BASIC FINANCIAL STATEMENTS- NOTES TO THE BASIC FINANCIAL STATEMENTS

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 fourteen component units have been included and combined with financial data of the County. Twelve 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. Two component units are 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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

Palm Desert Financing Authority (PDFA). The PDFA is a joint powers authority between the County and Palm Desert Successor Agency (the Agency) established on January 1, 2002, under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the Agency agreed to create the PDFA for the purpose of establishing a vehicle to reduce local borrowing costs, promote greater use of existing and new financial instruments and mechanisms, and assist local agencies in the financing of public capital improvements. Although the PDFA is a legally separate entity, in substance under GASB Statement No. 61, the County is financially accountable for the PDFA's issuance of the lease revenue bond that is under the PDFA's management (2008 Series A).

The PDFA's commission is the governing body of the PDFA, which consists of the County Executive Officer, one member of the County Board, the Executive Director of the Agency and a member of the Agency's governing board. It is discretely presented because its governing board is not substantially the same as the County's governing board.

Additional detailed financial information for each of the discretely presented component units can be obtained from the Auditor-Controller's Office at the Robert T. Anderson Administrative Center, 4080 Lemon Street - 11th Floor, P.O. Box 1326, Riverside, CA 92502-1326.

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-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, 39.51%, or $23.3 million, of the County's $59.1 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 culture 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 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*, are 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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, 2017, 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.

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 77.8% of the funds on deposit in the County treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 22.1% 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 contractuals are $88.7 million and $141.9 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 XIIIA of the California State Constitution and statutory provisions. The total for fiscal year 2016-17 gross assessed valuation (for tax purposes) of the County was $255.9 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)Basis of Presentation (Continued)

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 are delinquent with penalties after December 10; the second is due February 1 and are 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 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 2016-17, there were no amounts greater than 1% of the tax levy for participating entities.

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 the lower of cost (on a first-in, first-out basis) or market value in the proprietary funds. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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:

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

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, 2017, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was $269.2 million.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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 pensions 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

Restricted Net Position – This category presents external restrictions imposed 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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. In the general fund unassigned fund balance, commitments for budget stabilization of $190.3 million, which is 25.0% 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 74

In June of 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 74 is effective for reporting periods beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 77

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of this statement is to assure financial statements prepared by state and local governments in conformity with generally accepted accounting principles accepted in the United States of America provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. GASB Statement No. 77 is effective for reporting periods beginning after December 15, 2015.

Governmental Accounting Standards Board Statement No. 78

In December of 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this statement is to address a practice issue regarding the scope and the applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue is associated with pensions provided through certain multiple-employers defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. GASB Statement No. 78 is effective for reporting periods beginning after December 15, 2015.

Governmental Accounting Standards Board Statement No. 80

In January of 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. GASB Statement No. 80 is effective for reporting periods beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73.* The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 is effective for reporting periods beginning after June 15, 2016.

Future 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. The County has elected not to early implement this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

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. The County has elected not to early implement this statement.

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. 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. The County has elected not to early implement this statement.

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. 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.

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 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 budget; (2) the final amended 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, 2017, Enterprise funds (EF) and Internal Service Funds (ISF) individual Fund Deficits are as follows (In thousands):

Proprietary Funds:		
EF - Riverside University Health Systems - Medical Center	$	96,252
ISF - Records Management and Archives	$	213
ISF - Information Services	$	36,155
ISF - Risk Management	$	32,187
ISF - Temporary Assistance Pool	$	414
ISF - EDA Facilities Management	$	21,721

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

Excess of Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations in capital outlay by $64.3 million in the general fund. This excess of expenditures resulted from the acquisition of $64.3 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION

The County's beginning net position has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatements as of June 30, 2017 is as follows (In thousands):

Government-wide:

	Primary Government	
Description	Governmental Activities	Business-type Activities
Government-wide net position as of June 30, 2016, as previously reported	$ 2,665,679	$ 49,023
Fund financial statements:		
Prior period adjustments:		
Depreciation expense adjustment (1)	-	(492)
Government-wide financial statements:		
Prior period adjustments:		
Accumulated depreciation adjustment (2)	(11,774)	-
Net position as of June 30, 2016, as restated	$ 2,653,905	$ 48,531

Fund Financials:

	Proprietary Funds
	Enterprise Funds
Description	Waste Resources
Fund balances as of June 30, 2016, as previously reported	$ 112,901
Prior Period Adjustments:	
Depreciation expense adjustment (1)	(492)
Fund balances as of June 30, 2016, as restated	$ 112,409

(1) The adjustment was made due to the depreciation expense being understated in the prior year for a completed construction in progress project.

(2) The adjustment was made to reflect the accumulated depreciation not being recorded in prior years for certain infrastructures and building assets.

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2017, 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	$ 1,021,599	$ 163,408	$ 41,628	$ 5,315,575	$ 6,542,210
Restricted cash and investments	556,182	126,338	-	-	682,520
Total cash and investments	$ 1,577,781	$ 289,746	$ 41,628	$ 5,315,575	$ 7,224,730

As of June 30, 2017, cash and investments consist of the following (In thousands):

Deposits	$ 312,529
Investments	6,912,201
Total cash and investments	$ 7,224,730

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. 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, 2017 reported under investments CORAL had $2.5 million and RUHS-Medical Center had $0.7 million for a total amount of $3.2 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.

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 their 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 $324.4 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.

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.

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2017, the County and Component Units had the following investments (In thousands):

	June 30, 2017	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating
County treasurer investments					
Investments by fair value level					
U.S. treasuries	$ 364,517	0.625 - 1.500%	09/17 - 10/19	0.79	N/A
Federal home loan mortgage corp.	1,326,735	0.700 - 2.050%	07/17 - 06/22	2.88	N/A
Federal national mortgage association	271,705	0.800 - 1.550%	05/18 - 07/21	2.73	N/A
Federal home loan bank	660,977	0.625 - 1.700%	07/17 - 12/21	1.29	N/A
Federal farm credit bank	528,235	0.610 - 1.770%	07/17 - 05/21	1.93	N/A
Farmer mac	253,920	0.945 - 1.337%	09/17 - 07/19	0.84	N/A
Municipal notes	511,968	0.723 - 3.000%	07/17 - 10/20	0.66	AA-/Aa3
Commercial paper	1,433,984	0.770 - 1.340%	08/17 - 02/18	0.14	A1/P1
Corporate notes	63,687	1.000 - 1.125%	04/18 - 05/18	0.82	AA/Aa2
Total county treasurer investments by fair value level	5,415,728				
Investments measured at amortized cost					
Municipal notes	20,801	3.000%	07/18 - 07/20	6.01	AA-/Aa3
Negotiable certificate of deposits	210,000	1.040 - 1.350%	08/17 - 12/17	0.24	A-1/P-1
Managed rate accounts	250,000	0.900 - 1.060%	07/17	0.00	N/A
Local agency obligations	230	1.531%	06/20	2.96	N/R
CalTRUST short term fund	54,108	1.090%	07/17	0.00	N/R
Money market mutual funds (2)	785,000	0.854 - 1.193%	07/01 - 07/11	0.01	AAA/Aaa
Total investments measured at amortized cost	1,320,139				
Total county treasurer investments	6,735,867				
Blended component unit investments					
Investments by fair value level					
U.S. treasuries	494	0.000%	less than a year	-	-
Total blended component unit investments by fair value level	494				
Investments measured at amortized cost					
Money market funds	93,847	0.100 -0.863%	07/01/17	N/A	AAA/Aaa
Certificates of deposit	2,800	0.100%	07/17 - 10/17		
U.S. treasuries	2,958	0.510%	07/01/17		
Local agency investment funds	3,199	1.030%	07/17		N/A
Mutual funds	41,741	0.100 - 4.560%	06/30/17		
Government obligation funds	28,068	0.010 - 0.880%	07/01/17		
Investment agreements	3,227	0.000%			
Total blended component unit investments measured at amortized cost	175,840				
Total blended component unit investments	176,334				
Total investments	$ 6,912,201				

(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.

NOTE 4 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The County has the following recurring fair value measurements as of June 30, 2017 (In thousands):

		Fair Value Measurements Using				
Rating (1) June 30, 2017	% of Portfolio	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2017	
						County treasurer investments
						Investments by fair value level
AA+/Aaa	5.41%	$ 364,517			$ 364,517	U.S. treasuries
AA+/Aaa	19.70%		1,326,735		1,326,735	Federal home loan mortgage corp.
AA+/Aaa	4.03%		271,705		271,705	Federal national mortgage association
AA+/Aaa	9.81%		660,977		660,977	Federal home loan bank
AA+/Aaa	7.84%		528,235		528,235	Federal farm credit bank
N/R	3.77%		253,920		253,920	Farmer mac
AAA/Aaa	7.60%		511,968		511,968	Municipal notes
AAA/Aaa	21.29%		1,433,984		1,433,984	Commercial paper
AA+/Aa1	0.95%		63,687		63,687	Corporate notes
	80.40%	364,517	5,051,211	-	5,415,728	Total county treasurer investments by fair value level
						Investments measured at amortized cost
AAA/Aaa	0.32%				20,801	Municipal notes
AA-/Aa1	3.12%				210,000	Negotiable certificate of deposits
N/R	3.71%				250,000	Managed rate accounts
N/R	0.00%				230	Local agency obligations
AAA/Aaa	0.80%				54,108	CalTRUST short term fund
AAA/Aaa	11.65%				785,000	Money market mutual funds (3)
	19.60%				1,320,139	Total investments measured at amortized cost
	100.00%	364,517	5,051,211	-	6,735,867	Total county treasurer investments
						Blended component unit investments
						Investments by fair value level
	0.28%	494			494	U.S. treasuries
	0.28%	494	-	-	494	Total blended component unit investments by fair value level
						Investments measured at amortized cost
AAA/Aaa	53.22%				93,847	Money market funds
	1.59%				2,800	Certificates of deposit
AAAm/Aaa-mf	1.68%				2,958	U.S. treasuries
N/R	1.81%				3,199	Local agency investment funds
	23.67%				41,741	Mutual funds
AAA/Aaa	15.92%				28,068	Government obligation funds
	1.83%				3,227	Investment agreements
	99.72%				175,840	Total blended component unit investments measured at amortized cost
	100.00%	494	-	-	176,334	Total blended component unit investments
		$ 365,011	$ 5,051,211	$ -	$ 6,912,201	Total investments

The County and its component units categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets;
- Level 2: Investments reflect prices quoted for similar observable assets; and,
- Level 3: Investments reflect prices based upon unobservable resources.

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2017 is as follows (In thousands):

Governmental Activities			
General Fund Restricted Subfund Money			$ 365,394
Flood Control Customer Deposits			1,660
Teeter Debt Service - Teeter Plan			40,819
Public Financing Authority - Capital Projects			93,045
Other Governmental Funds			
CORAL			
Local Agency Investment Fund	2,538		
Restricted Cash and Other Investments	18,619	21,157	
District Court Financing Corporation		1,921	
Infrastructure Financing Authority		11,320	
Inland Empire Tobacco Securitization Authority		19,471	
Public Financing Authority - Debt Service		1,395	
Total Other Governmental Funds			55,264
Total Governmental Activities			**556,182**
Business-type Activities			
Riverside University Health Systems - Medical Center			
Local Agency Investment Fund		661	
Restricted Cash and Other Investments		33,850	
Total Riverside University Health Systems - Medical Center			34,511
Waste Resources			
Remediation costs		32,038	
Closure and post-closure care costs		30,785	
Customer deposits		557	
Advances from grantors & 3rd parties		587	
Deposit payable		38	
Deferred inflow of resources		6,659	
Total Waste Resources			70,664
Housing Authority			
Local Agency Investment Fund		920	
Restricted Cash and Other Investments		17,054	
Total Housing Authority			17,974
Other Enterprise Funds - Flood Control Customer Deposits			3,189
Total Business-type Activities			**126,338**
Total Restricted Cash and Investments			**$ 682,520**

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	$ 13,865	$ 2,295	$ 9,182	$ 363,548	$ 388,890
Transportation	223	101	11	10,387	10,722
Flood Control	265	285	988	356	1,894
Teeter debt service	-	29	49,875	-	49,904
Public facilities improvements	-	170	-	12,166	12,336
Nonmajor governmental funds	4,527	133	1,298	14,888	20,846
Internal service funds	13,191	290	-	1,384	14,865
Total receivables	$ 32,071	$ 3,303	$ 61,354	$ 402,729	$ 499,457

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	$ 281,567	$ 46	$ -	$ -	$ 125,503	$ (230,601)	$ 176,515
Waste Resources	6,916	207	-	5,000	194	-	12,317
Housing Authority	272,742	-	-	88,407	1,291	(272,353)	90,087
Nonmajor funds	267	10	9	-	7	-	293
Total receivables	$ 561,492	$ 263	$ 9	$ 93,407	$ 126,995	$ (502,954)	$ 279,212

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2017 is as follows (In thousands):

Due to/from other funds :

	Receivable Fund			
Payable Fund	General Fund	Transportation	Teeter Debt Service	Other Governmental Funds
General Fund				
Delinquent property tax	$ -	$ -	$ 35	$ -
Interfund activity	-	-	-	217
Total General Fund				
Transportation				
Interfund activity	210	-	-	-
Total Transportation				
Flood Control				
Interfund activity	-	-	-	-
Total Flood Control				
Teeter Debt Service				
Interfund activity	7,296	-	-	-
Total Teeter Debt Service				
Public Facilities Improvements Capital Projects				
Capital projects	8	-	-	-
Interfund activity	-	-	-	-
Total Public Facilities Imprv Cap Proj				
Other Governmental Funds				
Capital projects	121	280	-	-
Interfund activity	114	-	-	6,979
Medical services	-	-	-	-
Total Other Governmental Funds				
Riverside University Health Systems				
Interfund activity	275	-	-	139
Law Enforcement	455	-	-	-
Total Riverside University Health Systems				
Waste Resources				
Interfund activity	13	-	-	-
Total Waste Resources				
Other Enterprise Funds				
Interfund activity	-	-	-	-
Total Other Enterprise Funds				
Internal Service Funds				
Interfund activity	997	-	-	-
Total Internal Service Funds				
Total Receivable	$ 9,489	$ 280	$ 35	$ 7,335

