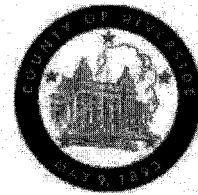


SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM  
2.7  
(ID # 8724)

MEETING DATE:

Tuesday, January 15, 2019

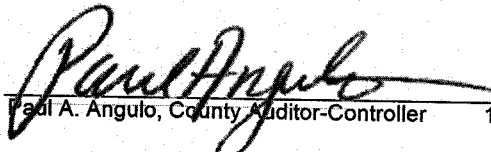
FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Fiscal Year 2017-18 Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (PAFR), and Report on Statement on Auditing Standards (SAS) 114 The Auditors' Communication with those Charged with Governance, Districts: All. [\$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, 2018.

**ACTION: Consent**

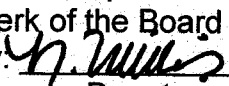
  
Paul A. Angulo, County Auditor-Controller 12/31/2018

---

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: January 15, 2019  
xc: Auditor

Kecia Harper  
Clerk of the Board  
By:   
Deputy

**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 Popular Annual Financial Report (PAFR) 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 241 pages CAFR for Fiscal Year 2017-18

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.

<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>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS: NA</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	17/18

**C.E.O. RECOMMENDATION:** Approve

**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



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



Stephanie P. [unclear], Principal Management Analyst 1/7/2019

**Riverside County Board of Supervisors  
Request to Speak**

Submit request to Clerk of Board (right of podium),  
Speakers are entitled to three (3) minutes, subject  
Board Rules listed on the reverse side of this form.

**SPEAKER'S NAME:** Paul Angulo

**Address:** CAC  
(only if follow-up mail response requested)

**City:** RIV. **Zip:** \_\_\_\_\_

**Phone #:** 955-3806

**Date:** 1/15/19 **Agenda #** # 2.7

**PLEASE STATE YOUR POSITION BELOW:**

**Position on "Regular" (non-appealed) Agenda Item:**

**Support**       **Oppose**       **Neutral**

~~**Note:** If you are here for an agenda item that is filed  
for "Appeal", please state separately your position on  
the appeal below:~~

~~**Support**       **Oppose**       **Neutral**~~

**I give my 3 minutes to:** \_\_\_\_\_

## **BOARD RULES**

### **Requests to Address Board on "Agenda" Items:**

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

### **Requests to Address Board on items that are "NOT" on the Agenda:**

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

### **Power Point Presentations/Printed Material:**

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

### **Individual Speaker Limits:**

**Individual speakers are limited to a maximum of three (3) minutes.** Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. **Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.**

### **Group/Organized Presentations:**

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

### **Addressing the Board & Acknowledgement by Chairman:**

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

PAUL ANGULO, CPA, MA  
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

COUNTY OF RIVERSIDE

1893

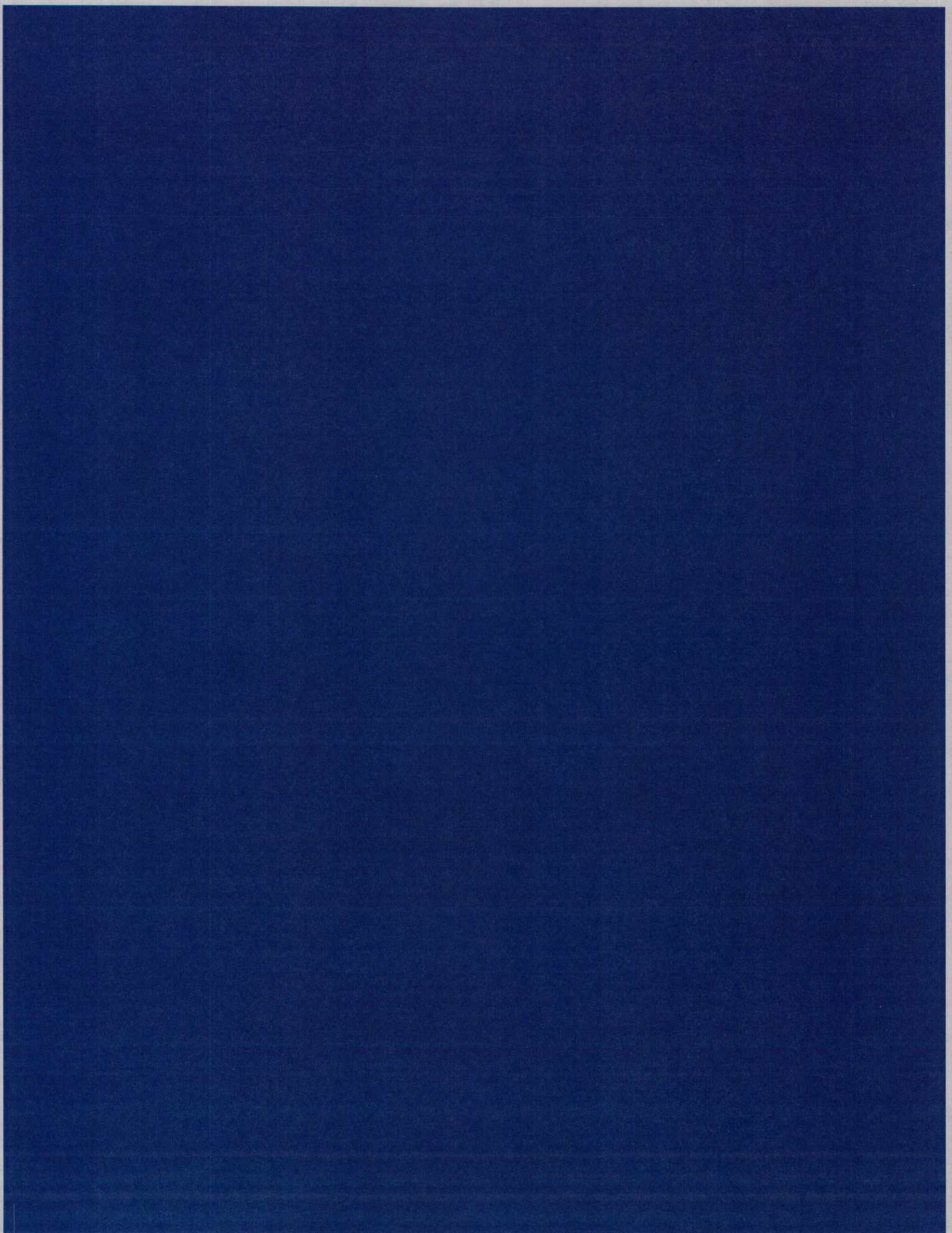
125<sup>th</sup>

2018

ANNIVERSARY

YEARS OF INNOVATION







**COUNTY OF RIVERSIDE, CALIFORNIA  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2018**



**PREPARED BY THE OFFICE OF:  
PAUL ANGULO, CPA, MA  
COUNTY AUDITOR-CONTROLLER**



**COUNTY OF RIVERSIDE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2018**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2018**

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**INTRODUCTORY  
SECTION**





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

**ACC** AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Auditor-Controller

December 19, 2018

The Honorable Board of Supervisors  
Citizens of the County of Riverside  
4080 Lemon Street, 5th Floor  
Riverside, California 92501

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside (the County) for the fiscal year ended June 30, 2018, is hereby submitted in accordance with the provisions of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data, the completeness, and fairness of the presentation, including all disclosures, rests with the management of the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The management's discussion and analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

The financial reporting entity for the County includes all the funds of the primary government--the County of Riverside as legally defined--as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

The County has eleven independent fiscal entities that are considered blended component units and one discretely presented component unit. These entities vary widely in function and provide essential services. For a more detailed overview of the County's component units, see the MD&A and the notes to the basic financial statements.

Brown Armstrong Accountancy Corporation has issued an unmodified ("clean") opinion on the County of Riverside's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.



## PROFILE OF THE GOVERNMENT

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

There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are Riverside (the County seat) with a population of 325,860, Moreno Valley 207,629, Corona 168,574, Murrieta 113,541, and Temecula 113,181. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. The total County population as of January 1, 2018, was reported as 2,415,955, an increase of 1.4 percent as compared to the revised estimate for January 1, 2017. Approximately 16.0 percent of the residents live in unincorporated areas.

All legislative and policy making powers are vested in the County Board of Supervisors (the Board), which consists of an elected supervisor from each of the five districts. The Board Supervisors serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Board is responsible for, among other duties, passing ordinances; adopting budgets; and appointing committees, the County Executive Officer (CEO), and non-elected department directors. The County has five elected department heads responsible for the offices of the Treasurer-Tax Collector, Auditor-Controller, District Attorney, Sheriff, and Assessor-County Clerk-Recorder.

The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of DeLuz, Gavilan Hills, Good Hope, Lake Hills, Lake Mathews, LaCresta, Mead Valley, Meadowbrook, Spring Hills, Temescal Valley, Tenaja, Warm Springs, and Woodcrest.

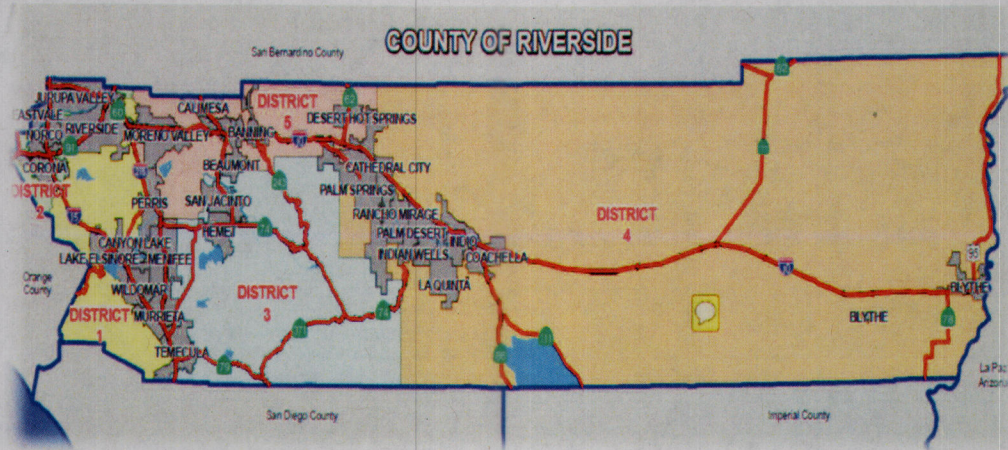
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley. The unincorporated communities consist of Home Gardens, El Cerrito, Coronita, and Highgrove.

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

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

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





Source: Riverside County GIS

The County has over 22,000 employees, and provides a variety of services and programs to its residences as the table below depicts.

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

<b>Certificates, Licenses and Permits</b> Birth, marriage, and death certificates; animal licensing; and building permits.	<b>Human Services</b> Assistance for families, custody issues, and veterans' services.
<b>Children's Services</b> Child Support Services, Mentor programs, Children Medical Services, CalWORKS, Child Health and Disability Prevention.	<b>Libraries and Museums</b> Edward Dean Museum and Riverside County Law Library.
<b>Criminal Justice</b> Departments dealing with criminal justice. District Attorney, Probation, Public Defender, and Sheriff. Legal resources and Online Crime Report Form.	<b>Parks and Recreation</b> Park & Open Space District, Golf Courses in Riverside County, and Riverside Bicycle Club.
<b>Education</b> Office of Education.	<b>Pets and Animal Services</b> Animal control, animal shelters, animal license inspection, animal rescue, report animal-control violations, and dog license fee.
<b>Emergency Services</b> Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless programs.	<b>Property Information</b> Assessment appeals, building permit report, obtain property information via GIS, pay property taxes online, track your property taxes online, record map inquiry, information for new homeowners, and Riverside County land information.



<b>Environment</b>	<b>Public and Official Records</b>
Solid waste, liquid waste, medical waste, sewage disposal, water systems, wells, backflow devices, food services, public pools and mobile home parks, vector control, hazardous materials services, fire protection services, waste reduction, and recycling.	Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search.
<b>Flood Control</b>	<b>Roads and Highways</b>
Flood Control and water conservation.	Road maintenance, land development, engineering services, and survey.
<b>Health</b>	<b>Taxes</b>
Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, and medical marijuana identification cards.	Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, and Auditor-Controller.
<b>Housing</b>	<b>Voting</b>
First time home buyer programs, low income housing, rental assistance program, homeless shelter, and neighborhood stabilization program.	Polling locations, vote by mail.
<b>Senior and Retirement</b>	
Aging & disability resource connection program, community outreach, community elderly abuse education, legal assistance, and senior employment.	

## FACTORS AFFECTING ECONOMIC CONDITION

### State Economy

The Governor's Budget Revision was issued in May 2018. The May Revision projects Fiscal Year 2018-19 general fund revenues and transfers of approximately \$133.5 billion, total expenditures of approximately \$137.6 billion and a year-end fund balance of approximately \$4.4 billion, of which \$1.2 billion would be reserved for liquidation of encumbrances and approximately \$3.2 billion would be deposited in a reserve fund for economic uncertainties.

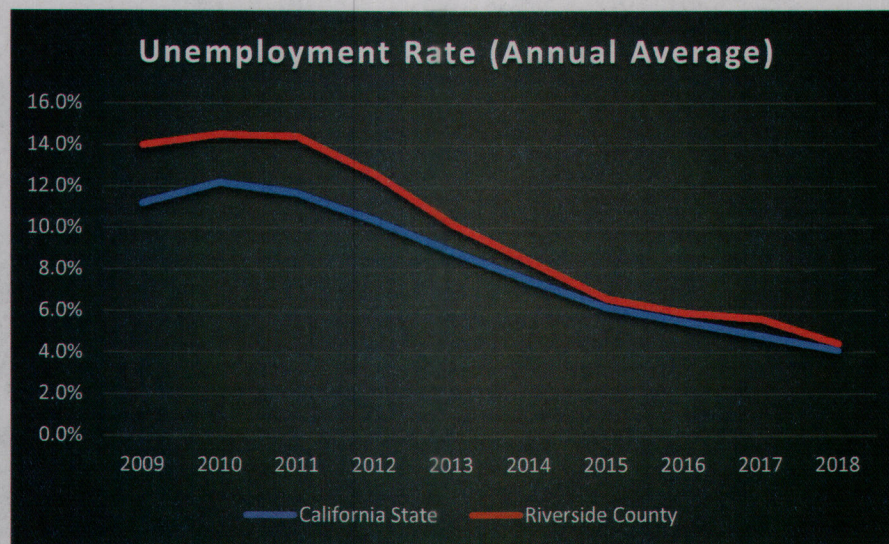
The May Revision includes a projected balance of \$13.8 billion in the Budget Stabilization Account/Rainy Day Fund by the end of Fiscal Year 2018-19. The May Revision assumes continued expansion of the economy and a balanced budget throughout the forecast period. However, the May Revision provides that the State must continue to plan and save for future budgets and avoid making substantial new ongoing obligations. The May Revision assumes the federal tax law changes will provide a temporary boost to the national economy and provide fiscal gains to many Americans, however, such gains come at a long-term cost because it will take economic growth from future years and increase income inequality. The May Revision reflects the receipt of \$8.0 billion in higher revenues through Fiscal Year 2018-19 as compared to the Proposed Fiscal Year 2018-19 Budget. Of such amount, the May Revision proposes nearly \$4 billion in one-time General Fund spending, focused on infrastructure (\$2 billion), homelessness (\$359 million) and mental health (\$312 million). The May Revision proposes higher Medi-Cal spending of \$20.3 general fund (\$97.3



billion total funds) in Fiscal Year 2017-18 and \$22.9 billion general fund (\$103.9 billion total funds) in Fiscal Year 2018-19 as compared to the 2018-19 Proposed Budget Act.

The State has outpaced the nation and many other states in terms of economic growth, job gains, and improvements in its unemployment rate, fueled by strength in many of its key industries. With California hitting its lowest unemployment rate since 1976, wage gains in the state have accelerated in recent years. Average weekly wages in California increased by 4.3% in 2017, the largest increase in the last 10 years. With limited increases in the labor force expected this year, workers are almost guaranteed to see wages rise again.

Steady job growth and limited increases in the labor force will keep the unemployment rate low and push up wages for nearly all workers. With these gains in financial and economic well-being, households in California will fuel growth in their local economies by buying homes, appliances, and cars, and causing expansion in local-serving industries such as retail stores, restaurants, and personnel services.



The annual unemployment rates for the State of California and Riverside County display a continued downward trend improving gradually since its highest peak in 2010. During fiscal year 2017-18, the State's average unemployment rate decreased from 4.8% to 4.1% and the County's unemployment rate decreased from 5.6% to 4.4%.

Source: Employment Development Department, Labor Market Information Division, Preliminary October 2018

### Local Economy

Beacon Economics' current forecast for Riverside County represents a positive outlook that the economy is trending in the right direction, and nothing on the immediate horizon signals a reversal of that trend. Corporate tax cuts should boost investment spending on the part of Riverside County businesses. Meanwhile, personal tax cuts will leave households with more disposable income, some of which will be spent in the local economy. Both of these will speed GDP growth in the near term and boost local economic activity.

Riverside County remains a seller's market as demand for housing continues to outstrip supply. Home prices are appreciating at above average rates and market inventories remain slim. Despite a limited inventory of homes, the County's real estate market remained on track during the 2016-17 fiscal year. Countywide home sales for 2016-17 were 5.8% higher than in 2015-16, close to the 6.0% increase in home sales that occurred during the prior fiscal year.

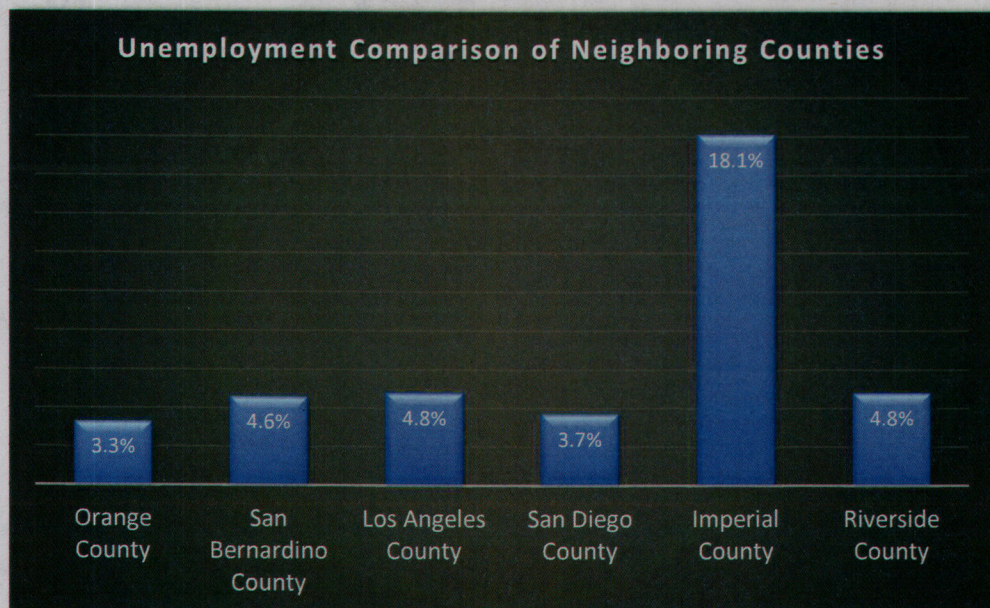
Riverside County revenues that are driven primarily by consumer and business spending have been notably weak in recent years, but this is more closely related to transitory developments rather than a change in the broader trend of economic growth in the region. Lower fuel prices have been part of the problem, but as energy prices continue to



stabilize, that effect will subside. The outlook for the regional economy is strong, and spending growth is expected to continue in line with historical averages.

Beacon Economics' expects a moderate positive impact on overall consumer spending as a result of the change in the federal tax law. The long-term impact of the tax legislation is difficult to predict because it depends on how the economy responds to the business cycle. In short term, the reduction in business taxes could provide a windfall to investment, which would support increased nominal spending by local businesses, although much of that is predicated on the degree of optimism that translates to investors.

The regional labor market is in good health, despite a general slowdown in job growth. The slowing in employment has occurred across the U.S. and California, as well as in the County, and is tied to the fact that the national, state, and local economies have reached full employment over the last two years. The County's residential real estate market has been characterized by lean inventories, which have kept upward pressure on prices and restricted sales. Fuel prices have stabilized and are trending higher, which coupled with the new federal tax law, should support growth in taxable sales in the near-term future.



Source: Employment Development Department, Labor Market Division, June 2018

### Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective public services, the County of Riverside applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association and recognized as best practices that promote financial soundness, efficiency in government and solvency in public finance. The following committees have been established to aid in the implementation of oversight and transparency of such relevant financial policies:

*Debt Advisory Committee* provides advice to the Board on debt issuance and management.

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

*Deferred Compensation Advisory Committee* provides assurance of the financial stability of the deferred compensation plan through prudent monitoring of investments and costs.



*Investment Oversight Committee* reviews the County's investment policies.

### **Financial Reporting Awards**

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County for its CAFR for the fiscal year ended June 30, 2017. This was the thirtieth consecutive year the County has achieved this prestigious award. In order to be awarded a *Certificate of Achievement*, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

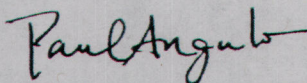
The County has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 30, 2017. This was the twelfth consecutive year the County has achieved this award. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR and PAFR continue to meet the Certificate of Achievement Program's requirements and we are submitting both reports to the GFOA to determine the eligibility for new certificates.

