

# **INTRODUCTORY SECTION**



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COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER  
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**AC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE  
Paul Angulo, CPA, MA-Mgmt  
Auditor-Controller

December 28, 2011

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

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside for the fiscal year ended June 30, 2011 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

The County has twelve independent fiscal entities that are considered blended component units and two discretely presented component units. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the notes to the basic financial statements.

## **PROFILE OF THE GOVERNMENT**

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

There are 27 incorporated cities located within the County. The largest cities in the County are Riverside (the County seat) with a population of 306,779, Moreno Valley 195,216, Corona 153,649, Temecula 101,657, and Murrieta 104,459. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. Total County population was

2,217,778 on January 1, 2011, an increase of 3.53% as compared to the revised estimate for January 1, 2010. Approximately 23.1% of the residents live in unincorporated areas.

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

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

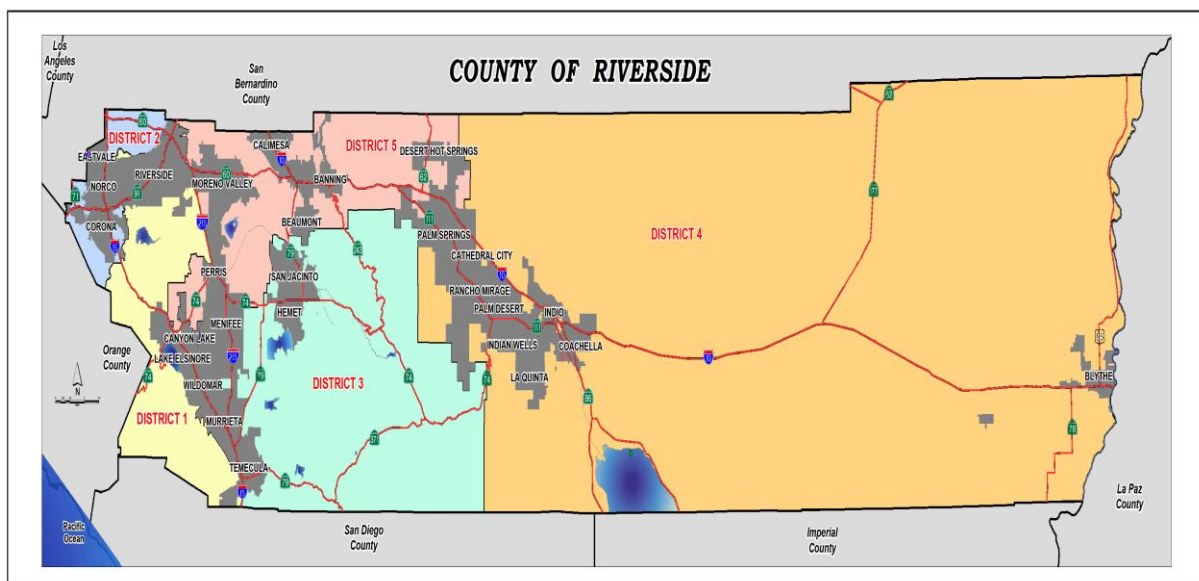
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, and Eastvale (the newest city as of October 1, 2010). The unincorporated communities consist of Jurupa Valley (incorporated July 1, 2011), Home Gardens, El Cerrito, Coronita, and Green River.

District Three includes the cities of Canyon Lake, Hemet, Menifee, 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, and Blythe. Major unincorporated areas include Bermuda Dunes, Thousand Palms, Sky Valley, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, and Ripley.

The Fifth District includes the cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, Desert Hot Springs, and the northern portion of Palm Springs. The unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Highgrove, Box Springs, Pigeon Pass, Reche Canyon, San Timoteo Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

### County Of Riverside by Supervisorial Districts



Source: Riverside County GIS

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

<b>Certificate, Licenses and Permits</b>	<b>Human Services</b>
Birth, marriage, and death certificates, animal licensing and building permits	Assistance for Families, Veteran Services, Utility Assistance
<b>Children’s Services</b>	<b>Libraries and Museums</b>
Child Support Services, Mentor programs, and Children Medical Services	Edward Dean Museum, Riverside County Law Library
<b>Criminal Justice</b>	<b>Parks and Recreation</b>
District Attorney, Probation, Public Defender, and Sheriff	Regional Parks
<b>Education</b>	<b>Pets and Animal Services</b>
Office of Education	Animal Control, Animal Shelters
<b>Emergency Services</b>	<b>Property Information</b>
Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	Building permit report, obtain property information via GIS, pay property taxes online, track your property tax online, record map inquiry, information on new home owners and Riverside County land information
<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, medical marijuana identification cards	Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, Auditor-Controller
<b>Housing</b>	
First time home buyer programs, low income housing, rental assistance program, homeless shelter, neighborhood stabilization program	