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 $3.4 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 intiatitive costs.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund: Riverside University Health Systems-Medical Center	Other Enterprise Funds	Internal Service Funds	Total Payable	
				General Fund
$ -	$ -	$ -	$ 35	Delinquent property tax
274	-	339	830	Interfund activity
			865	**Total General Fund**
				Transportation
-	-	-	210	Interfund activity
			210	**Total Transportation**
				Flood Control
-	-	144	144	Interfund activity
			144	**Total Flood Control**
				Teeter Debt Service
-	-	-	7,296	Interfund activity
			7,296	**Total Teeter Debt Service**
				Public Facilities Improvements Capital Projects
-	-	-	8	Capital projects
-	-	93	93	Interfund activity
			101	**Total Public Facilities Imprv Cap Proj**
				Other Governmental Funds
-	-	-	401	Capital projects
3,088	-	280	10,461	Interfund activity
19	-	-	19	Medical services
			10,881	**Total Other Governmental Funds**
				Riverside University Health Systems
-	-	-	414	Interfund activity
-	-	-	455	Law Enforcement
			869	**Total Riverside University Health Systems**
				Waste Resources
-	-	-	13	Interfund activity
			13	**Total Waste Resources**
				Other Enterprise Funds
-	1	6	7	Interfund activity
			7	**Total Other Enterprise Funds**
				Internal Service Funds
188	-	70	1,255	Interfund activity
			1,255	**Total Internal Service Funds**
$ 3,569	$ 1	$ 932	$ 21,641	**Total Receivable**

Advances to/from other funds (Continued):

Waste Resources advanced $4.0 million to Public Facilities Capital Project Improvement Fund for East County Detention Center. Waste Resources advanced $18.5 million to RUHS-MC for consulting services.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

(b) Between Funds within the Governmental Activities:[1]

	Transfer In									
Transfer-Out		General Fund		Transportation		Teeter Debt Service		Public Facilities Improvements Capital Projects		Public Financing Authority
General Fund										
*To finance capital projects	$	-	$	-	$	-	$	13,698	$	-
*For debt service payments		-		-		630		-		-
*Operating contribution		-		201		-		-		-
*For professional services		-		4,508		-		-		-
*To fund pension obligation		-		-		-		-		-
Total general fund										
Transportation										
*To finance capital projects		-		-		-		101		-
*For professional services		2,324		-		-		-		-
*To fund pension obligation		-		-		-		-		-
Total transportation										
Flood Control										
*For debt service payments		-		-		-		-		-
Total Flood Control										
Teeter Debt Service										
*For debt service payments		105		-		-		-		-
Total teeter debt service										
Public Facilities Improvements Capital Projects										
*To finance capital projects		46,856		3,907		-		-		-
*For professional services		-		-		-		-		-
Total public facilities imprv cap proj										
Other Governmental Funds										
*To finance capital projects		-		77		-		217		-
*For debt service payments		-		-		-		-		86
*For Fire protection services		47,029		-		-		-		-
*For professional services		16,894		1,760		-		-		-
*Operating contribution		119		-		-		7		-
*To fund pension obligation		182		-		-		-		-
Total other governmental funds										
RUHS-MC										
*To fund pension obligation		-		-		-		-		-
Total RUHS-MC										
Waste Resources										
*To fund pension obligation		-		-		-		-		-
Total Waste Resources										
Housing Authority										
*To fund pension obligation		-		-		-		-		-
Total Housing Authority										
Internal Service Funds										
*For business services		-		-		-		-		-
*To fund pension obligation		-		-		-		-		-
Total Internal Service Funds										
Total transfers in	$	113,509	$	10,453	$	630	$	14,023	$	86

1) These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type Activities.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:[2]

Transfer In						
Other Governmental Funds	Riverside University Health Systems-Medical Center (RUHS-MC)	Other Enterprise Funds	Internal Service Funds	Total Transfers Out		*Principal purpose for transfer
					General Fund	
$ -	$ -	$ -	$ 20	$ 13,718		*To finance capital projects
58,261	-	-	-	58,891		*For debt service payments
8,941	21,000	-	574	30,716		*Operating contribution
4,358	-	-	-	8,866		*For professional services
26,852	-	-	-	26,852		*To fund pension obligation
				139,043		**Total general fund**
					Transportation	
-	-	-	-	101		*To finance capital projects
32	-	-	-	2,356		*For professional services
982	-	-	-	982		*To fund pension obligation
				3,439		**Total transportation**
					Flood Control	
2,855	-	-	-	2,855		*For debt service payments
				2,855		**Total Flood Control**
					Teeter Debt Service	
-	-	-	-	105		*For debt service payments
				105		**Total teeter debt service**
					Public Facilities Improvements Capital Projects	
2,066	5,000	-	1,417	59,246		*To finance capital projects
259	-	-	-	259		*For professional services
				59,505		**Total public facilities imprv cap proj**
					Other Governmental Funds	
-	-	-	-	294		*To finance capital projects
14,834	-	-	-	14,920		*For debt service payments
-	-	-	-	47,029		*For Fire protection services
8,265	-	-	-	26,919		*For professional services
4,098	-	66	-	4,290		*Operating contribution
1,327	-	-	-	1,509		*To fund pension obligation
				94,961		**Total other governmental funds**
					RUHS-MC	
5,626	-	-	-	5,626		*To fund pension obligation
				5,626		**Total RUHS-MC**
					Waste Resources	
315	-	-	-	315		*To fund pension obligation
				315		**Total Waste Resources**
				-	Housing Authority	
209	-	-	-	209		*To fund pension obligation
				209		**Total Housing Authority**
					Internal Service Funds	
-	-	-	1798	1,798		*For business services
2,242	-	-	-	2,242		*To fund pension obligation
				4,040		**Total Internal Service Funds**
$ 141,522	$ 26,000	$ 66	$ 3,809	$ 310,098		

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows (In thousands):

	Balance July 1, 2016	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2017
Governmental activities:						
Capital assets, not being depreciated:						
Land & easements	$ 537,586	$ -	$ 29,976	$ (5,981)	$ -	$ 561,581
Construction in progress	709,599	-	282,651	(395)	(235,051)	756,804
Total capital assets, not being depreciated	1,247,185	-	312,627	(6,376)	(235,051)	1,318,385
Capital assets, being depreciated:						
Infrastructure						
Flood channels	268,496	-	228	-	-	268,724
Flood storm drains	451,899	-	7,102	-	38,913	497,914
Flood dams and basins	44,527	-	-	-	-	44,527
Roads	2,134,330	-	11,850	-	143,274	2,289,454
Traffic signals	42,806	-	-	-	1,906	44,712
Bridges	210,290	-	-	-	32,125	242,415
Runways	24,179	-	-	-	-	24,179
Sewer systems	2,924	-	-	-	-	2,924
Communication towers	16,146	-	-	-	-	16,146
Parks trails and improvements	17,140	-	-	-	1,724	18,864
Land improvements	110	-	-	-	-	110
Structures and improvements	1,681,786	-	66	(6,359)	17,077	1,692,570
Equipment	556,368	-	35,899	(31,096)	32	561,203
Total capital assets, being depreciated	5,451,001	-	55,145	(37,455)	235,051	5,703,742
Less accumulated depreciation for:						
Infrastructure	(1,343,447)	(10,934)	(112,763)	-	-	(1,467,144)
Land improvements	(26)	-	(2)	-	-	(28)
Structures and improvements	(462,871)	(840)	(37,222)	1,995	-	(498,938)
Equipment	(323,324)	-	(43,004)	29,494	-	(336,834)
Total accumulated depreciation	(2,129,668)	(11,774)	(192,991)	31,489	-	(2,302,944)
Total capital assets, being depreciated, net	3,321,333	(11,774)	(137,846)	(5,966)	235,051	3,400,798
Governmental activities capital assets, net	$ 4,568,518	$ (11,774)	$ 174,781	$ (12,342)	$ -	$ 4,719,183

NOTE 8 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2017 was as follows (In thousands):

	Restated Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 21,359	$ 1,491	$ (1,491)	$ -	$ 21,359
Construction in progress	56,380	25,404	(2,459)	(42,980)	36,345
Concession arrangements	8,830	-	-	-	8,830
Total capital assets, not being depreciated	86,569	26,895	(3,950)	(42,980)	66,534
Capital assets, being depreciated:					
Land improvements	21,123	-	-	-	21,123
Infrastructure-landfill liners	67,056	-	-	8,864	75,920
Infrastructure-other	25,959	151	(162)	64	26,012
Structures and improvements	245,805	979	-	2,506	249,290
Equipment	129,111	17,474	(3,295)	31,546	174,836
Total capital assets, being depreciated	489,054	18,604	(3,457)	42,980	547,181
Less accumulated depreciation for:					
Land improvements	(12,218)	(1,212)	-	-	(13,430)
Infrastructure-landfill liners	(36,105)	(3,316)	-	-	(39,421)
Infrastructure-other	(11,515)	(1,218)	-	-	(12,733)
Structures and improvements	(117,195)	(6,766)	-	-	(123,961)
Equipment	(96,347)	(19,898)	2,045	-	(114,200)
Total accumulated depreciation	(273,380)	(32,410)	2,045	-	(303,745)
Total capital assets, being depreciated, net	215,674	(13,806)	(1,412)	42,980	243,436
Business-type activities capital assets, net	$ 302,243	$ 13,089	$ (5,362)	$ -	$ 309,970

Depreciation

Depreciation expense was charged to governmental functions as follows (In thousands):

General government	$ 38,797
Public protection	11,569
Health and sanitation	1,412
Public assistance	1,352
Public ways and facilities	114,242
Recreation and cultural services	1,014
Education	3,226
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	21,379
Total depreciation expense – governmental functions	$ 192,991

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the business-type functions as follows (In thousands):

Riverside University Health Systems-Medical Center	$ 24,740
Waste Resources	6,370
Housing Authority	1,296
County Service Areas	3
Flood Control	1
Total depreciation expense – business-type functions	$ 32,410

Capital Leases

Leased property under capital leases by major class (In thousands):

	Governmental Activities	Business-type Activities
Land	$ 488	$ -
Structures and improvements	122,019	-
Equipment	157,963	9,377
Less: Accumulated amortization	(80,622)	(4,399)
Total leased property, net	$ 199,848	$ 4,978

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2017 was as follows (In thousands):

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	$ 373	$ -	$ -	$ -	$ 373
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	373	-	-	-	373
Capital assets, being depreciated					
Building and improvements	1,898	-	-	-	1,898
Machinery and equipment	100	-	-	-	100
Total capital assets, being depreciated	1,998	-	-	-	1,998
Less accumulated depreciation for:					
Building and improvements	(113)	(54)	-	-	(167)
Machinery and equipment	(51)	(14)	-	-	(65)
Total accumulated depreciation	(164)	(68)	-	-	(232)
Total capital assets, being depreciated, net	1,834	(68)	-	-	1,766
Total capital assets, net	$ 2,207	$ (68)	$ -	$ -	$ 2,139

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)* defines an SCA as a type of public-private or public-public partnership. As used in GASB Statement No. 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met*:*

a) The transferor conveys to the operator the right and related obligation to provide public service through the use and operation of a capital asset (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
b) The operator collects and is compensated by fees from third parties.
c) The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCAs in the County's financial statements. GASB Statement No. 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as such an operator.

McIntyre Park Campground

On October 15, 1985, and as later amended, the Park District (the Park) entered into an agreement with California East Coast, Inc. (the "Company"), under which the Company will operate and collect user fees from a campground, camp store, boat launch and recovery ramp, day-use area and marina fuel station through a lease with the Park at McIntyre County Park through the year 2047. The Company will pay the Park between ten and seventeen percent of the revenues it earns from the operation of the campground. The Company is required to operate and maintain the campground in accordance with the Lease Contract. The Park reports the campground as a capital asset with a carrying amount of $51.6 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Riviera RV Resort

On or about January 1, 1970, and as later amended, the County and later the Park entered into an agreement with Cavan Inc., now Destiny RV, LLC who assigned its lease rights to Riviera-Reynolds (the "Company"). Under the terms of the agreement, the Company is permitted to engage in the operation of a travel trailer park, rental of spaces in the park, food service operations including a grocery store, boat launching ramp and other associated camping functions through June 2044. The Company will pay the Park the greater of $3.0 hundred or seven percent of gross receipts earned from operation of the RV Park. The Park reports the RV Park as a capital asset with a carrying amount of $131.4 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Lake Skinner Recreation Area

On or about November 2007, the Park entered into an agreement with Pyramid Enterprise, Inc. d.b.a. Rocky Mountain Recreation Company of Piru, California (the "Company") to sublease its rights to Lake Skinner Recreation Area Concessionaire. Under the provisions of the agreement, the Company is permitted to engage in the operation of a marina, camp store, cafe, parking lots, laundry facility, fueling station, and bike shop. The monthly payment from the Company to the Park will be the greater of the combination of 7% of all retail gross sales, 9% of all rental gross sales, and 2% of all fuel gross sales or $2.5 thousand. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability. The term of the agreement is 10 years, renewable in 5 year increments.

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA) (Continued)

Gopher Hole Camp Store
On February 7, 2017 the Park entered into an agreement with Pyramid Enterprises, Inc. d.b.a. Rocky Mountain Recreation Company of Piru, California (the "Company") to lease the Rancho Jurupa Regional Park Gopher Hole camp store. Under the provisions of the agreement, the Company is permitted to engage in the operation of the store, office, storage 107 and storage 102. The Company will also provide the following services to park guest: bike rentals, miniature and disc golf, supply rentals, beer and wine sales, and special event coordination/cooperation. All remaining areas will remain under the control and responsibility of the Park. The term of the agreement is 3 years, with the option to renew 2 more years.

