

County of Riverside, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

**Robert E. Byrd, CGFM
County Auditor-Controller**

County of Riverside, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

Prepared by the Office of:

Robert E. Byrd, CGFM
County Auditor-Controller

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2003**

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INTRODUCTORY SECTION



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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AUDITOR-
CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Ivan M. Chand, CGFM
ASSISTANT AUDITOR-CONTROLLER

February 27, 2004

The Honorable Board of Supervisors
and Citizens of the County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501

Members of the Board and Citizens of the County of Riverside:

The Comprehensive Annual Financial Report of the County of Riverside for the Fiscal Year Ended June 30, 2003, is hereby submitted in accordance with Section 25253 of the Government Code of the State of California. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical sections.

- The Introductory Section includes the transmittal letter, a list of principal officials, the County of Riverside's organizational chart, and a copy of the Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2002.
- The Financial Section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis (Required Supplementary Information), basic financial statements that include the financial statements of the County's governmental activities, business-type activities, the County's discretely presented component unit, each major fund, the aggregate remaining fund information of the County and budgetary comparison statements of the general fund and flood control fund as of June 30, 2003. Also included is other *required* supplementary information, schedules of funding progress for defined benefit pension plans, and *other* supplementary information. Included in *other* supplementary information are combining and individual non-major fund financial statements as well as budgetary comparison schedules.
- The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The County of Riverside is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the

schedule of expenditures of federal awards, findings, questioned costs, and the independent auditor's report on internal control and compliance, are included in a separate annual publication.

Generally Accepted Accounting Principles (GAAP) for local governments require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The introduction, overview, and analysis are presented in the form of the Management's Discussion and Analysis (MD&A). The letter of transmittal was designed to compliment and to be read in conjunction with the MD&A. The MD&A immediately follows the report of the independent auditors.

The Governmental Accounting Standards Board (GASB) established a new financial reporting model for local governments in GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*". This statement affects the manner in which the County records transactions and presents financial information. The County implemented GASB Statement No. 34 for the fiscal year ended June 30, 2002.

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

The County has ten (10) independent fiscal entities that are considered Blended Component Units and one Discretely Presented Component Unit. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the Management's Discussion and Analysis and the Notes to the Basic Financial Statements.

PROFILE OF THE GOVERNMENT

Riverside County, the State's fourth largest county by area, encompasses 7,295 square miles and extends 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. It is situated immediately east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties. There are 24 incorporated cities located within the County. The largest cities in the County are the cities of Riverside (the County seat), with a population of 274,100; Moreno Valley, with a population of 150,200, and Corona, with a population of 137,000.

Total County population was 1,705,500 on January 1, 2003, an increase of 3.7% compared to the revised estimate for 2002 from the California State Department of Finance (State). Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Riverside County's population ranks as the sixth largest county in the State. Approximately 27% of the residents live in the unincorporated area. The County is part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (PMSA), which includes all of Riverside and San Bernardino Counties. The PMSA has large and rapidly expanding trade, transportation, utilities, distribution and manufacturing industries.

Total nonfarm employment in the PMSA rose 16.1% from March 1999 to March 2003, while the population increased by 15.1% in the County from January 1, 1999 to January 1, 2003. As of March 2003, unemployment in the PMSA was 5.7% (revised on an annual basis by the Employment Development Department Labor Market Information Division) as compared to 6.2% for the United States. The lower unemployment rate in the PMSA is primarily attributable to construction, distribution, professional, and various other rapidly expanding service industries.

PLANNING AND GROWTH MANAGEMENT

Strategic Plan

The County Strategic Plan ("Strategic Vision") was adopted by the Board of Supervisors in December 1998, and was revised in April 2000. This plan encompasses all areas of County operations with the general goal of improving the quality of services, increasing efficiencies, as well as improving communication and coordination between

County agencies and other units of local government.

The Riverside County Integrated Project

The County is currently engaged in the development of the Riverside County Integrated Project (RCIP). This is a multi-year comprehensive planning project that includes the following components: an update of the County's General Plan of Land use, a Western Riverside County Multi-Species Habitat Conservation Plan (MSHCP), a regional transportation plan (CETAP), and watershed protection plan (SAMP). The RCIP is closely coordinated with regional councils of government, State and Federal government agencies, and private stakeholders. Following a series of public hearings, the Board of Supervisors adopted the MSHCP on June 17, 2003 and the General Plan on October 7, 2003. Work is continuing on the CETAP and SAMP.

Trial Court Facilities

On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation transfers the governance of California's more than 450 courthouse facilities from the counties to the State. Although the bill became effective on January 1, 2003, it is expected that the transition time will take up to seven years. The County and the Judicial Council of the State of California will be negotiating transfer agreements between July 1, 2003, and June 30, 2007. The transfer of courthouse facilities to the Judicial Council must be completed by June 30, 2007.

