County of Riverside, California
Comprehensive Annual Financial Report
Fiscal Year End June 30, 2019
Paul Angulo, CPA, MA
County Auditor-Controller
COUNTY OF RIVERSIDE, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY THE OFFICE OF:

PAUL ANGULO, CPA, MA

COUNTY AUDITOR-CONTROLLER
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INTRODUCTORY SECTION
December 12, 2019

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, 2019, 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, 2019. 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 328,101, Moreno Valley 208,297, Corona 168,101, Murrieta 118,125, and Temecula 113,826. 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, 2019, was reported as 2,440,124, an increase of 1.1 percent as compared to the revised estimate for January 1, 2018. Approximately 16.2 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, Gaviian 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 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 County has over 21,000 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:

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**FACTORS AFFECTING ECONOMIC CONDITION**

**State Economy**

The Governor’s Budget Revision was issued in May 2019. The May Revision projects Fiscal Year 2019-20 general fund revenues and transfers of approximately $143.84 billion, total expenditures of approximately $147.03 billion and a year-end fund balance of approximately $3.03 billion, of which $1.39 billion would be reserved for liquidation of encumbrances and approximately $1.65 billion would be deposited in a reserve fund for economic uncertainties.

The May Revision includes a projected balance of $16.52 billion in the Budget Stabilization Account/Rainy Day Fund by the end of Fiscal Year 2019-20. The May Revision provides that the State has built a strong fiscal foundation by paying down debts and liabilities and building reserves that will help manage the effects of an economic downturn. Although the May Revision does predict a recession, it cautions that growing uncertainty related to the global political and economic climate, federal policies, rising costs and the length of the current economic expansion require that the Fiscal Year 2019-2020 Budget be prudent. The May Revision allocates $15.00 billion ($1.40 billion more than the Proposed Fiscal Year 2019-2020 Budget) to building budgetary resiliency and paying down the State’s unfunded retirement liabilities. As a result, the State’s Rainy Day Fund is expected to reach its constitutional cap in Fiscal Year 2020-2021, two years earlier than predicted in the Proposed Fiscal Year 2019-2020 Budget. Furthermore, the May Revision provides that by the end of Fiscal Year 2022-2023, the Rainy Day Fund balance is projected to be $18.70 billion.
The State’s economy, in the first part of 2019, remains on a steady growth track despite concerns about how long the current expansion will continue. Like the nation, the state economy benefited from expansionary fiscal policy in the form of tax cuts coupled with increases in government spending that pushed the labor market closer to full employment and fueled solid job gains.

California’s economy and many of its metro areas continue to be at or near record lows in terms of unemployment rates, picking up where they left off last year. The statewide rate was 4.2% in January, coasting just a hair above the all-time low of 4.1% for several months running. Indeed, recent increases in California’s labor force have kept the unemployment rate above the four percent threshold.

![Unemployment Rate (Annual Average)](image)

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. As of September 2019 (Preliminary), the State’s average unemployment rate decreased from 4.1% to 3.9% and the County’s unemployment rate decreased from 4.4% to 3.8%.

Source: Employment Development Department, Labor Market Information Division, Preliminary September 2019

**Local Economy**

Beacon Economics’ current forecast for Riverside County represents a positive outlook that the economy is trending in the right direction, but at a slower pace as compared to recent years. For the time being, the robust growth of recent years has slowed down across the region, state, and nation. Even so, local revenues are projected to grow at a healthy, though not extraordinary, pace through fiscal year 2023-2024, and the national and state economies are projected to continue experiencing gains that are somewhat similar to those of recent memory.

The supply of existing homes for sale in Riverside County has trended up from the start of the current fiscal year. If a greater supply of homes softens prices over the next few months, the combination of lower mortgage rates and weak price gains may spur sales activity in the existing market, which would both increase assessed value and increase transfer tax revenues. These developments will likely have a greater impact on fiscal year 2020.

The Riverside County economy has experienced slower growth in recent months after years of spectacularly robust gains. This is a function of both the economy reaching full employment capacity and weakness in individual industries. Still, with low unemployment and continued wage gains fueling spending, the County can expect ongoing - although slightly tempered – growth in sales tax revenues.

According to Beacon Economics, consumer and business spending revenues ticked up in fiscal year 2018, thanks to continued growth in economic activity, jobs, and wages. The Inland Empire as a whole experienced a full percentage
point decrease in its unemployment rate from fiscal years 2018 to 2019, while nonfarm job growth accelerated to 3.9% year-over-year. However, the regional economy has slowed markedly in fiscal year 2019, with average year-over-year job growth through the third quarter pacing at 2.5%. The slowdown has been more evident recently, with average job growth from January through March falling to a year-over-year pace of 1.3%

With the neighboring Southern California economies of Orange, Los Angeles, and San Diego Counties also experiencing considerable slowdowns in both job and labor force growth, the entire Southern California labor market may be close to capacity. On a positive note, the California Department of Finance reported that Riverside County experienced a net migration of 14,780 individuals in 2018, the most among all California counties and accounting for about 71% of total state migration on net. Riverside County continues to be a magnet for new residents, including significant numbers of Southern California residents who choose to move inland from more unaffordable coastal counties. In turn, the County should expect modest growth in taxable sales, all else being equal.

![Unemployment Comparison of Neighboring Counties](image)

*Source: Employment Development Department, Labor Market Division, June 2019*

**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, 2018. This was the thirty-first 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, 2018. This was the thirteenth 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,

Paul Angulo
PAUL ANGULO, CPA, MA
RIVERSIDE COUNTY AUDITOR-CONTROLLER
COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2019

ELECTED OFFICIALS

Board of Supervisors

KEVIN JEFFRIES
First District

KAREN SPIEGEL
Second District

CHUCK WASHINGTON
Third District

V. MANUEL PEREZ
Fourth District

JEFF HEWITT
Fifth District

COUNTYWIDE ELECTED OFFICIALS

MICHAEL HESTRIN
District Attorney

CIHAD BIANCO
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
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, 2018

Christopher P. Morrill
Executive Director/CEO