Edom Hill Transfer Station
On November 2, 2002, the Department of Waste Resources entered into a 30-year agreement with Burrtec Recovery and Transfer LLC (Burrtec), under which Burrtec has the rights to construct the Edom Hill Transfer Station in order to serve the traditional users/waste-shed of the closed Edom Hill Landfill and operate the transfer station.

Cove Waterpark and Dropzone Waterpark
On April 18, 2017, the Economic Development Agency (the Agency) entered into a 5-year agreement with Standguard Aquatics, Inc., a Georgia Corporation (the "Company") to operate and maintain the Cove Waterpark and the Dropzone Waterpark (the "Waterparks") in a clean, safe and good condition. The Waterparks are to be operated as paid recreational and competitive use facilities with food and beverage and other concessions as provided by the Agency. The Company shall pay the Agency a quarterly percentage rent. The percentage rent shall be calculated by multiplying the gross revenues from the Waterparks for the applicable quarterly period by a factor of 10 percent. The Agency has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Agency also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability. The term of the agreement is 5 years, renewable in one 5 year extension.

A summary of the important details and capital assets pertaining to the SCAs are described below (In thousands).

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Revenue Sharing	Minimum Rent Payment (per month)
McIntyre Park Campground	10/15/1985	62 years	10/15/2047	Between 10.0% and 17.0% of the revenues it earns from the operation of the campground.	$ -
Riviera RV Resort	1/1/1970	74 years	6/30/2044	Greater of $3 hundred or 7.0% of gross receipts earned from operation of the RV park.	-
Lake Skinner Recreation Area	11/1/2007	10 years	10/31/2017	Greater of the combination of 7.0% of all retail gross sales, 9.0% of all rental gross sales, and 2.0% of all fuel gross sales or $2.5 thousand.	-
Gopher Hole Camp Store	2/7/2017	3 years	2/7/2020	10.0% of monthly gross revenues from the operation of the store.	-
Edom Hill Transfer Station	11/2/2002	30 years	11/2/2032	Service Fee ranging from $4.41 to $4.13 per ton, Disposal fee of $23.00 per ton, and City Mitigation Fee of $1 per ton for all incoming solid waste.	-
Cove and Dropzone Waterparks	4/18/2017	5 years	5/18/2022	10.0% of the quarterly gross revenues from the operation of the waterparks.	-
					$ -

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA) (Continued)

Capital assets balance for the SCAs for the fiscal year ended June 30, 2017, and over the terms of the agreements are as follows (In thousands):

	Structures & Structure Improvements
McIntyre Park Campground	$ 52
Riviera RV Resort	131
Lake Skinner Recreation Area	-
Gopher Hole Camp Store	-
Edom Hill Transfer Station	8,830
Cove and Dropzone Waterparks	50,806
	$ 59,819

The deferred inflows of resources activity for the SCA for the year ended June 30, 2017 are as follows (In thousands):

SCA Capital Assets	Balance July 1, 2016	Additions/ Restatements	Amortization[1]	Balance June 30, 2017
McIntyre Park Campground[2]	$ -	$ -	$ -	$ -
Riviera RV Resort[2]	-	-	-	-
Lake Skinner Recreation Area[2]	-	-	-	-
Gopher Hole Camp Store[2]	-	-	-	-
Edom Hill Transfer Station	7,093	-	(434)	6,659
Cove and Dropzone Waterparks[2]	-	-	-	-
Total Deferred inflows	$ 7,093	$ -	$ (434)	$ 6,659

[1] Amortization calculated using the straight-line method for the term of the agreement for the SCA.

[2] No upfront payments received or installment payments that are required to be reported as a deferred inflow of resources.

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require Waste Resources to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste Resources will recognize the remaining estimated cost of $11.1 million as the remaining estimated capacity of 19.2 million tons is filled. Waste Resources expects all currently permitted landfill capacities to be filled by 2098. The total estimated closure liability of $19.5 million and post-closure care cost of $31.1 million is based on what it would cost to perform all closure and post-closure care costs at present value. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

In addition to the liability amounts calculated per California Department of Resources, Recycling, and Recovery (CalRecycle) regulations that are designated to the Escrow Funds, Waste Resources is also responsible for the post-closure care costs related to twenty-six (26) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2017, the post-closure liability is estimated at $32.0 million.

Cumulative expenses, percentage of landfill capacity used to date, outstanding recognized liability, and the estimated remaining landfill life by operating landfill are as follows (In thousands):

Facility Name (City)	Total Estimate	Capacity Used as of June 30, 2017	Outstanding Recognized Liability	Estimated Years Remaining
Badlands (Moreno Valley)	$ 10,208	64.3%	$ 6,558	5
Blythe (Blythe)	4,927	32.2%	1,586	30
Edom Hill (Cathedral City)	5,484	100.0%	5,484	-
Lamb Canyon (Beaumont)	7,997	50.8%	4,063	12
Desert Center (Desert Center)	397	69.7%	277	70
Mecca II (Mecca)	869	98.8%	858	81
Oasis (Oasis)	719	93.7%	674	46
Total Closure Estimate	$ 30,601		$ 19,500	

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

Post-Closure Escrow Fund Landfill Sites

Facility Name (City)	Estimated Liability	
Badlands (Moreno Valley)	$	8,116
Blythe (Blythe)		2,519
Coachella (Coachella)		1,395
Double Butte (Winchester)		2,128
Edom Hill (Cathedral City)		2,614
Highgrove (Riverside)		1,742
Lamb Canyon (Beaumont)		5,801
Mead Valley (Perris)		1,355
Anza (Anza)		1,584
Desert Center (Desert Center)		1,221
Mecca II (Mecca)		1,332
Oasis (Oasis)		1,281
Total Post-Closure Estimate	$	31,088

Waste Resources is required by state and federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 27 of the California Code of Regulations (CCR) requires solid waste landfill operators to demonstrate the availability of financial resources to conduct closure and post-closure maintenance activities. Waste Resources expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure and post-closure requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users.

In accordance with Sections 22228 and 22245 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Department of Resources, Recycling and Recovery (CalRecycle) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste Resources has determined that the projected net revenues, after current operating costs, from tipping fees during the 30 year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by Waste Resources and CalRecycle.

NOTE 11 – OPERATING LEASES

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2017 (In thousands):

Year Ending June 30	
2018	$ 41,047
2019	32,213
2020	27,559
2021	24,213
2022	19,780
2023 - 2027	44,849
2028 - 2032	1,492
2033 - 2037	1,512
2038 - 2042	903
2043 - 2047	683
Total Minimum Payments	$ 194,251

Total rental expenditure/expense for the year ended June 30, 2017 was $115.0 million, of which $7.3 million was recorded in the enterprise funds.

NOTE 12 – ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual bases of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

The balance as of June 30, 2017 of advances from grantors and third parties is as follows (In thousands):

	Balance June 30, 2017
General Fund:	
Advances on state and federal grants for mental health services	$ 148,729
Advances on state funding for social services	65,628
Advances on state grants for probation services	25,280
Advances on state grants and other 3rd party advances for public health services	12,453
Advances on state and federal grants for sheriff services	7,317
Advances on state grants and other federal grants for environmental health services	2,492
Advances on state grants and other 3rd party advances for emergency management services	2,187
Advances on state grants for Citizen's Option for Public Safety Program	2,097
Advances on state grants for district attorney services	1,279
Advances on state grants for veteran services	284
Other advances	261
Total general fund	268,007
Transportation Special Revenue Fund:	
Developer fees	17,142
Federal exchange and state match	2,780
Survey fees	843
Advances from developers for median projects	791
Utility relocation	670
Transportation Uniform Mitigation Fee (TUMF) credit	330
Deposit based fees	296
Advances for community facilities districts improvement projects	243
Road deposits	160
Total transportation special revenue fund	23,255
Flood Special Revenue Fund:	
Advances for flood control projects	500
Total flood special revenue fund	500
Public Facilities Improvements Capital Projects Fund:	
Advances for facility renewal projects	1,534
Advance for Mecca mandatory tenant improvements	84
Advance for construction of law building	23
Total public facilities improvements capital projects fund	1,641
Other Governmental Funds:	
Advance from state for community service block grant	1,765
Camping and recreation fees	598
Advance from state for the community recidivism reduction grant program	373
Advances for aviation projects	31
Advance from 3rd parties for recreational events	14
Total other governmental funds	2,781
Grand total of advances from grantors and third parties	$ 296,184

NOTE 13 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2016, the County issued $340.0 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which will be paid by June 30, 2017. The notes were issued with a yield rate of 0.68% and a stated interest rate of 3.0%. This was to provide needed cash to cover the projected intra-period cash-flow deficits of the County's General Fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter Plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During fiscal year 2016-17, the County retired $88.5 million and issued $83.5 million 2016 Series A teeter obligation notes (tax-exempt), leaving an outstanding balance of $83.5 million at June 30, 2017.

Short-term debt activity for the year ended June 30, 2017, was as follows (In thousands):

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
TRANs	$ -	$ 340,000	$ (340,000)	$ -
Teeter notes	88,507	83,462	(88,507)	83,462
Total	$ 88,507	$ 423,462	$ (428,507)	$ 83,462

NOTE 14 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities that are payable from the general, debt service, enterprise, and internal service funds. The calculated legal debt limit for the County is $3.17 billion.

Capital Leases

Capital leases for governmental funds are recorded both as capital expenditures and as other financing sources at inception in the fund financial statements, with the liability and the asset recorded in the government-wide statement of net position. Capital leases are secured by a pledge of the leased equipment.

See Note 8 (Capital Assets) for assets under capital leases and related disclosure information by major asset class.

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2017 (In thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2018	$ 34,370	$ 3,972
2019	30,121	1,850
2020	22,749	1,339
2021	14,003	925
2022	10,061	517
2023-2027	37,183	96
2028-2032	39,902	-
2033-2037	35,047	-
2038-2042	15,295	-
2043-2047	9,137	-
Total minimum payments	247,868	8,699
Less amount representing interest	(67,578)	(276)
Present value of net minimum lease payments	$ 180,290	$ 8,423

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County that are outstanding as of June 30, 2017 (In thousands):

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2017
Governmental activities:				
Certificates of Participation				
CORAL				
1990 Monterey Avenue: Serial Certificates	$ 8,800	Variable	2020	$ 2,800
2007 Series A - Public Safety Communication and Refunding Projects	73,775	4.00% - 5.00%	2017	10,875
2009 Series A - Public Safety Communication and Woodcrest Library Refunding Projects	45,685	Variable	2039	45,025
2009 Larson Justice Center Refunding: Serial Certificates	24,680	2.00% - 5.00%	2021	13,492
Total CORAL	152,940			72,192
District Court Financing Corporation				
U.S. District Court Project: Term/Series 1999	2,165	7.59%	2020	1,391
U.S. District Court Project: Term/Series 2002	925	3.00%	2020	215
Total District Court Financing Corporation	3,090			1,606
Flood Control				
Zone 4 - 2015 Negotiable Promissory Note	21,000	2.00% - 5.00%	2025	20,669
Total Flood Control	21,000			20,669
Total certificates of participations	$ 177,030			$ 94,467
Bonds payable				
CORAL				
2012 CAC Annex Refunding Project	$ 33,360	2.00% - 5.00%	2031	$ 29,078
2008 A Southwest Justice Center: Term Certificates	78,895	5.16%	2032	71,140
1997 B & C (Hospital): Term Bonds (Series C)	1,733	5.81%	2019	1,733
2013 Probation & RCIT: Term Bonds (Series A)	66,015	3.00% - 5.25%	2043	63,290
2014 Lease Refunding Court Facilities Project, Series A	10,890	2.00% - 5.00%	2033	9,507
2014 Lease Refunding Court Facilities Project, Series B	7,605	0.55% - 2.73%	2019	3,910
Total CORAL	198,498			178,658
Taxable Pension Obligation Bonds				
Pension Obligation Bonds (Series 2005-A)	400,000	4.91% - 5.04%	2035	286,535
Total Taxable Pension Obligation Bonds	400,000			286,535

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2017
Bonds payable (continued)				
Inland Empire Tobacco Securitization Authority				
Series 2007 A	$ 87,650	5.10%	2021	$ 49,550
Series 2007 B	53,758	5.75%	2026	53,758
Series 2007 C-1	53,542	6.63%	2036	53,542
Series 2007 C-2	29,653	6.75%	2045	29,653
Series 2007 D	23,457	7.00%	2057	23,457
Series 2007 E	18,948	7.63%	2057	18,949
Series 2007 F	27,076	8.00%	2057	27,075
Total Inland Empire Tobacco Securitization Authority	294,084			255,984
Riverside County Public Financing Authority				
Series 2012	17,640	3.00% - 5.00%	2021	14,005
Series 2015	325,000	2.00% - 5.00%	2046	349,524
Total Riverside County Public Financing Authority	342,640			363,529
Riverside County Infrastructure Financing Authority				
Series 2015 A	72,825	2.00% - 5.00%	2033	77,093
Series 2016 A	36,740	2.00% - 4.00%	2031	41,898
Series 2016 A-T	3,245	1.18% - 1.34%	2018	3,245
Total Riverside County Infrastructure Financing Authority	112,810			122,236
Total bonds payable	$ 1,348,032			$ 1,206,942
Loans payable				
CORAL				
2011 Monroe Park Building Refunding	$ 5,535	3.54%	2021	$ 2,205
Total 2011 Monroe Park Building Refunding	5,535			2,205
Total loans payable	$ 5,535			$ 2,205
Total governmental activities	$ 1,530,597			$ 1,303,614
Business-Type Activities				
Bonds payable				
Riverside University Health Systems - Medical Center (RUHS-MC)				
1997 A Serial Capital Appreciation Bonds (net of future capital appreciation of $130.5 million)	$ 41,170	5.70% - 6.01%	2026	$ 31,351
1997 Term bond (Series C)	1,532	5.81%	2019	1,397
2012 Term bond (Series A)	87,510	2.00% - 5.00%	2029	56,250
2012 Term bond (Series B)	3,020	3.25%	2019	2,983
Total RUHS-MC	133,232			91,981
Housing Authority				
1998 Series A: Term Bonds	2,405	6.85%	2018	$ 390
Total Housing Authority	2,405			390
Total bonds payable	$ 135,637			$ 92,371
Total business-type activities	$ 135,637			$ 92,371