The County will develop a transfer plan that will identify the impacts and the steps necessary to ensure a smooth and timely transition. Some important areas to consider in the development of the plan will be bonded indebtedness, deferred maintenance, and capital projects. Once completed, this transfer will cap the County's financial obligation to court facilities to a Maintenance of Effort amount established under the legislation. Although the County continues to contribute to trial court funding through maintenance of effort obligations, the restructuring of court funding ends a dual system of county and state funding. These funds are accounted for in the agency funds.

Development Agreement Fees

In December of 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code 65864 et al. for consideration of development agreements. As a legal contract between the County and a developer, a development agreement was intended to strengthen the public planning process, encourage private participation in comprehensive planning, reduce the economic costs of development, and promote the maximum efficient utilization of resources at the least economic cost to the public. In February 1988, the Board of Supervisors adopted a schedule of development agreement fees payable on residential projects prior to issuance of building permits, in the amount of \$5,784 per residential unit. With Consumer Price Index adjustments, generally the most current fee effective on January 1, 2003 is \$6,228 consisting of the following components:

	<u>Development Agreement Fee</u>
Public Facilities	\$ 2,752
Regional Parklands and Trails	512
Habitat Conservation and Open Space Land Bank Offset	369
Public Services Offset	<u>2,595</u>
Total	<u>\$ 6,228</u>

Based on renegotiated development agreements, fees range from \$3,066 to \$6,228 with some component deletions.

With the exception of the Public Services Offset, development agreement revenue will be used to help the County construct capital facilities and acquire parkland, trails, habitat and open space to meet the demand caused by new growth and development. The Public Services Offset is intended to help defray the cost of providing governmental services, such as Sheriff's patrol services. The total of unexpended and uncommitted development agreement money available in capital project funds is \$18,069,000 as of June 30, 2003.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an Interim Open Space Mitigation Fee. The fee collected under this ordinance is used toward the acquisition of open space and the preservation of wildlife and their habitats. This fee is collected only in the Western portion of Riverside County as defined by the Transportation and Land Management Agency. The fees collected are \$472 per dwelling unit, \$1,887 per acre for commercial use, and \$789 per acre for industrial use. The total amount of unexpended uncommitted interim open space mitigation funds related to Ordinance 810 is \$1,413,000 as of June 30, 2003.

Ordinance 659

In July 1988, the Board of Supervisors adopted Ordinance No. 659 establishing a County-wide (unincorporated area only) development mitigation fee for residential development. The purpose of this fee was to finance the construction of County facilities necessary to accommodate future residential growth in the County. Fee revenues will also be used for the procurement of parklands and the development of recreational trails. In addition, fee revenues will be used for the preservation of habitat, open space, and for the preservation of specifically listed plants and animals as outlined in the General Plan.

Development mitigation fees are no longer collected and have been superseded with the passage of Ordinance 659.6, development impact fees. The total of unexpended uncommitted development mitigation funds related to Ordinance 659 in capital project funds is \$113,000 as of June 30, 2003.

Development Impact Fees

On September 11, 2001, the Board of Supervisors adopted Ordinance 659.6 establishing a County-wide (unincorporated area only) development impact fee for residential development. Ordinance 659.6 replaced and superseded those fees associated with Ordinance 659. Ordinance 659.6 became effective sixty (60) days after adoption.

Development impact fees are collected to address impacts associated with residential, commercial and industrial development throughout the unincorporated County region and are used for the purpose of constructing or acquiring needed facilities and preserving open space, wildlife and their habitats.

Fees are assessed by unit for single family and multiple-family residential development, and by acre for commercial and industrial development. Fees vary according to the area plan under development. There are twenty area plans. The range for single-family residential development impact fees is from \$3,252 to \$5,267 per unit. The range for multiple-family residential development impact fees is \$2,728 to \$4,586 per unit. Commercial development impact fees range from \$17,332 to \$26,085 per acre and the range for industrial development impact is from \$9,064 to \$13,636 per acre.

Fees collected under Ordinance 659.6 can only be used for those projects identified and listed within the Public Facilities Needs List through the Year 2010. Changes to the list may occur on an annual basis and are subject to approval by the Board of Supervisors. Annual inflationary adjustments are authorized through Ordinance 659.6 and are subject to published indices of the Consumer Price Index, the Building Cost Index and the Construction Cost Index. Since adoption of the development impact fees, there have been no changes in the amount charged.

As of June 30, 2003, the total unexpended uncommitted development impact fees were \$41,919,815. The increase in the balance of unexpended uncommitted development impact fees over fiscal year 2002 is primarily attributed to the explosive growth in residential development.

FINANCIAL INFORMATION

Internal Control

The management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse. Management is also responsible for ensuring that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state assistance the County is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to on-going evaluations by management and the internal audit staff of the County.