## FACTORS AFFECTING ECONOMIC CONDITION

### State Economy

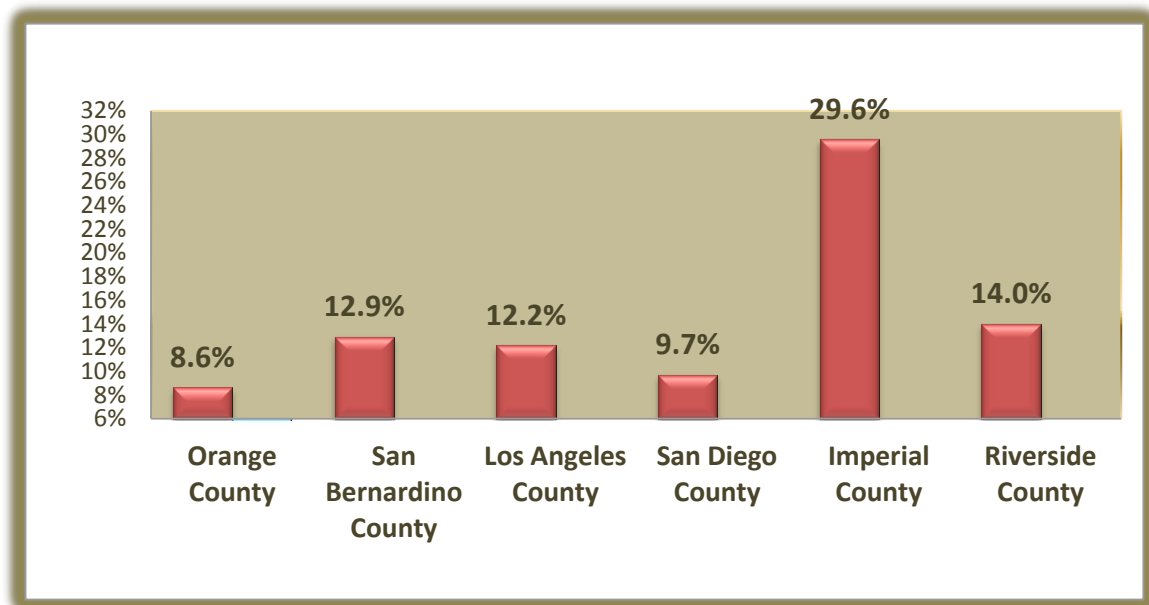
The California economy continues to work towards recovery. Weak real estate market conditions, depressed construction activity, and public sector fiscal problems remain the principal impediments to stronger job growth. The state budget includes a major realignment of the public safety programs from the state to local governments. The realignment moves program and fiscal responsibility to the level of government that can best provide the service, eliminating duplication of effort, generating savings, and increasing flexibility.

### Local Economy

#### Unemployment and Foreclosures

Unemployment and foreclosures are the two largest factors contributing to the sluggish local economy. Riverside County's unemployment rate has slightly improved to 14 percent in September 2011, compared to a year ago when unemployment stood at 15 percent.

**Unemployment Comparison of Neighboring Counties**



Source: Employment Development Department, September 2011.

### Real Estate

The commercial real estate sector continues to decline, however signs of recovery are seen in mega-warehouses and hotel properties. The residential real estate market has changed minimally since last year, with the median price of single family residences leveling off. Current data suggests that a positive movement in the consumer price index in 2012 may permit a return to the maximum 2 percent increase for properties subject to Proposition 13.

### County Budget Summary

In the current climate of level off property values, and low demand for homes, it is difficult to make predictions as to when assessed values will improve. Uncertain property tax revenue creates stress on the County's ability to maintain current service levels.

## Relevant Financial Information

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

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

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

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

## Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada (GFOA) has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its *CAFR* for the fiscal year ended June 30, 2010. This was the twenty-third consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *CAFR*. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current *CAFR* continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for new certificate.

The County of Riverside has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 2010. 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.

## 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. I would also like to thank the staff members of the contributing component units and departments for their participation in the preparation of this report.

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

Respectfully submitted,



PAUL ANGULO, CPA, MA-Mgmt  
AUDITOR-CONTROLLER



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# COUNTY OF RIVERSIDE

List of Principal Officials  
As of June 30, 2011

## ELECTED OFFICIALS

Board of Supervisors



JOHN F.  
TAVAGLIONE  
Vice Chairman  
Second District



BOB BUSTER  
Chairman  
First District



JEFF STONE  
Third District



JOHN BENOIT  
Fourth District



MARION ASHLEY  
Fifth District

## COUNTYWIDE ELECTED OFFICIALS



PAUL ZELLERBACH  
District Attorney



STANLEY SNIFF, JR.  
Sheriff  
Coroner  
Public Administrator



PAUL ANGULO  
Auditor  
Controller



LARRY WARD  
Assessor  
Clerk  
Recorder



DON KENT  
Treasurer  
Tax Collector

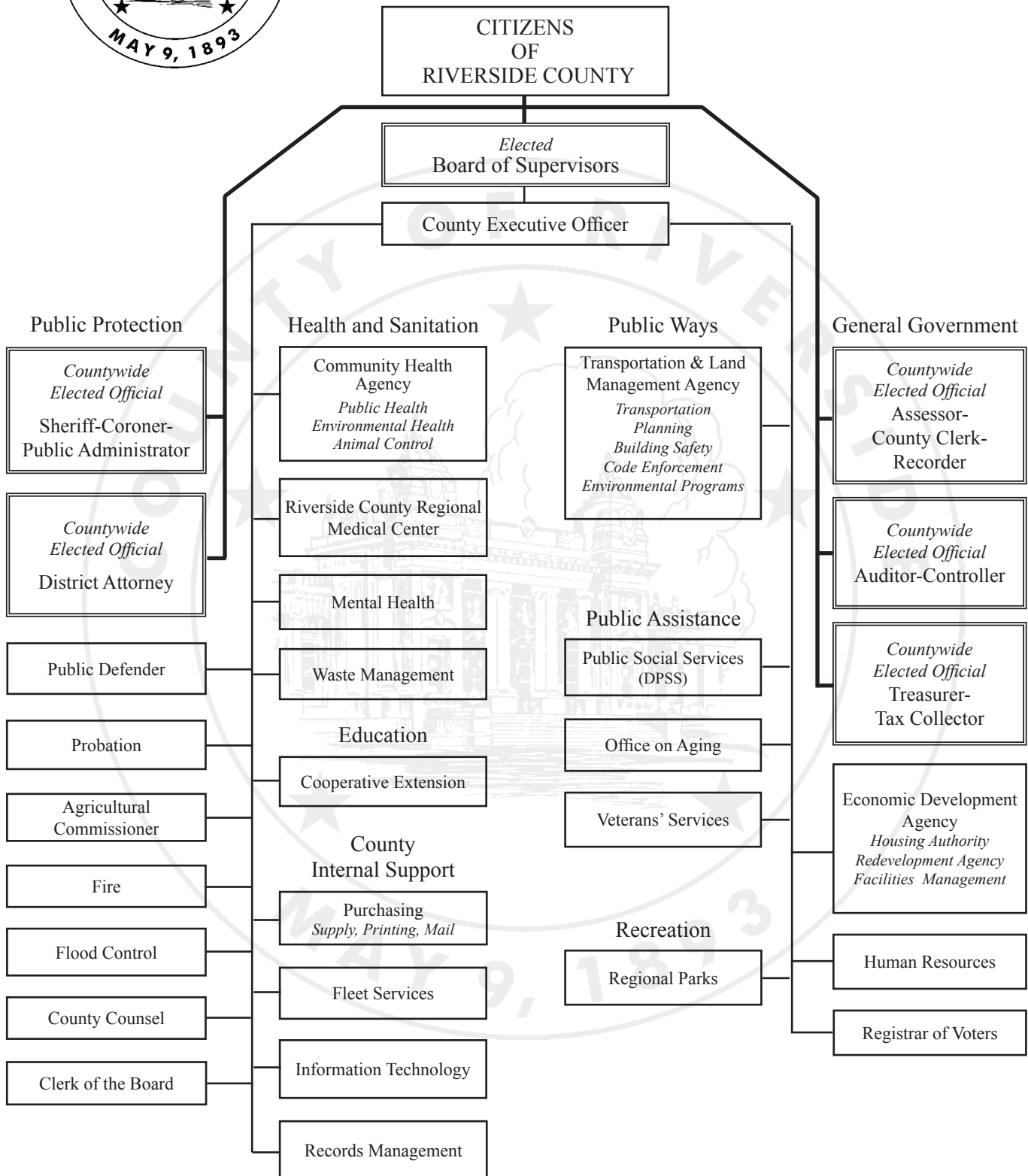
## APPOINTED OFFICIALS

BILL LUNA  
County Executive Officer

PAMELA WALLS  
County Counsel



**COUNTY OF RIVERSIDE  
ORGANIZATION CHART**



# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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President

A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



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