### **Acknowledgments**

The preparation of this CAFR could not have been accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office, especially the staff members of the General Accounting Division who consistently produce award winning financial reports. Special recognition goes to the staff members of the contributing component units and the County departments for their participation in the preparation of this report.

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

*Respectfully,*



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PAUL ANGULO, CPA, MA  
RIVERSIDE COUNTY AUDITOR-CONTROLLER



## COUNTY OF RIVERSIDE

List of Principal Officials  
As of June 30, 2018

### ELECTED OFFICIALS

Board of Supervisors



KEVIN JEFFRIES  
First District



JOHN F.  
TAVAGLIONE  
Second District



CHUCK  
WASHINGTON  
Third District



V. MANUEL  
PEREZ  
Fourth District



MARION ASHLEY  
Fifth District

### COUNTYWIDE ELECTED OFFICIALS



MICHAEL HESTRIN  
District Attorney



STANLEY SNIFF  
Sheriff  
Coroner  
Public Administrator



PAUL ANGULO  
Auditor  
Controller



PETER ALDANA  
Assessor  
Clerk  
Recorder



JON  
CHRISTENSEN  
Treasurer  
Tax Collector

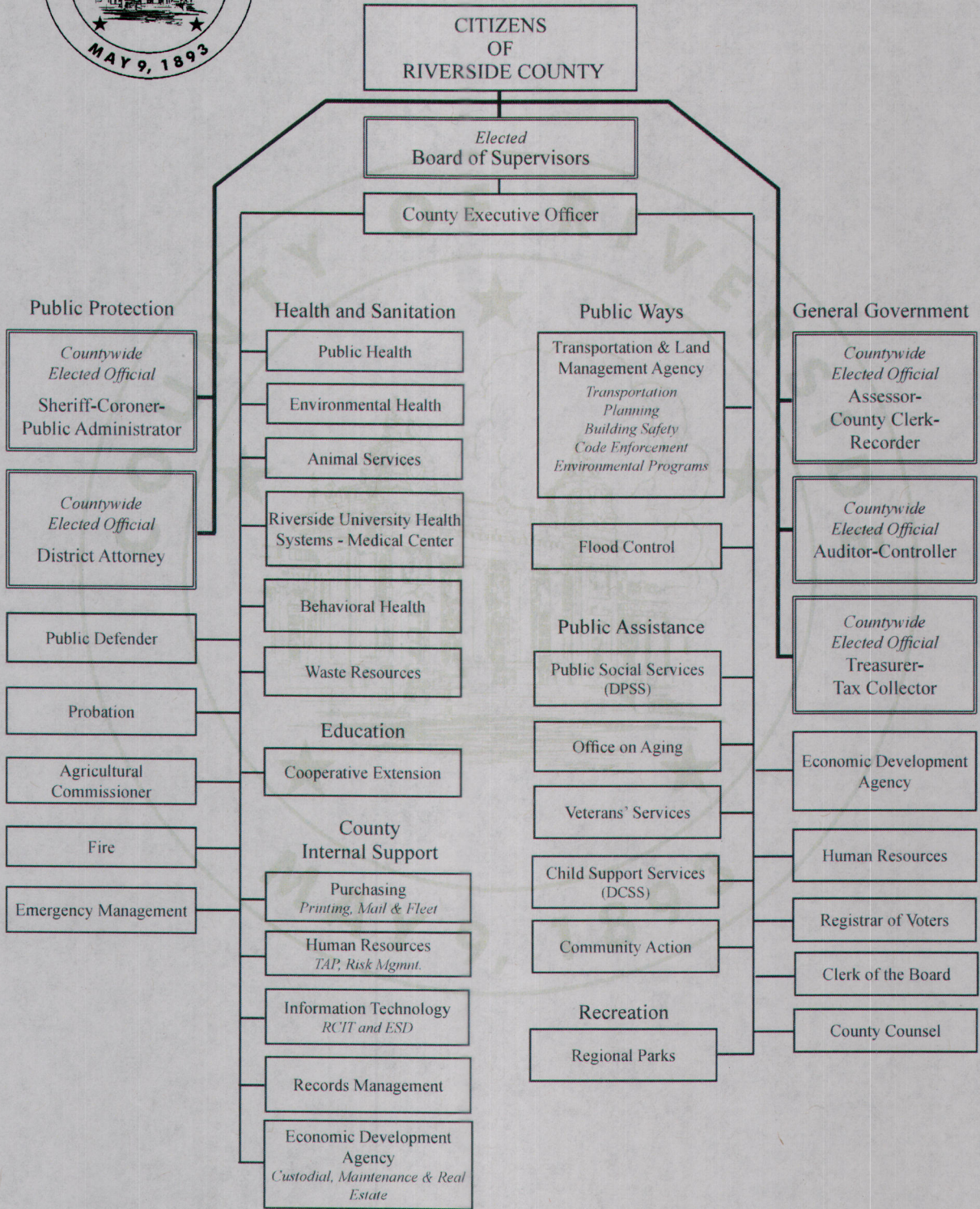
### APPOINTED OFFICIALS

GEORGE JOHNSON  
County Executive Officer

GREGORY P. PRIAMOS  
County Counsel



**COUNTY OF RIVERSIDE  
ORGANIZATION CHART**







Government Finance Officers Association

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

Presented to

**County of Riverside  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

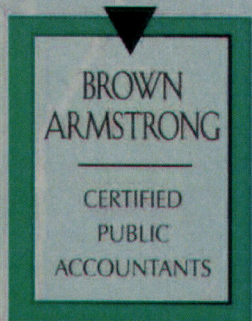
*Christopher P. Morrill*

Executive Director/CEO



**FINANCIAL  
SECTION**





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors  
County of Riverside, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Riverside, California, (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (the Flood Control), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), Perris Valley Cemetery District (the Cemetery District), Riverside County Redevelopment Successor Agency (the Successor Agency), and Riverside County Children and Families Commission (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	19%	3%
Business-Type Activities	21%	12%
Aggregate Remaining Fund Information	2%	0%
Discretely Presented Component Unit	100%	100%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control, the Housing Authority, the Park District, the Cemetery District, the Successor Agency, and the Commission, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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#### LAGUNA HILLS OFFICE

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#### STOCKTON OFFICE

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WWW.BACPAS.COM

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



## Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Flood Control Special Revenue Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Implementation of New Accounting Standards*

As disclosed in Note 1 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ending June 30, 2018. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-24; the County's Retirement Plans schedules relating to net pension liabilities, changes in net pension liabilities, and pension contributions on pages 133-141; and the County's net and total other post-employment benefit (OPEB) liabilities, changes in net and total OPEB liabilities, and schedules of plan contributions on pages 142-145 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and respective budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Bakersfield, California  
December 19, 2018

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**

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



## Management's Discussion & Analysis (Unaudited)

This section of the County of Riverside's (the County) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal beginning on page v and the County's basic financial statements which begin on page 25.

### FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2017-18, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2.29 billion (*net position*). The net position included \$3.72 billion of net investment in capital assets, \$858.0 million of restricted resources for the County's ongoing obligations related to programs with external restrictions, and \$2.29 billion deficit of unrestricted resources.
- As of June 30, 2018, the County's governmental funds reported combined fund balances of \$1.08 billion, a decrease of \$16.1 million in comparison with the prior year. Approximately 21.6% of this amount (\$234.5 million) is available for spending at the County's discretion (*unassigned fund balance*).
- 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 \$270.2 million, or approximately 9.2% of total general fund expenditures.
- The significant change in capital assets net of accumulated depreciation resulted from the acquisition of land and easements in addition to major increases in structures and improvements.
- During fiscal year 2017-18, \$47.0 million in lease revenue bonds, 2017 Series A, were issued for refunding the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds. Also, \$22.2 million in lease revenue refunding bonds, 2017 Series B and Series C were issued. The Series B bonds were issued for the purpose of refunding all of the outstanding Southwest Communities Financing Authority 2008 Lease Revenue Bonds Series A. The Series C bonds were issued for financing the acquisition and construction of certain capital improvements. \$27.4 million in capital leases were issued for financing the costs associated with equipment and vehicles.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements which are comprised of the following three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

In addition to the basic financial statements, *Required Supplementary Information* is included to provide additional detail to support the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining. The statement of net position in summary can be found on page 7, and in more detail on page 25.

The *statement of activities*, presented on page 9 in summary and on pages 26-27 in detail, provides information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in



## Management's Discussion & Analysis (Unaudited)

future fiscal periods. For example, property tax revenues are recorded when accrued but not yet collected, and when expenditures for compensated absences are accrued, but not yet paid.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. Governmental activities include six major funds, nineteen nonmajor funds, and a representative allocation of the County's internal service funds. The six major governmental funds are the general fund, flood control special revenue fund, transportation special revenue fund, teeter debt service fund, public facilities improvements capital projects fund, and public financing authority capital projects fund. The business-type activities of the County include three major enterprise funds, and three nonmajor funds. The major enterprise funds are the Riverside University Health Systems-Medical Center (RUHS-MC), Waste Resources, and the Housing Authority.

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Although blended component units are legally separate entities, they are, in substance, part of the County's operations. Accordingly, the financial information from these units is combined with financial information of the primary government.

The financial information for the Children and Families Commission (the Commission), a legally separate component unit whose governing body is appointed by and serves at the will of the County, is presented separately from the financial information of the primary government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- Housing Authority of the County of Riverside (Housing Authority)
- In-Home Supportive Services Public Authority
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Infrastructure Financing Authority (IFA)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (PFA)
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery District

**Fund Financial Statements**, illustrated on pages 30-47, provide information regarding the three major categories of County funds – governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation; are prepared on the modified accrual basis of accounting; and focus primarily on the sources, uses, and balances of current financial resources. Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year unlike government-wide financial statements. Such information may be useful in assessing a government's near-term financing requirements.



## Management's Discussion & Analysis (Unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures, and changes in fund balances provided are accompanied by reconciliations to the government-wide financial statements in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, capital projects, and permanent funds). The governmental fund financial statements present the financial information of each major fund (the general fund, transportation special revenue fund, flood control special revenue fund, Teeter debt service fund, public facilities improvements capital projects fund, and public financing authority capital projects fund) in separate columns.

Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the supplementary information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental fund budgets except for CORAL, District Court Financing Corporation, Infrastructure Financing Authority, Inland Empire Tobacco Securitization Authority, Public Financing Authority, Public Safety Enterprise Communication, and Perris Valley Cemetery Endowment Fund. The budgetary comparison statements have been provided to demonstrate compliance with their respective budgets.

**Proprietary Funds** are used to account for services for which the County charges customers, either outside customers or internal departments of the County. Proprietary funds statements, found on pages 42-45, provide the same type of information as shown in the government-wide financial statements with more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for RUHS-MC, Waste Resources, Housing Authority, County Service Areas, Flood Control and Riverside University Health System – Community Health Centers (RUHS-CHC). RUHS-MC, Waste Resources, and Housing Authority financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34, as amended. Financial information for the remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas, Flood Control and RUHS-CHC are presented in the supplementary information section.
- *Internal service funds* are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its records and archive management, fleet services, information services, printing and mail services, supply services, human resources, risk management, temporary assistance pool, economic development agency (facilities management), and flood control equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund financial information for each internal service fund is provided in the supplementary information section.

**Fiduciary Funds** report assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements, on pages 46-47, are presented on the economic resources measurement focus and the accrual basis of accounting.



## Management's Discussion & Analysis (Unaudited)

**Notes to the Basic Financial Statements** provide additional information other than that displayed on the face of the financial statements and are essential for fair presentation of the financial information in the government-wide and fund financial statements. The notes can be found on pages 49-131 of this report.

**Required Supplementary Information** provides changes in net pension liability and related ratios, employer contributions to the pension plan, changes in net other postemployment benefits (OPEB) liability and related ratios, employer contributions to the OPEB plan, changes in total OPEB liability and related ratios. Required supplementary information can be found on pages 133-145 of this report.

**Combining and individual fund statements and budgetary schedules** provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds, and are presented immediately following the required supplementary information. Combining and individual fund statements and budgetary schedules can be found on pages 147-196 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The table below focuses on the net position and changes in net position in the County's governmental and business-type activities. It presents an analysis of the County's net position as of June 30, 2018, in comparison to the prior fiscal year 2016-17. At the end of current fiscal year, the County reported positive net position in two of the three categories: net investment in capital assets and restricted net position. Total assets and deferred outflows of resources, as indicated below, exceeded liabilities and deferred inflows of resources by \$2.29 billion, representing a decrease of \$310.3 million (\$267.8 million changes in net position and a restatement of \$42.5 million, see Note 3), or 11.9%. A more detailed statement can be found on page 25 in the government-wide financial statements.

#### STATEMENT OF NET POSITION June 30, 2018 and 2017 (In thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2018	2017	2018	2017	2018	2017	Dollar Change	Percentage Change
<b>Assets:</b>								
Current and other assets	\$ 2,278,347	\$ 2,249,916	\$ 473,888	\$ 494,439	\$ 2,752,235	\$ 2,744,355	\$ 7,880	0.3%
Capital assets	4,835,105	4,719,183	330,659	309,970	5,165,764	5,029,153	136,611	2.7%
<b>Total assets</b>	<b>7,113,452</b>	<b>6,969,099</b>	<b>804,547</b>	<b>804,409</b>	<b>7,917,999</b>	<b>7,773,508</b>	<b>144,491</b>	<b>1.9%</b>
<b>Deferred outflows of resources:</b>								
Deferred outflows of resources:	1,347,941	971,638	214,273	136,399	1,562,214	1,108,037	454,177	41.0%
<b>Total deferred outflows of resources</b>	<b>1,347,941</b>	<b>971,638</b>	<b>214,273</b>	<b>136,399</b>	<b>1,562,214</b>	<b>1,108,037</b>	<b>454,177</b>	<b>41.0%</b>
<b>Liabilities:</b>								
Current liabilities	759,858	734,034	230,374	211,601	990,232	945,635	44,597	4.7%
Long-term liabilities	4,953,026	4,315,097	794,475	656,977	5,747,501	4,972,074	775,427	15.6%
<b>Total liabilities</b>	<b>5,712,884</b>	<b>5,049,131</b>	<b>1,024,849</b>	<b>868,578</b>	<b>6,737,733</b>	<b>5,917,709</b>	<b>820,024</b>	<b>13.9%</b>
<b>Deferred inflows of resources:</b>								
Deferred inflows of resources:	390,581	315,055	61,988	48,576	452,569	363,631	88,938	24.5%
<b>Total deferred inflows of resources</b>	<b>390,581</b>	<b>315,055</b>	<b>61,988</b>	<b>48,576</b>	<b>452,569</b>	<b>363,631</b>	<b>88,938</b>	<b>24.5%</b>
<b>Net position:</b>								
Net investment in capital assets	3,505,380	3,355,072	218,159	202,150	3,723,539	3,557,222	166,317	4.7%
Restricted	799,830	911,249	58,136	47,468	857,966	958,717	(100,751)	-10.5%
Unrestricted	(1,947,282)	(1,689,770)	(344,312)	(225,964)	(2,291,594)	(1,915,734)	(375,860)	19.6%
<b>Total net position</b>	<b>\$ 2,357,928</b>	<b>\$ 2,576,551</b>	<b>\$ (68,017)</b>	<b>\$ 23,654</b>	<b>\$ 2,289,911</b>	<b>\$ 2,600,205</b>	<b>\$ (310,294)</b>	<b>-11.9%</b>



## Management's Discussion & Analysis (Unaudited)

### Analysis of Net Position

Below are the three components of net position and their respective balances as of June 30, 2018:

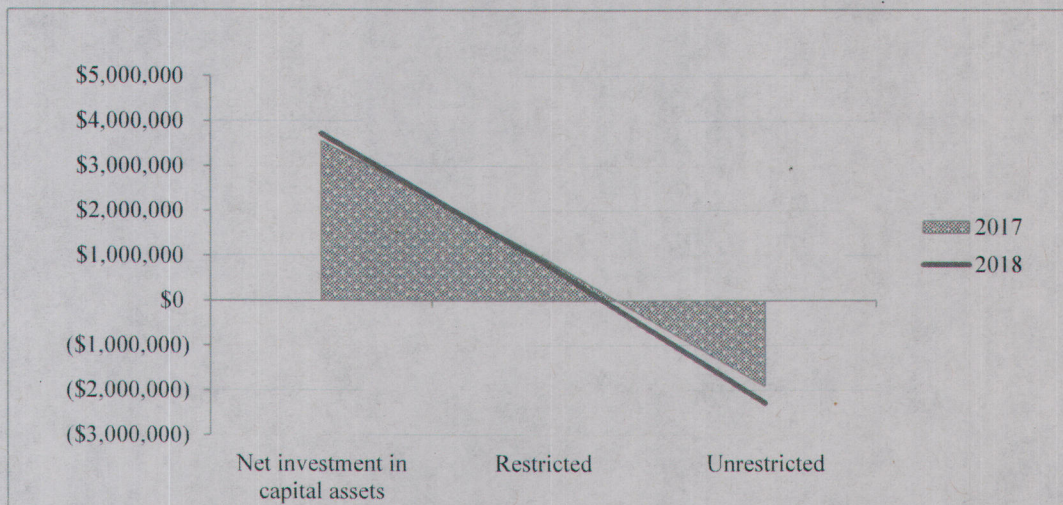
The largest portion of the County's net position reflects its net investment in capital assets of \$3.72 billion, an increase of \$166.3 million, or 4.7% from prior fiscal year. This component consists of capital assets such as land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation. The amount is further reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

The restricted net position is \$858.0 million, a decrease of \$100.8 million, or 10.5% from prior fiscal year, and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The unrestricted net position is negative \$2.29 billion, a decrease of \$375.9 million, or 19.6% from prior year. The negative unrestricted net position resulted from GASB Statement No. 68 related to pensions and its requirement to record a net pension liability on the government-wide financial statements as pension costs increased in the current year. An additional cause for the negative unrestricted net position was the prior period adjustment for changes in accounting principle as required by GASB Statement No. 75 and its costs as it relates to other postemployment benefits costs.

The decrease in the overall net position of governmental and business-type activities was attributed to additional pension costs as a result of a lower discount rate which was reduced by 50 basis points and higher than expected salaries expenditures. The annual contribution to retirement plans for fiscal year 2017-18 was \$279.9 million, an increase of \$3.1 million, or 1.1%, from fiscal year 2016-17. Additional costs were incurred as the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, took effect in the current fiscal year. There were also increased expenditures in public protection of \$140.6 million, an increase of \$52.1 million in health and sanitation services, and an increase in public assistance services of \$43.1 million. The operating expenses in business-type activities were significantly higher than the prior fiscal year. The increases were mostly noted in RUHS-MC by \$53.8 million and it is mostly related to personnel salary cost increases. The other major increase in expenses, and therefore decreasing the net position of the business-type activities, was in RUHS-CHC as it ended the current fiscal year with a negative net position of \$18.0 million.