As part of the Single Audit, tests were made of the County's internal control and of its compliance with applicable laws and regulations, including those related to federal award programs. Although this testing was not sufficient to support an opinion on the County's internal control or its compliance with laws and regulations related to other than major federal award programs, the fiscal year 2001-02 audit disclosed no internal control related reportable conditions or material weaknesses. Audit findings related to reporting and sub recipient monitoring are required to be disclosed in accordance with OMB Circular A-133. The single audit for fiscal year 2002-03 is in process and will be issued in a separate report.

Budgetary Controls

The objective of budgetary controls is to ensure that the annual appropriated budget approved by the County Board of Supervisors is in compliance with the legal provisions of Section 29088-29091 of the Government Code. The County Budget is prepared and adopted on or before October 2 of each fiscal year, except as provided by state statutes and Board of Supervisors resolution. The budget for fiscal year 2003-04 was adopted on July 22, 2003. Activities of the General Fund, all special revenue funds, and certain debt service and capital projects funds are included in the annually appropriated budget. The level of budgetary control, or the level that cannot be exceeded without action by the Board of Supervisors, is the appropriation level of the budget unit. The budget unit represents an organization within a department or an agency. The Board of Supervisors must approve transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues. Transfers of appropriations between appropriation classifications within the same budget unit are approved by the County Executive Officer. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and fund balances are reserved for encumbrances outstanding at that time. As demonstrated by the statements and schedules included in the Financial Section of this report, the County continues to meet its responsibility for sound financial management.

For a more detailed overview and analysis of the County of Riverside's financial position see the Management's Discussion and Analysis preceding the basic financial statements.

General Fund Cash Balance and Fund Balance

The cash balance of the General Fund increased from \$41,566,000 at June 30, 2002 to \$44,433,000 at June 30, 2003. This increase is attributable primarily to a favorable real estate market that generated more property tax and the related Redevelopment Agency contractual revenue than expected, a good car buying market that contributed to motor vehicle-in-lieu revenue greater than expected, increased set-asides of discretionary revenues for future needs, and more timely collection of receivables. The County's General Fund fund balance represents the equivalent of 33 working days of expenditures.

Cash Management

89.72%, \$329,873,000, of the County's cash deposits were either insured by federal insurance or collateralized. All collateral on cash deposits were held either by the County, the County's agent, or by a financial institution trust department in the County's name. Approximately 70.50%, \$1,644,095,000, of the categorized investments held by the County at June 30, 2003, are classified in the category of lowest custodial credit risk as defined by the Governmental Accounting Standards Board. This category includes investments that are insured, registered, or held by the County or its agent in the County's name. The maturities of the investments in the County Treasurer's Pooled Investment Fund (Pool) generally range from 1 month to 3 years, with the average weighted maturity being 248 days. The average weighted yield based upon book value is 1.8% for the fiscal year ended June 30, 2003.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, school district and special district external investment pools are reported as investment trust funds. Of the Treasurer's total cash and investments pool of \$2,880,872,000 at June 30, 2003, \$1,447,263,000 relates to the external investment pool participants.

Restrictive investment policies are in place to minimize credit and market risks while maintaining a competitive yield on the portfolios. The County Treasurer's selection of investments is more restrictive than those authorized in Sections 53601 and 53635 of the California Government Code and gives primary consideration to the safety and preservation of the principal amounts invested. On-going cash flow projections are maintained for the coming twelve months to assure that adequate funds are available to meet daily cash expenditure requirements. The investment policies are reviewed and updated annually.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

State statutes, specific debt financing indentures and contractual arrangements generally determine the investment restrictions of County cash and investments not held in the County Treasury.

Retirement Plan

The County of Riverside contributes to the California Public Employees Retirement System (PERS). PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All full-time, part-time and seasonal benefited County employees are eligible to participate in the system. Temporary, hourly employees cannot participate in the system until 1,000 hours are worked in a fiscal year. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit payable monthly for life. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after January 9, 1992 make their own contributions for the first five years. Miscellaneous prosecution unit employees hired on or after September 3, 1992 make their own contributions for the first year, as well. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years. For certain bargaining units the County makes the contribution required of the employees on their behalf, regardless of hire date.

The employee contribution rate for the 401(a) Defined Benefit Retirement Plan for Part-Time/Temporary employees is 3.75%. The employer's contribution rate is currently 1.00% of base earnings (excludes overtime and earnings exceeding the social security base of \$84,900 for calendar year 2002 and \$87,000 for calendar year 2003).

Risk Management

The County maintains a comprehensive risk management program under the full time direction of a professional risk manager. The County self-insures the primary layers for general liability (including auto), medical malpractice and workers' compensation. The County purchases all-risk property including flood, a level of earthquake as well as

boiler and machinery insurance coverage subject to various deductibles. The County records estimated liabilities for claims filed and for incurred but not reported (IBNR) claims. Additionally, the County self-insures unemployment insurance and short-term, disability income benefits.

The County purchases policies of excess insurance for medical malpractice, general liability including auto and workers' compensation. Medical malpractice utilized a policy that provided annual coverage on a claims-made basis. However, effective July 1, 1998, the County's medical malpractice coverage changed to an occurrence basis with all prior acts coverage. Effective October 2002 the medical malpractice insurance program returned to a claim made basis. In addition, the County purchases specialty coverages for aviation and watercraft liabilities, fidelity crime bonds and long-term disability benefits.

The County participates in the CSAC Excess Insurance Authority's (CSAC-EIA, a Joint Powers Authority) programs for excess liability, medical malpractice, worker's compensation, primary and excess property programs. CSAC-EIA provides some support services for selected programs, such as: excess disability, medical malpractice annual audits, risk management in-services for medical malpractice as well as loss prevention resources for general liability. Additionally, CSAC-EIA subsidizes participating counties for actuarial studies on a two (2) year basis.

The activities related to the County's programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims filed or to be filed for incidents that have occurred through June 30, 2003, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the County has provided a funding plan or the County may elect to increase charges. However, when funding exceeds the approved confidence level, departments are given a rate holiday or a reduced rate charge. Revenues of these Internal Service Funds primarily originate from user charges to Departments/Agencies/Special Districts and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

OTHER INFORMATION

Independent Audit

The County of Riverside contracted for its annual audit with the independent certified public accounting firm of Macias, Gini & Company LLP. In addition to meeting its contractual requirements for the audit of the basic financial statements, the audit is also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information is included in the financial section of this report. A separate report relating to the single audit is available in the County Auditor-Controller's Office.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Riverside for its Comprehensive Annual Financial Report for the year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of Riverside has received a Certificate of Achievement for the last fifteen consecutive years. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for a sixteenth certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not be accomplished without the dedicated service of the entire staff of the Auditor-Controller's office. My particular appreciation to staff that spent many late nights and weekends on the preparation of this report. I would also like to thank the staffs of the contributing component units and departments for their participation in the preparation of this report.

I would also like to express my appreciation to the Board of Supervisors and County Executive Officer for their vision and support in the planning and administration of the financial operations of the County of Riverside. Their exemplary leadership has kept the County on sound financial footing and well positioned as we progress further into the 21st century.

Finally, I would like to thank our independent auditors, Macias, Gini & Company LLP, for their efforts throughout this audit engagement.

Respectfully Yours,



ROBERT E. BYRD, CFM
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2003

ELECTED OFFICIALS

Board of Supervisors:

Chairman, Second District.....JOHN F. TAVAGLIONE

Vice Chairman, Fourth District..... S. ROY WILSON

First DistrictBOB A. BUSTER

Third District JAMES VENABLE

Fifth District..... MARION ASHLEY

COUNTY-WIDE ELECTED OFFICIALS

Auditor-Controller.....ROBERT E. BYRD, CGFM

Treasurer & Tax Collector..... PAUL MCDONNELL

Assessor & County Clerk Recorder..... GARY L. ORSO

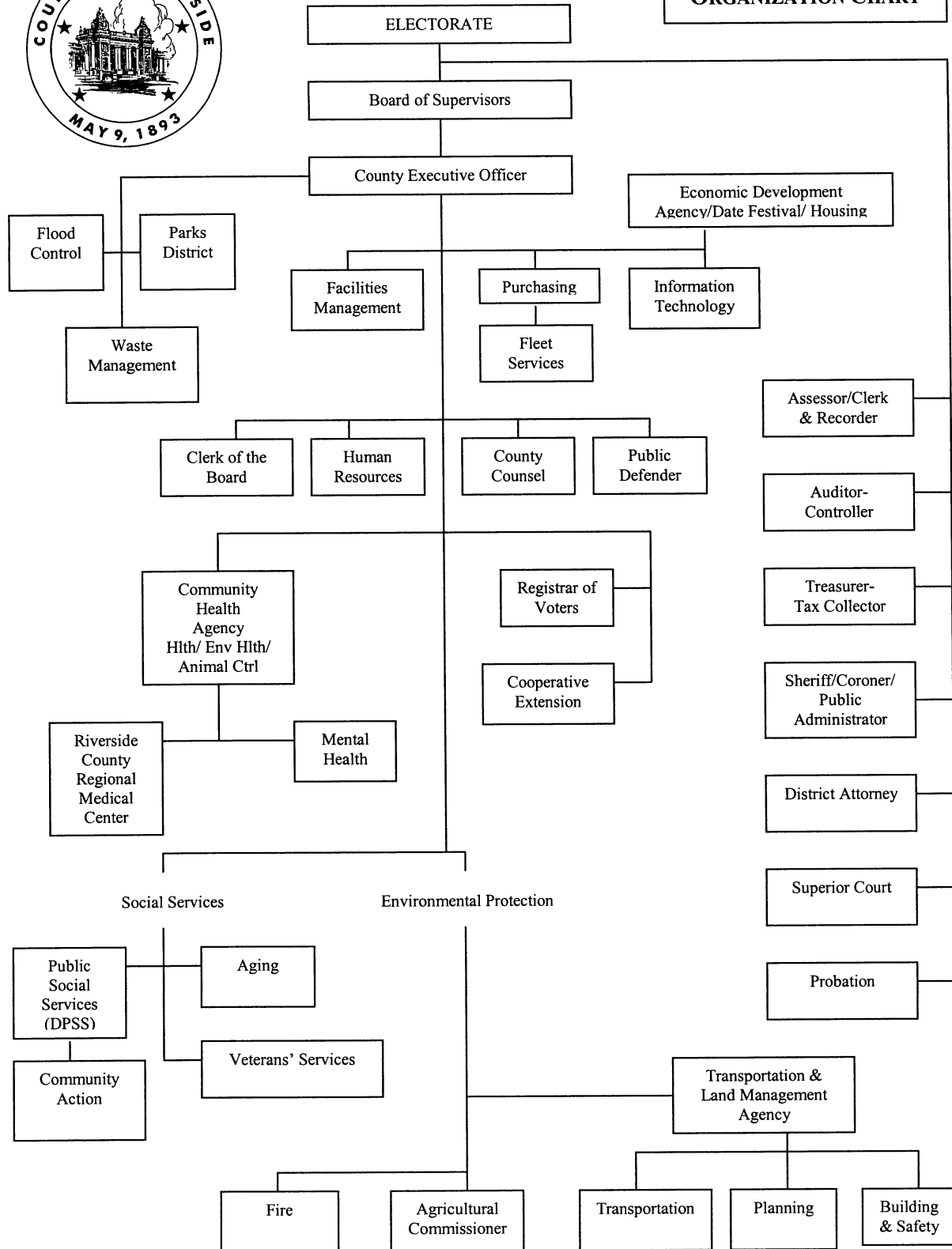
APPOINTED OFFICIALS

County Executive OfficerLARRY PARRISH

County Counsel.....WILLIAM C. KATZENSTEIN



**COUNTY OF RIVERSIDE
ORGANIZATION CHART**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director





FINANCIAL
SECTION

FINANCIAL SECTION



Macias, Gini & Company LLP
 Certified Public Accountants and
 Management Consultants

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Board of Supervisors
 County of Riverside, California

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Riverside, California (County), as of and for the fiscal year ended June 30, 2003, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of Riverside (Housing Authority), Riverside County Regional Park and Open-Space District (Park District), County of Riverside Redevelopment Agency (RDA), and Riverside County Children and Families Commission (Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	7%	2%
Business-type Activities	7%	18%
Discretely Presented Component Unit	100%	100%
Aggregate Remaining Fund Information	11%	3%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and flood control governmental funds for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mason, Jiri & Company LLP

Certified Public Accountants

Los Angeles, California
February 27, 2004



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is not covered by the Independent Auditor's Report. It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report.

Management's Discussion & Analysis (Unaudited)

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

In addition, the following supplemental information has been included in this report:

- Other Required Supplementary Information – Retirement Plan Schedules of Funding Progress
- Combining Statements for Nonmajor Governmental, Nonmajor Enterprise and Fiduciary funds
- Combining Statements and Schedules for Special Revenue, Debt Service, Capital Projects, Internal Service, and Fiduciary funds
- Statistical Section

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

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation and sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services. Governmental activities include two major funds, twenty nonmajor funds, and a representative allocation of the County's internal service funds. The two major Governmental funds are the General Fund and the Flood Control and Water Conservation District (Flood Control) Special Revenue Fund. The business-type activities of the County include two major enterprise funds, and three nonmajor funds. The major enterprise funds are the Regional Medical Center and Waste Management.

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

The financial information for the Children and Families Commission, a legally separate component unit that is appointed by and serves at the will of the County, is discretely presented separately from the financial information of the primary government. The Commission is shown as a discretely presented component unit because it provides

Management's Discussion & Analysis (Unaudited)

early childhood development programs to citizens rather than providing services exclusively or almost exclusively to the County government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- Housing Authority of the County of Riverside
- In-home Supportive Services Public Authority
- Redevelopment Agency for the County of Riverside
- Riverside County Desert Facilities Corporation
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority
- Riverside County Service Areas

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses, and balances of current financial resources.

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

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service and capital projects funds). The governmental fund statements present the financial information of each major fund (the General Fund and the Flood Control Special Revenue Fund) in separate columns. Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the Supplementary Information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental funds except CORAL, Desert

Management's Discussion & Analysis (Unaudited)

Facilities Corporation, and District Court Project. The budgetary comparison statements have been provided to demonstrate compliance with the budget.

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

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the Supplementary Information section.
- *Internal service funds* are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its fleet services, information services, printing services, supply services, OASIS Project (accounting and human resources information system), risk management, temporary assistance pool, and flood control equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated, presentation in the proprietary fund financial statements. Individual fund financial information for each internal service fund is provided in the Supplementary Information section.

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore can neither be used to support the County's own programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust fund, private-purpose trust fund and agency funds. The fiduciary fund financial statements are presented on the economic resources measurement focus and the accrual basis of accounting.

Notes to the Basic Financial Statements provide additional information other than that displayed on the face of the financial statements and are essential for fair presentation of the financial information in the government-wide and fund financial statements.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress.

FINANCIAL HIGHLIGHTS

- The assets of the County of Riverside exceeded its liabilities at the close of the fiscal year by \$1,465,500,000 (net assets). Of this amount, \$246,048,000 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors; \$696,186,000 (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and \$523,266,000 is invested in capital assets, net of related debt.
- The County's net assets increased by \$148,885,000 during fiscal year 2002-03. Of this amount, \$147,721,000 was from governmental activities and \$1,164,000 was from business-type activities. Countywide expenses, \$2,186,579,000, were substantially offset by program revenues, \$1,779,365,000, leaving an operating deficit of \$407,214,000. The operating deficit was offset by general revenues of \$556,099,000 resulting in the increase in net assets.
- As of June 30, 2003, the total fund balances of the governmental funds was \$729,525,000. This represents an increase of 8%, \$51,159,000, in comparison with the prior year. Approximately 29%, \$214,023,000 of

Management's Discussion & Analysis (Unaudited)

the combined fund balances was available to meet the County's current and future needs (*unreserved-undesignated fund balance*).

- At the end of the fiscal year, fund balance for the General Fund was \$218,578,000 , or 13% of the total General Fund expenditures. This amount includes \$103,489,000 of reserved fund balance and \$89,011,000 of designated fund balance.
- The County's long-term obligations showed a net decrease of \$53,401,000 compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable and notes payable. The decrease primarily resulted from scheduled principal retirements (see Note 13).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2001-02 implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, changed both the recording and presentation of financial information. Since this is the second year of financial data under the new reporting model, a comparative analysis has been presented for the government-wide financial statements.

Analysis of Net Assets – Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the County reported positive net assets balances for both governmental and business-type activities, with total assets exceeding liabilities by \$1,465,500,000.

The County's total net assets increased by \$148,885,000 during fiscal year 2002-03 compared to \$154,480,000 in the prior year. \$147,721,000 of the increased amount was from governmental activities and \$1,164,000 was from business-type activities. For the prior year, \$149,134,000 of the increase in net assets was from governmental activities and \$5,346,000 from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt:** This component represents 36%, \$523,266,000 , of the County's total net assets for fiscal year 2002-03 compared to 38%, \$531,595,000, for fiscal year 2001-02. The component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- **Restricted net assets** account for 48%, \$696,186,000 , of the County's total net assets for fiscal year 2002-03 compared to 47%, \$661,745,000, for fiscal year 2001-02. This component of net assets represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** account for 17%, \$246,048,000 of the County total net assets for fiscal year 2002-03 compared to 15%, \$213,642,000, for fiscal year 2001-02. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. In unrestricted net assets, for fiscal year 2002-03, the County reported a positive balance of \$205,952,000 for governmental activities and \$40,096,000 for business-type activities compared to a positive balance of \$163,543,000 for governmental activities and \$50,099,000 for business-type activities for fiscal year 2001-02.

Management's Discussion & Analysis (Unaudited)

The table below provides summarized data from the Statement of Net Assets:

Statement of Net Assets June 30, 2003 (in thousands)

	Governmental Activities		Business-type Activities		Total	Total	%
	2003	2002	2003	2002	2003	2002	Variance
Current and other assets	\$ 1,169,738	\$ 1,138,235	\$ 197,418	\$ 206,091	\$ 1,367,156	\$ 1,344,326	2%
Capital assets	1,299,725	1,234,364	249,668	254,191	1,549,393	1,580,300	-2%
Total assets	2,469,463	2,372,599	447,086	460,282	2,916,549	2,924,626	0%
Other liabilities	280,586	301,281	24,427	32,479	305,013	333,760	-9%
Long-term liabilities	817,185	848,423	328,851	335,461	1,146,036	1,183,884	-3%
Total liabilities	1,097,771	1,149,704	353,278	367,940	1,451,049	1,517,644	-4%
Net assets:							
Invested in capital assets, net of related debt	503,294	422,461	19,972	17,389	523,266	531,595	-2%
Restricted	662,446	636,891	33,740	24,854	696,186	661,745	5%
Unrestricted	205,952	163,543	40,096	50,099	246,048	213,642	15%
Total net assets	\$ 1,371,692	\$ 1,222,895	\$ 93,808	\$ 92,342	\$ 1,465,500	\$ 1,406,982	4%

Governmental Activities

Revenues: The County's governmental activities rely on the following sources of revenue to finance ongoing operations:

- Operating Grants and Contributions are revenues received from parties outside of the County, such as State and Federal agencies, and are generally restricted to one or more specific programs. In fiscal year 2002-03, a total of \$1,050,230,000 was earned, making this the largest revenue source for governmental activities, compared to a total of \$993,977,000 for fiscal year 2001-02. Public assistance and Health and sanitation received 69% of the governmental activity funding for fiscal year 2002-03 compared to 75% of the governmental activity funding from this source in the prior year. Public protection received 19% of the governmental activity funding for both fiscal year 2002-03 and fiscal year 2001-02.
- A total of \$387,467,000 was earned as governmental activity charges for services compared to \$366,626,000 for fiscal year 2001-02. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Public Protection, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 50% of this revenue source. This percentage was consistent with fiscal year 2001-02. General government generated 31% compared to 26% for prior year. Health and Sanitation generated 9% of this revenue source as compared to 10% in the prior year.
- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with \$32,537,000 earned for fiscal year 2002-03 compared to \$32,364,000 earned for fiscal year 2001-02. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. The majority of the revenue, 95%, 30,784,000, as compared to 93%, \$29,936,000, for fiscal year 2001-02, was received for public ways and facilities programs and is primarily related to the construction and acquisition of infrastructure capital assets.

Management's Discussion & Analysis (Unaudited)

General revenue related to governmental activities primarily consists of taxes, contractual revenue from City Redevelopment Agencies, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with \$225,775,000 earned during the year, an increase of 16%, \$31,929,000, as compared to the \$193,846,000 earned in fiscal year 2001-02. This increase is primarily attributable to higher assessed property values combined with a significant increase in new development.

Expenses: Total program expenses for governmental activities were \$1,861,336,000 for the current fiscal year as compared to \$1,770,166,000 for the prior fiscal year, an increase of 5% or \$91,170,000. The increase in governmental activities expenses was primarily attributable to the county's population growth (3.75%) and inflationary factors, offset by cost reduction measures. Thirty-three percent, \$620,663,000, of total governmental activities expenses were for Public Protection; 32%, \$588,502,000, for Public Assistance; 18%, \$330,830,000, for Health and Sanitation; 10%, \$183,132,000, for General Government; and 7%, \$138,209,000, for various program expenses. For fiscal year 2001-02, 63% was expended for Public Assistance and Public Protection with \$563,273,000 and \$549,019,000 spent on each program, respectively.

Business-type Activities

Revenues: The County has two major business-type activities: The Regional Medical Center (RMC) and Waste Management. In addition, the Housing Authority, Flood Control and County Service Areas are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges. For the current year, 97%, \$299,419,000, of the total business-type activities program revenue of \$309,131,000 was received from charges for services, as compared to 94%, \$279,847,000, for the prior fiscal year. The majority of the revenue for the current fiscal year, \$198,853,000, was received by RMC as compared to \$196,366,000 for the prior fiscal year.

Expenses: Total expenses for business-type activities were \$325,243,000 for the fiscal year compared to \$307,120,000 for the prior fiscal year, which represents a modest 5.9%, \$18,123,000, increase primarily attributable to County population growth (3.75%) and inflationary factors, offset by cost reduction measures. Seventy percent, \$228,339,000 of total expenses were incurred by RMC compared to 71%, \$218,753,000, for the prior fiscal year. In addition, expenses for the Housing Authority were 18%, \$57,977,000, compared to 16%, \$48,720,000, for the prior year; Waste Management Department, 11%, \$36,579,000, compared to 12%, \$37,083,000, the prior year. Flood Control and County Service Areas account for the remaining 1% of expenses, a percentage consistent with the prior fiscal year.

Management's Discussion & Analysis (Unaudited)

The following table provides summarized information from the Statement of Activities:

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2003 (In thousands)

	Governmental Activities		Business-type Activities		Total		Variance (%)
	2003	2002	2003	2002	2003	2002	
Revenues:							
Program revenues:							
Charges for services	\$ 387,467	\$ 366,626	\$ 299,419	\$ 279,847	\$ 686,886	\$ 646,473	6%
Operating grants and contributions	1,050,230	993,977	-	-	1,050,230	993,977	6%
Capital grants and contributions	32,537	32,364	9,712	12,439	42,249	44,803	-6%
General revenues:							
Property taxes	225,775	193,846	-	-	225,775	193,846	16%
Sales and use taxes	22,444	27,168	-	-	22,444	27,168	-17%
Transient occupancy taxes	-	17,267	-	-	-	17,267	-100%
Other taxes	10,377	16,905	-	-	10,377	16,905	-39%
Contractual revenue - RDA	6,015	55,587	-	-	6,015	55,587	-89%
Motor vehicle in-lieu taxes	106,466	100,457	-	-	106,466	100,457	6%
Investment earnings	24,909	40,061	3,235	3,965	28,144	44,026	-36%
Gain on sale of capital assets	504	-	754	1,844	1,258	1,844	-32%
Other	155,620	90,226	-	-	155,620	90,226	72%
Total revenues	2,022,344	1,934,484	313,120	298,095	2,335,464	2,232,579	
Expenses:							
General government	183,132	154,665	-	-	183,132	154,665	18%
Public protection	620,663	549,019	-	-	620,663	549,019	13%
Public ways and facilities	87,092	135,183	-	-	87,092	135,183	-36%
Health and sanitation	330,830	310,434	-	-	330,830	310,434	7%
Public assistance	588,502	563,273	-	-	588,502	563,273	4%
Education	8,609	9,315	-	-	8,609	9,315	-8%
Recreation and culture	8,842	9,332	-	-	8,842	9,332	-5%
Interest on long-term debt	33,666	38,945	-	-	33,666	38,945	-14%
Regional Medical Center	-	-	228,339	218,753	228,339	218,753	4%
Waste Management Department	-	-	36,579	37,083	36,579	37,083	-1%
Housing Authority	-	-	57,977	48,720	57,977	48,720	19%
Flood Control	-	-	2,054	2,271	2,054	2,271	-10%
County Service Areas	-	-	294	293	294	293	0%
Total expenses	1,861,336	1,770,166	325,243	307,120	2,186,579	2,077,286	
Excess (deficiency) before Special items and transfers	161,008	164,318	(12,123)	(9,025)	148,885	155,293	-4%
Special item- Loss on transfer of El Sobrante	-	-	-	(813)	-	(813)	-100%
Transfers in (out)	(13,287)	(15,184)	13,287	15,184	-	-	0%
Change in net assets	147,721	149,134	1,164	5,446	148,885	154,580	
Net Assets, Beginning of Year, as Restated	1,223,971	1,165,506	92,644	86,996	1,316,615	1,252,502	
Net Assets, End of Year	\$1,371,692	\$1,314,640	\$ 93,808	\$ 92,342	\$1,465,500	\$1,406,982	

Management's Discussion & Analysis (Unaudited)

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of current financial resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, special revenue funds, capital project funds, and debt service funds. As of June 30, 2003, the County's governmental funds reported combined fund balances of \$729,525,000, an increase of \$51,159,000 in comparison with the prior year. Of this total amount, \$320,091,000 constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance, \$409,434,000 is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County programs; \$262,021,000
- Outstanding debt service; \$87,260,000
- Liquidation of current contractual commitments; \$50,802,000
- Other smaller restrictions; \$9,351,000

Total governmental fund revenue increased 7%, \$135,147,000, from the prior fiscal year with \$2,016,494,000 being earned for the fiscal year-ended June 30, 2003. Expenditures also increased 5%, \$92,202,000, from the prior fiscal year with \$1,960,048,000 being expended for governmental function during fiscal year 2002-03, compared to \$1,867,846,000 for the prior fiscal year. Therefore, there was an increase in governmental fund balance of 8%, \$51,159,000, over fiscal year 2001-02. In comparison, fiscal year 2001-02 had an increase in governmental fund balance of 6%, \$38,389,000, over fiscal year 2000-01.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$115,089,000, compared to \$143,732,000 for the prior fiscal year, while total fund balance was \$218,578,000 for the current year and \$217,984,000 for the prior year. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance is 7% of the total General Fund expenditure of \$1,621,599,000 for the current year as compared to 10% of the prior year total of \$1,502,999,000. The total fund balance of the General Fund for the current year is 13% of the total General Fund expenditure as compared to 15% for the prior year.

Proprietary Funds

The County's proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in more detail. The Regional Medical Center and Waste Management are shown in separate columns of the fund statements due to materiality criteria defined by GASB. In addition, the internal service funds are combined into a single, aggregated, presentation in the proprietary fund statements with the individual fund data provided in the combining statements that can be found in the Supplemental Information section.

At the end of the fiscal year, total proprietary fund net assets were \$155,737,000, compared to \$152,529,000, for prior fiscal year. Total proprietary fund net assets increased 2%, \$3,208,000, compared to a \$626,000 increase for the prior fiscal year.

Management's Discussion & Analysis (Unaudited)

Of the year-end balance, unrestricted net assets were as follows:

- Regional Medical Center; \$7,959,000
- