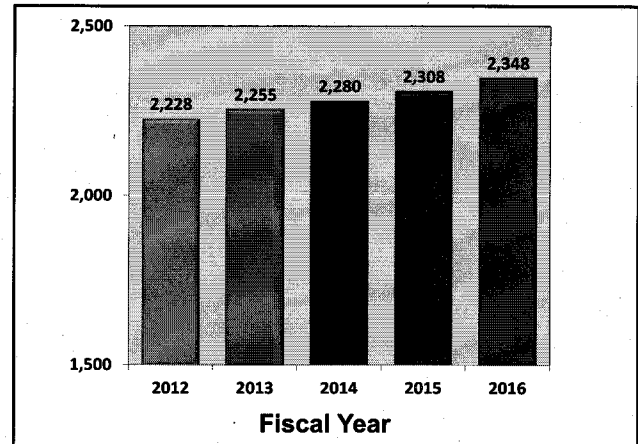
## Per Capita Income



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

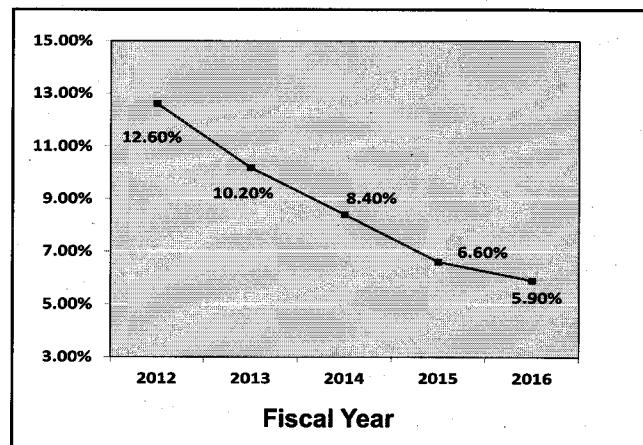


## Population (In Thousands)



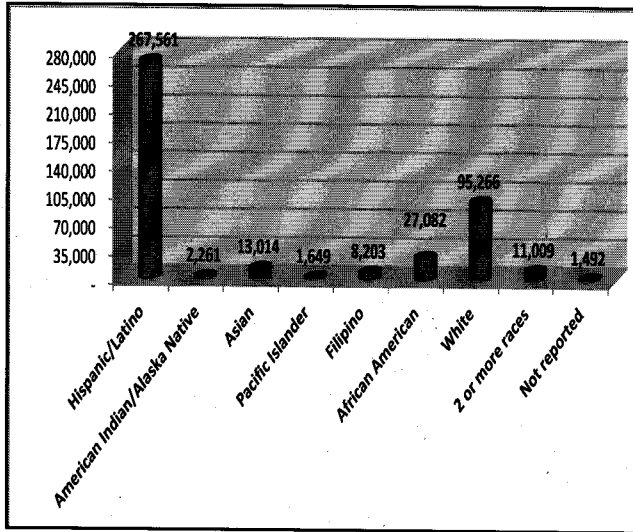
\*Temporary employees, 1,675, filled as of 6/01/16, are included in the total number of employees.

## Unemployment Rate



# DEMOGRAPHICS

**Riverside County School Enrollment by Ethnicity 2015-2016**



**Public School Sites in Riverside County**

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

**Number of Riverside County Public School Districts**

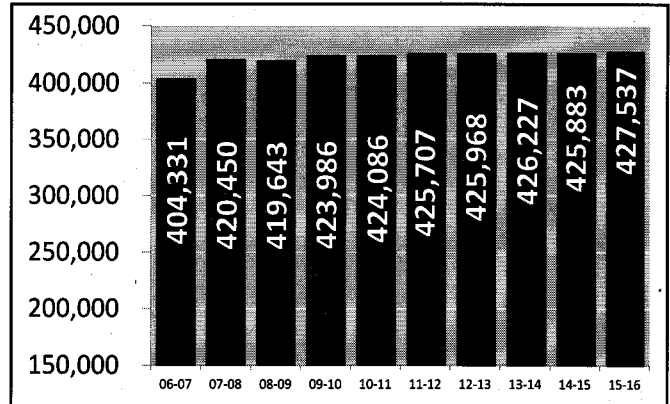
Elementary	4
High School	1
Unified	18

**Highest Enrollment per Riverside County School District**

Corona-Norco Unified	53,354
Riverside Unified	42,462
Moreno Valley Unified	33,942
Temecula Valley Unified	29,996

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

**Kindergarten Through 12th Grade Enrollment Growth 2006-2016**



# SERVICE OPERATING INDICATORS

## Environmental Health

Facilities inspections..... 30,919  
 Inspections include fixed food facilities, pools, spas, hazardous material generators and miscellaneous food operations

## Public Health

Patient visits ..... 143,956  
 Patient services performed.....299,048  
 Services include family planning, primary health care, prenatal care, urgent care, breast cancer early detection, child health and disability prevention

## Animal Control Services

Animal impound.....41,773  
 Spays and neuters..... 14,508

## Public Social Services

CalWORKs clients .....29,090  
 Food stamp clients ..... 132,274  
 Medi-Cal clients ..... 341,519  
 In-home supportive services..... 24,888  
 Services include meal preparation and cleanup, food shopping, bathing, dressing, personal care, domestic services (cleaning), assistance with medications, etc.  
 Foster care placements .....4,063  
 Child welfare services..... 10,471  
 Services include child adoptions and investigations of child abuse, neglect or abandonment