**Statement of Net Position**  
**June 30, 2018 and 2017**  
(In thousands)





## Management's Discussion & Analysis (Unaudited)

The following table provides information from the Statement of Activities of the County as of June 30, 2018 as compared to the prior year:

### CHANGES IN NET POSITION

For the fiscal years ended June 30, 2018 and 2017  
(In thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2018	2017	2018	2017	2018	2017	Dollar Change	Percentage Change
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 716,973	\$ 766,589	\$ 787,775	\$ 716,911	\$ 1,504,748	\$ 1,483,500	\$ 21,248	1.4%
Operating grants and contributions	1,951,911	1,912,480	-	-	1,951,911	1,912,480	39,431	2.1%
Capital grants and contributions	77,352	49,088	87	552	77,439	49,640	27,799	56.0%
<b>General revenues:</b>								
Property taxes	387,305	367,937	-	-	387,305	367,937	19,368	5.3%
Sales and use taxes	27,557	27,881	-	-	27,557	27,881	(324)	-1.2%
Unrestricted intergovernmental revenue	262,745	258,999	-	-	262,745	258,999	3,746	1.4%
Investment earnings	26,613	12,918	3,228	2,182	29,841	15,100	14,741	97.6%
Other	257,358	185,141	-	-	257,358	185,141	72,217	39.0%
<b>Total revenues</b>	<b>3,707,814</b>	<b>3,581,033</b>	<b>791,090</b>	<b>719,645</b>	<b>4,498,904</b>	<b>4,300,678</b>	<b>198,226</b>	<b>4.6%</b>
<b>Expenses:</b>								
General government	275,973	277,276	-	-	275,973	277,276	(1,303)	-0.5%
Public protection	1,606,348	1,465,762	-	-	1,606,348	1,465,762	140,586	9.6%
Public ways and facilities	215,360	199,023	-	-	215,360	199,023	16,337	8.2%
Health and sanitation	611,960	559,906	-	-	611,960	559,906	52,054	9.3%
Public assistance	1,067,151	1,024,047	-	-	1,067,151	1,024,047	43,104	4.2%
Education	23,560	24,603	-	-	23,560	24,603	(1,043)	-4.2%
Recreation and cultural services	17,345	17,980	-	-	17,345	17,980	(635)	-3.5%
Interest on long-term debt	63,685	69,874	-	-	63,685	69,874	(6,189)	-8.9%
Riverside University Health Systems - Medical Center	-	-	636,169	582,419	636,169	582,419	53,750	9.2%
Waste Resources	-	-	88,964	87,115	88,964	87,115	1,849	2.1%
Housing Authority	-	-	98,591	91,783	98,591	91,783	6,808	7.4%
County Service Areas	-	-	243	370	243	370	(127)	-34.3%
Flood Control	-	-	5,183	3,903	5,183	3,903	1,280	32.8%
Riverside University Health Systems - Community Health Centers	-	-	56,247	-	56,247	-	56,247	0.0%
<b>Total expenses</b>	<b>3,881,382</b>	<b>3,638,471</b>	<b>885,397</b>	<b>765,590</b>	<b>4,766,779</b>	<b>4,404,061</b>	<b>362,718</b>	<b>8.2%</b>
<b>Excess (deficiency) before transfers</b>								
	(173,568)	(57,438)	(94,307)	(45,945)	(267,875)	(103,383)	(164,492)	159.1%
<b>Transfer in (out)</b>								
	(15,036)	(19,916)	15,036	19,916	-	-	-	0.0%
<b>Change in net position, before extraordinary items</b>								
	(188,604)	(77,354)	(79,271)	(26,029)	(267,875)	(103,383)	(164,492)	159.1%
<b>Extraordinary items</b>								
	-	-	78	1,152	78	1,152	(1,074)	-93.2%
<b>Change in net position</b>								
	(188,604)	(77,354)	(79,193)	(24,877)	(267,797)	(102,231)	(165,566)	162.0%
<b>Net position, beginning of year, as restated</b>								
	2,546,532	2,653,905	11,176	48,531	2,557,708	2,702,436	(144,728)	-5.4%
<b>Net position, end of year</b>								
	<b>\$ 2,357,928</b>	<b>\$ 2,576,551</b>	<b>\$ (68,017)</b>	<b>\$ 23,654</b>	<b>\$ 2,289,911</b>	<b>\$ 2,600,205</b>	<b>\$(310,294)</b>	<b>-11.9%</b>



## Management's Discussion & Analysis (Unaudited)

### Analysis of Changes in Net Position

The following are specific major factors that resulted in the net position changes in governmental activities between fiscal years 2017-18 and 2016-17 as shown in the table on page 9.

### Revenues for governmental activities

Total revenues for governmental activities were \$3.71 billion, an increase of \$126.8 million, or 3.5% from the previous year. This increase consisted of increases in program revenues of \$18.1 million and general revenues of \$108.7 million. The largest share of program revenues were operating grants and contributions which accounted for 71.1%. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenue for public assistance and health and sanitation. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. General revenues are used to support program activities countywide. Example of general revenues include property tax, sales and use tax as well as other County levied tax, investment income, rents and concessions, contributions and donation, and sales of surplus property.

The increase in program revenues was primarily comprised of the following:

- Charges for services decreased by \$49.6 million, or 6.5%. A significant decrease was due to the exclusion of the revenues previously recorded related to the RUHS-CHC which has been reclassified for reporting purposes to an enterprise fund, a business-type fund. The other main reason for the decrease is due to a decrease in the transportation uniform mitigation fees as large road projects were completed.
- Operating grants and contributions increased by \$39.4 million, or 2.1%. A \$19.2 million increase was noted on several public assistance programs including adoption assistance and CalWorks, and increases in federal block grants and realignment funding. There was a \$17.6 million increase in Mental Health Service Act to continue providing services that are provided through the Behavior Health department. Also, an \$11.1 million increase was due to additional service levels for the detention health and behavioral healthcare service provided in the County jails.
- Capital grants and contributions increased by \$28.3 million, or 57.6%. The increase relates to capital grant funding mainly related to the East County Detention Center which is partially funded through Assembly Bill (AB) 900 funding.

The increase in general revenues was largely attributable to:

- Property tax revenues increased by \$19.4 million, or 5.3%. The increase is due to the growth of assessed property valuations, increases in changes of ownership of real estate, and rising values in all sectors of the commercial real estate market and residential. Additionally, the new construction of industrial buildings from e-commerce and lower vacancy rates in commercial properties lead to higher tax levies.
- Investment earnings increased by \$13.7 million, or 106.0%. The increase was due to the Federal Reserve increasing rates and higher investment returns on pooled investment as the economy continues to expand.
- Other revenue increased by \$72.2 million, or 39.0%. Approximately \$5.0 million was collected from the sales proceeds of the Pedley Transportation Yard. A \$1.6 million increase in the first apportionment during the fiscal year related to redevelopment pass through funds. Other increases were noted in contractual revenue, judgements, sale of surplus property, tobacco tax settlement and additional special district revenue.

### Expenses for governmental activities

Total expenses for governmental activities were \$3.88 billion for the current fiscal year, an increase of \$242.9 million, or 6.7% (\$249.1 million increase in functional expenses and \$6.2 million decrease in interest expense), as compared to prior fiscal year. The following are the key components accounting for the variances:

- The expenses in public protection increased by \$140.6 million, or 9.6%. The California Department of Forestry and Fire Protection (CalFire) Cooperative Agreement for the retroactive labor cost of living increases were approved by CalFire in June 2017 and therefore affecting the current fiscal year. The probation department incurred additional expenditures due to the implementation of Senate Bill (SB) 190

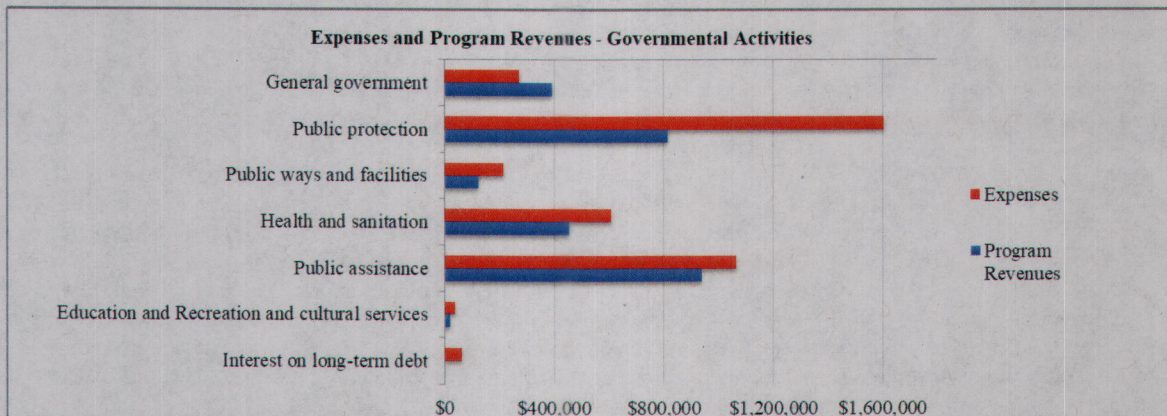


## Management's Discussion & Analysis (Unaudited)

and Proposition 63, new state legislation that became effect on January 1, 2018. Additionally, there has been an increase of overtime costs to meet state-mandated staffing levels as the department's vacancy rate increases. Expenses also increase because the new flood control and drainage infrastructure projects within certain zone areas began in fiscal year 2017-18.

- The increase in public ways and facilities of \$16.3 million, or 8.2%, was mainly caused by the completion of road improvement projects including extension and resurfacing due to recent development in the communities.
- The expenses in health and sanitation increased by \$52.1 million, or 9.3%, due to the increased salaries, benefits and program costs associated with the expansion of correctional health services and detention health services. Additionally, increased costs were incurred for meeting the increased demand for behavioral health treatment services in the juvenile hall facilities and acute psychiatric inpatient beds, and Children's Outpatient Medicaid for additional clients served. Also, expenses increased related to programs to treat substance abuse. Expenses also increase as the recently approved Drug Medi-Cal Organized Delivery System Waiver continues to be implemented.
- The increase in public assistance of \$43.1 million, or 4.2%, was due mainly to increases in the In-Home Support Services (IHSS) provided. Additionally, the State Coordinated Care Initiative (CCI) was discontinued and the related IHSS Maintenance of Effort (MOE) share of cost was terminated. Increases in expenditures related to adoption services funded via foster care were incurred as there were extended placements for foster youth not approved for emancipation and increases in foster care rates. Increases in expenditures were also incurred in Medi-Cal services that were provided during the fiscal year.
- The \$6.1 million decrease in interest on long-term debt is due to the Tax Revenue Anticipation Notes (TRANS) notes that carried a lower interest rate and several bonds that were refunded at a lower interest rate.

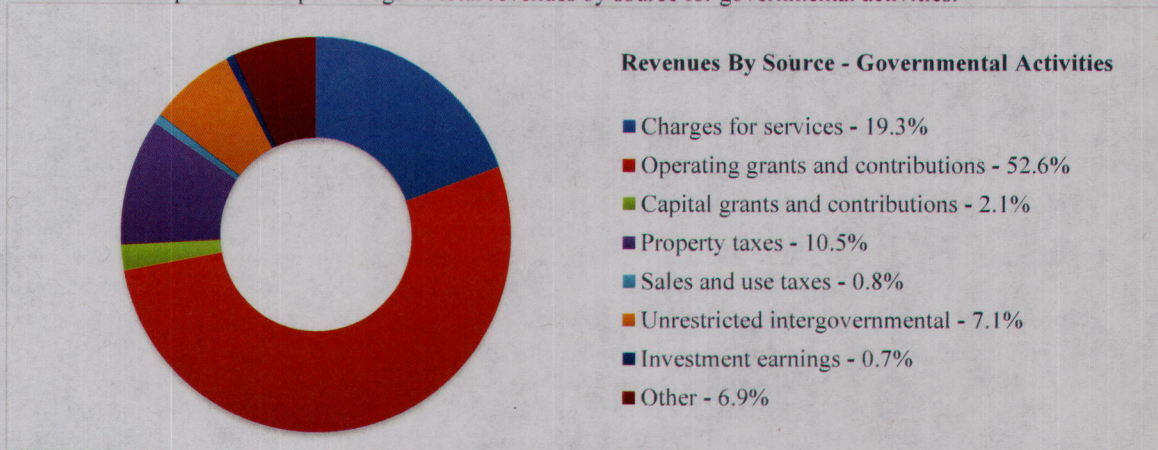
The following chart displays expenses and the associated program revenues by function for the governmental activities for the fiscal year ended June 30, 2018 (In thousands):





## Management's Discussion & Analysis (Unaudited)

The chart below presents the percentage of total revenues by source for governmental activities:



### ***Business-type Activities***

The County has three major business-type activity funds: RUHS-MC, Waste Resources, and Housing Authority. In addition, Flood Control, County Service Areas and RUHS-CHC are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities.

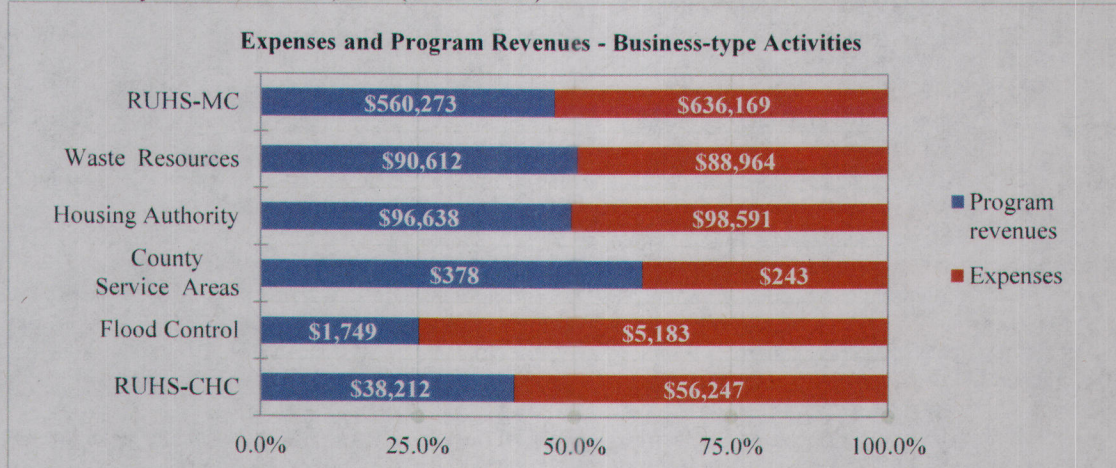
**Revenues:** For the current year, \$787.8 million, or 99.6%, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, \$560.3 million, was received by RUHS-MC as compared to \$544.1 million for the prior fiscal year. The increase was mainly attributed to higher patient revenue from in-patients and out-patients visits and therefore increases in insurance contracts revenues and other collection sources, as well as increased state compensation for care of patients with Medi-Cal insurance.

**Expenses:** Total expenses for business-type activities were \$885.4 million for the fiscal year compared to \$765.6 million for the prior fiscal year. This represents an increase of \$119.8 million, or 15.6%. The majority of the increases in expenses was incurred by RUHS-MC with an increase of \$53.8 million and RUHS-CHC with \$56.2 million. The increase by RUHS-MC was mainly attributed to salaries and benefit increases and increases in insurance expenses. The increase related to RUHS-CHC is mainly due to this being the first year being presented as an enterprise fund. Previously, it was presented as a special revenue fund and therefore creates a significant variance; however, overall the operational costs increased from the increase of patient volume in the Federally Qualified Health Centers as the implementation of health care reform continued in fiscal year 2017-18.

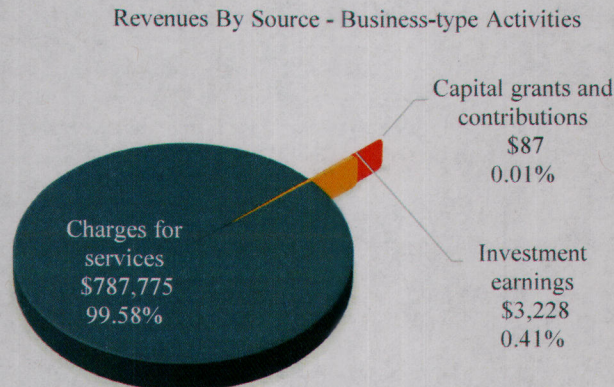


## Management's Discussion & Analysis (Unaudited)

The following chart displays expenses and the associated program revenues by function for the business-type activities for the fiscal year ended June 30, 2018 (In thousands):



The chart below presents the percentage of total revenues (In thousands) by source for business-type activities:



### FINANCIAL ANALYSIS OF FUND STATEMENTS

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

#### Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of spendable resources. Such information is useful in assessing the County's short-term financial requirements. In particular, the total fund balance less the nonspendable amount may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, capital projects funds, debt service funds, and the permanent fund.

As of June 30, 2018, the County's governmental funds reported combined fund balances of \$1.08 billion, a decrease of \$16.1 million in comparison with the prior year. The components of total fund balance are as follows (See Note 16 - Fund Balances for additional information):



## Management's Discussion & Analysis (Unaudited)

- Nonspendable fund balance – \$6.0 million, amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance – \$762.8 million, amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – \$36.9 million, amounts that are committed for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- Assigned fund balance – \$43.6 million, amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – \$234.5 million, funds that are not reported in any other category and are available for any purpose within the general fund.

Total governmental fund revenue increased by \$67.9 million, or 1.9%, from the prior fiscal year with \$3.57 billion being recognized for the fiscal year ended June 30, 2018. Expenditures decreased by \$98.8 million, or 2.7%, from the prior fiscal year with \$3.59 billion being expended for governmental functions during fiscal year 2017-18. Overall, governmental fund balance decreased by \$24.3 million, or 2.2%. In comparison, fiscal year 2016-17 had a decrease in governmental fund balance of \$132.3 million, or 10.7%, over fiscal year 2015-16.

The general fund is the primary operating fund of the County. At the end of fiscal year 2017-18, the general fund's total fund balance was \$369.6 million, as compared to \$348.2 million in fiscal year 2016-17. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The nonspendable portion of fund balance was \$3.5 million, and the spendable portion was \$366.1 million. The current year unassigned fund balance is 8.0% of the total general fund expenditures of \$2.94 billion, as compared to 7.4% of the prior year expenditures total of \$2.94 billion. The total fund balance of the general fund for the current year is 12.6% of the total general fund expenditures as compared to 11.8% for the prior year.

The fund balance of the County's general fund increased by \$21.4 million during the current fiscal year. The overall increase in net position was due to an increase in interest revenue, and decreases in services and supplies expenditures related to public assistance. Other factors contributing to the increase in fund balance were the result of operations as discussed in the general fund financial analysis on pages 15 and 16.

Transportation fund balance increased by \$4.7 million, or 5.8%, due to significant decrease in expenditures related to contracts as the department did not have as many projects in the current year as it did last year.

Flood control fund balance increased by \$10.7 million, or 4.7%, with approximately 76 percent of this increase being attributable to the addition of donated capital assets, i.e., infrastructure and land, net of investment related expenses.

Public facilities improvements capital projects fund balance increased from \$160.7 million to \$188.4 million, 17.2% or \$27.7 million. The increase was caused by additional State aid received in the current year to continue financing the new detention center that is under construction in addition to the reimbursement for shared cost incurred.

Public financing authority fund balance decreased by \$77.4 million, or 83.2%. The decrease was primarily due to the ongoing construction of the detention center, courtrooms, and parking structures that continued in the current fiscal year and which are financed with proceeds from the Series 2015 Bond issuance. The proceeds from the Series 2015 Bond issuance have been spent as the capital projects progressed.

### Other Governmental Funds

The \$11.4 million, or 5.7%, decrease in nonmajor governmental funds fund balance was essentially from the scheduled annual principal payments of outstanding debts in debt service funds.

### Proprietary Funds

The County's proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in more detail. The RUHS-MC, Waste Resources, and Housing Authority are shown in separate columns of the fund statements due to materiality criteria as defined by GASB Statement No. 34, as amended.



## Management's Discussion & Analysis (Unaudited)

In addition, the internal service funds are combined into a single, aggregated presentation in the proprietary fund statements with the individual fund data provided in the combining statements, which can be found in the supplemental information section.

At the end of the fiscal year, total proprietary fund net position was \$7.4 million, compared to \$96.4 million from prior fiscal year; this represents a decrease of \$89.0 million, or 92.3%. The funds accounting for the majority of the variance were RUHS-MC, Other, and Internal Service Funds. The total decrease in net position for RUHS-MC and Other were \$47.3 million and \$7.9 million, respectively. Factors concerning the finances of these two funds have been previously discussed in the business-type activities on page 8. The decrease of \$39.8 million in the Internal Service Funds was mainly due to increase costs in personnel services and insurance claims in the Risk Management Fund.

### GENERAL FUND FINANCIAL ANALYSIS

Revenues and other financing sources for the general fund, including comparative amounts from the preceding year, are shown in the following tabulation:

**General Fund - Revenues by Source**  
For the fiscal years ended June 30, 2018 and 2017  
(In thousands)

Revenues by Sources	2018		2017		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
Taxes	\$ 303,836	9.8%	\$ 292,674	9.6%	\$ 11,162	3.8%
Intergovernmental revenues	2,036,517	65.8%	1,974,075	64.5%	62,442	3.2%
Charges for services	481,245	15.5%	460,539	15.1%	20,706	4.5%
Other revenue	158,219	5.1%	153,728	5.0%	4,491	2.9%
Other financing sources	115,465	3.7%	177,803	5.8%	(62,338)	-35.1%
<b>Total</b>	<b>\$ 3,095,282</b>	<b>100.0%</b>	<b>\$ 3,058,819</b>	<b>100%</b>	<b>\$ 36,463</b>	<b>1.2%</b>

General fund revenues had an overall increase of \$36.5 million, or 1.2%, from the prior year. The increase was due primarily to the changes in the following:

- The increase in *Taxes* during the current fiscal year was due to the increase on the assessment roll value for fiscal year 2017-18 with the main increase of approximately \$11.2 million noted in the secured property taxes.
- The increase of \$62.4 million in *Intergovernmental revenues* was primarily attributed to increases in state funding for such programs like adoption assistance, CalWorks, mental health services, and increases in AB118 revenue and realignment revenue.
- *Charges for services* increased by \$20.7 million, or 4.5%, primarily due to increases in contract law enforcement services and increases in revenues related to fire protection services provided during the fiscal year.
- The decrease in *other financing sources* of approximately \$62.3 million, or 35.1%, was primarily due to decreases related to transfers in by \$4.5 million and a significant decrease in capital leases of \$57.8 million.