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2017, annual debt service requirements of governmental activities to maturity are as follows (In thousands):

Governmental Activities	Loans Payable		Certificates of Participation	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2018	$ 605	$ 73	$ 16,022	$ 4,073
2019	620	51	17,581	3,203
2020	650	29	18,323	2,314
2021	330	6	18,570	1,407
2022	-	-	9,110	784
2023 - 2027	-	-	8,780	1,464
2028 - 2032	-	-	1,185	678
2033 - 2037	-	-	1,580	404
2038 - 2042	-	-	1,189	73
Total requirements	2,205	159	92,340	14,400
Bond discount/premium, net	-	-	2,127	-
Total	$ 2,205	$ 159	$ 94,467	$ 14,400

Governmental Activities	Bonds Payable	
Fiscal Year Ending June 30	Principal	Interest
2018	$ 115,555	$ 49,327
2019	62,268	44,563
2020	51,548	39,700
2021	46,775	36,443
2022	50,615	34,283
2023 - 2027	219,250	135,018
2028 - 2032	168,085	94,239
2033 - 2037	176,402	60,659
2038 - 2042	94,280	33,378
2043 - 2047	113,068	10,553
2048 - 2052	-	-
2053 - 2057	69,481	4,671
Total requirements	1,167,327	542,834
Bond discount/premium, net	39,615	-
Total	$ 1,206,942	$ 542,834

As of June 30, 2017, annual debt service requirements of business-type activities and the discretely presented component unit to maturity are as follows (In thousands):

Business-type Activities	Bonds Payable		Other Long-term Liabilities	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2018	$ 14,307	$ 5,415	$ -	$ -
2019	13,182	8,180	-	-
2020	4,981	15,769	-	-
2021	4,664	16,086	-	-
2022	4,376	16,374	-	-
2023 - 2027	25,602	69,145	6,795	-
2028 - 2032	20,636	1,207	-	-
Total requirements	87,748	132,176	6,795	-
Bond discount/premium, net	4,623	-	-	-
Total	$ 92,371	$ 132,176	$ 6,795	$ -

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2017 (In thousands):

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental Activities:				
Certificates of Participation:				
Court Financing (U.S. District Court Project)	$ 4,026	$ -	$ (1,007)	$ 3,019
Bonds:				
Inland Empire Tobacco Securitization Authority	143,778	20,349	-	164,127
Total governmental-type activities	$ 147,804	$ 20,349	$ (1,007)	$ 167,146
Business-type Activities:				
Lease Revenue Bonds:				
Riverside University Health Systems - Medical Center (1997A Hosp)	$ 69,488	$ 6,182	$ (2,770)	$ 72,900
Total business-type activities	$ 69,488	$ 6,182	$ (2,770)	$ 72,900

The accreted interest payable balances at June 30, 2017 represent accreted interest on the U.S. District Court project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project, $294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $7.2 million for the U.S. District Court Project, $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds and $3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

The increases of $20.3 million and $6.2 million represent current year's accretion for governmental activities and business-type activities, respectively. The accumulated accretion for business-type activities is $72.9 million at June 30, 2017. The accumulated accretion for U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority in governmental activities is $167.1 million. The un-accreted balances at June 30, 2017 are $40.3 million for the 1997-A Hospital RUHS-MC project, $4.2 million for the U.S. District Court, and $3.3 billion for the Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation / Refunding

In October 2016, the Infrastructure Financing Authority issued $40.0 million in lease revenue refunding bonds, 2016 Series A and Series A-T. The 2016 Series bonds are being issued for the purpose of (i) refunding the outstanding Riverside County Palm Desert Financing Authority Lease Revenues Bonds (County Facilities Projects) 2008 Series A, (ii) finance the acquisition, construction and installation of certain capital improvements to be owned and operated by the County, and (iii) pay the costs incurred in connections with the issuance of the bonds. The new bonds have an interest rate of 1% to 4%.

Defeasance of Debt

In December 2009, CORAL issued $24.7 million of certificates of participation (2009 Larson Justice Center Project Refunding Certificate of Participation) to provide funds to refund and prepay the certificates of participation relating to the 1998 Larson Justice Center Project with an outstanding principal amount of $23.7 million; to fund the reserve fund; and to pay certain costs of issuance incurred in connection with this refunding. The requisition price exceeded the net carry amount of the old debt by $1.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.7 million and a reduction of $1.5 million in future debt service payments.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

In December 2009, CORAL also issued $45.7 million of certificates of participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding Certification of Participation) to provide funds to refund and redeem the certificates of participation relating to 2007 Series B Public Safety Communication Project with an outstanding principal amount of $37.4 million; to provide funds to refund and retire the series 2006 Certificates of Participation Anticipation Note relating to Woodcrest Library Project with an outstanding principal amount of $6.0 million; to fund capitalized interest on a portion of the certificates of participation through July 1, 2012; to fund a security deposit with respect to base rental payable under the sublease; and to pay certain costs of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carry amount of the old debts by $2.3 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.3 million and an addition of $6.9 million in future debt service payments.

On February 28, 2011, CORAL issued $5.5 million in private placement bonds (2011 Monroe Building) to provide funds to refund and redeem the notes payable relating to the 2007 Monroe Park Building loan with an outstanding principal amount of $5.4 million and to pay certain costs of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by $140.0 thousand. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $527.2 thousand and a reduction of $339.2 thousand in future debt service payments.

In February 2012, CORAL issued $33.4 million in lease revenue bonds (2012 County Administrative Center Refunding Projects) to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex with an outstanding principal amount of $31.4 million; to fund the reserve fund; to pay certain costs of issuance incurred in connection with this refunding; and to acquire two office buildings located in Indio, California. The requisition price exceeded the net carry amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $5.0 million and a reduction of $3.6 million in future debt service payments.

In July 2012, CORAL issued $90.0 million in lease revenue bonds (2012 Series A and Taxable Series B County of Riverside Capital Projects) to provide funds to refund and prepay CORAL's Leasehold Revenue Bonds, 1997 Series B with an outstanding principal amount of $64.4 million; to provide funds ($30.0 million) for improvements to the Medical Center Campus; deposit funds into the debt service reserve fund; and pay certain costs of issuance incurred in connection with this refunding. The refunding resulted in a redemption premium of $639.4 thousand for the 1997 Series B lease revenue bonds and a net premium of $6.9 million for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carry amount of the old debt by $26.6 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $8.0 million and a reduction of $7.1 million in future debt service payments.

On June 2014, CORAL issued $18.5 million in lease revenue bonds (2014 A & B Court Facilities Project) to provide funds mainly to refund the 2003 A Historic Courthouse Projects, 2003 B Capital Facilities Project Refunding, and 2003 Bankruptcy Court Project (a County bond) with a total outstanding principal amount of $20.0 million; and to pay certain costs of issuance incurred in connection with this refunding. The refunding resulted in a premium of $756.0 thousand for the 2014 A and B Court Facilities Project. The reacquisition price exceeded the net carry amount of the old debt by $1.5 million. This amount is being netted against the new debt and amortized over the new debt life. The transaction resulted in an economic gain of $4.2 million and a reduction of $3.3 million in future debt service payments.

On October 2016, the Infrastructure Finance Authority issued $40.0 million in lease revenue bonds (2016 Series A and Series A-T) for the purpose of refunding the outstanding Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects) 2008 Series A, with a total outstanding principal amount of $40.4 million, to finance the acquisition, construction and installation of certain capital improvements to be owned and operated by the County, and to pay costs incurred in connection with the issuance of the bonds. The refunding resulted in an unamortized bond premium of $5.2 million, loss on refunding of $3.8 million, and a net carrying value of $41.3 million.

Single Family and Multi-Family Mortgage Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Single Family and Multi-Family Mortgage Revenue Bonds (Continued)

A total of $24.0 million of Mortgage Revenue Bonds have been issued and $18.7 million is outstanding as of June 30, 2017. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling $83.8 million at June 30, 2017, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds.

The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the agency funds.

The County is not obligated and does not expect to advance any available funds from the County general fund to the Community Facilities Districts or the Assessment Districts for any current or future delinquent debt service obligations. The County Special Districts continue to use all means available to bring current any delinquent special assessment taxes, including workouts, settlement agreements, and foreclosure actions when necessary.

The Flood Control has issued special assessment bonds, totaling $475.0 thousand as June 30, 2017, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the reserve fund into the redemption fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Financing Authority of the County issued $13.5 million of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Public Financing Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the lease.

Interest Rate Swap

Objective of the Interest Rate Swap: As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008 Series A Leasehold Revenue Bonds in the notional amount of $76.3 million. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.2%.

Terms: The bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million approximately matches a portion of $78.9 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000, and was amended and restated as of December 10, 2008. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty. The notional value of the swap and the principal amount of the associated debt decline starting in fiscal year 2014-15. Under the amended and restated swap agreement, CORAL pays Wells Fargo Bank, N.A. a fixed payment rate of 5.2%.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the bonds, expressed as a decimal, equal to 64.0% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedging. CORAL's net cash outflow or payment under the interest rate swap contract was $301.6 thousand for the year ended June 30, 2017.

Fair Value: As of June 30, 2017 and 2016, the swap had a negative fair value of $21.7 million and $29.1 million, respectively, a decrease in fair value of $7.4 million occurred during the fiscal year 2016-17. The fair value was recorded in the CORAL's statement of net position as interest rate swap liability and deferred outflows of resources in the assets section. Because the coupons on the Southwest Justice Center Series 2008 A Leasehold Revenue Refunding Bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June 30, 2017.

Credit Risks: The swap counterparty was rated Aa3 by Moody's, and AA- by Standard & Poor's and Fitch as of February 2013. The swap agreement specifies that if the long-term senior unsecured debt rating of Wells Fargo, N.A. is withdrawn, suspended or falls below BBB (Standard & Poor's) or Baa2 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swap will be fully collateralized by the counterparty.

Basis Risks: The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2017, CORAL's rate was 64.0% of LIBOR, or 0.1%, whereas BMA or the reset rate on bonds was 0.1%. The synthetic rate on the bonds at June 30, 2017 was 5.2%.

Termination Risks: CORAL always has the right to terminate the swap. Wells Fargo Bank, N.A. is limited in so far as both CORAL and the insurer are not performing. The swap may be terminated by CORAL if Wells Fargo Bank, N.A.'s credit quality rating falls below A- as issued by Standard & Poor's or A3 by Moody's. Additionally, the swap may be terminated by Wells Fargo, N.A. if CORAL's credit quality rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's or if the bonds credit quality ratings fall below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's. If the swap is terminated, the variable rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap had a negative fair value, CORAL would be liable to Wells Fargo Bank, N.A. for a payment equal to the swap's fair value.

Swap Payment and Associated Debt: Using rates as of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows (In thousands):

	Variable Rate Bonds			
Fiscal Year Ending June 30, 2017	**Principal**	**Interest**	**Net Swap Payments**	**Total Interest**
2018	$ 2,895	$ 1,000	$ 2,580	$ 3,580
2019	3,000	958	2,470	3,428
2020	3,205	913	2,354	3,267
2021	3,410	865	2,231	3,096
2022	3,620	814	2,100	2,914
2023-2027	17,270	3,206	8,271	11,477
2028-2032	22,540	1,460	3,767	5,227
2033-2034	6,410	38	94	132
	$ 62,350	$ 9,254	$ 23,867	$ 33,121

As rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2017 (In thousands):

	Balance June 30, 2016	New Additions	Payments / Reclass	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Debt long-term liabilities:					
Bonds payable	$ 1,195,027	$ 45,201	$ (33,286)	$ 1,206,942	$ 115,555
Capital lease obligations	160,110	80,483	(60,303)	180,290	28,971
Certificates of participation	108,937	-	(14,470)	94,467	16,022
Loans payable	2,790	-	(585)	2,205	605
Total debt long-term liabilities	1,466,864	125,684	(108,644)	1,483,904	161,153
Other long-term liabilities:					
Accreted interest payable	147,804	20,349	(1,007)	167,146	-
Compensated absences (a)	241,121	390	(3,392)	238,119	142,168
Estimated claims liabilities (b)	177,981	75,510	(49,593)	203,898	50,497
Net pension liabilites (d)	1,559,119	661,409	-	2,220,528	-
Accrued remediation costs (c)	1,862	508	(868)	1,502	983
Total other long-term liabilities	2,127,887	758,166	(54,860)	2,831,193	193,648
Total governmental activities – long-term liabilities	$ 3,594,751	$ 883,850	$ (163,504)	$ 4,315,097	$ 354,801

(a) General Fund, Special Revenue Funds, and Internal Service Funds are used to liquidate the compensated absences.
(b) Internal Service Funds are used to liquidate the estimated claims liabilities.
(c) General Fund is used to liquidate the remediation costs.
(d) General Fund, Special Revenue, Capital Project and Internal Service Funds are used to liquidate net pension liabilities.

