COUNTY OF RIVERSIDE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2012  

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December 20, 2012

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, 2012 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 eleven independent fiscal entities that are considered blended component units and three discreetly 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 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 308,511, Moreno Valley 196,495, Corona 154,520, Temecula 103,092, and Murrieta 104,985. 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 2,227,577 on January 1, 2012, an increase of 0.99 percent as compared to the revised estimate for January 1, 2011. Approximately 16 percent 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, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gaviilan Hills and Woodcrest.

The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley (the newest city as of July 1, 2011). The unincorporated communities consist of Home Gardens, El Cerrito, Corona, 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, 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 Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Box Springs, Pigeon Pass, Reche Canyon, San Timoteo Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

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

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<th>Children’s Services</th>
<th>Libraries and Museums</th>
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<td>Child Support Services, Mentor programs, and Children Medical Services</td>
<td>Edward Dean Museum, Riverside County Law Library</td>
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<tr>
<th>Criminal Justice</th>
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<td>District Attorney, Probation, Public Defender, and Sheriff</td>
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<th>Education</th>
<th>Pets and Animal Services</th>
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<td>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</td>
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Source: Riverside County GIS
FACTORS AFFECTING ECONOMIC CONDITION

State Economy

The California economy continues to work towards recovery. The California Department of Finance reports continued gradual growth in statewide non-farm payroll employment through February. Six major industry sectors saw employment gains while five lost. The largest job gains were made in the information sector, followed by manufacturing, education, health services, and business services. Job losses occurred in government, trade, transportation, and utilities, among others. California's unemployment rate fell to 10.2 percent in September from 10.6 percent in August, posting one of the biggest drops of any state for the month. The decline took the rate to its lowest level since March 2009, during the worst recession in half a century. Statewide, issuance of residential construction permits increased 15 percent in January and February over the same period a year ago. Although home prices remain weak, sales improved modestly and inventory measures continue to improve.

Local Economy

Exceptional growth in the County’s assessed property value began in fiscal year 2004-05, and started sharply declining in fiscal year 2007-08. For fiscal year 2011-12, assessed valuation decreased by 1.5 percent. The State Board of Equalization has confirmed that movement in the consumer price index for 2012 will permit return to the maximum two percent increase for properties subject to Prop. 13. Due in part to the incorporation of the cities of Eastvale and Jurupa, overall building permit volume for single-family, grading, plan check, in unincorporated Riverside County has dropped substantially. Riverside County’s unemployment rate has slightly improved from 12.6 percent in June 2012 to 12 percent in September 2012, compared to a year ago when unemployment stood at 14 percent.

Unemployment Comparison of Neighboring Counties

Source: Employment Development Department, September 2012.

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 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, 2011. This was the twenty-fourth 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 2011. 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
COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2012

ELECTED OFFICIALS

Board of Supervisors

BOB BUSTER
First District

JOHN F. TAVAGLIONE
Chairman
Second District

JEFF STONE
Third District

JOHN BENOIT
Vice Chairman
Fourth District

MARIAN ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

PAUL ZELLERBACH
District Attorney

STANLEY SNIFF, JR.
Sheriff
Coroner

PAUL ANGULO
Auditor
Public Administrator

LARRY WARD
Assessor
Clerk
Recorder

DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

JAY ORR
County Executive Officer

PAMELA WALLS
County Counsel