## Management's Discussion & Analysis (Unaudited)

Expenditures and other financing uses for the general fund, including comparative amounts from the preceding year, are shown in the following tabulation:

### General Fund - Expenditures by Function For the fiscal years ended June 30, 2018 and 2017 (In thousands)

Expenditures by Function	2018		2017		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
General government	\$ 130,989	4.3%	\$ 133,217	4.3%	\$ (2,228)	-1.7%
Public protection	1,328,734	43.2%	1,317,038	42.7%	11,696	0.9%
Health and sanitation	543,976	17.7%	494,771	16.1%	49,205	9.95%
Public assistance	916,191	29.8%	920,185	29.9%	(3,994)	-0.4%
Other expenditures	24,954	0.8%	77,844	2.5%	(52,890)	-67.9%
Other financing uses	129,087	4.2%	139,043	4.5%	(9,956)	-7.2%
<b>Total</b>	<b>\$ 3,073,931</b>	<b>100.0%</b>	<b>\$ 3,082,098</b>	<b>100.0%</b>	<b>\$ (8,167)</b>	<b>-0.3%</b>

Total expenditures for the general fund were \$3.07 billion, a decrease of \$8.2 million, or 0.3%, from the prior year. Significant changes are as follows:

- The increase in *Public protection* of \$11.7 million was mainly caused by increases of \$1.1 million in technology device support, \$1.2 million increase in legal services, \$3.7 million increase in county support services, and a \$1.8 million increase in administrative support. Also, there were increases of \$2.1 million in maintenance tenant improvement and \$3.0 million increase in insurance expenditures.
- The increase in *Health and sanitation* of \$49.2 million was primarily attributed to increases in salaries of \$7.8 million which also increase retirement expenditures by \$2.2 million and flex benefits by \$1.7 million. Also, there were increased expenditures in private care provider services of \$38.9 million.
- The decrease in *Other expenditures* of \$52.9 million was mainly due to decrease in capital outlay in the current year.
- The decrease in *Other financing sources* of \$10.0 million was mainly due to reductions in contributions to other County funds for construction costs of capital projects and County program activities.

### GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the original adopted and the final budget, and 2) the final budget and the actual revenue and expenditure amounts. The budgetary comparison statement displays the details of the comparison and is included in the governmental fund statements section.

#### Variance between General Fund Original Adopted and Final Budgets

##### Estimated Revenue Variances

The original adopted General Fund estimated revenue budget decreased by \$82.2 million, or 2.5%, from \$3.24 billion to the final revenue budget of \$3.16 billion. The major estimated revenue variances are described as follows:

Federal: Increased by \$17.6 million, or 2.8%, from \$627.5 million to \$645.1 million. The primary increase of \$12.7 million was a result of contract increases for the efforts by Riverside University Health System- Behavioral Health (RUHS-BH) to operate a continuum of care system that consists of County-operated clinics and contracted service



## Management's Discussion & Analysis (Unaudited)

providers delivering a variety of Substance Abuse and Prevention Treatment (SAPT) services within each geographic region of Riverside County. SAPT services provided by RUHS-BH and Drug Medi-Cal (DMC) certified providers include Outpatient, Intensive Outpatient, Residential, Peri-natal Residential, Medication Assisted Treatment, Opioid Treatment, Withdrawal Management, Case Management, and Recovery Services. The program has increased the number of consumers receiving services by 34.0%. An increase of \$1.5 million was also related to a RUHS- BH proposal to fund two contract-operated Full Services Partnership programs that would provide integrated mental health, substance abuse and primary care services. These services will utilize an evidenced-based intervention using a Trauma Informed approach. Diversion services were also included for veteran and homeless court defendants as well as those individuals serving post-conviction informal probationers who, due to their impaired functioning, are at risk for re-offending. Restorative justice activities and vocational services will also be provided along with comprehensive housing support. Finally, a \$1.7 million grant was received from The California Office of Traffic Safety by the Sheriff's Department. Their mission is to effectively administer traffic safety grants to reduce traffic deaths, injuries and economic losses. The grant will fund two full-time positions within the Sheriff's Grants Unit and events will include: DUI checkpoints, DUI saturation patrols, patrols focusing on pedestrian safety, traffic enforcement, distracted driving, seat belt enforcement, and special enforcement operations encouraging motorcycle safety.

Charges for current services: Decreased by \$72.8 million, or 12.7%, from \$573.7 million to \$500.9 million. The primary decrease of \$83.2 million was mainly due to intergovernmental activities. This was offset by an increase of \$5.9 million from the Sheriff's Department budget due to increases in law enforcement services to the cities. The Fire Department received \$2.3 million from the Cal Fire Cooperation agreement for retroactive labor cost of living increases. The Treasurer-Tax Collector Office budget increased by \$1.0 million for the quantum treasurer software license.

Other revenue: Decreased by \$23.7 million, or 23.3%, from \$101.6 million to \$77.9 million. The primary decrease was due to intergovernmental activities of \$25.8 million. An additional decrease of \$4.2 million was process in the first quarter by the Executive Office to account for a lower premium and interest on Tax and Revenue Anticipation Note. This was offset by a \$1.4 million increase by County Council to clean up and transfer outstanding settlement judgement balances to the General Fund.

### Expenditure Appropriation Variances

The original adopted General Fund appropriation budget decreased by \$90.4 million, or 2.7%, from \$3.31 billion to the final appropriation budget of \$3.22 billion. The major expenditure appropriation variances are described as follows:

General government: The original adopted appropriation budget for General government decreased by \$39.7 million, or 17.3%, from \$230.4 million to the final appropriation budget of \$190.7 million. The major appropriation variances are described below.

- Services and supplies increased by \$6.5 million, or 7.0%, from \$92.9 million to \$99.4 million. The Executive Office increased in professional services by \$2.7 million for KPMG related projects. An increase of \$1.6 million was due to increases from encumbrances by various departments related to budgeted goods or services that were not received in the prior fiscal year. There was a \$744.0 thousand increase in the Executive Office Subfund Operations budget related to Board Policy B-32 which established a process for the deposit of proceeds from the disposition of real property. The unanticipated proceeds from the sale of real estate were used to offset the professional services costs associated with the acquisition of real property. Finally, the Treasurer-Tax Collector Office budget increased by \$667.1 thousand due to the upgrade of the treasurer financial system.
- Other charges decreased by \$32.3 million, or 38.7%, from \$83.6 million to \$51.3 million mainly due to intergovernmental activities relating to operating transfers in and out and the elimination of transfers in and out within the same fund group.
- Appropriation for contingencies decreased by \$14.3 million, or 71.7%, from \$20.0 million to \$5.7 million. On behalf of the Emergency Management Department (EMD) the real estate division of the Economic Development Agency purchased property for \$3.0 million for the Emergency Operations Center. The



## Management's Discussion & Analysis (Unaudited)

purchased property includes a 16,826 square foot office building situated on 3.8 acres of land in the City of Riverside. This facility will be used to establish a new Western County Emergency Operation Center (EOC). The new EOC would serve to provide coordinated coverage and management in emergency and catastrophic events. The building will also serve to house administrative functions of EMD and will be improved accordingly. An additional \$2.7 million decrease was recorded to assist departments with the implementation of Board Approved KPMG projects. A \$2.5 million decrease was related to the General Fund reimbursement of Countywide projects initiated by the Riverside County Information Technology Department, and a \$2.2 million decrease was due to the decline of redevelopment property tax revenue. Finally, structural deficits were experienced by the District Attorney's Office in the amount of \$1.8 million and the Law Office of the Public Defender by \$1.5 million.

Public protection: The original adopted appropriation budget for Public protection increased by \$16.1 million, or 1.2%, from \$1.38 billion to the final appropriation budget of \$1.40 billion. The major appropriation variances are described below.

- Other charges decreased by \$13.9 million, or 27.8%, from \$49.9 million to \$36.0 million. The main decrease was due to \$18.2 million in intergovernmental activities relating to operating transfers in and out within the same fund group. This was offset by \$3.1 million increase from projects such as the Palm Springs expansion for \$1.9 million and \$1.0 million for Probation's Youth Treatment Center that were encumbered from the previous fiscal year because they have not been completed.
- Capital assets increased by \$8.7 million, or 229.3%, from \$3.8 million to \$12.5 million. The Sheriff's Department increased their budget by \$6.8 million for patrol and corrections equipment to include FLIR's intelligent traffic solutions which monitor traffic activities, collect traffic data and automatically detect incidents on highways and tunnels regardless of sun glare, darkness, headlights, shadows, snow, and fog with unfiltered best-in-class thermal technology. They also invested in mapping systems, quadcopters, forensics crime scene scanners, a SWAT trailer, and aviation night vision goggles. The Fire Department invested \$1.3 million in fire trucks and other fire related equipment.

Health and sanitation: The original adopted appropriation budget for Health and sanitation increased by \$17.7 million, or 2.9%, from \$601.1 million to the final appropriation budget of \$618.8 million. The major appropriation variances are described below.

- Services and supplies increased by \$8.2 million, or 6.7%, from \$124.3 million to \$132.5 million. This was mainly due to Behavioral Health increasing their budget by \$5.6 million due to the ratification of Community Corrections agreements for Proposition 47. Public Health also increased their budget by \$2.6 million for professional services and special program expenses.
- Other charges increased by \$17.7 million, or 8.9%, from \$199.2 million to \$216.9 million. The majority of the variance consisted of a \$22.0 million increase from Behavioral Health continuum of care system that was discussed previously. The contract between the Department of Health Care Services (DHCS) and Behavioral Health for the Drug Medi-Cal Organized Delivery System (DMC-ODS) was amended increasing the contract maximum by \$82.1 million of which \$22.0 million was not in the current budget for fiscal year 17/18. The services provided by this contract are a component of Behavioral Health's system of care aimed at improving the health and safety of consumers and the community. An increase of \$4.1 million is related to expenses incurred from Proposition 47 Integrated Care Behavioral Health Full Service Partnership programs. This was offset by a decrease in intergovernmental activities of \$9.5 million.

Public assistance: The original adopted appropriation budget for Public assistance decreased by \$24.0 million, or 2.4%, from \$995.9 million to the final appropriation budget of \$971.9 million. The major appropriation variances are described below.

- Other Charges decreased by \$24.2 million, or 4.6%, from \$522.2 million to \$498.0 million. Of that amount, there was a decrease of \$17.1 million from the Department of Public Social Services' ability to offset the new In-Home Supportive Services mandated costs with additional state revenue sources. In addition, there were also decreases in intergovernmental activities by the amount of \$8.0 million.



## Management's Discussion & Analysis (Unaudited)

Debt services: The original adopted appropriation budget for Debt services decreased by \$60.5 million, or 60.7%, from \$99.6 million to the final appropriation budget of \$39.1 million. The major appropriation variances are described below.

- Principal on long-term debt decreased by \$31.6 million, or 69.9%, from \$45.2 million to \$13.6 million primarily due to intergovernmental activities.
- Interest on long-term debt decreased by \$28.9 million, or 53.4%, from \$54.1 million to \$25.2 million primarily due to intergovernmental activities.

### Variance between General Fund Actual Revenues and Expenditures and Final Budget

During the year, the General Fund had a positive budget variance of approximately \$91.6 million resulting from unexpended appropriations of \$272.2 million, or 8.5%, and overestimated revenue of \$180.6 million, or 5.7%. The following contributed to the variance:

#### Revenue Variances

General Fund actual revenues of \$2.98 billion were 5.7%, or \$180.6 million, less than the final revenue budget of \$3.16 billion. The major revenue variances are described as follows:

Fine, forfeitures, and penalties: Actual revenues of \$64.5 million were \$4.7 million, or 8.0%, more than the final budget of \$59.8 million. The Sheriff's Department received additional booking fee recovery revenue of \$2.7 million while the District Attorney's office increased by \$1.6 million in revenue from the consumer fraud and environment crimes units.

Interest: Actual revenues of \$16.7 million were \$5.3 million, or 46.4%, more than the final budget of \$11.4 million. The primary variance of \$3.3 million was due to the Treasurer-Tax Collector Office optimizing the investment selections and strategies which resulted in additional interest earnings. An additional \$1.5 million was from the Behavior Health-Mental Health Services Act investment fund.

Rents and concessions: Actual revenues of \$13.6 million were \$17.9 million, or 56.9%, less than the final budget of \$31.5 million. The variance is the result of amounts being transferred from the General Fund to the CORAL Debt service fund.

Federal: Actual revenues of \$596.9 million were \$48.1 million, or 7.5%, less than the final budget of \$645.0 million. There was a \$22.5 million decrease from the Department of Public Social Services public assistance revenue that is realized through a claim process. Variances tend to occur throughout the year as there may be increases or decreases in claimable expenditures. The Department of Public Social Services also experienced a \$4.8 million decrease due to a decline in CalWORKs and Foster Care caseloads. There were a number of decreases due to fluctuations of expenditures related to grant revenues. These include Behavioral Health for \$11.0 million, Public Health for \$3.3 million, Probation Department for \$2.6 million, Department of Child Support Services for \$1.9 million, Fire Department for \$1.4 million, and Emergency Management Department for \$1.2 million.

State: Actual revenues of \$1.33 billion were \$76.7 million, or 5.5%, less than the final budget of \$1.41 billion. This category is closely aligned with federal revenues whereas decreases in federal funding also translates to decreases in state funding. Behavioral Health, Department of Public Social Services and Probation Department saw the greatest decreases and they were mostly due to Assembly Bill 118 that established the Community Corrections Grant Program for the purpose of funding various changes to the criminal justice system.

Charges for services: Actual revenues of \$481.2 million were \$19.7 million, or 3.9%, less than the final budget of \$500.9 million. A majority of the variance is due to decreases of \$92.8 million in intergovernmental activities. This was offset by additional increases in the amount of \$9.0 million in Sheriff's contract city law enforcement revenue



## Management's Discussion & Analysis (Unaudited)

and increases of \$73.9 million in Fire Protection contract cities. Fire increases included retroactive cost of labor increases from the Cal Fire Cooperative agreement that were approved in June 2017.

Other revenue: Actual revenues of \$44.3 million were \$33.6 million, or 43.2%, less than the final budget of \$77.9 million. The majority of this variance is related to operating transfers in and out of pension activities.

### Expenditure Variances

General Fund actual expenditures of \$2.94 billion were \$272.2 million, or 8.5%, less than the final appropriation budget of \$3.22 billion. The major appropriation variances are described as follows:

General government: Actual expenditures were \$131.0 million, or 31.3%, less than the final budget of \$190.7 million.

- Salaries and employee benefits decreased by \$10.2 million, or 9.6%. The County imposed a hiring freeze thus savings were achieved during this time. The Assessor's Office decreased by \$2.3 million as they scrutinized vacancies during natural attrition, the Economic Development Agency (EDA) had 11 vacant project manager positions that amounted to \$2.4 million in savings, the Human Resources Director retired leading to a temporary savings combined with unfilled vacancies of \$1.7 million and the Auditor-Controller Office experienced vacancies that also lead to decreases in salaries and benefits in the amount of \$1.2 million.
- Services and supplies decreased by \$6.2 million, or 6.3%. Economic Development Agency (EDA) had decreases in costs associated with utilities, more specifically in the water and heating fuel costs that were \$1.2 million less than budgeted. EDA also evaluated projects and realized a \$1.4 million savings. The balance of the decrease was a combination of conservative spending decisions by departments Countywide.
- Other charges decreased by \$43.4 million, or 84.7%, mainly due to decreases in contributions to other funds as directed by the Executive Office and intergovernmental activities.
- Capital assets decreased by \$1.3 million, or 92.4%, due to a grant support project that was delayed from the Assessor's Office.
- Intrafund transfers decreased by \$7.2 million, or 9.8%, mainly due to a decrease of \$4.3 million by the EDA Energy Division having a decrease in utilities cost and in project reimbursement costs.
- Appropriations for contingencies were \$5.7 million, or 100.0%, less than budgeted. This budget is established to assist General Fund departments with unforeseen shortfalls but the transactions are recorded under the actual General Fund department.

Public protection: Actual expenditures were \$1.33 billion, or 4.8%, less than the final budget of \$1.40 billion.

- Salaries and employee benefits were \$30.0 million, or 3.3%, less than the final budget. Because of an impasse of negotiations with the Riverside Sheriff's Association, there were salary savings of \$10.8 million. The Probation Department had savings of \$10.0 million as a result of over 23 unfilled positions. Due to the County imposed hiring freeze, the following departments had salary savings of \$2.1 million by the County Clerk-Recorder, \$1.9 million by the District Attorney, \$1.1 million by the Fire Department and \$1.0 million by the Public Defender.
- Services and supplies were \$23.7 million, or 5.2%, less than the final budget. The Fire Department had decreases of \$12.4 million in professional services and weed abatement charges. The Probation Department had decreases of \$2.2 million due to more conservative spending throughout the year. Sheriff's Department had decreases of \$3.3 million mainly from Internal Service fund charges.
- Other charges were \$1.6 million, or 4.4%, less than the final budget mainly due to decreases of intergovernmental activities.
- Capital assets were \$7.3 million, or 58.4%, less than the final budget due to postponed projects by the Sheriff's Department and the Fire Department.
- Intrafund transfers were \$3.8 million, or 33.6%, more than the final budget mainly due to the \$2.9 million Countywide consolidation of all emergency related costs centralized within the Emergency Management Department. Sheriff's Department also had a \$1.2 million increase due to the award of the Juvenile Justice



## Management's Discussion & Analysis (Unaudited)

Crime Prevention Act which was created by the Crime Prevention Act of 2000 to provide a stable funding source for local juvenile justice programs aimed at curbing crime and delinquency among at-risk youth.

Health and sanitation: Actual expenditures were \$544.0 million, or 12.1%, less than the final budget of \$618.8 million.

- Salaries and employee benefits were \$46.1 million, or 14.0%, less than the final budget mainly due to hiring freezes. Behavioral Health had a salary savings of \$38.2 million. Public Health had \$5.5 million in savings, and Environmental Health Department had \$1.7 million in salary savings.
- Services and supplies were \$8.1 million, or 6.1%, less than the final budget due to increases of \$3.0 million in RCIT device access and of \$2.6 million in maintenance and building improvements offset by decreases of \$3.5 million in administrative support – direct, \$2.0 million in professional services, \$1.9 million in consultants, \$1.8 million in computer equipment, \$1.7 million in medical and dental supplies, \$1.4 million in IT Core services and finally \$1.1 million in telephone services.
- Other charges were \$17.3 million, or 8.0%, less than the final budget mostly due to intergovernmental activities in the amount of \$11.4 million as well as decreases of \$7.4 million from Behavioral Health as they continue the process of fully implementing the Drug Medi-Cal Waiver program.
- Capital assets were \$8.7 million, or 92.2%, less than the final budget mainly due to Behavior Health department's capital project for Augmented Board and Care facility construction that will begin in fiscal year 2019.
- Intrafund transfers were \$5.3 million, or 7.7%, less than the final budget mainly due to a decrease in Behavior Health of \$2.8 million and in Riverside University Health System of \$2.4 million. For Behavior Health, there was a decrease of \$4.0 million related to the allocation of administration costs to other Behavioral Health organizations which was offset by an increase of \$1.2 million in interfund expenses which are expenditure driven.

Public assistance: Actual expenditures were \$916.2 million, or 5.7%, less than the final budget of \$971.9 million.

- Salaries and employee benefits actual expenditures of \$327.9 million were \$14.7 million, or 4.3%, less than the final budget of \$342.6 million. This is primarily due to a decrease of \$14.6 million in the Department of Public Social Services salaries due to their average of full time employees (FTEs) being lower than budgeted because of the Countywide hiring freeze.
- Services and supplies were \$22.8 million, or 17.3%, less than the final budget of \$131.6 million primarily due to the Department of Public Social Services. As they continue to fully implement new programs, they experience lower expenses for maintenance projects in their Blythe, Cottonwood and Mission Grove Buildings, and a decrease of contracted services. Also, they have been more fiscally prudent with overall departmental spending.
- Other charges were \$18.1 million, or 3.6%, less than the final budget of \$497.9 million mainly due to \$16.8 million decreases in client services and foster care caseload, and the remaining variance was due to intergovernmental activities.

Debt services: Actual expenditures were \$17.4 million, or 55.6%, less than the final budget of \$39.1 million primarily due to amounts being transferred from the General Fund to the CORAL debt service fund.



## Management's Discussion & Analysis (Unaudited)

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2018, the County's capital assets for both its governmental and business-type activities amounted to \$5.17 billion (net of accumulated depreciation). The capital assets include infrastructure, land & easements, land improvements, structures and improvements, equipment, construction in progress, and concession arrangements. The County's infrastructure is comprised of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by approximately 2.7%, or \$136.6 million, from \$5.03 billion in fiscal year 2016-17 to \$5.17 billion in fiscal year 2017-18.