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2017 (In thousands):

	Balance June 30, 2016	New Additions	Payments / Reclass	Balance June 30, 2017	Amounts Due Within One Year
Business-type Activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses	$ 106,428	$ 4,623	$(18,680)	$ 92,371	$ 14,307
Capital lease obligations	7,438	2,748	(1,763)	8,423	3,883
Total debt long-term liabilities	113,866	7,371	(20,443)	100,794	18,190
Other long-term liabilities:					
Accreted interest payable	69,488	6,182	(2,770)	72,900	231
Accrued closure and post-closure costs	79,931	2,656		82,587	826
Compensated absences	29,917	1,184	(267)	30,834	18,675
Accrued remediation costs	40,244	5,010	-	45,254	905
OPEB obligation, net	116	19	-	135	-
Net pension liabilites	218,791	98,887	-	317,678	-
Other long-term liabilities (a)	6,795	-	-	6,795	-
Total other long-term liabilities	445,282	113,938	(3,037)	556,183	20,637
Total business-type activities – long-term liabilities	$ 559,148	$ 121,309	$(23,480)	$ 656,977	$ 38,827
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 40,401	$ -	$(40,401)	$ -	$ -
Other long-term liabilities:					
Compensated absences	116	214	(130)	200	117
Net pension liability	1,777	1,211	-	2,988	-
Total discretely presented component unit – long-term liabilities	$ 42,294	$ 1,425	$(40,531)	$ 3,188	$ 117

(a) The Housing Authority (Business-type Activity) has two notes payable, totaling $6.8 million, under "Other long-term liabilities."

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued $294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County tobacco assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County tobacco assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County tobacco assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 14.1% to the County and 85.9% to the Inland Empire Tobacco Securitization Authority for calendar year 2017. During the fiscal year ended June 30, 2017, $19.4 million was received by the Inland Empire Tobacco Securitization Authority; $10.0 million, or 51.5%, was distributed to the County per the above agreement, leaving $9.4 million, or 48.5%, of the specific tobacco settlement revenues available to be pledged (see page 157). The County is under no obligation to make payments of the principal or accreted value or redemption premiums, if any, or interest on the Series 2007 bonds in the event that revenues are insufficient for the payment thereof.

**** Tobacco settlement revenue required to be paid to the State of California under the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, California, and six other U.S. jurisdictions, in November 1998 in settlement of certain cigarette smoking-related litigation.*

The Housing Authority 1998 bonds are secured by an agreement with the City of Corona, which has pledged to pay $218.0 thousand to the Housing Authority each year until the bonds are redeemed in their entirety on December 1, 2018. The bond indenture requires the Housing Authority to remit the entire $218.0 thousand received each year to the bond trustee to pay for the bond's annual debt service payments.

The Housing Authority reports the $218.0 thousand received each year as revenue. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2017, before applying the deferred charge, was $565.0 thousand.

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred outflows of resources in the government-wide and proprietary fund financial statements. These items are a consumption of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County has two items that are reportable on the government-wide statement of net position: the first item relates to outflows from charges in the net pension liability (Notes 20 and 21) and the second item relates to the interest rate swap (Note 14) that have met all requirements other than timing. Deferred outflows of resources that are reported in the proprietary funds are included in the government-wide statement of net position.

Deferred outflows of resources balances for the year ended June 30, 2017 were as follows (In thousands):

	Balance June 30, 2017
Government-wide deferred outflows of resources:	
Governmental activities:	
Interest rate swap	$ 21,690
Pension	949,948
Total governmental activities	971,638
Business-type activities:	
Defeasance of debt	69
Pension	136,330
Total business-type activities	136,399
Total government-wide deferred outflows of resources	$ 1,108,037
Discretely presented component unit deferred outflows of resources:	
Pension	$ 1,324
Total discretely presented component unit deferred outflows of resources	$ 1,324

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred inflows of resources in the governmental fund and government-wide financial statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The largest portions of the County's deferred inflows of resources are pensions, Senate Bill (SB) 90 and Teeter tax loss reserve. Pensions are related to GASB Statement No. 68, which can be found in Notes 20 and 21. SB90 is California SB90 of 1972, which established a requirement that the State of California reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. Teeter tax loss reserve pursuant to California Revenue and Taxation Code Section 4703 was established as a tax loss reserve fund for covering losses that may occur in the amount of tax liens as a result of special sales of tax defaulted property.

Deferred inflows of resources balances for the year ended June 30, 2017 were as follows (In thousands):

	Balance June 30, 2017
Government-wide deferred inflows of resources:	
Governmental activities:	
Teeter tax loss reserve	$ 22,059
Pension	292,996
Total governmental activities	315,055
Business-type activities:	
Service concession arrangement	6,659
Pension	41,917
Total business-type activities	48,576
Total government-wide deferred inflows of resources	$ 363,631
Governmental funds deferred inflows of resources:	
General Fund:	
SB 90	$ 23,805
Teeter tax loss reserve	22,059
Property tax	4,739
Sales tax	959
Total general fund	51,562
Flood Control Special Revenue Fund:	
Property tax	937
Special assessments	51
Total flood control special revenue fund	988
Other Governmental Funds:	
Property tax	4
Soccer field reservations	50
Total other governmental funds	54
Total governmental funds deferred inflows of resources	$ 52,604
Discretely presented component unit deferred inflows of resources:	
Pension	$ 107
Total discretely presented component unit deferred inflows of resources	$ 107

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NOTE 16 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See Note 1 for a description of each category.) A detailed schedule of fund balances as of June 30, 2017 is as follows (In thousands):

	Major Funds					
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Public Financing Authority	Total Major Governmental Funds
Fund balances:						
Nonspendable						
Inventory	$ 1,975	$ 1,101	$ -	$ -	$ -	$ 3,076
Prepaid items	-	-	67	-	-	67
Imprest cash	339	12	1	-	-	352
Permanent fund	-	-	-	-	-	-
Total nonspendable	**2,314**	**1,113**	**68**	**-**	**-**	**3,495**
Restricted						
Aging	-	-	-	-	-	-
Air quality planning	202	-	-	-	-	202
Airport	-	-	-	-	-	-
Auto theft interdiction	515	-	-	-	-	515
CAP local initiative program	-	-	-	-	-	-
Construction & capital projects	8,904	-	-	114,832	93,045	216,781
Court services	8,611	-	-	-	-	8,611
Debt services	1,819	-	-	2,333	-	4,152
District attorney	19,753	-	-	-	-	19,753
Domestic violence	1,917	-	-	-	-	1,917
Emergency medical services	5,972	-	-	-	-	5,972
Emergency preparedness	-		-	-	-	-
Endowment care	-	-	-	-	-	-
Environmental health	328	-	-	-	-	328
Public ways and facilities	-	-	225,328	21,961	-	247,289
Fire protection	-	-	-	897	-	897
Geographical info system	-	-	-	-	-	-
Hazmat	2,662	-	-	-	-	2,662
Humane services	134	-	-	-	-	134
Landscape maintenance	-	4,514	-	-	-	4,514
Libraries	-	-	-	-	-	-
Mental health	7,515	-	-	-	-	7,515
Modernization	6,663	-	-	-	-	6,663
Other purposes	1,927	-	-	-	-	1,927
Parks and recreation	-	-	-	10,688	-	10,688
Public assistance	2,716	-	-	-	-	2,716
Public health	4,178	-	-	-	-	4,178
Public protection	3,093	-	-	-	-	3,093
Public safety revenue	1,794	-	-	-	-	1,794
Roads	-	56,843	-	-	-	56,843
Sheriff patrol	8,466	-	-	-	-	8,466
Solar	-					
Teeter tax losses	7,961	-	-	-	-	7,961
Total restricted	**95,130**	**61,357**	**225,328**	**150,711**	**93,045**	**625,571**

Note: Encumbrances - see Note 23 – Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	**Debt Service Funds**	**Capital Projects Funds**	**Permanent Fund**	**Total Nonmajor Governmental Funds**	**Total Governmental Funds**	
						Fund balances:
						Nonspendable
$ -	$ -	$ -	$ -	$ -	$ 3,076	Inventory
7	-	580	-	587	654	Prepaid items
54	-	-	-	54	406	Imprest cash
-	-	-	622	622	622	Permanent fund
61	**-**	**580**	**622**	**1,263**	**4,758**	**Total nonspendable**
						Restricted
(29)	-	-	-	(29)	(29)	Aging
307	-	-	-	307	509	Air quality planning
1,718	-	-	-	1,718	1,718	Airport
-	-	-	-	-	515	Auto theft interdiction
(786)	-	-	-	(786)	(786)	CAP local initiative program
-	-	6,811	-	6,811	223,592	Construction & capital projects
-	-	-	-	-	8,611	Court services
-	59,249	-	-	59,249	63,401	Debt services
-	-	-	-	-	19,753	District attorney
-	-	-	-	-	1,917	Domestic violence
-	-	-	-	-	5,972	Emergency medical services
2,809	-	-		2,809	2,809	Emergency preparedness
-	-	-	46	46	46	Endowment care
-	-	-	-	-	328	Environmental health
-	-	-	-	-	247,289	Public ways and facilities
19,874	-	1,207	-	21,081	21,978	Fire protection
1,264	-	-	-	1,264	1,264	Geographical info system
-	-	-	-	-	2,662	Hazmat
-	-	-	-	-	134	Humane services
22,650	-	-	-	22,650	27,164	Landscape maintenance
29,747	-	-	-	29,747	29,747	Libraries
-	-	-	-	-	7,515	Mental health
-	-	-	-	-	6,663	Modernization
484	-	-	-	484	2,411	Other purposes
6,711	-	5,473	-	12,184	22,872	Parks and recreation
5,783	-	-	-	5,783	8,499	Public assistance
(3,031)	-	-	-	(3,031)	1,147	Public health
17	-	-	-	17	3,110	Public protection
-	-	-	-	-	1,794	Public safety revenue
1,317	-	-	-	1,317	58,160	Roads
5,523	-	-	-	5,523	13,989	Sheriff patrol
831				831	831	Solar
-	-	-	-	-	7,961	Teeter tax losses
95,189	**59,249**	**13,491**	**46**	**167,975**	**793,546**	**Total restricted**

NOTE 16 – FUND BALANCES (Continued)

	Major Funds					
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Public Financing Authority	Total Major Governmental Funds
Fund balances:						
Committed						
Code enforcement	$ -	$ 2,738	$ -	$ -	$ -	$ 2,738
Community improvement	172	-	-	-	-	172
Construction & capital projects	500	3	-	5,124	-	5,627
EDA special projects	-	-	-	-	-	-
Environmental programs	1,696	351	-	-	-	2,047
Legal services	1,214	-	-	-	-	1,214
Other purposes	2,630	-	-	-	-	2,630
Parks	-	-	-	-	-	-
Planning	-	-	-	-	-	-
Sheriff correction	15,276	-	-	-	-	15,276
Solar program	-	-	-	-	-	-
Youth protection	419	-	-	-	-	419
Total committed	**21,907**	**3,092**	**-**	**5,124**	**-**	**30,123**
Assigned						
Airports	-	-	-	-	-	-
Capital improvement projects	357	-	-	3	-	360
Construction & capital projects	-	-	-	4,854	-	4,854
Debt service	-	-	-	-	-	-
Equipment	-	6,625	-	-	-	6,625
Other purposes	338	-	-	-	-	338
Probation	5,300	-	-	-	-	5,300
Professional services	1,689	-	-	-	-	1,689
Public protection	1,495	-	-	-	-	1,495
Roads	-	8,631	-	-	-	8,631
Sheriff correction	1,810	-	-	-	-	1,810
Total assigned	**10,989**	**15,256**	**-**	**4,857**	**-**	**31,102**
Unassigned	**217,891**	**-**	**-**	**-**	**-**	**217,891**
Total fund balances	**$ 348,231**	**$ 80,818**	**$ 225,396**	**$ 160,692**	**$ 93,045**	**$ 908,182**

Note: Encumbrances - see Note 23 – Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds	Total Governmental Funds	
						Fund balances:
						Committed
$ -	$ -	$ -	$ -	$ -	$ 2,738	Code enforcement
-	-	-	-	-	172	Community improvement
-	-	-	-	-	5,627	Construction & capital projects
478	-	-	-	478	478	EDA special projects
-	-	-	-	-	2,047	Environmental programs
-	-	-	-	-	1,214	Legal services
-	-	-	-	-	2,630	Other purposes
3,935	-	-	-	3,935	3,935	Parks
(70)	-	-	-	(70)	(70)	Planning
-	-	-	-	-	15,276	Sheriff correction
563	-	-	-	563	563	Solar program
-	-	-	-	-	419	Youth protection
4,906	**-**	**-**	**-**	**4,906**	**35,029**	**Total committed**
						Assigned
2,640	-	-	-	2,640	2,640	Airports
-	-	-	-	-	360	Capital improvement projects
-	-	7,452	-	7,452	12,306	Construction & capital projects
-	4,385	-	-	4,385	4,385	Debt service
-	-	-	-	-	6,625	Equipment
2,976	-	-	-	2,976	3,314	Other purposes
-	-	-	-	-	5,300	Probation
-	-	-	-		1,689	Professional services
-	-	-	-	-	1,495	Public protection
-	-	-	-	-	8,631	Roads
-	-	-	-	-	1,810	Sheriff correction
5,616	**4,385**	**7,452**	**-**	**17,453**	**48,555**	**Total assigned**
-	**-**	**-**	**-**	**-**	**217,891**	**Unassigned**
$ 105,772	**$ 63,634**	**$ 21,523**	**$ 668**	**$ 191,597**	**$ 1,099,779**	**Total fund balances**

NOTE 17 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that incurred but are not reported (IBNR) at fiscal year end. The funding of these estimates is based on actuarial experience and projections. The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are $10 million, subject to a self-insured retention (SIR) of $2 million for each occurrence. A SIR is a form of a deductible. The County also purchases an additional $15 million per occurrence in excess of the $10 million for a total of $25 million in limits. Medical malpractice utilizes an excess policy providing coverage on a per occurrence basis. Limits under the malpractice policy are $20 million subject to a SIR of $1.1 million. The maximum limit under the excess workers' compensation, Section A, is statutory (unlimited); Section B, employer liability is $5 million per claim. Section A is subject to a $2 million SIR for each accident, employee injury, or disease. Settlements have not exceeded coverage for each of the past three fiscal years.