## Assessor-Clerk-Recorder

Assessments .....919,810  
 Official records recorded .....555,870  
 Vital records copies issued .....86,597  
 Official records copies issued.....23,014

## Waste Resources

Landfill tonnage .....1,320,497  
 Recycling tonnage .....2,052

## Sheriff

Number of bookings .....49,864  
 Coroner case load .....13,885  
 Calls for services—Unincorporated areas (contract cities not included)..... 193,763  
 Patrol stations..... 10

## Fire

Medical assistance .....112,799  
 Fires extinguished .....14,988  
 Other services ..... 22,163  
 Other services include fire menace standbys (bomb threats, electrical hazards, gas hazards, etc.), public service assists (assisting other agencies, persons, flooding, etc.) and false alarms  
 Communities served.....94  
 Fire stations .....37

## Registrar of Voters

Voting precincts .....869  
 Polling places .....564  
 Voters .....911,269  
 Number of voters that were mailed voting materials for all elections in the fiscal year  
 Poll workers .....2,234

## Auditor-Controller

Invoices paid.....359,917  
 Vendor warrants issued .....227,037  
 Active vendors ..... 28,697  
 Payroll warrants (checks) issued ..... 564,546  
 Audits per fiscal year ..... 35



# SERVICE OPERATING INDICATORS

## Riverside University Health Systems - MC

Emergency room treatments .....	88,780
Emergency room services—Mental Health .....	12,896
Clinic visits .....	116,277
Admissions .....	19,863
Patient days .....	104,276
Discharges .....	19,147

## Veterans' Services

Phone inquiries answered .....	38,812
Client interviews .....	25,072
Claims filed .....	6,792

## Community Action Partnership

Utility assistance (households) .....	15,743
Weatherization (households) .....	997
Energy education attendees .....	10,398
Disaster relief (residents) .....	13,734
Income tax returns prepared .....	4,545
After school program (students) .....	2,198
Mediation (cases) .....	2,579

## County Library

Total circulation - books .....	2,704,884
Reference questions answered .....	478,827
Patron door count .....	4,069,001
Programs offered .....	10,423
Programs attendance .....	176,502
Branch libraries .....	35
Book mobiles .....	2

## Probation

Adults on probation .....	14,422
Juveniles in secure detention .....	153
Juveniles in treatment facilities .....	57
Juveniles in detention facilities .....	6,375

## Mental Health

Mental health clients .....	42,764
Substance abuse clients .....	15,723
Detention clients .....	12,627
Probate conservatorship clients .....	479
Mental health conservatorship clients .....	1,005

## Agricultural Commissioner

Export phytosanitary certificates .....	13,546
Pesticide use inspections .....	1,211
Weights and measures regulated .....	141,092
Agriculture quality inspections .....	350
Plant pest inspections .....	9,846
Nursery acreage inspected .....	7,708
Weights and measures inspected .....	75,508

## Parks and Recreation

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





# INTERNET RESOURCES



Visit the County of Riverside's Official Website

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

Where you can find information about:

Online services provided:

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

Visit the County of Riverside Auditor-Controller's Official Website

[www.auditorcontroller.org](http://www.auditorcontroller.org)

Where you can find information about:

#### Auditor-Controller's Office Divisions

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

#### Financial Statements

- Comprehensive Annual Financial Report (CAFR)
- Popular Annual Financial Report (PAFR)
- Internal Audit Reports
- Single Audit Reports
- General Fund daily cash balance



RIVERSIDE COUNTY POPULAR ANNUAL FINANCIAL REPORT



PAUL ANGULO, CPA, MA  
RIVERSIDE COUNTY AUDITOR-CONTROLLER

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

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(MAIN OFFICE)**

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BAKERSFIELD, CA 93309  
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FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

7673 N. INGRAM AVENUE  
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FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**PASADENA OFFICE**

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542  
FAX 626.204.6547

**STOCKTON OFFICE**

5259 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

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

# BROWN ARMSTRONG

*Certified Public Accountants*

To the Honorable Board of Supervisors  
County of Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California (the County) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB 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 No. 67 and No. 68*, GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the fiscal year ended June 30, 2016. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

We evaluated management's estimates of the net pension liabilities and related deferred outflows and inflows of resources which are based on actuarial reports prepared and provided by an independent third party. We also evaluated management's estimate in establishing allowances for accounts receivable, estimating date of collections to comply with period of availability for certain revenues, establishing self-insurance reserves, estimating closure/post-closure costs, establishing the other post-employment benefit obligation, depreciations, valuations of certain infrastructure, and fair value of investments. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- The disclosure of restatement of Beginning Fund Balances/Net Position in Note 3 to the financial statements
- The disclosure of Fair Value Measurements in Note 4 to the financial statements.
- The disclosure of the Landfill Closure and Post-Closure Care Cost in Note 10 to the financial statements.
- The disclosure of Self-Insurance in Note 17 to the financial statements.
- The disclosure of the Net Pension Liability in Notes 20 and 21 to the financial statements.
- The disclosure of the Post-Employment Benefits Other than Pensions in Note 22 to the financial statements.
- The disclosure of Commitments and Contingencies in Note 23 of the financial statements.
- The disclosure of Subsequent Events in Note 24 of the financial statements.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such differences were noted.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 15, 2016.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### **Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis, the County's Retirement Plans Schedules, and Schedules of Funding Progress for the County's Other Post-Employment Benefits Plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section and Statistical Section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Restriction on Use**

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

BROWN ARMSTRONG  
ACCOUNTACY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 15, 2016