Major capital asset events during the current fiscal year included the following:

- Infrastructure increased approximately \$0.5 million as a result of the completed projects related to various channels, storm drains, roads and traffic signals.
- Land easements increased approximately \$20.3 million as a result of the following acquisitions: the Economic Development Agency incurred additional costs of \$7.6 million for the site preparation and demolition for the construction of East County Detention Center Jail and acquired approximately 5.5 acres of land for Gateway Office Building for \$6.3 million. The Flood Control District realized an increase in land valuation of \$5.8 million. Parcels and permanent easements conveyed by Grant Deed make up the bulk of the additions to land.
- Land improvements did not incur any additions for the current fiscal year. The overall decrease of approximately \$1.0 million was attributed in depreciation for the current fiscal year.
- Structures and improvements increased approximately \$131.2 million as a result of the completion of major projects. The major projects completed were as follows: approximately \$58.3 million in costs for the Chevron Solar Project, \$31.7 million for the remodel of Public Defender/Probation Building, \$31.1 million for the new Alan M. Crogan Youth Treatment and Education Center and \$10.0 million for the improvement of the Desert Hot Springs Behavioral Health and Nutrition Services Center.
- Equipment decreased approximately \$13.4 million due to the retirement of computer related equipment and vehicles from various departments such as Information Technology, Fleet Services, Waste Management, Fire, Transportation and Sheriff department.
- During the current fiscal year, construction in progress experienced additions in the amount of \$194.5 million related to existing and new projects. The major increases were noted as follows: the Economic Development Agency incurred \$81.6 million in costs for existing projects such as the construction of the East County Detention Center, the remodel of Public Defender and the laundry expansion for the Larry D. Smith Correctional Facility; the Transportation and Land Management Agency incurred an additional \$68.4 million for projects related to roads, bridges, sidewalks and signal lights; the Riverside University Health Systems – Medical Center incurred an additional \$14.7 million in costs for existing projects such as the Emergency Room Expansion, the Cardiac Catheterization Lab and the Data Archive; the Flood Control District incurred \$11.9 million for storm drains and channels; Waste Management incurred an additional cost of \$4.9 million for projects such as the Corona Southeast Drainage Channel Improvement, Badlands & Lamb Canyon landfills drainage improvements and gas collection system expansion; the Crest project incurred an additional \$3.7 million towards the new integrated property management system; the Park District incurred an additional \$3.7 million for projects related to District Headquarters Building E and to the trails located in Santa River and Salt Creek; and Purchasing Services incurred additional costs of \$2.1 million for the new RivcoPRO software program. During the current year, approximately \$195.5 million of completed projects were transferred out of construction in progress to other capital asset classifications which resulted in an overall decrease in construction in progress of approximately \$1.0 million.



## Management's Discussion & Analysis (Unaudited)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

<b>CAPITAL ASSETS (Net of Accumulated Depreciation)</b>								
(In thousands)								
	Governmental Activities		Business-type Activities		Total		Total	
	2018	2017	2018	2017	2018	2017	Dollar Change	Percentage Change
Infrastructure	\$ 1,986,825	\$ 1,982,715	\$ 46,189	\$ 49,778	\$ 2,033,014	\$ 2,032,493	\$ 521	0.0%
Land and easements	581,920	561,581	21,359	21,359	603,279	582,940	20,339	3.5%
Land improvements	81	82	6,680	7,693	6,761	7,775	(1,014)	-13.0%
Structures and improvements	1,318,084	1,193,632	132,046	125,329	1,450,130	1,318,961	131,169	9.9%
Equipment	209,981	224,369	61,623	60,636	271,604	285,005	(13,401)	-4.7%
Construction in progress	738,214	756,804	53,932	36,345	792,146	793,149	(1,003)	-0.1%
Concession	-	-	8,830	8,830	8,830	8,830	-	0.0%
<b>Total outstanding</b>	<b>\$ 4,835,105</b>	<b>\$ 4,719,183</b>	<b>\$ 330,659</b>	<b>\$ 309,970</b>	<b>\$ 5,165,764</b>	<b>\$ 5,029,153</b>	<b>\$ 136,611</b>	<b>2.7%</b>

Additional information on the County's capital assets can be found in Note 8 on pages 76-78 of this report.

### Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. Net bonded debt per capita equaled \$522.0 thousand as of June 30, 2018. The calculated legal debt limit for the County is \$3.34 billion.

The following are credit ratings maintained by the County:

	<u>Moody's Investors Services, Inc.</u>	<u>Standard &amp; Poor's Corp.</u>	<u>Fitch</u>
Tax and Revenue Anticipation Notes (TRANS)	Not Rated	SP-1+	F1+
Teeter Notes	MIG1	Not Rated	F1+
Long-Term General Obligations	Aa3	AA	AA-
Certificates of Participation	A1	AA-	A+
Pension Obligation Bonds	A2	AA	A+
Lease Revenue Bonds	A1	AA-	A+

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities as of June 30, 2018.

<b>COUNTY'S OUTSTANDING DEBT OBLIGATIONS</b>								
(In thousands)								
	Governmental Activities		Business-type Activities		Total		Total	
	2018	2017	2018	2017	2018	2017	Dollar Change	Percentage Change
Loan payable	\$ 1,600	\$ 2,205	\$ -	\$ -	\$ 1,600	\$ 2,205	\$ (605)	-27.4%
Bonds payable	1,232,233	1,206,942	77,773	92,371	1,310,006	1,299,313	10,693	0.8%
Certificates of participation	78,128	94,467	-	-	78,128	94,467	(16,339)	-17.3%
Capital leases	116,842	180,290	21,521	8,423	138,363	188,713	(50,350)	-26.7%
<b>Total outstanding</b>	<b>\$ 1,428,803</b>	<b>\$ 1,483,904</b>	<b>\$ 99,294</b>	<b>\$ 100,794</b>	<b>\$ 1,528,097</b>	<b>\$ 1,584,698</b>	<b>\$ (56,601)</b>	<b>-3.6%</b>



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

The County of Riverside's total debt decreased by 3.6% or \$56.6 million during the current fiscal year. The decrease was primarily due to a substantial decrease in the finance of capital leases for equipment and the regularly scheduled principal reductions on the existing outstanding debt. Additional information on the County's long-term debt can be found in Note 14 on pages 86-95 of this report.

### ECONOMIC FACTORS AND THE FISCAL YEAR 2018-19 BUDGET OUTLOOK

Beacon Economics' forecasts for long-term growth in Riverside County continues to be in an upward direction. The residential and nonresidential property markets continue to be positive while unemployment rates are at its lowest. The County's revenues forecast most closely associated with the local real estate market continue to exhibit positive growth, which increase the assessed property value County wide. Property tax, property transfer tax and unincorporated taxable sales are forecast to show growth through fiscal year 2019. As such, the current forecast is still calling for positive growth for real estate-driven revenues as home price growth and construction activity will continue to support growth in the near term despite the lower than expected home sales volume. The sales tax receipts for the upcoming fiscal year are projected to have a moderate positive impact on the spending by consumers as attributed to changes in the federal tax law.

The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2018-19.

Source	Final Budget Estimate (In millions)
Taxes	\$ 370,100
Other taxes	61,532
Licenses, permits, franchise taxes	6,895
Fines, forfeitures, penalties	19,200
Use of money and property	18,008
State	260,419
Federal	3,410
Miscellaneous	41,485
<b>Total</b>	<b>\$ 781,049</b>

The County's employee retirement benefit contribution rate for fiscal year 2017-18 for miscellaneous members is 16.9% and the safety contribution rate is 28.2%. The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment returns and the County's growth rate, among other factors. Fiscal year 2018-19 rates are projected at 18.9% (Miscellaneous) and 31.6% (Safety). Additional information regarding the County's retirement plans is included in Notes 20 and 21 of the financial statements and schedules of changes in net pension liability and related ratios and contributions, which are included in the required supplementary information section.

#### Requests for Information

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



**BASIC FINANCIAL STATEMENTS-  
GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**



**COUNTY OF RIVERSIDE**

Statement of Net Position

June 30, 2018

(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
<b>ASSETS:</b>				
Cash and investments (Note 4)	\$ 1,098,424	\$ 151,197	\$ 1,249,621	\$ 38,162
Receivables, net (Notes 1 and 6)	467,029	215,101	682,130	5,226
Internal balances (Note 7)	163,560	(163,560)	-	-
Inventories	6,386	8,258	14,644	3
Prepaid items and deposits	5,871	5,789	11,660	9
Restricted cash and investments (Notes 4 and 5)	513,050	123,636	636,686	-
Other noncurrent receivables (Note 6)	23,805	-	23,805	-
Loans receivable (Note 6)	-	95,368	95,368	-
OPEB asset, net (Note 22)	222	-	222	-
Land held for resale	-	38,099	38,099	-
Capital assets (Note 8):				
Nondepreciable assets	1,320,134	84,121	1,404,255	373
Depreciable assets, net	3,514,971	246,538	3,761,509	1,698
Total assets	7,113,452	804,547	7,917,999	45,471
DEFERRED OUTFLOWS OF RESOURCES (Note 15)	1,347,941	214,273	1,562,214	2,649
<b>LIABILITIES:</b>				
Current liabilities:				
Cash overdrawn (Note 4)	-	15,595	15,595	-
Accounts payable	127,114	30,658	157,772	4,968
Salaries and benefits payable	118,826	25,509	144,335	234
Due to other governments	78,185	144,739	222,924	193
Interest payable	10,198	293	10,491	-
Deposits payable	1,021	185	1,206	-
Advances from grantors and third parties (Note 12)	325,726	-	325,726	-
Notes payable (Note 13)	80,403	-	80,403	-
Other liabilities	1,540	13,395	14,935	-
Interest rate swap (Notes 14 and 15)	16,845	-	16,845	-
Long-term liabilities (Note 14):				
Due within one year	385,502	41,683	427,185	115
Due beyond one year	4,567,524	752,792	5,320,316	5,326
Total liabilities	5,712,884	1,024,849	6,737,733	10,836
DEFERRED INFLOWS OF RESOURCES (Note 15)	390,581	61,988	452,569	80
<b>NET POSITION:</b>				
Net investment in capital assets	3,505,380	218,159	3,723,539	2,071
Restricted for:				
Children's programs	-	-	-	35,133
Endowment care - nonexpendable	701	-	701	-
Community development	173,457	-	173,457	-
Debt service	156,386	32,001	188,387	-
Health and sanitation	24,698	10,971	35,669	-
Public protection	77,242	-	77,242	-
Public ways and facilities	359,332	-	359,332	-
Other programs	8,014	15,164	23,178	-
Unrestricted	(1,947,282)	(344,312)	(2,291,594)	-
Total net position	\$ 2,357,928	\$ (68,017)	\$ 2,289,911	\$ 37,204

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



**COUNTY OF RIVERSIDE**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 275,973	\$ 192,894	\$ 155,405	\$ 45,987
Public protection	1,606,348	434,301	381,036	-
Public ways and facilities	215,360	41,998	50,175	31,365
Health and sanitation	611,960	36,855	417,648	-
Public assistance	1,067,151	1,507	936,363	-
Education	23,560	528	9,395	-
Recreation and cultural services	17,345	8,890	1,889	-
Interest on long-term debt	63,685	-	-	-
Total governmental activities	<u>3,881,382</u>	<u>716,973</u>	<u>1,951,911</u>	<u>77,352</u>
Business-type activities:				
Riverside University Health Systems -				
Medical Center	636,169	560,187	-	86
Waste Resources Department	88,964	90,612	-	-
Housing Authority	98,591	96,638	-	-
Flood Control	5,183	1,749	-	-
Riverside University Health Systems -				
Community Health Centers	56,247	38,211	-	1
County Service Areas	243	378	-	-
Total business-type activities	<u>885,397</u>	<u>787,775</u>	<u>-</u>	<u>87</u>
Total primary government	<u>\$ 4,766,779</u>	<u>\$ 1,504,748</u>	<u>\$ 1,951,911</u>	<u>\$ 77,439</u>
Component unit:				
Children and Families Commission	\$ 23,599	\$ -	\$ 19,973	\$ -
Total component unit	<u>\$ 23,599</u>	<u>\$ -</u>	<u>\$ 19,973</u>	<u>\$ -</u>

General revenues:

Taxes:

  Property taxes

  Sales and use taxes

  Other taxes

Unrestricted intergovernmental revenue

Investment earnings

Other

Transfers

  Total general revenues and transfers

  Changes in net position before extraordinary item

Extraordinary item

  Extraordinary item

  Changes in net position

NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)

NET POSITION, END OF YEAR

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



Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Children and Families Commission
\$ 118,313	\$ -	\$ 118,313	
(791,011)	-	(791,011)	
(91,822)	-	(91,822)	
(157,457)	-	(157,457)	
(129,281)	-	(129,281)	
(13,637)	-	(13,637)	
(6,566)	-	(6,566)	
(63,685)	-	(63,685)	
<u>(1,135,146)</u>	<u>-</u>	<u>(1,135,146)</u>	
-	(75,896)	(75,896)	
-	1,648	1,648	
-	(1,953)	(1,953)	
-	(3,434)	(3,434)	
-	(18,035)	(18,035)	
-	135	135	
-	(97,535)	(97,535)	
<u>(1,135,146)</u>	<u>(97,535)</u>	<u>(1,232,681)</u>	
			\$ (3,626)
			\$ (3,626)
387,305	-	387,305	-
27,557	-	27,557	-
18,634	-	18,634	-
262,745	-	262,745	-
26,613	3,228	29,841	427
238,724	-	238,724	91
(15,036)	15,036	-	-
<u>946,542</u>	<u>18,264</u>	<u>964,806</u>	<u>518</u>
(188,604)	(79,271)	(267,875)	(3,108)
-	78	78	-
<u>(188,604)</u>	<u>(79,193)</u>	<u>(267,797)</u>	<u>(3,108)</u>
<u>2,546,532</u>	<u>11,176</u>	<u>2,557,708</u>	<u>40,312</u>
<u>\$ 2,357,928</u>	<u>\$ (68,017)</u>	<u>\$ 2,289,911</u>	<u>\$ 37,204</u>

FUNCTION/PROGRAM ACTIVITIES:

Primary government:

Governmental activities:

General government  
Public protection  
Public ways and facilities  
Health and sanitation  
Public assistance  
Education  
Recreation and cultural services  
Interest on long-term debt

Total governmental activities

Business-type activities:

Riverside University Health Systems -  
Medical Center  
Waste Resources Department  
Housing Authority  
Flood Control

Riverside University Health Systems -  
Community Health Centers

County Service Areas

Total business-type activities

Total primary government

Component unit:

Children and Families Commission

Total component unit

General revenues:

Taxes:

Property taxes  
Sales and use taxes  
Other taxes  
Unrestricted intergovernmental revenue  
Investment earnings  
Other

Transfers

Total general revenues and transfers

Changes in net position before extraordinary item

Extraordinary item

Extraordinary item

Changes in net position

NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)

NET POSITION, END OF YEAR

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



**BASIC FINANCIAL STATEMENTS-**  
**FUND FINANCIAL STATEMENTS**



**COUNTY OF RIVERSIDE**

Balance Sheet

Governmental Funds

June 30, 2018

(Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	General	Transportation	Flood Control	Teeter Debt Service
Assets:				
Cash and investments (Note 4)	\$ 123,884	\$ 131,555	\$ 240,363	\$ -
Accounts receivable (Notes 1 and 6)	12,484	134	835	-
Interest receivable (Note 6)	6,560	333	827	74
Taxes receivable (Note 6)	9,025	14	975	47,014
Due from other governments (Note 6)	380,479	6,165	615	-
Due from other funds (Note 7)	11,242	-	-	35
Inventories	2,360	1,217	-	-
Prepaid items and deposits	781	2,578	-	-
Restricted cash and investments (Notes 4 and 5)	395,407	-	1,769	39,588
Advances to other funds (Note 7)	4,869	-	-	-
<b>Total assets</b>	<b>947,091</b>	<b>141,996</b>	<b>245,384</b>	<b>86,711</b>
Deferred outflows of resources	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 947,091</b>	<b>\$ 141,996</b>	<b>\$ 245,384</b>	<b>\$ 86,711</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 38,969	\$ 35,996	\$ 4,586	\$ -
Salaries and benefits payable	103,293	3,223	1,356	-
Due to other governments	76,507	3	1,555	-
Due to other funds (Note 7)	1,551	212	331	6,308
Interest payable	-	-	-	-
Deposits payable	35	501	-	-
Advances from grantors and third parties (Note 12)	305,318	16,532	500	-
Teeter notes payable (Note 13)	-	-	-	80,403
Advances from other funds (Note 7)	-	-	-	-
<b>Total liabilities</b>	<b>525,673</b>	<b>56,467</b>	<b>8,328</b>	<b>86,711</b>
Deferred inflows of resources (Note 15)	51,836	-	975	-
Fund balances (Note 16):				
Nonspendable	3,470	1,223	1	-
Restricted	95,881	65,359	236,080	-
Committed	23,290	3,828	-	-
Assigned	12,464	15,119	-	-
Unassigned	234,477	-	-	-
<b>Total fund balances</b>	<b>369,582</b>	<b>85,529</b>	<b>236,081</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 947,091</b>	<b>\$ 141,996</b>	<b>\$ 245,384</b>	<b>\$ 86,711</b>

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



Public Facilities Improvements Capital Projects	Public Financing Authority	Other Governmental Funds	Total Governmental Funds	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
\$ 202,220	\$ -	\$ 125,354	\$ 823,376	Assets:
-	-	2,750	16,203	Cash and investments (Note 4)
558	78	333	8,763	Accounts receivable (Notes 1 and 6)
-	-	1,276	58,304	Interest receivable (Note 6)
-	-	10,612	397,871	Taxes receivable (Note 6)
920	-	1,093	13,290	Due from other governments (Note 6)
-	-	-	3,577	Due from other funds (Note 7)
-	-	1,969	5,328	Inventories
-	17,469	58,817	513,050	Prepaid items and deposits
-	-	-	4,869	Restricted cash and investments (Notes 4 and 5)
-	-	-	-	Advances to other funds (Note 7)
<u>203,698</u>	<u>17,547</u>	<u>202,204</u>	<u>1,844,631</u>	Total assets
-	-	-	-	Deferred outflows of resources
<u>\$ 203,698</u>	<u>\$ 17,547</u>	<u>\$ 202,204</u>	<u>\$ 1,844,631</u>	Total assets and deferred outflows of resources
				LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
				Liabilities:
\$ 11,417	\$ 1,441	\$ 6,979	\$ 99,388	Accounts payable
-	-	3,269	111,141	Salaries and benefits payable
8	-	35	78,108	Due to other governments
-	435	491	9,328	Due to other funds (Note 7)
-	-	2	2	Interest payable
-	-	485	1,021	Deposits payable
896	-	2,480	325,726	Advances from grantors and third parties (Note 12)
-	-	-	80,403	Teeter notes payable (Note 13)
3,000	-	-	3,000	Advances from other funds (Note 7)
<u>15,321</u>	<u>1,876</u>	<u>13,741</u>	<u>708,117</u>	Total liabilities
-	-	4	52,815	Deferred inflows of resources (Note 15)
				Fund balances (Note 16):
-	-	1,337	6,031	Nonspendable
183,777	15,671	165,986	762,754	Restricted
3,375	-	6,360	36,853	Committed
1,225	-	14,776	43,584	Assigned
-	-	-	234,477	Unassigned
<u>188,377</u>	<u>15,671</u>	<u>188,459</u>	<u>1,083,699</u>	Total fund balances
<u>\$ 203,698</u>	<u>\$ 17,547</u>	<u>\$ 202,204</u>	<u>\$ 1,844,631</u>	Total liabilities, deferred inflows of resources, and fund balances

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



**COUNTY OF RIVERSIDE**  
 Reconciliation of the Balance Sheet of Governmental Funds to the  
 Statement of Net Position  
 June 30, 2018  
 (Dollars in Thousands)

Fund balances - total governmental funds (page 31)		\$ 1,083,699
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		4,760,969
Net other post employment benefits (OPEB) assets are not current financial resources and, therefore, are not reported in the governmental funds.		222
Deferred Outflows of Resources Related to OPEB and Pensions are not current financial resources and, therefore, are not reported in the governmental funds:		
Deferred Outflows of Resources Related to OPEB	\$ 9,379	
Deferred Outflows of Resources Related to Pensions	<u>1,250,393</u>	1,259,772
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.		29,565
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	(1,232,234)	
Capital lease obligations	(78,792)	
Certificates of participation	(78,128)	
Loans payable	(1,600)	
Accrued interest payable	(10,195)	
Accreted interest payable	(187,965)	
Accrued remediation cost	(984)	
Compensated absences	(216,558)	
Net OPEB liability	(12,238)	
Net Pension liability	<u>(2,687,427)</u>	(4,506,121)
Deferred Outflows/Inflows of Resources Related to OPEB and Pensions are not current financial resources and, therefore, are not reported in the governmental funds:		
Deferred Inflows of Resources Related to OPEB	(765)	
Deferred Inflows of Resources Related to Pensions	<u>(344,875)</u>	(345,640)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service governmental activities, the assets and liabilities of these funds are included as governmental activities in the statement of net position.		75,462
Net position of governmental activities (page 25)		<u>\$ 2,357,928</u>

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



**COUNTY OF RIVERSIDE**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service
<b>REVENUES:</b>				
Taxes	\$ 303,836	\$ 6,788	\$ 56,043	\$ -
Licenses, permits, and franchise fees	19,142	3,346	-	-
Fines, forfeitures, and penalties	64,525	28	-	-
Use of money and property:				
Investment earnings	16,727	874	2,170	94
Rents and concessions	13,552	-	163	-
Aid from other governmental agencies:				
Federal	596,949	15,035	-	-
State	1,328,912	58,131	603	-
Other	110,656	6,448	-	-
Charges for services	481,245	26,225	6,860	-
Other revenue	44,273	15,048	13,619	-
Total revenues	<u>2,979,817</u>	<u>131,923</u>	<u>79,458</u>	<u>94</u>
<b>EXPENDITURES:</b>				
Current:				
General government	130,989	-	-	-
Public protection	1,328,734	5,760	-	-
Public ways and facilities	-	133,706	65,926	-
Health and sanitation	543,976	-	-	-
Public assistance	916,191	-	-	-
Education	628	-	-	-
Recreation and cultural services	483	-	-	-
Debt service:				
Principal	7,838	524	-	-
Interest	9,189	22	-	1,766
Cost of issuance	330	-	-	251
Capital outlay	6,486	-	-	-
Total expenditures	<u>2,944,844</u>	<u>140,012</u>	<u>65,926</u>	<u>2,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,973</u>	<u>(8,089)</u>	<u>13,532</u>	<u>(1,923)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	108,979	16,607	-	2,005
Transfers out	(129,087)	(3,807)	(2,847)	(82)
Issuance of debt	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Premium on long-term debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Capital leases	6,486	-	-	-
Total other financing sources (uses)	<u>(13,622)</u>	<u>12,800</u>	<u>(2,847)</u>	<u>1,923</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>21,351</u>	<u>4,711</u>	<u>10,685</u>	<u>-</u>
Fund balances, beginning of year	<u>348,231</u>	<u>80,818</u>	<u>225,396</u>	<u>-</u>
Adjustments to beginning fund balances (Note 3)	-	-	-	-
Fund balances, beginning of year, as restated	<u>348,231</u>	<u>80,818</u>	<u>225,396</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 369,582</u>	<u>\$ 85,529</u>	<u>\$ 236,081</u>	<u>\$ -</u>

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



Public Facilities Improvements Capital Projects	Public Financing Authority	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 67,017	\$ 433,684
-	-	731	23,219
-	-	1,280	65,833
1,391	997	2,196	24,449
358	-	11,245	25,318
-	-	63,126	675,110
45,987	-	7,545	1,441,178
32,899	-	26,553	176,556
50,105	-	38,400	602,835
5,747	-	25,432	104,119
<u>136,487</u>	<u>997</u>	<u>243,525</u>	<u>3,572,301</u>
71,718	-	39,239	241,946
-	-	8,484	1,342,978
385	-	17,834	217,851
-	-	1,809	545,785
-	-	61,442	977,633
-	-	20,828	21,456
-	-	16,061	16,544
-	-	62,057	70,419
65	-	52,253	63,295
-	-	850	1,431
-	78,371	10,118	94,975
<u>72,168</u>	<u>78,371</u>	<u>290,975</u>	<u>3,594,313</u>
<u>64,319</u>	<u>(77,374)</u>	<u>(47,450)</u>	<u>(22,012)</u>
9,211	-	132,586	269,388
(45,845)	-	(105,475)	(287,143)
-	-	10,610	10,610
-	-	58,565	58,565
-	-	4,096	4,096
-	-	(64,285)	(64,285)
-	-	-	6,486
<u>(36,634)</u>	<u>-</u>	<u>36,097</u>	<u>(2,283)</u>
27,685	(77,374)	(11,353)	(24,295)
160,692	93,045	191,597	1,099,779
-	-	8,215	8,215
<u>160,692</u>	<u>93,045</u>	<u>199,812</u>	<u>1,107,994</u>
<u>\$ 188,377</u>	<u>\$ 15,671</u>	<u>\$ 188,459</u>	<u>\$ 1,083,699</u>

REVENUES:

Taxes
Licenses, permits, and franchise fees
Fines, forfeitures, and penalties
Use of money and property:
Investment earnings
Rents and concessions
Aid from other governmental agencies:
Federal
State
Other
Charges for services
Other revenue
Total revenues

EXPENDITURES:

Current:

General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and cultural services

Debt service:

Principal
Interest
Cost of issuance

Capital outlay

Total expenditures
Excess (deficiency) of revenues over (under) expenditures

OTHER FINANCING SOURCES (USES):

Transfers in
Transfers out
Issuance of debt
Issuance of refunding bonds
Premium on long-term debt
Payment to escrow agent
Capital leases
Total other financing sources (uses)

NET CHANGE IN FUND BALANCES

Fund balances, beginning of year
Adjustments to beginning fund balances (Note 3)
Fund balances, beginning of year, as restated
FUND BALANCES, END OF YEAR

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



**COUNTY OF RIVERSIDE**  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2018  
 (Dollars in Thousands)

Net change in fund balances - total governmental funds (page 35) \$ (24,295)

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

Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 314,840	
Less loss on disposal of capital assets	(7,187)	
Less current year depreciation	<u>(177,562)</u>	130,091

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayment	116,384	
Issuance of long-term debt	<u>(79,757)</u>	36,627

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.

(980)

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

Change in accrued interest	407	
Change in accreted interest	(20,819)	
Change in long-term compensated absences	6,877	
Change in pollution remediation obligation	310	
OPEB expense	1,218	
Pension expense	<u>(308,274)</u>	(320,281)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities.

(9,766)

Change in net position of governmental activities (page 27) \$ (188,604)

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



**COUNTY OF RIVERSIDE**  
 Budgetary Comparison Statement  
 General Fund  
 For the Fiscal Year Ended June 30, 2018  
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 303,039	\$ 300,839	\$ 303,836	\$ 2,997
Licenses, permits, and fees	18,160	18,160	19,142	982
Fines, forfeitures, and penalties	59,403	59,753	64,525	4,772
Use of money and property:				
Investment earnings	11,429	11,429	16,727	5,298
Rents and concessions	31,466	31,466	13,552	(17,914)
Aid from other governmental agencies:				
Federal	627,535	645,091	596,949	(48,142)
State	1,407,089	1,405,632	1,328,912	(76,720)
Other	109,220	109,220	110,656	1,436
Charges for services	573,680	500,928	481,245	(19,683)
Other revenue	101,591	77,907	44,273	(33,634)
Total revenues	<u>3,242,612</u>	<u>3,160,425</u>	<u>2,979,817</u>	<u>(180,608)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Salaries and employee benefits	106,083	106,321	96,149	(10,172)
Services and supplies	92,943	99,422	93,182	(6,240)
Other charges	83,638	51,269	7,821	(43,448)
Capital assets	1,392	1,435	110	(1,325)
Intrafund transfers	(73,625)	(73,442)	(66,273)	7,169
Appropriation for contingencies	20,000	5,662	-	(5,662)
Total general government	<u>230,431</u>	<u>190,667</u>	<u>130,989</u>	<u>(59,678)</u>
Public protection:				
Salaries and employee benefits	889,197	903,695	873,688	(30,007)
Services and supplies	447,419	454,330	430,585	(23,745)
Other charges	49,900	36,042	34,446	(1,596)
Capital assets	3,802	12,519	5,211	(7,308)
Intrafund transfers	(11,236)	(11,374)	(15,196)	(3,822)
Total public protection	<u>1,379,082</u>	<u>1,395,212</u>	<u>1,328,734</u>	<u>(66,478)</u>
Health and sanitation:				
Salaries and employee benefits	335,546	328,490	282,402	(46,088)
Services and supplies	124,259	132,545	124,484	(8,061)
Other charges	199,178	216,917	199,593	(17,324)
Capital assets	8,863	9,381	727	(8,654)
Intrafund transfers	(66,705)	(68,528)	(63,230)	5,298
Total health and sanitation	<u>601,141</u>	<u>618,805</u>	<u>543,976</u>	<u>(74,829)</u>

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



**COUNTY OF RIVERSIDE**  
 Budgetary Comparison Statement  
 General Fund(Continued)  
 For the Fiscal Year Ended June 30, 2018  
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Public assistance:				
Salaries and employee benefits	\$ 342,562	\$ 342,601	\$ 327,852	\$ (14,749)
Services and supplies	131,504	131,638	108,878	(22,760)
Other charges	522,199	497,986	479,890	(18,096)
Capital assets	160	160	(31)	(191)
Intrafund transfers	(464)	(464)	(398)	66
Total public assistance	<u>995,961</u>	<u>971,921</u>	<u>916,191</u>	<u>(55,730)</u>
Education:				
Salaries and employee benefits	338	333	293	(40)
Services and supplies	336	336	335	(1)
Total education	<u>674</u>	<u>669</u>	<u>628</u>	<u>(41)</u>
Recreation and cultural services:				
Salaries and employee benefits	124	139	134	(5)
Services and supplies	292	466	349	(117)
Other charges	63	20	-	(20)
Capital assets	1	1	-	(1)
Intrafund transfers	(1)	(1)	-	1
Total recreation and cultural services	<u>479</u>	<u>625</u>	<u>483</u>	<u>(142)</u>
Debt service:				
Principal	45,163	13,574	7,838	(5,736)
Interest	54,123	25,225	9,189	(16,036)
Cost of issuance	330	330	330	-
Total debt service	<u>99,616</u>	<u>39,129</u>	<u>17,357</u>	<u>(21,772)</u>
Capital outlay	-	-	6,486	6,486
Total expenditures	<u>3,307,384</u>	<u>3,217,028</u>	<u>2,944,844</u>	<u>(272,184)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(64,772)</u>	<u>(56,603)</u>	<u>34,973</u>	<u>91,576</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	108,979	108,979	-
Transfers out	-	(129,087)	(129,087)	-
Capital leases	-	-	6,486	6,486
Total other financing sources (uses)	<u>-</u>	<u>(20,108)</u>	<u>(13,622)</u>	<u>6,486</u>
NET CHANGE IN FUND BALANCE	<u>(64,772)</u>	<u>(76,711)</u>	<u>21,351</u>	<u>98,062</u>
Fund balance, beginning of year, as restated	348,231	348,231	348,231	-
FUND BALANCE, END OF YEAR	<u>\$ 283,459</u>	<u>\$ 271,520</u>	<u>\$ 369,582</u>	<u>\$ 98,062</u>

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



**COUNTY OF RIVERSIDE**  
**Budgetary Comparison Statement**  
**Transportation Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2018**  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 7,607	\$ 7,607	\$ 6,788	\$ (819)
Licenses, permits, and franchise fees	3,047	3,047	3,346	299
Fines, forfeitures, and penalties	20	20	28	8
Use of money and property:				
Investment earnings	295	296	874	578
Aid from other governmental agencies:				
Federal	22,251	22,251	15,035	(7,216)
State	58,730	58,911	58,131	(780)
Other	16,875	16,875	6,448	(10,427)
Charges for services	77,061	60,877	26,225	(34,652)
Other revenue	12,799	13,190	15,048	1,858
Total revenues	<u>198,685</u>	<u>183,074</u>	<u>131,923</u>	<u>(51,151)</u>
<b>EXPENDITURES:</b>				
Current:				
Public protection	8,499	8,080	5,760	(2,320)
Public ways and facilities	194,140	193,975	133,706	(60,269)
Debt service:				
Principal	516	526	524	(2)
Interest	22	22	22	-
Total expenditures	<u>203,177</u>	<u>202,603</u>	<u>140,012</u>	<u>(62,591)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,492)</u>	<u>(19,529)</u>	<u>(8,089)</u>	<u>11,440</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	16,607	16,607	-
Transfers out	-	(3,807)	(3,807)	-
Total other financing sources (uses)	<u>-</u>	<u>12,800</u>	<u>12,800</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(4,492)</u>	<u>(6,729)</u>	<u>4,711</u>	<u>11,440</u>
Fund balance, beginning of year	80,818	80,818	80,818	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 76,326</u>	<u>\$ 74,089</u>	<u>\$ 85,529</u>	<u>\$ 11,440</u>

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



**COUNTY OF RIVERSIDE**  
 Budgetary Comparison Statement  
 Flood Control Special Revenue Fund  
 For the Fiscal Year Ended June 30, 2018  
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 54,316	\$ 54,316	\$ 56,043	\$ 1,727
Use of money and property:				
Investment earnings	1,353	1,353	2,170	817
Rents and concessions	160	160	163	3
Aid from other governmental agencies:				
State	591	591	603	12
Charges for services	4,535	4,535	6,860	2,325
Other revenue	16,383	16,383	13,619	(2,764)
Total revenues	<u>77,338</u>	<u>77,338</u>	<u>79,458</u>	<u>2,120</u>
<b>EXPENDITURES:</b>				
Current:				
Public ways and facilities	136,555	133,708	65,926	(67,782)
Total expenditures	<u>136,555</u>	<u>133,708</u>	<u>65,926</u>	<u>(67,782)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,217)</u>	<u>(56,370)</u>	<u>13,532</u>	<u>69,902</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(2,847)	(2,847)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,847)</u>	<u>(2,847)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(59,217)</u>	<u>(59,217)</u>	<u>10,685</u>	<u>69,902</u>
Fund balance, beginning of year	225,396	225,396	225,396	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 166,179</u>	<u>\$ 166,179</u>	<u>\$ 236,081</u>	<u>\$ 69,902</u>

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



**COUNTY OF RIVERSIDE**  
Statement of Net Position  
Proprietary Funds  
June 30, 2018  
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Riverside University	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
	Health Systems - Medical Center					
<b>ASSETS:</b>						
Current assets:						
Cash and investments (Note 4)	\$ 48,868	\$ 96,754	\$ 4,043	\$ 1,532	\$ 151,197	\$ 275,048
Accounts receivable - net (Notes 1 and 6)	47,425	7,534	2,103	1,675	58,737	7,659
Interest receivable (Note 6)	-	595	-	16	611	893
Taxes receivable (Note 6)	-	-	-	10	10	-
Due from other governments (Note 6)	151,978	136	-	3,629	155,743	1,141
Due from other funds (Note 7)	6,371	-	-	14,938	21,309	353
Advances to other funds (Note 7)	-	21,469	-	-	21,469	-
Inventories	7,589	292	-	377	8,258	2,809
Land held for sale	-	-	38,099	-	38,099	-
Prepaid items and deposits	5,536	-	-	253	5,789	543
Restricted cash and investments (Notes 4 and 5)	32,194	72,103	16,117	3,222	123,636	-
Total current assets	<u>299,961</u>	<u>198,883</u>	<u>60,362</u>	<u>25,652</u>	<u>584,858</u>	<u>288,446</u>
Noncurrent assets:						
Loans receivable (Note 6)	-	4,000	91,368	-	95,368	-
Capital assets (Note 8):						
Nondepreciable assets	53,029	27,461	3,631	-	84,121	1,001
Depreciable assets	163,531	60,668	11,107	11,232	246,538	73,135
Total noncurrent assets	<u>216,560</u>	<u>92,129</u>	<u>106,106</u>	<u>11,232</u>	<u>426,027</u>	<u>74,136</u>
Total assets	<u>516,521</u>	<u>291,012</u>	<u>166,468</u>	<u>36,884</u>	<u>1,010,885</u>	<u>362,582</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 15)</b>						
	<u>179,079</u>	<u>16,778</u>	<u>6,574</u>	<u>11,842</u>	<u>214,273</u>	<u>71,324</u>
<b>LIABILITIES:</b>						
Current liabilities:						
Cash overdrawn (Note 4)	-	-	-	15,595	15,595	-
Accounts payable	21,790	3,822	998	4,048	30,658	27,726
Salaries and benefits payable	21,966	1,287	-	2,256	25,509	7,685
Due to other governments	135,459	36	-	9,244	144,739	77
Due to other funds (Note 7)	17,581	-	-	5,912	23,493	2,131
Interest payable	250	-	-	43	293	-
Deposits payable	-	38	-	147	185	-
Other liabilities	12,066	667	435	227	13,395	1,540
Accreted interest payable (Note 14)	243	-	-	-	243	-
Accrued closure and post-closure costs (Notes 10 and 23)	-	851	-	-	851	-
Accrued remediation costs (Note 23)	-	913	-	-	913	95
Compensated absences (Notes 1 and 14)	19,304	1,224	169	1,128	21,825	9,279
Capital lease obligations (Note 14)	4,177	-	-	492	4,669	17,370
Bonds payable (Note 14)	12,982	-	200	-	13,182	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	61,295
Total current liabilities	<u>245,818</u>	<u>8,838</u>	<u>1,802</u>	<u>39,092</u>	<u>295,550</u>	<u>127,198</u>
Noncurrent liabilities:						
Compensated absences (Note 2)	9,508	1,836	1,523	1,984	14,851	4,944
Advances from other funds (Note 7)	18,469	-	1,527	-	19,996	3,342
Accreted interest payable (Note 14)	76,128	-	-	-	76,128	-
Accrued closure and post-closure care costs (Note 10)	-	84,230	-	-	84,230	-
Accrued remediation costs (Notes 10 and 23)	-	44,741	-	-	44,741	104
Capital lease obligations (Notes 1 and 2)	6,561	-	-	10,291	16,852	20,680
Bonds payable (Note 14)	64,591	-	-	-	64,591	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	184,967
Net OPEB liability (Notes 14 and 22)	1,861	122	-	229	2,212	689
Total OPEB liability (Notes 14 and 22)	-	630	-	-	630	-
Net pension liability (Notes 14 and 20)	369,810	37,894	14,252	14,144	436,100	157,678
Other long-term liabilities (Note 14)	1,178	-	11,279	-	12,457	-
Total noncurrent liabilities	<u>548,106</u>	<u>169,453</u>	<u>28,581</u>	<u>26,648</u>	<u>772,788</u>	<u>372,404</u>
Total liabilities	<u>793,924</u>	<u>178,291</u>	<u>30,383</u>	<u>65,740</u>	<u>1,068,338</u>	<u>499,602</u>
<b>DEFERRED INFLOWS OF RESOURCES (Note 15)</b>						
	<u>45,936</u>	<u>12,157</u>	<u>2,467</u>	<u>1,428</u>	<u>61,988</u>	<u>21,691</u>
<b>NET POSITION:</b>						
Net investment in capital assets	127,071	88,129	2,510	449	218,159	36,086
Restricted for debt service	32,001	-	-	-	32,001	-
Restricted for health and sanitation	-	10,971	-	-	10,971	-
Restricted other	193	-	14,971	-	15,164	-
Unrestricted	(303,525)	18,242	122,711	(18,891)	(181,463)	(123,473)
Total net position	<u>\$ (144,260)</u>	<u>\$ 117,342</u>	<u>\$ 140,192</u>	<u>\$ (18,442)</u>	<u>94,832</u>	<u>\$ (87,387)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(162,849)	
Net position of business-type activities					<u>\$ (68,017)</u>	

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



**COUNTY OF RIVERSIDE**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>						
Net patient revenue (Notes 1 and 18)	\$ 522,099	\$ -	\$ -	\$ 19,375	\$ 541,474	\$ -
Charges for services	3,261	87,912	4,466	12,898	108,537	310,674
Other revenue	34,827	2,700	92,172	8,065	137,764	34,306
Total operating revenues	<u>560,187</u>	<u>90,612</u>	<u>96,638</u>	<u>40,338</u>	<u>787,775</u>	<u>344,980</u>
<b>OPERATING EXPENSES:</b>						
Cost of materials used	-	168	-	-	168	1,571
Personnel services	375,031	23,153	13,494	39,760	451,438	129,681
Communications	573	171	-	225	969	10,900
Insurance	10,711	1,106	-	316	12,133	24,818
Maintenance of building and equipment	14,590	3,742	3,794	2,689	24,815	41,343
Insurance claims	-	-	-	-	-	186,254
Supplies	63,276	1,961	-	2,162	67,399	24,187
Purchased services	97,306	3,805	1,148	9,876	112,135	30,837
Depreciation and amortization	19,530	6,758	1,149	398	27,835	23,387
Rents and leases of equipment	4,037	1,995	-	2,941	8,973	57,636
Public assistance	-	6	77,723	-	77,729	-
Utilities	3,656	285	680	447	5,068	3,070
Closure and post-closure care costs	-	2,494	-	-	2,494	-
Remediation costs	-	400	-	-	400	5
Other	15,488	39,657	46	291	55,482	5,432
Total operating expenses	<u>604,198</u>	<u>85,701</u>	<u>98,034</u>	<u>59,105</u>	<u>847,038</u>	<u>539,121</u>
Operating loss	<u>(44,011)</u>	<u>4,911</u>	<u>(1,396)</u>	<u>(18,767)</u>	<u>(59,263)</u>	<u>(194,141)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income (loss)	196	2,243	916	(127)	3,228	2,168
Interest expense	(8,819)	-	(108)	(200)	(9,127)	(797)
Gain (loss) on disposal of capital assets	967	275	(449)	-	793	(1,083)
Other nonoperating revenues / (expenses)	-	-	-	-	-	(224)
Total nonoperating revenues (expenses)	<u>(7,656)</u>	<u>2,518</u>	<u>359</u>	<u>(327)</u>	<u>(5,106)</u>	<u>64</u>
Gain (loss) before capital contributions and transfers	<u>(51,667)</u>	<u>7,429</u>	<u>(1,037)</u>	<u>(19,094)</u>	<u>(64,369)</u>	<u>(194,077)</u>
Capital contributions	86	-	-	1	87	151,567
Transfers in (Note 7)	20,935	-	-	11,493	32,428	9,553
Transfers out (Note 7)	(16,621)	(308)	(185)	(278)	(17,392)	(6,834)
Change in net position before extraordinary item	<u>(47,267)</u>	<u>7,121</u>	<u>(1,222)</u>	<u>(7,878)</u>	<u>(49,246)</u>	<u>(39,791)</u>
Extraordinary item	-	-	78	-	78	-
<b>CHANGE IN NET POSITION</b>	<u>(47,267)</u>	<u>7,121</u>	<u>(1,144)</u>	<u>(7,878)</u>	<u>(49,168)</u>	<u>(39,791)</u>
Net position, beginning of the year, as previously reported	(96,252)	110,999	141,336	395		(49,338)
Adjustments to beginning net position (Note 3)	(741)	(778)	-	(10,959)		1,742
Net position, beginning of the year, as restated	<u>(96,993)</u>	<u>110,221</u>	<u>141,336</u>	<u>(10,564)</u>		<u>(47,596)</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (144,260)</u>	<u>\$ 117,342</u>	<u>\$ 140,192</u>	<u>\$ (18,442)</u>		<u>\$ (87,387)</u>

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

(30,025)

Change in net position of business-type activities

\$ (79,193)

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



**COUNTY OF RIVERSIDE**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
<b>Cash flows from operating activities</b>						
Cash receipts (payments due) from customers	\$ 537,253	\$ 90,052	\$ 96,215	\$ 42,137	\$ 765,657	\$ 243
Cash receipts (payments due) from other funds	(2,802)	-	-	(14,792)	(17,594)	351,091
Cash paid to suppliers for goods and services	(200,829)	(53,094)	(80,193)	(15,527)	(349,643)	(345,137)
Cash paid to employees for services	(322,571)	(19,746)	(12,011)	(37,003)	(391,331)	(111,894)
Program loans	-	-	(3,810)	-	(3,810)	-
Net cash provided by (used in) operating activities	11,051	17,212	201	(25,185)	3,279	(105,697)
<b>Cash flows from noncapital financing activities</b>						
Debt proceeds other than from capital debt	-	-	927	-	927	-
Advances to (from) other funds	-	2,000	587	-	2,587	(2,500)
Contributions (to) from others	-	-	-	-	-	(224)
Transfers received	20,935	-	-	11,493	32,428	9,553
Transfers paid	(16,621)	(308)	(185)	(278)	(17,392)	(6,834)
Net cash provided by (used in) noncapital financing activities	4,314	1,692	1,329	11,215	18,550	(5)
<b>Cash flows from capital and related financing activities</b>						
Proceeds (loss) from sale of capital assets	967	275	(449)	-	793	(803)
Acquisition and construction of capital assets	(18,793)	(8,652)	(4,616)	(11,547)	(43,608)	(3,884)
Principal paid on capital leases	(2,067)	-	-	10,783	8,716	(24,088)
Capital contributions	86	-	-	1	87	151,567
Principal paid on bonds payable	(10,937)	-	(190)	-	(11,127)	-
Interest paid on long-term debt	(8,754)	-	(41)	(157)	(8,952)	(797)
Net cash provided by (used in) capital and related financing activities	(39,498)	(8,377)	(5,296)	(920)	(54,091)	121,995
<b>Cash flows from investing activities</b>						
Investment income (loss)	242	1,855	916	(132)	2,881	1,565
Net cash provided by (used in) investing activities	242	1,855	916	(132)	2,881	1,565
<b>Net increase (decrease) in cash and cash equivalents</b>	(23,891)	12,382	(2,850)	(15,022)	(29,381)	17,858
Cash and cash equivalents, beginning of year	104,953	156,475	23,010	4,181	288,619	257,190
Cash and cash equivalents, end of year	\$ 81,062	\$ 168,857	\$ 20,160	\$ (10,841)	\$ 259,238	\$ 275,048
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>						
Cash and investments per Statement of Net Position	\$ 48,868	\$ 96,754	\$ 4,043	\$ (14,063)	\$ 135,602	\$ 275,048
Restricted cash and investments per Statement of Net Position	32,194	72,103	16,117	3,222	123,636	-
Total cash and cash equivalents per Statement of Net Position	\$ 81,062	\$ 168,857	\$ 20,160	\$ (10,841)	\$ 259,238	\$ 275,048

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



**COUNTY OF RIVERSIDE**  
Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Fiscal Year Ended June 30, 2018  
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (44,011)	\$ 4,911	\$ (1,396)	\$ (18,767)	\$ (59,263)	\$ (194,141)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	19,530	6,758	1,149	398	27,835	23,387
Decrease (Increase) accounts receivable	3,541	(618)	(1,714)	337	1,546	5,532
Decrease (Increase) taxes receivable	-	-	-	(1)	(1)	-
Decrease (Increase) due from other funds	(2,802)	-	-	(14,791)	(17,593)	579
Decrease (Increase) due from other governments	(26,475)	58	1,291	1,462	(23,664)	243
Decrease (Increase) inventories	470	39	-	(355)	154	(70)
Decrease (Increase) prepaid items and deposits	667	-	-	(253)	414	1,748
Increase (Decrease) accounts payable	4,122	129	952	400	5,603	(4,312)
Increase (Decrease) due to other funds	16,712	(13)	-	4,850	21,549	876
Increase (Decrease) due to other governments	(26,255)	18	(696)	(1,290)	(28,223)	33
Increase (Decrease) deposits payable	(13)	-	-	32	19	-
Increase (Decrease) accrued closure costs	-	2,494	-	-	2,494	-
Increase (Decrease) accrued remediation costs	-	400	-	-	400	(9)
Increase (Decrease) other liabilities	13,105	63	2,942	36	16,146	286
Increase (Decrease) estimated claims liability	-	-	-	-	-	42,364
Increase (Decrease) net pension liability	95,498	7,311	3,275	5,074	111,158	35,574
Increase (Decrease) net OPEB liability	1,120	(161)	-	109	1,068	418
Increase (Decrease) deferred OPEB	(1,300)	74	-	(160)	(1,386)	-
Increase (Decrease) deferred pensions	(48,042)	(3,844)	(1,543)	(2,672)	(56,101)	(17,474)
Increase (Decrease) service concession arrangement	-	(434)	-	-	(434)	-
Increase (Decrease) salaries and benefits payable	2,104	35	-	40	2,179	(271)
Increase (Decrease) compensated absences	3,080	(8)	(249)	366	3,189	(460)
Decrease (Increase) loans receivable	-	-	(2,961)	-	(2,961)	-
Increase (Decrease) program loans	-	-	(849)	-	(849)	-
Net cash provided by (used in) operating activities	\$ 11,051	\$ 17,212	\$ 201	\$ (25,185)	\$ 3,279	\$ (105,697)
Noncash investing, capital, and financing activities:						
Capital lease obligations	\$ 4,382			\$ 10,941	\$ 15,323	\$ 5,615

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



**COUNTY OF RIVERSIDE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**  
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
<b>ASSETS:</b>				
Cash and investments (Note 4)	\$ -	\$ -	\$ 115,884	\$ 292,978
Federal agency	-	2,227,850	-	-
Cash and cash equivalents	932	438,770	-	-
Mutual funds	57,785	-	-	-
Commercial paper	-	803,860	-	-
Negotiable CDs	-	598,217	-	-
Medium term notes	-	128,907	-	-
Municipal bonds	-	169,122	-	-
Bonds - U.S. Treasury	-	152,512	-	-
Local agency obligation	-	111	-	-
Accounts receivable	162	5,718	538	373
Interest receivable	-	15,411	201	308
Taxes receivable	-	-	-	31,303
Due from other governments	-	-	2,318	-
Land held for sale	-	-	23,755	-
<b>Total assets</b>	<b>58,879</b>	<b>4,540,478</b>	<b>142,696</b>	<b>324,962</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charge on refunding	-	-	36,812	-
<b>LIABILITIES:</b>				
Accounts payable	-	-	9,662	201,026
Due to other governments	-	-	3	123,936
Note payable	-	-	739,440	-
Interest payable	-	-	7,190	-
Accreted interest payable	-	-	9,764	-
Other long-term liabilities	-	-	201	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>766,260</b>	<b>\$ 324,962</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows of resources	-	-	1,869	-
<b>NET POSITION:</b>				
Net position restricted for pensions	58,879	-	-	-
Net position restricted for investment trust	-	4,540,478	-	-
Net position restricted for private-purpose	-	-	(588,621)	-
<b>Net position (deficit) held in trust</b>	<b>\$ 58,879</b>	<b>\$ 4,540,478</b>	<b>\$ (588,621)</b>	<b>-</b>

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



**COUNTY OF RIVERSIDE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2018**  
**(Dollars in Thousands)**

	Pension Trust	Investment Trust	Private- Purpose Trust
<b>ADDITIONS:</b>			
Employer contributions	\$ 815	\$ -	\$ -
Employee contributions	1,631	-	-
Contributions to pooled investments	-	30,051,356	-
Contributions to private-purpose trust	-	-	59,990
Investment income	15,560	-	1,098
Total additions	<u>18,006</u>	<u>30,051,356</u>	<u>61,088</u>
<b>DEDUCTIONS:</b>			
Distributions from pooled investments	-	30,410,459	-
Distributions from private-purpose trust	-	-	36,428
Administrative and other expenses	2,092	-	-
Total deductions	<u>2,092</u>	<u>30,410,459</u>	<u>36,428</u>
Change in net position	15,914	(359,103)	24,660
Net position held in trust, beginning of the year	42,965	4,899,581	(613,281)
Net position held in trust, end of the year	<u>\$ 58,879</u>	<u>\$ 4,540,478</u>	<u>\$ (588,621)</u>

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



**BASIC FINANCIAL STATEMENTS-  
NOTES TO THE BASIC FINANCIAL  
STATEMENTS**



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The County of Riverside (the County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a five member Board of Supervisors (the Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services.

**Component Units**

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended, with the activities of the County for purposes of reporting in the accompanying basic financial statements. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of twelve component units have been included and combined with financial data of the County. Eleven component units have an integral relationship with and serve as an extension of the County. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, management has determined that each entity is presented as a blended component unit due to the composition of each governing board and the control of the day-to-day activities through the budget process. One component unit is presented discretely. Each blended and discretely presented component unit has a June 30 fiscal year-end.

**Blended Component Units**

*Housing Authority of the County of Riverside (Housing Authority)*. The Board is the governing body of the Housing Authority. Among its duties, it approves the Housing Authority's budget, rates and charges for the use of facilities, and appoints the management. The County is responsible for all financial debt. The Housing Authority is reported as a proprietary fund type.

*Riverside County Flood Control and Water Conservation District (Flood Control)*. The Board is the governing body of Flood Control. Among its duties, it approves Flood Control's budget, tax rates, contracts, and appoints the management. The County is responsible for all financial debt. Flood Control is reported as both governmental and proprietary fund types.

*Riverside County Regional Park and Open-Space District (Park District)*. The Board is the governing board of the Park District. Among its duties, it approves the Park District's budget, contracts, fees and charges for park use, and appoints the management. The County is responsible for all financial debt and management has operational responsibility. The Park District is reported as both governmental and fiduciary fund types.

*County of Riverside Asset Leasing Corporation (CORAL)*. The Board appoints the governing board of CORAL and CORAL provides services entirely to the County through the purchase of land and construction of facilities, which are then leased back to the County. The County is responsible for all financial debt, and management has operational responsibility. CORAL is reported as a governmental fund type.

*Riverside County Service Areas (CSAs)*. The Board is the governing body of the CSAs. Among its duties, it approves the CSAs' budgets, approves parcel fees, and appoints the management. The County is responsible for all financial debt and management has operational responsibility. The CSAs are reported as either governmental or proprietary fund types.

*Riverside County Public Financing Authority (Public Financing Authority)*. The Board is the governing body of the Public Financing Authority. The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the Riverside County Redevelopment Successor Agency and other local agencies. The County is responsible for all financial debt and management has operational responsibility. The Public Financing Authority is reported as a governmental fund type.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Blended Component Units (Continued)**

*Riverside County Infrastructure Financing Authority (IFA).* The Board is the governing body of the IFA and the County is responsible for all its financial debt. The Riverside County Infrastructure Financing Authority (IFA) is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated September 15, 2015 by and between the County of Riverside and the Riverside County Flood Control and Water Conservation District. The IFA is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County. The Infrastructure Financing Authority is reported as a governmental fund type.

*County of Riverside District Court Financing Corporation (District Corporation).* The Board is the governing body of the District Corporation. The District Corporation assists the County by providing for the acquisition, construction and renovation of U.S. District Court facilities. The County is responsible for all financial debt, and management has operational responsibility. The District Corporation 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.

**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-



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

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, 43.71%, or \$30.4 million, of the County's \$69.5 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions, which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

*Fund Financial Statements*

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

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

The County reports the following major governmental funds:

*General fund* is the County's primary operating fund. It is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the general fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation and cultural services.

*Transportation fund* accounts for revenue consisting primarily of the County's share of highway user taxes which 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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

*Teeter debt service fund* accounts for revenue from the collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the Teeter plan.

*Public facilities improvements capital projects 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.

*Public financing authority capital projects fund* accounts for revenues and expenditures related to the acquisition and construction of the East County Detention Center. Revenues are obtained from State funding and bond proceeds.

The County reports the following major enterprise funds:

*Riverside University Health Systems - Medical Center (RUHS-MC)* 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 RUHS-MC. 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 moderate 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, central mail, 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 statement of activities, were allocated to the functions of both the governmental and business-type activities, to reflect the entire activity for the year. Since the predominant users of the internal services are the County's governmental activities, the asset and liability balances of the internal service funds are consolidated into the governmental activities column at the government-wide level.

*Pension trust fund* accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or California Public Employees' Retirement System (CalPERS) participation. The County's pension trust fund uses the economic resources measurement focus and accrual basis of accounting.

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

*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



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

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*, is 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 financial 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 governmental fund financial statements to the government-wide financial statements. These reconciliations are presented because governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities.

*Cash and Investments*

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance of the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's pooled investments.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents.

Securities, including U.S. Treasury and Agency securities, are carried at fair value/cost based on current market prices on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within ninety days of June 30, 2018, 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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

The fair value of a participant's 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 80.6% of the funds on deposit in the County treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 19.4% of the total funds on deposit in the County treasury represented discretionary deposits.

*Receivables*

The RUHS-MC 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 \$103.0 million and \$171.0 million, respectively. The RUHS-MC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RUHS-MC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RUHS-MC 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 2017-18 gross assessed valuation (for tax purposes) of the County was \$268.9 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 20, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved indebtedness.

Property taxes are levied on both real and personal property and are recorded as receivables at the date of levy. Secured property taxes are levied on or before the first business day of September of each year. These taxes become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments; the first is due November 1 and 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 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



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

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 2017-18, \$21.0 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 cost (on a first-in, first-out basis). 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. Capital assets received by the County through a Service Concession Arrangement and donated capital assets, including works of art and historical treasures, are recorded at the estimated acquisition value at the date of donation. 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 \$5.0 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 \$5.0 thousand or more.

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

The estimated useful lives are as follows:

<i>Infrastructure</i>			
Flood channels	99 years	Buildings	25-50 years
Flood storm drains	65 years	Improvements	10-20 years
Flood dams and basins	99 years	Equipment	2-20 years
Roads	20 years		
Traffic signals	10 years		
Parks trails and improvements	20 years		
Bridges	50 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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

*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, 2018, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$267.7 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.

*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 or fund balance by the government that is applicable to the future reporting period. A deferred inflow of resources is defined as an acquisition of net position or fund balance 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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position has been determined on the same basis as it is reported by the 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 as 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 provides for remediation costs for landfills upon notification from the local water quality board that a specific landfill is considered to be in the evaluation monitoring phase. Upon notification, Waste 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 "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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

*Restricted Net Position* – This category presents net position with external restrictions imposed on its use 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.

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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

**Basis of Presentation (Continued)**

*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. The general fund unassigned fund balance of \$234.5 is 31.1% 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**

*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 reporting periods beginning after June 15, 2017.

*Governmental Accounting Standards Board Statement No. 81*

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. GASB Statement No. 81 is effective for reporting periods beginning after December 15, 2016.

*Governmental Accounting Standards Board Statement No. 85*

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 is effective for reporting periods beginning after June 15, 2017.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

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

*Governmental Accounting Standards Board Statement No. 86*

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 86 is effective for reporting periods beginning after June 15, 2017.

**Future Governmental Accounting Standards Board Statements**

*Governmental Accounting Standards Board Statement No. 83*

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. GASB Statement No. 83 is effective for reporting periods beginning after June 15, 2018. The County has elected not to early implement this statement.

*Governmental Accounting Standards Board Statement No. 84*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018. The County has elected not to early implement this statement.

*Governmental Accounting Standards Board Statement No. 87*

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. The County has elected not to early implement this statement.

*Governmental Accounting Standards Board Statement No. 88*

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 is effective for reporting periods beginning after June 15, 2018. The County has elected not to early implement this statement.

*Governmental Accounting Standards Board Statement No. 89*

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

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

end of a construction period. GASB Statement No. 89 is effective for reporting periods beginning after December 15, 2019. The County has elected not to early implement this statement.

*Governmental Accounting Standards Board Statement No. 90*

In August 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 is effective for reporting periods beginning after December 15, 2018. The County has elected not to early implement this statement.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**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 funds: CORAL, District Court Financing Corporation, the CORAL Capital Projects Fund, Redevelopment Agency (RDA) Housing Successor Agency, Public Financing Authority, Infrastructure 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 adopted budget; (2) the final 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, 2018, Enterprise funds (EF) and Internal Service Funds (ISF) individual Fund Deficits are as follows (In thousands):

<u>Proprietary Funds:</u>	
EF - Riverside University Health Systems - Medical Center	\$ 144,260
EF - Flood Control	\$ 743
EF - Riverside University Health Systems - Community Health Centers	\$ 17,983
ISF - Information Services	\$ 36,447
ISF -Risk Management	\$ 62,761
ISF - Temporary Assistance Pool	\$ 1,408
ISF - EDA Facilities Management	\$ 24,724

The primary reason for the fund deficits in all funds listed is due to the net pension liability and net OPEB liability related to GASB Statement No. 68 and GASB Statement No. 75.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2018, expenditures exceeded appropriations in capital outlay by \$6.5 million in the general fund. This excess of expenditures resulted from the acquisition of \$6.5 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, 2018**

**NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION**

The County's beginning net position or fund balance has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatements as of June 30, 2018 is as follows (In thousands):

**Government-wide:**

Description	<b>Primary Government</b>	
	Governmental Activities	Business-type Activities
Government-wide net position as of June 30, 2017, as previously reported	\$ 2,576,551	\$ 23,654
Fund financial statements:		
Prior period adjustments:		
Net OPEB liability adjustment (1)	(274)	(1,610)
Net pension liability adjustment (2)	2,016	-
Compensated absences adjustment (3)	-	(2,653)
Fund type correction (4)	8,215	(8,215)
Government-wide financial statements:		
Prior period adjustments:		
Net OPEB liability adjustment (1)	(37,960)	-
Net pension liability adjustment (2)	(2,016)	-
Net position as of June 30, 2017, as restated	<u>\$ 2,546,532</u>	<u>\$ 11,176</u>

**Fund Financials:**

Description	Governmental		Proprietary Funds			
	Funds		Enterprise		Internal Service	
	Nonmajor	Enterprise	Funds		Nonmajor Fund	Funds
	Fund	Funds	Housing	Other Enterprise	Internal Service	
	Riversity	Health Systems -	Waste Resources	Authority	Funds	Funds
	Other	University				
	Governmental	Medical Center				
	Funds	Funds				
Fund balances or net position as of June 30, 2017, as previously reported	\$ 191,597	\$ (96,252)	\$ 110,999	\$ 141,336	\$ 395	\$ (49,338)
Prior Period Adjustments:						
Net OPEB liability adjustment (1)	-	(741)	(778)	-	(91)	(274)
Net pension liability adjustment (2)	-	-	-	-	-	2,016
Compensated absences adjustment (3)	-	-	-	-	(2,653)	-
Fund type correction (4)	8,215	-	-	-	(8,215)	-
Fund balances or net position as of June 30, 2017, as restated	<u>\$ 199,812</u>	<u>\$ (96,993)</u>	<u>\$ 110,221</u>	<u>\$ 141,336</u>	<u>\$ (10,564)</u>	<u>\$ (47,596)</u>

- (1) The adjustment was made to reflect the prior period costs related to the implementation of the net OPEB liability. The beginning net position decreased by \$38.2 million in Governmental Activities and \$1.6 million in Business-type Activities.
- (2) A prior period adjustment of \$2.0 million was made in net pension liability due to the Records Management and Archives and Printing Services Departments that were transferred from internal service fund to general fund.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

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

- (3) A prior period adjustment of \$2.7 million was made to decrease the business-type activities' beginning net position for compensated absences adjustment. The adjustment was made due to employees that were transferred with leave balances from governmental fund departments to enterprise fund departments.
- (4) A prior period adjustment of \$8.2 million was made to correct the fund type for RUHS-CHC from Special Revenue Fund to Enterprise Fund.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 4 – CASH AND INVESTMENTS**

As of June 30, 2018, 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	\$ 1,098,424	\$ 151,197	\$ 38,162	\$ 4,986,928	\$ 6,274,711
Restricted cash and investments	513,050	123,636	-	-	636,686
Total cash and investments	<u>\$ 1,611,474</u>	<u>\$ 274,833</u>	<u>\$ 38,162</u>	<u>\$ 4,986,928</u>	<u>\$ 6,911,397</u>

As of June 30, 2018, cash and investments consist of the following (In thousands):

Deposits	\$ 206,279
Investments	6,705,118
Total cash and investments	<u>\$ 6,911,397</u>

**Investment in State Investment Pool**

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at [www.treasurer.ca.gov](http://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 prorated 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, 2018 reported under investments CORAL had \$2.5 million and RUHS-Medical Center had \$3.6 million for a total amount of \$6.1 million in LAIF. Also reported under restricted cash, Housing Authority had \$0.9 million in LAIF.

GASB Statement No. 79 establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The statement also establishes additional note disclosures for qualifying external investment pools. There was no material impact on the County's financial statement as a result of the implementation of GASB Statement No. 79.

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the 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 is 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.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

**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 its investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table below.

**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 not 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 or a letter of credit issued by the Federal Home Loan Bank of San Francisco (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 \$330 million. Investment securities are registered and held in the name of the County.

**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.

**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 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](http://www.treasurer-tax.co.riverside.ca.us).

Authorized investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal bonds (MUNI)	4 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) or Corporate Notes	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, 2018**

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

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

As of June 30, 2018, the County and Component Units had the following investments (In thousands):

	June 30, 2018	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating
<b>County treasurer investments</b>					
<b>Investments by fair value level</b>					
U.S. treasuries	\$ 218,979	0.750 - 1.508%	07/18 - 07/19	0.44	N/A
Federal home loan mortgage corporation	1,172,485	0.820 - 3.100%	07/18 - 06/23	2.49	N/A
Federal national mortgage association	369,011	0.800 - 2.375%	07/18 - 01/23	1.84	N/A
Federal home loan bank	800,720	0.625 - 2.700%	08/18 - 03/23	1.73	N/A
Federal farm credit bank	646,982	1.110 - 2.700%	09/18 - 04/23	1.87	N/A
Farmer mac	189,591	1.250 - 2.530%	08/18 - 05/21	1.29	N/A
Municipal notes	242,828	1.000 - 5.000%	07/18 - 04/21	1.00	AA-/Aa3/AA-
Commercial paper	1,154,198	1.520 - 2.490%	07/18 - 01/19	0.22	A1/P1/F1
Corporate notes	185,087	1.100 - 2.000%	02/19 - 03/21	1.60	AA/Aa2/AA
<b>Total County treasurer investments by fair value level</b>	<b>4,979,881</b>				
<b>Investments measured at amortized cost</b>					
Farmer mac	20,000	2.530%	1/2/2020	0.14	N/A
Negotiable certificate of deposits	858,931	1.520 - 2.510%	07/18 - 02/19	0.27	A1/P1/F1
Managed rate accounts	515,000	2.000%	7/1/2018	0.00	N/A
Local agency obligations	160	2.322%	6/15/2020	1.96	N/R
CalTRUST short term fund	24,000	2.000 - 2.010%	7/1/2018	0.00	N/R
Money market mutual funds (2)	90,995	1.784 - 2.113%	7/1/2018	0.00	AAA
<b>Total investments measured at amortized cost</b>	<b>1,509,086</b>				
<b>Total County treasurer investments</b>	<b>6,488,967</b>				
<b>Investments measured at amortized cost</b>					
Money market funds	121,135	0.000 - 1.814%		N/A	AAA/Aaa
Certificates of deposit	4,800	0.100%	10/18 - 06/19		
U.S. treasuries	-	0.100%	10/18 - 06/19		
Local agency investment funds	6,139	1.430%	7/1/2018	N/A	N/A
Mutual funds	81,446	0.000 - 5.740%			
Government obligation funds	-	1.320%			
Investment agreements	2,631	4.828%	2/12/2035		
<b>Total blended component unit investments measured at amortized cost</b>	<b>216,151</b>				
<b>Total blended component unit investments</b>	<b>216,151</b>				
<b>Total investments</b>	<b>\$ 6,705,118</b>				

(1) Investment ratings are from Standard and Poor's (S&P) and Moody's Investor Service (Moody's).

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



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

**Fair Value Measurements**

The County has the following recurring fair value measurements as of June 30, 2018 (In thousands):

Rating (1) June 30, 2018	% of Portfolio	Fair Value Measurements Using			June 30, 2018	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
						County treasurer investments
						Investments by fair value level
AA+/Aaa	3.37%	\$ 218,979			\$ 218,979	U.S. treasuries
AA+/Aaa	18.07%		\$ 1,172,485		1,172,485	Federal home loan mortgage corporation
AA+/Aaa	5.69%		369,011		369,011	Federal national mortgage association
AA+/Aaa	12.34%		800,720		800,720	Federal home loan bank
AA+/Aaa	9.97%		646,982		646,982	Federal farm credit bank
N/R	2.92%		189,591		189,591	Farmer mac
AAA/Aaa	3.74%		242,828		242,828	Municipal notes
AAA/Aaa	17.79%		1,154,198		1,154,198	Commercial paper
AAA/Aaa	2.85%		185,087		185,087	Corporate notes
	76.74%	218,979	4,760,902	-	4,979,881	Total County treasurer investments by fair value level
						Investments measured at amortized cost
N/A	0.31%				20,000	Farmer mac
AA-/Aa2	13.24%				858,931	Negotiable certificate of deposits
AA+/Aaa	7.94%				515,000	Managed rate accounts
N/R	0.00%				160	Local agency obligations
AAA/Aaa	0.37%				24,000	CalTRUST short term fund
AAA/Aaa	1.40%				90,995	Money market mutual funds (2)
	23.26%				1,509,086	Total investments measured at amortized cost
	100.00%	218,979	4,760,902	-	6,488,967	Total County treasurer investments
						Investments measured at amortized cost
AAA/Aaa	56.04%				121,135	Money market funds
	2.22%				4,800	Certificates of deposit
	0.00%				-	U.S. treasuries
N/R	2.84%				6,139	Local agency investment funds
NR/Aaa	37.68%				81,446	Mutual funds
NR/Aaa	0.00%				-	Government obligation funds
	1.22%				2,631	Investment agreements
	100.00%				216,151	Total blended component unit investments
						measured at amortized cost
	100.00%	-	-	-	216,151	Total blended component unit investments
		\$ 218,979	\$ 4,760,902	\$ -	\$ 6,705,118	Total investments

The County and its component units categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 — Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the County's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk).

Unobservable inputs are developed based on the best information available in the circumstances and may include the County's own data.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 5 – RESTRICTED CASH AND INVESTMENTS**

The amount of assets restricted by legal and contractual requirements at June 30, 2018 is as follows (In thousands):

<b><u>Governmental Activities</u></b>			
<b>General Fund</b>			\$ 395,407
<b>Flood Control</b>			1,769
<b>Teeter Debt Service</b>			39,588
<b>Public Financing Authority</b>			17,469
<b>Other Governmental Funds</b>			
CORAL			
Local Agency Investment Fund	2,538		
Restricted Cash and Other Investments	10,616	13,154	
District Court Financing Corporation		1,195	
Infrastructure Financing Authority		12,013	
Pension Obligation		11,710	
Inland Empire Tobacco Securitization Authority		19,341	
Public Financing Authority		1,404	
<b>Total Other Governmental Funds</b>			<u>58,817</u>
	<b>Total Governmental Activities</b>		<u><u>513,050</u></u>
<b><u>Business-type Activities</u></b>			
<b>Riverside University Health Systems - Medical Center</b>			
Local Agency Investment Fund		3,601	
Restricted Cash and Other Investments		28,593	
<b>Total Riverside University Health Systems - Medical Center</b>			32,194
<b>Waste Resources</b>			
Remediation costs		33,370	
Closure and post-closure care costs		31,265	
Customer deposits		597	
Advances from grantors & 3rd parties		608	
Deposit payable		38	
Deferred inflow of resources		6,225	
<b>Total Waste Resources</b>			72,103
<b>Housing Authority</b>			
Local Agency Investment Fund		886	
Restricted Cash and Other Investments		15,231	
<b>Total Housing Authority</b>			16,117
<b>Other - Flood Control</b>			
			3,222
	<b>Total Business-type Activities</b>		<u>123,636</u>
	<b>Total Restricted Cash and Investments</b>		<u><u>\$ 636,686</u></u>



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

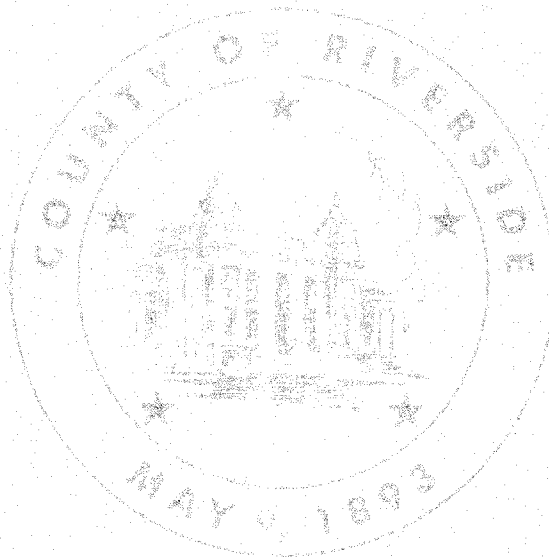
**NOTE 6 – RECEIVABLES**

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

Receivables Governmental activities:	Accounts	Interest	Taxes	Due From Other Govts	Total
					Governmental Activities
General fund	\$ 12,484	\$ 6,560	\$ 9,025	\$ 380,479	\$ 408,548
Transportation	134	333	14	6,165	6,646
Flood Control	835	827	975	615	3,252
Teeter debt service	-	74	47,014	-	47,088
Public facilities improvement capital projects	-	558	-	-	558
Public Financing Authority	-	78	-	-	78
Other governmental funds	2,750	333	1,276	10,612	14,971
Internal service funds	7,659	893	-	1,141	9,693
Total receivables	<u>\$ 23,862</u>	<u>\$ 9,656</u>	<u>\$ 58,304</u>	<u>\$ 399,012</u>	<u>\$ 490,834</u>

Receivables Business-type activities:	Accounts	Interest	Taxes	Loans	Due From Other Govts	Allowance for Uncollectibles	Total
							Business-type Activities
Riverside University Health Systems - Medical Center	\$ 321,351	\$ -	\$ -	\$ -	\$ 151,978	\$ (273,926)	\$ 199,403
Waste Resources	7,534	595	-	4,000	136	-	12,265
Housing Authority	307,667	-	-	91,368	-	(305,564)	93,471
Other	2,898	16	10	-	3,629	(1,223)	5,330
Total receivables	<u>\$ 639,450</u>	<u>\$ 611</u>	<u>\$ 10</u>	<u>\$ 95,368</u>	<u>\$ 155,743</u>	<u>\$ (580,713)</u>	<u>\$ 310,469</u>





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**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 7 – INTERFUND TRANSACTIONS**

**(a) Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2018 is as follows (In thousands):

Payable Fund	Receivable Fund			
	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects	Other Governmental Funds
<b>General Fund</b>				
Delinquent property tax	\$ -	\$ 35	\$ -	\$ -
Interfund activity	-	-	-	1,044
<b>Total General Fund</b>				
<b>Transportation</b>				
Interfund activity	212	-	-	-
<b>Total Transportation</b>				
<b>Flood Control</b>				
Interfund activity	-	-	-	-
<b>Total Flood Control</b>				
<b>Teeter Debt Service</b>				
Interfund activity	6,308	-	-	-
<b>Total Teeter Debt Service</b>				
<b>Public Financing Authority</b>				
Capital projects	-	-	435	-
<b>Total Public Financing Authority</b>				
<b>Other Governmental Funds</b>				
Capital projects	452	-	-	-
Interfund activity	1	-	-	38
<b>Total Other Governmental Funds</b>				
<b>Riverside University Health System-Medical Center</b>				
Interfund activity	2,149	-	-	11
Law Enforcement	491	-	-	-
<b>Total Riverside University Health System-Medical Center</b>				
<b>Other Enterprise Funds</b>				
Interfund activity	-	-	-	-
<b>Total Other Enterprise Funds</b>				
<b>Internal Service Funds</b>				
Interfund activity	1,629	-	485	-
<b>Total Internal Service Funds</b>				
<b>Total Receivable</b>	<b>\$ 11,242</b>	<b>\$ 35</b>	<b>\$ 920</b>	<b>\$ 1,093</b>

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 \$1.5 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, 2018**

**NOTE 7 – INTERFUND TRANSACTIONS (Continued)**

**(a) Interfund Receivables/Payables (Continued)**

<u>Receivable Fund</u>				
Riverside University Health Systems- Medical Center	Other Enterprise Funds	Internal Service Funds	Total Payable	
\$ -	\$ -	\$ -	\$ 35	General Fund
472	-	-	1,516	Delinquent property tax
			<u>1,551</u>	Interfund activity
				<b>Total General Fund</b>
			212	Transportation
			<u>212</u>	Interfund activity
				<b>Total Transportation</b>
	8	323	331	Flood Control
			<u>331</u>	Interfund activity
				<b>Total Flood Control</b>
			6,308	Teeter Debt Service
			<u>6,308</u>	Interfund activity
				<b>Total Teeter Debt Service</b>
			435	Public Financing Authority
			<u>435</u>	Capital projects
				<b>Total Public Financing Authority</b>
			452	Other Governmental Funds
			<u>39</u>	Capital projects
			491	Interfund activity
				<b>Total Other Governmental Funds</b>
	14,930		17,090	Riverside University Health System-Medical Center
			<u>491</u>	Interfund activity
				Law Enforcement
			<u>17,581</u>	<b>Total Riverside University Health System- Medical Center</b>
5,899		13	5,912	Other Enterprise Funds
			<u>5,912</u>	Interfund activity
				<b>Total Other Enterprise Funds</b>
		17	2,131	Internal Service Funds
			<u>2,131</u>	Interfund activity
				<b>Total Internal Service Funds</b>
<u>\$ 6,371</u>	<u>\$ 14,938</u>	<u>\$ 353</u>	<u>\$ 34,952</u>	<b>Total Receivable</b>

*Advances to/from other funds (Continued):*

Waste Resources advanced \$3.0 million to Public Facilities Capital Project Improvement Fund for East County Detention Center.

Waste Resources advanced \$18.5 million to RUHS-MC for Huron Consulting Services.



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 7 – INTERFUND TRANSACTIONS (Continued)**

**Transfers**

(b) Between Funds within the Governmental Activities:<sup>1</sup>

Transfer Out	Transfer In			
	General Fund	Transportation	Teeter Debt Service	Public Facilities Improvements Capital Projects
<b>General Fund</b>				
*To finance capital projects	\$ -	\$ -	\$ -	\$ 8,075
*For debt service payments	-	-	2,005	-
*Operating contribution	-	200	-	-
*For professional services	-	4,107	-	-
*To fund pension obligation	-	-	-	-
<b>Total general fund</b>				
<b>Transportation</b>				
Capital projects	-	-	-	249
*For professional services	2,598	-	-	-
*To fund pension obligation	-	-	-	-
<b>Total transportation</b>				
<b>Flood Control</b>				
*For debt service payments	-	-	-	-
<b>Total Flood Control</b>				
<b>Teeter Debt Service</b>				
*For debt service payments	82	-	-	-
<b>Total teeter debt service</b>				
<b>Public Facilities Improvements Capital Projects</b>				
*To finance capital projects	28,085	9,215	-	19
*For professional services	-	-	-	-
<b>Total public facilities imprv cap proj</b>				
<b>Other Governmental Funds</b>				
*To finance capital projects	-	1,445	-	842
*For debt service payments	8	-	-	-
*For Fire protection services	53,463	-	-	-
*For professional services	22,115	1,640	-	-
*Operating contribution	2,245	-	-	26
*To fund pension obligation	148	-	-	-
<b>Total other governmental funds</b>				
<b>Riverside University Health System-Medical Center</b>				
*Operating contribution	-	-	-	-
*To fund pension obligation	-	-	-	-
<b>Total Riverside University Health System-Medical Center</b>				
<b>Waste Resources</b>				
*To fund pension obligation	-	-	-	-
<b>Total Waste Resources</b>				
<b>Housing Authority</b>				
*To fund pension obligation	-	-	-	-
<b>Total Housing Authority</b>				
<b>Other Enterprise Funds</b>				
*To fund pension obligation	-	-	-	-
<b>Total other enterprise funds</b>				
<b>Internal Service Funds</b>				
Business Services	-	-	-	-
*Operating contribution	235	-	-	-
*To fund pension obligation	-	-	-	-
<b>Total Internal Service Funds</b>				
<b>Total transfers in</b>	<b>\$ 108,979</b>	<b>\$ 16,607</b>	<b>\$ 2,005</b>	<b>\$ 9,211</b>

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, 2018**

**NOTE 7 – INTERFUND TRANSACTIONS (Continued)**

**Transfers (Continued)**

(b) Between Governmental and Business-type Activities:<sup>2</sup>

Transfer In					Total Transfers Out	*Principal purpose for transfer
Other Governmental Funds	Riverside University Health Systems-Medical Center	Other Enterprise Funds	Internal Service Funds			
General Fund						
\$ -	\$ -	\$ -	\$ -	\$ 8,075	*To finance capital projects	
57,563	-	-	-	59,568	*For debt service payments	
8,568	15,935	-	3,500	28,203	*Operating contribution	
4,321	-	-	-	8,428	*For professional services	
24,813	-	-	-	24,813	*To fund pension obligation	
				<u>129,087</u>	<b>Total general fund</b>	
Transportation						
-	-	-	-	249	Capital projects	
43	-	-	-	2,641	*For professional services	
917	-	-	-	917	*To fund pension obligation	
				<u>3,807</u>	<b>Total transportation</b>	
Flood Control						
2,847	-	-	-	2,847	*For debt service payments	
				<u>2,847</u>	<b>Total Flood Control</b>	
Teeter Debt Service						
-	-	-	-	82	*For debt service payments	
				<u>82</u>	<b>Total teeter debt service</b>	
Public Facilities Improvements Capital Projects						
2,023	5,000	-	1,193	45,535	*To finance capital projects	
310	-	-	-	310	*For professional services	
				<u>45,845</u>	<b>Total public facilities imprv cap proj</b>	
Other Governmental Funds						
11,151	-	-	-	13,438	*To finance capital projects	
299	-	-	-	307	*For debt service payments	
-	-	-	-	53,463	*For Fire protection services	
8,143	-	-	-	31,898	*For professional services	
2,750	-	243	295	5,559	*Operating contribution	
662	-	-	-	810	*To fund pension obligation	
				<u>105,475</u>	<b>Total other governmental funds</b>	
Riverside University Health System-Medical Center						
-	-	11,250	-	11,250	*Operating contribution	
5,371	-	-	-	5,371	*To fund pension obligation	
				<u>16,621</u>	<b>Total Riverside University Health System-Medical Center</b>	
Waste Resources						
308	-	-	-	308	*To fund pension obligation	
				<u>308</u>	<b>Total Waste Resources</b>	
Housing Authority						
185	-	-	-	185	*To fund pension obligation	
				<u>185</u>	<b>Total Housing Authority</b>	
Other Enterprise Funds						
278	-	-	-	278	*To fund pension obligation	
				<u>278</u>	<b>Total other enterprise funds</b>	
Internal Service Funds						
-	-	-	4,565	4,565	Business Services	
-	-	-	-	235	*Operating contribution	
2,034	-	-	-	2,034	*To fund pension obligation	
				<u>6,834</u>	<b>Total Internal Service Funds</b>	
<u>\$ 132,586</u>	<u>\$ 20,935</u>	<u>\$ 11,493</u>	<u>\$ 9,553</u>	<u>\$ 311,369</u>	<b>Total transfers in</b>	



**COUNTY OF RIVERSIDE**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2018**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows (In thousands):

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Governmental activities:</b>					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 561,581	\$ 13,200	\$ (457)	\$ 7,596	\$ 581,920
Construction in progress	756,804	176,144	(421)	(194,313)	738,214
<b>Total capital assets, not being depreciated</b>	<b>1,318,385</b>	<b>189,344</b>	<b>(878)</b>	<b>(186,717)</b>	<b>1,320,134</b>
<i>Capital assets, being depreciated:</i>					
Infrastructure	3,449,859	42,649	(723)	76,261	3,568,046
Land improvements	110	-	-	-	110
Structures and improvements	1,692,570	70,130	(10,878)	104,534	1,856,356
Equipment	561,203	26,197	(28,521)	(3,141)	555,738
<b>Total capital assets, being depreciated</b>	<b>5,703,742</b>	<b>138,976</b>	<b>(40,122)</b>	<b>177,654</b>	<b>5,980,250</b>
Less accumulated depreciation for:					
Infrastructure	(1,467,144)	(114,114)	37	-	(1,581,221)
Land improvements	(28)	(1)	-	-	(29)
Structures and improvements	(498,938)	(44,822)	5,488	-	(538,272)
Equipment	(336,834)	(42,012)	30,065	3,024	(345,757)
<b>Total accumulated depreciation</b>	<b>(2,302,944)</b>	<b>(200,949)</b>	<b>35,590</b>	<b>3,024</b>	<b>(2,465,279)</b>
<b>Total capital assets, being depreciated, net</b>	<b>3,400,798</b>	<b>(61,973)</b>	<b>(4,532)</b>	<b>180,678</b>	<b>3,514,971</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 4,719,183</b>	<b>\$ 127,371</b>	<b>\$ (5,410)</b>	<b>\$ (6,039)</b>	<b>\$ 4,835,105</b>