The County's property insurance program provides insurance coverage for all risks subject to a $50,000 per occurrence deductible; flood coverage is subject to a 2.0% deductible (subject to a $100,000 minimum) per unit within a 100-year flood zone (as determined by Federal Emergency Management Agency) and $25,000 per unit deductible outside a 100-year flood zone. (A 'unit' is defined as a separate building, contents in a separate building, property in the open (yard), or time element coverage in a separate building.) The County's property is categorized into four towers and the overall all risk coverage is $600 million. Earthquake (covering scheduled locations equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of $90 million with an additional $290.5 million excess rooftop limit available to any one tower. The excess rooftop limit may be triggered during the policy year if a covered earthquake event somewhere in the state has depleted the initial underlying limits. Earthquake coverage is subject to a deductible equal to 5.0% of replacement cost value per unit subject to a $100,000 minimum per unit. Boiler and machinery coverage is included and provides up to $100 million per accident in limits, with a $5,000 per occurrence deductible. The limits in each tower are shared with other counties on a per event basis. Should a catastrophic event occur and losses exceed the limits, the County would be responsible.

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2017, are reported in these funds. Where certain ISF funds have an accumulated deficit or insufficient reserves, the County provides funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70.0% confidence level, an appropriate reduction in funding including a one-time holiday on department charges may be granted. For fiscal year 2016-17, the Board approved to continue reduced funding at slightly below the 60.0% confidence level for the general liability ISF and for the workers' compensation ISF. Funding for the medical malpractice ISF was at the 70.0% confidence level. Revenues for these internal service funds are primarily provided by other County departments and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and/or other uninsured liabilities. Cash available in the risk management and workers' compensation ISF at June 30, 2017, plus revenues to be collected during fiscal year 2017-18, are expected to be sufficient to cover all fiscal year 2017-2018 payments. The carrying amount of unpaid claim liabilities is $203.9 million. The liabilities are discounted at 2.0% for general liability and medical malpractice and 2.5% for workers' compensation.

	June 30, 2016	June 30, 2017
Unpaid claims, beginning of year	$ 158,952	$ 177,981
Increase in provision for insured events of prior years	3,893	5,176
Incurred claims for current year	78,262	70,334
Claim payments	(63,126)	(49,593)
Unpaid claims, end of year	$ 177,981	$ 203,898

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS

RUHS-MC provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP) and the Medi-Cal Managed Care Assembly Bill (AB) 85 Expansion Program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. RUHS-MC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by RUHS-MC and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited RUHS-MC's Medicare cost reports through June 30, 2014 and Medi-Cal cost reports through June 30, 2015. RUHS-MC has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2014. For Medi-Cal Fee for Service, RUHS-MC is settled through the California public hospital P-14 cost reports. Notice of final settlement has been received through June 30, 2009.

California's 1115 Waiver Renewal Medi-Cal 2020 was approved on December 30, 2015 by the Centers for Medicare and Medicaid Services. In connection with Medi-Cal 2020, the Global Payment Program (GPP) establishes a statewide pool of funding for uninsured by combining Disproportionate Share Hospital Program (DSH) and uncompensated care funding. GPP incentivizes Designated Public Hospitals (DPH) to deliver more cost-effective and higher value care for indigent, uninsured individuals. GPP combines funding into global budgets for DPHs to draw down by earning points for services provided to uninsured patients. For fiscal year ending June 30, 2017, RUHS-MC recognized $58 million of GPP revenue. The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is designed to build upon the foundational delivery system transformation work, expansion of coverage, and increased access to coordinated primary care achieved through the prior California Section 1115 Bridge to Reform demonstration. PRIME is a pay-for-performance program that uses evidence-based quality improvement methods to achieve performance targets and improve health outcomes for patients. RUHS-MC recognized $27 million in PRIME for fiscal year ending June 30, 2017.

Redirection of 1991 State Health Realignment

Realignment was affected by California electing to implement a state-run Medicaid Expansion program through the Affordable Care Act (ACA). The State anticipates that counties' costs and responsibilities for the health care services for the indigent population has decreased for much of this population who became eligible for coverage through Medi-Cal or the Healthcare Exchange offering affordable coverage through Covered California. On June 27, 2013, Governor Brown signed into law AB 85 that provides a mechanism for the State to redirect State health realignment funding to fund social service programs.

The redirected amount was determined according to an agreed to formula option for California's twelve public hospital system counties, thirty-four County Medical Services Program (CMSP) counties, and the remaining twelve counties (Article 13 counties). The formula options were developed in consultation with the counties and California

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS (Continued)

Department of Health Care Services (DHCS) to ensure continued viability of the county safety net. For CMSP counties, AB85 outlines that 60% of health-realignment that would have otherwise been received will be redirected, while the remaining two county groups had an option to either have 60% of health realignment redirected, or, to use a formula-based approach that takes into account a county's cost and revenue experience, and redirect 80% (70% in FY 13-14) of the savings realized by the county.

RUHS-MC is fully reserved for any estimated liabilities due back to the State for any State health realignment overpayments. RUHS-MC recognized $4.7 million in revenue for the fiscal year ending June 30, 2017 from state health realignment.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The board of directors for each of these organizations is composed of one representative of each member organization. The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. The following jointly governed organizations were not included as either blended or discretely presented component units in these financial statements.

A representation of the jointly governed organizations on which the County served at June 30, 2017 follows:

The California State Association of Counties (CSAC) Excess Insurance Authority was formed in October 1979 and has a current membership of 52 California counties. The CSAC operates programs for excess workers' compensation, two excess liability programs, two property programs, and medical malpractice. It also provides support services for selected programs such as claims administration, risk management, loss prevention and training, and subsidies for actuarial studies and claims audits.

Coachella Valley Association of Governments (the Association) was formed in November 1973. Currently, the association includes the following members: the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage; the local tribes of Agua Caliente Band of Cahuilla Indians and the Cabazon Band of Mission Indians; and Riverside County. The purpose of the Association is to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis.

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula for the purpose of serving as a forum for consideration, study, and recommendation on area-wide and regional problems.

Riverside County Habitat Conservation Agency (RCHCA) was formed in July 1990. The RCHCA is a Joint Powers Agreement Agency comprised of the cities of Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Perris, Riverside, and Temecula, and the County of Riverside for the purpose of planning, acquiring, administering, operating, and maintaining land and facilities for ecosystem conservation and habitat reserves for the Stephen's Kangaroo Rat and other endangered species under Article 1, Chapter 5, Division 7, Title 1 of the Government Code.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Riverside County Abandoned Vehicle Abatement Authority was formed in June 1993 with those cities within the County that have elected to create and participate in the authority, pursuant to Vehicle Code Section 22710. The purpose of the authority is to implement a program and plan for the abatement of abandoned vehicles.

The March Joint Powers Commission was formed in August 1993 with the cities of Moreno Valley, Perris, and Riverside to formulate and implement plans for the use and reuse of March Air Force Base.

The Salton Sea Authority was formed in August 1993 with Imperial County, Imperial Irrigation District, and Coachella Valley Water District to direct and coordinate actions relating to improvement of water quality, stabilization of water elevation, and to enhance recreational and economic development potential of the Salton Sea and other beneficial uses.

Coachella Valley Regional Airport Authority was formed in April 1994 with the cities of Coachella, Indian Wells, Indio, La Quinta, and Palm Desert for the purpose of acting as a planning commission for the continued growth and development of Thermal Airport and the surrounding area.

Inland Empire Health Plan was formed with the County of San Bernardino in June 1994 to be the administrative body and governing board to form and develop a managed health care system for Medi-Cal recipients in the two counties through the Local Initiative.

Palm Springs Visitors and Convention Bureau was formed in December 1995 with those member cities located in the Coachella Valley area of the County. The purpose of the authority is to encourage and promote all aspects of the hospitality, convention, and tourism industry in the Coachella Valley.

Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan was formed in January 2004 with the responsibility of issuing the permits required to implement the Multi-Species Habitat Conservation Plan, which will ultimately create a 500,000-acre reserve system in the County. The conservation plan's proposed reserve system protects habitat for 146 varieties of species.

Coachella Valley Conservation Commission (CVCC) was formed in October 2005. The CVCC is a Joint Powers Agreement Agency comprised of the cities of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage and Riverside, and the Coachella Valley Water District as well as the Imperial Irrigation District. The purpose of the CVCC is to implement the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP). The CVMSHCP's goal is to enhance and maintain biological diversity and ecosystem processes while allowing future economic growth.

Southern California Regional Airport Authority (SCRAA) was originally founded in 1985 by the joint powers authority to begin the process of regionalizing aviation. It has been reactivated in an attempt to reduce projected future passenger loads at Los Angeles International Airport (LAX), by spreading the growth in commercial air traffic to other regional airports. The Southern California Association of Governments (SCAG) has also coordinated dispersal planning of the significant new MAP (million air passengers) that would have to be absorbed at other airports if LAX's future MAP is reduced.

Coachella Valley Enterprise Zone Authority (CVEZA) was formed in September 2010 by the Joint Powers Agreement comprised of the County of Riverside, the City of Indio, and the City of Coachella. The purpose of the authority is to manage, coordinate, market, and administer economic development programs and projects in the enterprise zone areas.

NOTE 20 – RETIREMENT PLAN

General Information about the Pension Plans

Plan descriptions. The County, Flood Control, Park District, and Waste Resources contract with the CalPERS to provide retirement benefits to their employees. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes, governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance. CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual actuarial valuation report which summarizes plan assets, liabilities, and employer rates for its plans. Under GASB Statement No. 68, both the County (Miscellaneous and Safety) and Flood Control (Miscellaneous) are agent multiple-employer defined benefit pension plans, while the Park District (Miscellaneous) and Waste Resources (Miscellaneous) are cost-sharing multi-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS CAFR may be obtained from: California Public Employees' Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, CA 94229-2701.

Benefits provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and plan beneficiaries. The County of Riverside has three retirement Tiers through the California Public Employee's Retirement System (CalPERS). Tier I - Applicable to employees hired prior to August 23, 2012. Formula is 3.0% at age 50 for County Safety plan employees and age 60 for other Miscellaneous plan employees. Tier II - Applicable to employees hired after August 23, 2012 through December 31, 2012. Formula is 2.0% at age 50 for County Safety plan employees and age 60 for other Miscellaneous plan employees. Tier III - Applicable to new CalPERS members hired after January 1, 2013 as a result of Public Employees' Pension Reform Act of 2013 (PEPRA). New lower retirement benefit formulas, final compensation periods, and contribution requirements were implemented. Formula is 2.7% at age 57 for County Safety plan employees and 2.0% at age 62 for other Miscellaneous plan employees. New members who were hired by Waste Resources on or after August 23, 2012 are applicable to the County Miscellaneous plan. Listed below is a table with the new retirement options and provision changes.

Summary of Benefits by plan:

	Plan	Employer Paid Member Contribution (EPMC)	Earliest Retirement Age	PEPRA Compensation Limits	Final Compensation	Effective Date
Tier I						
County Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
County Safety	3.0% at 50	Yes	50	N/A	12 months	N/A
Flood Control Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Park District Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Waste Resources Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Tier II						
County Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
County Safety	2.0% at 50	No	50	N/A	36 months	8/23/2012
Flood Control Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
Park District Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
Waste Resources Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A
Tier III (PEPRA)						
County Miscellaneous	2.0% at 62	No	52	$ 118,775	36 months	1/1/2013
County Safety	2.7% at 57	No	50	$ 142,530	36 months	1/1/2013
Flood Control Miscellaneous	2.0% at 62	No	52	$ 118,775	36 months	1/1/2013
Park District Miscellaneous	2.0% at 62	No	52	$ 118,775	36 months	1/1/2013
Waste Resources Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A

NOTE 20 – RETIREMENT PLAN (Continued)

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	9,667	2,275	215	73	102
Inactive employees entitled to but yet receiving benefits	11,941	1,118	131	137	50
Active employees	16,891	3,680	231	156	25
	38,499	7,073	577	366	177

Contributions. Active plan members in CalPERS may be required to contribute up to 8.0% (Miscellaneous employees) and up to 9.0% (Safety employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statute.

The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used to establish the employer contribution rate are adopted by the CalPERS Board of Administration. The County, Flood Control, Park District, and Waste Resources are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

For fiscal year 2016-17, the employer and employee contribution rates were:

	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous
County contribution rates:					
County Tier I	16.5%	26.5%	22.2%	13.5%	13.5%
County Tier II	16.5%	26.5%	22.2%	7.8%	N/A
County Tier III	16.5%	26.5%	22.2%	6.9%	N/A
Plan Members contribution rates					
County Tier I	8.0%	9.0%	8.0%	8.0%	8.0%
County Tier II	7.0%	9.0%	7.0%	7.0%	N/A
County Tier III	6.5%	10.8% *	6.5%	6.5%	N/A

*During the term of Memorandum of Understanding (MOU), the employee contributions pursuant to the cost-sharing provision cannot exceed less than that which the employees are obligated under the MOU to contribute.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

NOTE 20 – RETIREMENT PLAN (Continued)

Actuarial assumptions. For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

By Plan	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Assumptions:					
Discount Rate	7.65%	7.65%	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services	Varies by Entry Age and Services
Investment Rate of Return	7.65%	7.65%	7.65%	7.65%	7.65%
Mortality Rate Table for all Plans (1)	Derived using CalPERS' Membership Data for all Funds				
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter				

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. More details on this table are available in the 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of assumptions. There were no changes of assumptions.

Discount rate. The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term,

NOTE 20 – RETIREMENT PLAN (Continued)

the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99	2.43
Inflation Sensitive	6.0%	0.45	3.36
Private Equity	10.0%	6.83	6.95
Real Estate	10.0%	4.50	5.13
Infrastructure and Forestland	2.0%	4.50	5.09
Liquidity	1.0%	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability for Agent Multiple-Employer Defined Benefit Pension Plan

The following table shows the changes in net pension liability recognized over the measurement period (In thousands).

Measurement Period June 30, 2016	County Miscellaneous	County Safety	Flood Control Miscellaneous	Total
Total pension liability				
Service cost	$ 175,662	$ 86,039	$ 2,736	$ 264,437
Interest	457,630	212,548	12,356	682,534
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	141,472	47,893	3,136	192,501
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	(234,668)	(105,002)	(7,290)	(346,960)
Net change in total pension liability	540,096	241,478	10,938	792,512
Total pension liability - beginning (a)	5,658,056	2,739,990	160,644	8,558,690
Total pension liability - ending (c)	$ 6,198,152	$ 2,981,468	$ 171,582	$ 9,351,202
Plan fiduciary net position				
Contributions - employer	$ 157,639	$ 76,363	$ 3,445	$ 237,447
Contributions - employee	82,884	32,073	1,356	116,313
Net investment income	24,832	10,790	666	36,288
Benefit payments, including refunds of employee contributions	(234,668)	(105,002)	(7,290)	(346,960)
Administrative expense	(2,894)	(1,306)	(73)	(4,273)
Net change in plan fiduciary net position	27,793	12,918	(1,896)	38,815
Plan fiduciary net position - beginning (b)	4,537,003	2,143,911	118,376	6,799,290
Plan fiduciary net position - ending (d)	$ 4,564,796	$ 2,156,829	$ 116,480	$ 6,838,105
Net pension liability - beginning (a) - (b)	1,121,053	596,079	42,268	1,759,400
Net pension liability - ending (c) - (d)	$ 1,633,356	$ 824,639	$ 55,102	$ 2,513,097

NOTE 20 – RETIREMENT PLAN (Continued)

Changes in Proportionate Share of the Net Pension Liability for Cost Sharing Multiple-Employer Defined Benefit Pension Plans

The following table shows the proportionate share of the net pension liability over the measurement period.

	Park District Miscellaneous Increase (Decrease)			Waste Resources Miscellaneous Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	Total Net Pension Liability
Balance at 06/30/2015	$ 35,493	$ 28,464	$ 7,029	$ 42,771	$ 33,096	$ 9,675	$ 16,704
Balance at 06/30/2016	$ 37,974	$ 28,823	$ 9,151	$ 45,402	$ 33,112	$ 12,290	$ 21,441
Net changes during 2015-16	$ 2,481	$ 359	$ 2,122	$ 2,631	$ 16	$ 2,615	$ 4,737

The following table shows the total net pension liability for both Agent and Cost Sharing Multiple-Employer plans by primary government and component unit.

	Governmental Activities	Business-type Activities	Discretely Presented Component Unit	Total Net Pension Liability
Agent Multiple-Employer Plan	$ 2,204,721	$ 305,388	$ 2,988	$ 2,513,097
Cost Sharing Multiple-Employer Plan	9,151	12,290	-	21,441
Total:	$ 2,213,872	$ 317,678	$ 2,988	$ 2,534,538

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the County's net pension liability, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate (In thousands):

Net Pension Liability By Plan	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
County Miscellaneous	$ 2,556,310	$ 1,633,356	$ 876,790
County Safety	1,279,013	824,639	455,534
Flood Control Miscellaneous	77,849	55,102	36,264
Park District Miscellaneous	14,258	9,151	4,932
Waste Resources Miscellaneous	19,147	12,290	6,622
Total:	$ 3,946,577	$ 2,534,538	$ 1,380,142

Pension plan fiduciary net position. Detailed information about the pension's plan fiduciary net position is available in the separately issued CalPERS financial report. The pension's plan fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, CalPERS must keep deficiency reserves, fiduciary self-insurance, and Other Post-Employment Benefit (OPEB) expense as assets. These amounts are excluded for rate setting purposes in the actuarial valuation report. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

NOTE 20 – RETIREMENT PLAN (Continued)

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and plan fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows of resources and deferred outflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the plan for the 2015-16 measurement period was obtained by dividing the total service years of the sum of remaining service lifetimes of the active employees by the total number of participants (active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. The future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016, the Park District and Waste Resources reported a liability of $9.1 million and $12.3 million, respectively, for their proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on a projection of long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Park District's and Waste Resources' proportions were 0.26345 percent and 0.35378 percent, respectively, which was an increase of 0.00725 percent and 0.00112 percent, respectively, from their proportion measured as of June 30, 2015.

For the year-ended June 30, 2017, the County recognized pension expense of $381.7 million. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

NOTE 20 – RETIREMENT PLAN (Continued)

At June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to pensions are reported from the following sources (In thousands):

	Agent Multiple-Employer			Cost Sharing Multiple-Employer		
Deferred Outflows of Resources By Plan:	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous	Total
Difference between projected and actual earnings on pension plan investments - investment earnings less than projected	$ 420,072	$ 190,205	$ 10,366	$ 3,008	$ 2,327	$ 625,978
Difference between expected and actual experience	117,752	55,509	3,066	38	29	176,394
Adjustment due to differences in proportions	-	-	-	335	483	818
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	178,196	91,330	3,896	1,094	832	275,348
Total	$ 716,020	$ 337,044	$ 17,328	$ 4,475	$ 3,671	$ 1,078,538

	Agent Multiple-Employer			Cost Sharing Multiple-Employer		
Deferred Inflows of Resources By Plan:	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous	Total
Difference between projected and actual earnings on pension plan investments - investment earnings greater than projected	$ (158,998)	$ (71,694)	$ (4,033)	$ (1,140)	$ (882)	$ (236,747)
Difference between expected and actual experience	-	-	-	(9)	(7)	(16)
Changes of assumptions	(58,511)	(36,037)	(1,341)	(359)	(277)	(96,525)
Adjustment due to differences in proportions	-	-	-	-	(91)	(91)
Difference in employer contributions and proportionate share of contributions	-	-	-	(48)	-	(48)
Total	$ (217,509)	$ (107,731)	$ (5,374)	$ (1,556)	$ (1,257)	$ (333,427)

The follow table summarizes the total deferred outflows of resources and deferred inflows of resources by primary government and component unit.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities	$ 940,884	$ (291,403)
Business-type Activities	136,330	(41,917)
Discretely Presented Component Unit	1,324	(107)
Total	$ 1,078,538	$ (333,427)

$275.3 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTE 20 – RETIREMENT PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (In thousands):

Year Ended June 30	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous	Total
2018	$ 48,417	$ 20,046	$ 1,423	$ 206	$ 243	$ 70,335
2019	48,417	20,046	1,485	258	225	70,431
2020	143,157	55,894	3,498	877	740	204,166
2021	80,324	33,231	1,652	484	374	116,065
2022	-	7,222	-	-	-	7,222
Thereafter	-	1,544	-	-	-	1,544
	$ 320,315	$ 137,983	$ 8,058	$ 1,825	$ 1,582	$ 469,763

Payable to the Pension Plan

At June 30, 2017, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2017.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The County provides a part-time and temporary employees' retirement plan (the Plan) to provide retirement benefits to eligible employees as a substitute for benefits under social security. The Plan is an IRS Section 401(a) defined benefit plan. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's investment consultant, investment manager and trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value. No financial report has been issued separately for public view under the defined benefit pension plan.

Benefits provided. Retirement benefits are determined as 2.0 percent of the employee's compensation and payable as a single life annuity. The eligible retirement age is 65. Participants are immediately 100% vested in the Plan upon enrollment. Benefits are payable for the life of the employee only. The normal retirement benefit is accrued to the date of termination. A lump sum distribution is paid if the actuarial equivalent benefit is less than $5,000. Actuarial Equivalence for this purpose is based on the greater of the factor produced under the UP1984 unisex mortality table at 6% or the applicable mortality table and interest rate under 417(e).

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	231
Inactive employees entitled to but yet receiving benefits	6,666
Active employees	2,397
	9,294

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 1, 2016 valuation, the County's current required contribution rate is 3.08%. Overall, the Plan's unfunded actuarially accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a liability loss; 2) lump sum interest changed from 6.2 percent to 5.0 percent, which resulted in higher liabilities; and 3) assets were lower than expected due to unfavorable investment return on Plan assets (-0.36 percent compared to 6.0 percent assumed). The Plan's current funded ratio is 90%. The Plan actuary calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Net Pension Liability

The County's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Inflation	2.8%
Salary Increases	3.0%
Payroll Growth	3.0%
Investment Rate of Return:	5.9%

Mortality rates are based on the most recent CalPERS mortality table developed in 1997-2011 CalPERS Experience Study, with generational future improvement using scale MP-2014.

The actuarial assumption is used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Nominal Return	Expected Volatility
U.S. Equity	40.39%	8.5%	17.0%
International Developed Equity	12.72%	9.0%	18.8%
Emerging Market Equity	5.77%	10.8%	26.0%
U.S. Core Fixed Income	35.58%	4.0%	4.5%
Real Estate	5.54%	8.0%	21.0%

Discount rate. The discount rate used to measure the total pension liability was 5.92 percent. The projected cash flow used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the difference between actuarially determined contribution

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (In thousands):

	Governmental Activities Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Measurement Period June 30, 2015	**$ 35,462**	**$ 31,879**	**$ 3,583**
Changes of the year:			
Service cost	1,718	-	1,718
Interest	2,186	-	2,186
Change of assumptions	(594)	-	(594)
Differences between expected and actual experience	1,524	-	1,524
Contributions - employer	-	668	(668)
Contributions - employee	-	1,399	(1,399)
Net investment income (loss)	-	(117)	117
Benefit payments, including refunds of employee contributions	(1,507)	(1,507)	-
Administrative expense	-	(189)	189
Net changes	3,327	254	3,073
Measurement Period June 30, 2016	**$ 38,789**	**$ 32,133**	**$ 6,656**

Changes in Assumptions and Methods since the Prior Valuation

1) Update to GASB Statement No. 68 discount rate from 6.00% as of 6/30/2015 to 5.92% as of 7/1/2016 to reflect revised projection of assets and municipal bond index as of 6/30/2016.

2) Update to assumed mortality improvement scale from MP-2014 to MP-2016.

3) Allowance to outstanding benefit payment due to current retirees who retired beyond normal retirement date but have yet to receive an enhanced benefit.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 5.92 percent, as well as what the County's net pension liability would be if it were using a discount rate that is 1-percentage-point lower (4.92 percent) or 1-percentage-point higher (6.92 percent) than the current rate (In thousands):

	1% Decrease (4.92%)	Current Discount Rate (5.92%)	1% Increase (6.92%)
Governmental Activities	$ 12,937	$ 6,656	$ 1,368

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan fiduciary net position

Statement of Fiduciary Net Position
June 30, 2017

ASSETS	Pension Trust
Cash and investments	$ 37,425
Accounts receivable	186
Total assets	37,611
LIABILITIES	
Accounts payable	
Total liabilities	-
NET POSITION	
Held in trust for pension benefits	$ 37,611

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017

ADDITIONS:	
Contribution to pension trust:	
Employer	$ 1,365
Employee	1,659
Investment income	4,184
Total additions	7,208
DEDUCTIONS:	
Benefits paid to participants	1,720
Total deductions	1,720
Net position held in trust, beginning of the year	32,123
Net position held in trust, end of the year	$ 37,611

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows of resources and deferred outflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Recognition of Gains and Losses (Continued)

The EARSL is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2015-16 measurement period is 7.97 years, which was obtained by dividing the total service years of 74,073 (the sum of remaining service lifetimes of the active employees) by 9,294 (total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended June 30, 2017, the County recognized pension expense of $1.7 million. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (In thousands):

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,660	$ -
Changes of assumptions	2,250	(520)
Net difference between projected and actual earnings on pension plan investments	2,789	(1,073)
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	1,365	-
Total	$ 9,064	$ (1,593)

$1.4 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a deduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (In thousands):

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	$ 954
2019	954
2020	1,492
2021	1,105
2022	697
Thereafter	904
	$ 6,106

Payable to the Pension Plan

At June 30, 2017, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2017.

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County and its Special Districts, Flood Control, Park District, and Waste Resources, offer post employment benefits to eligible County retirees. The postemployment benefit plan is an agent multiple-employer defined benefit post employment healthcare plan (OPEB Plan). Benefit provisions are established and amended through negotiations between the County and the various bargaining units.

The post employment benefits provided:

- The County provides retiree medical benefits for eligible retirees enrolled in County sponsored plans. The benefits are provided in the form of:
  - Monthly County contributions toward the retiree's medical premium, and
  - Monthly contributions of $25 per month to the Riverside Sheriffs' Association (RSA) Benefit Trust for RSA law enforcement retirees.
- Previously, the County allowed certain retirees to receive coverage prior to age 65 by paying premiums that were developed by blending active and retiree costs, which resulted in an implicit subsidy to retirees. The implicit subsidy has been discontinued since January 1, 2011.

A qualified Internal Revenue Code Section 115 Trust has been established for the County and Special Districts, with the exception of Waste Resources, with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of receiving employer contributions that will prefund health and other post employment costs for retirees and their beneficiaries. The CERBT administers each plan's assets and issues a financial report available for public review, which includes financial statements and required supplementary information for the trust fund. The CERBT report may be obtained from CalPERS Affiliate Programs Services Division, CERBT (OPEB), P.O. Box 1494 Sacramento, CA 95812-1494.

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy and Annual OPEB Cost

It is the policy of the County, along with the special districts (Park District and Flood Control) to fully contribute an amount at least equal to the Annual Required Contribution (ARC), as determined by the Post-Retirement Benefits Actuarial Valuation for each trust. To facilitate funding for the ARC, the County has developed a rate structure. It is the policy of the Waste Resources to fund the ARC on a pay-as-you-go basis.

Contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the respective bargaining units. The liabilities and annual cost due to the County's contractual agreements to assist with retiree health care cost are calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. GASB requires an Annual Required Contribution (ARC) to be developed each year based on the plan's assets and liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (7 years for Waste Resources).

The County's annual OPEB cost for the current year and the related information for each plan are as follows (In thousands, except for contribution rates):

	County	Flood Control	Park District	Waste Resources
Contribution rates:				
County	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$551-$1,653	$551-$1,653	$551-$1,653	$551-$1,653
Annual required contribution	$ 1,190	$ 2	$ -	$ 135
Interest on net OPEB obligation	(2,268)	(40)	(21)	9
Adjustment to annual required contribution	1,822	56	17	(123)
Annual OPEB cost	744	18	(4)	21
Contributions made	(1,318)	-	-	(2)
Increase in net OPEB obligation (asset)	(574)	18	(4)	19
Net OPEB obligation (asset) beginning of year	(31,781)	(683)	(316)	116
Net OPEB obligation (asset) end of year	$ (32,355)	$ (665)	$ (320)	$ 135

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years for each of the plans were as follows (In thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/15	$ 942	466.7 %	$ (29,398)
	06/30/16	649	467.2	(31,781)
	06/30/17	744	177.2	(32,355)
Flood Control	06/30/15	(30)	83.3	(577)
	06/30/16	(7)	628.6	(683)
	06/30/17	18	0.0	(665)
Park District	06/30/15	(4)	225.0	(312)
	06/30/16	(4)	0.0	(316)
	06/30/17	(4)	0.0	(320)
Waste Resources	06/30/15	17	17.7	140
	06/30/16	5	580.0	116
	06/30/17	21	9.5	135

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

The following is funded status information for each plan as of July 1, 2016, which is the most recent actuarial valuation date (In thousands):

	County	Flood Control	Park District	Waste Resources
Actuarial accrued liability (a)	$ 42,057	$ 498	$ 113	$ 755
Actuarial value of plan assets (b)	34,122	555	306	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 7,935	$ (57)	$ (193)	$ 755
Funded ratio (b) / (a)	81.1%	111.4%	270.8%	0.0%
Covered payroll (c)	$ 1,376,908	$ 17,706	$ 7,090	$ 2,384
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	0.6%	-0.3%	-2.7%	31.7%

Actuarial valuations are estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are projected about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information reflecting whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant costing methods and projected assumptions were as follows:

	County	Flood Control	Park District	Waste Resources
Actuarial valuation date	7/1/2016	7/1/2016	7/1/2015	7/1/2015
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, close
Remaining amortization period	30 years	30 years	30 years	7 years
Actuarial assumptions:				
Investment rate of return	7.3%	6.1%	7.3%	4.5%
Projected salary increases	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate (initial)	5.0%	10.0%	10.0%	10.0%
Healthcare inflation rate (ultimate)	4.0%	5.0%	5.0%	5.0%
Inflation rate	2.8%	2.8%	2.8%	2.8%

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

The County has been named as a defendant in various lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, such loss has been accrued in the accompanying basic financial statements. Litigation where loss to the County is reasonably possible has not been accrued. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the County.

County of Riverside Redevelopment Successor Agency

It is reasonably possible that the State Department of Finance could invalidate some but not all of the obligations reported on the Successor Agency's Recognized Obligation Payment Schedule (ROPS). Section 34171 (d) (1) of the Health and Safety Code recognizes bonds as enforceable obligations, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service. The majority of the total outstanding obligations reported on the Riverside County Redevelopment Successor Agency (92.0%) consist of bond debt service payments. The range of potential loss of revenue is between $0 to $126.6 million spread over the remaining life of the Successor Agency through 2045.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2016, indicated no items found of noncompliance with Federal grants and regulations. The fiscal year 2016-17 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 31, 2018.

Commitments

At June 30, 2017 the County had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts were financed through either the general fund or capital projects funds. $165.9 million will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

Waste Resources enters into various construction and consulting contracts to facilitate its landfill operations and continues the process of installing landfill liners as needed at Badlands and Lamb Canyon landfills, in accordance with state and federal laws and regulations. Waste Resources does not anticipate a new area landfill expansion at the Lamb Canyon landfill in the next five years, but does plan to complete two expansion projects at Badlands landfill which will increase refuse airspace and days of site life in the current burial area. The northwestern berm construction at the Badlands landfill will cost approximately $1.9 million and the cost of the 7.2-acre liner expansion on the north part of the site is now estimated at $2.2 million. Both Badlands landfill projects are expected to be completed in the next five years.

Remediation Contingencies

Governmental Funds

Release of gasoline and diesel fuel has been reported at seven underground storage tanks. Orders have been issued by the California Regional Water Quality Control Board (CRWQCB) to assess and cleanup these sites by specific dates. It has determined the remediation plan and monitoring action is required. In addition to groundwater contamination, asbestos has been found in six facilities. As of June 30, 2017, the governmental activities reflect a $1.5 million accrued remediation liability (Note 14). The liability has been calculated using the expected cash flow technique. The liability is subject to change over time. Cost may vary due to price fluctuations, changes in technology, results of environmental studies, changes to statute or regulations and other factors that could result in revisions to these estimates.

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Enterprise Funds

The Waste Resources Department has established restricted cash funds to set aside for future remediation costs as they are required to be performed. Investments of $32.0 million are held for these purposes at June 30, 2017 and are classified as accrued remediation in the statements of net position.

The Waste Resources Department is aware of air/gas contamination at 17 landfills, 11 of which are closed, and required to have corrective action plans. Based on engineering studies, Waste Resources estimates the present value of the total costs of corrective action for foreseeable water quality contaminant releases, and/or non-water quality corrective action measures at $41.5 million as of June 30, 2017.

In addition to the liability amounts calculated per CalRecycle regulations that are designated to the Escrow Funds, the Waste Resources Department is also responsible for the corrective action costs related to Nineteen (19) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2017, the post-closure liability is estimated at $3.7 million.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchases orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the sources(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. As of June 30, 2017, the encumbrance balances for the governmental funds are reported as follows (In thousands):

	Restricted	Assigned	Total
Major Governmental Funds			
General Fund:			
Capital improvement projects	$ -	$ 357	$ 357
Community improvement	-	5	5
Court facilities	-	16	16
Criminal justice system review	-	526	526
District attorney programs	-	83	83
Energy projects	-	160	160
Environmental health	-	470	470
Facility maintenance	-	96	96
Fire protection	-	1,402	1,402
Health care programs	-	899	899
Human resources programs	-	168	168
Legal services	-	413	413
Other purposes	-	11	11
Probation programs	-	5,300	5,300
Public health	-	16	16
Sheriff correction	-	780	780
Sheriff court services	-	20	20
Sheriff patrol	-	579	579
Sheriff support	-	431	431
Veteran services	-	178	178
Transportation:			
Equipment	-	545	545
Roads	114	-	114
Nonmajor Governmental Funds			
Special Revenue Funds:			
CAP local initiative program	383	-	383
Emergency medical services	8	-	8
Library services	75	-	75
Public ways and facilities	50	-	50
Total Encumbrances	**$ 630**	**$ 12,455**	**$ 13,085**

NOTE 24 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs)

On July 3, 2017, the County issued $340.0 million in Tax and Revenue Anticipation Notes in the form of a 2018 Maturity bond due June 29, 2018. The stated interest rate for the bond is set at 2.0% per annum with a yield of 0.9%. In accordance with California law, the TRANs bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2018 and legally available for payment thereof. Proceeds for the bonds will be used for fiscal year 2018 general fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certificates of Participation

On September 2017, Fitch, one of the three major credit ratings, has assigned the County's bonds and certificates of participation ratings as follows:

- Riverside County implied general obligation (GO) bond rating at 'AA-'.
- Riverside County pension obligation bonds (POB-Series 2005A) at 'A+'.
- Riverside County certificates of participation (COPs-, 2005A, 2007A, 2007B, 2009) at 'A+'.
- Riverside County Asset Leasing Corporation certificates of participation (CORAL- COPS/Series 2006A and lease revenue bonds (LRBs), Series 1997A, 1997B, 1997C, 2013A) at 'A+'.
- Riverside County Public Financing Authority (LRBs) (Series 2012 and 2015) at 'A+'.
- Southwest Communities Financing Authority lease revenue bonds (LRBs) (Series 2008A) at 'A+'.

Fitch's reasoning is summarized in the following paragraphs:

The County's economy is large, diverse, and well-situated for long-term growth. It has affordable housing stock, capacity for additional development, proximity to employment centers including San Bernardino, Orange County, and Los Angeles, and a location along a major distribution route. The County is exposed to considerable housing market and tax base volatility as it was one of the worst – affected regions in the country during the economic downturn. However, both the housing market and assessed values have improved significantly over the past several years and a large amount of state revenue in the budget moderates the effect of this cyclicality on overall revenues.

State and federal health, social services, and criminal justice pass-through funds comprise a substantial amount of the County's budget, as is typical for California counties. The County's non-discretionary general fund revenues are primarily provided by state funds and federal funds, which account for an estimated 64.6% of the fiscal 2018 budget. Discretionary revenues (i.e., excluding state and federal funds) comprise about 24% of the County's fiscal 2018 total general fund revenues and are primarily generated by property taxes, which account for 47% of fiscal 2018 budgeted discretionary revenues.

Growth in total general fund revenues have been generally above U.S. economic performance. Property tax revenue has increased each of the last five years, with assessed value increasing 5.5% in fiscal 2018. The County estimates fiscal 2018 general fund discretionary revenues will increase approximately 3% over the prior year.

The County has limited capacity to independently raise revenues under state law, particularly Proposition 13 which generally allows for a maximum increase of 2% annual in property tax assessments other than resales and Proposition 218 which requires voter approval for new or increased general taxes.

Discretionary spending is focused on public safety, which accounts for 76% of the discretionary fiscal 2018 budget, public assistance at 6%, and health and sanitation at 4%.

The County's fixed-costs burden is relatively low with carrying costs for debt, pensions, and retiree healthcare accounting for 10% of fiscal 2016 governmental spending. The County has a contentious relationship with its employee groups. The County's employees are represented by six labor organizations.

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Riverside County Bonds and Certificates of Participation (Continued)

Contracts for three of those bargaining units expired in 2016. The County has reached impasse with one of those units and two of them implemented a two-day strike in September 2017. In addition, members of another bargaining unit recently rejected a tentative agreement with the County. According to the County, the primary negotiation issues relate to merit increases. In addition, the County is in negotiations with two other bargaining units whose contracts recently expired. The County has the ability to ultimately impose terms and contracts are not subject to binding arbitration. The County has demonstrated its capacity to implement layoffs and furloughs in times of revenue decline.

The County estimates the ongoing cost of a recently settled inmate class action lawsuit at about $40 million per year. This compares to a fiscal 2018 total discretionary budget of $756 million and overall budget of $5.45 billion. It has identified offsets, including adjusting and delaying staffing for the new John J. Benoit Detention Center and establishing a requirement for County departments to absorb any staffing cost increases. In addition, the County is in the process of implementing recommendations from a Strategic Plan for Criminal Justice produced by KPMG Consulting for the County and a preliminary jail utilization report provided by California Forward, a bipartisan governance reform organization. The County expects implementation of both to result in considerable cost savings, as well as revenue recovery.

The County has demonstrated a high degree of financial resilience through spending restraint and financial management policies and retains strong gap closing capacity despite budget pressures. The unrestricted general fund balance at year-end fiscal 2016 was $270 million, or 9.2% of total general fund spending. Fitch expects that the County would maintain reserves at solid levels throughout a moderate economic down turn.

The County's most recent five-year plan projects modest deficits through fiscal 2019 and includes remediation strategies. The unassigned general fund balance reserve was budgeted at $173.4 million (or nearly 23% of discretionary revenues) for fiscal 2017, down from $221 million in fiscal 2016. The County expects to return to its Board policy reserve target of 25% of discretionary revenue by fiscal 2022. Spending restraint will likely be required in order to meet that target, given expected increased costs for salaries and benefits, uncertainty about future In-Home Support Services costs, and operating costs related to the new correctional facility. In addition, the County will face the challenges of absorbing settlement costs associated with the inmate class action lawsuit mentioned earlier for additional health and mental health professional staffing and managing exposure to its hospital operation, particularly in the evolving healthcare environment.

Teeter Obligation Notes, Series A

On October 10, 2017, the County issued $78.7 million in 2017 Teeter Obligation Notes, Series A (Tax-Exempt) to refund a portion of the outstanding 2016 Teeter Obligation Notes, Series A, and fund an advance of unpaid property taxes for agencies participating in the County's Teeter plan, and to pay the cost of issuance related to the notes. The 2017 Notes bear an interest rate of 3.0% for 2017 Teeter Obligation Note, Series A and a maturity date of October 25, 2018, when the existing Letter of Credit will expire.

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated the County's miscellaneous and safety contribution rates for fiscal year 2017-18 will be 10.2% and 17.9%, respectively. Fiscal year 2018-19 contribution rates for miscellaneous and safety are estimated at 10.5% and 18.5%, respectively. They will be accounted for in fiscal year 2017-18 and future budget years.

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Successor Agency to the Redevelopment Agency for the County of Riverside, California

On July 6, 2017, the Agency issued $63,005,000 2017 Tax Allocation Refunding Bonds, Series B, as a result of current low interest rates to save money on debt service, to refund the Jurupa Valley Project Area 2017 Tax Allocation Refunding Bonds of the County Redevelopment Agency and to provide funds for the various debt obligations of the Agency within the project area.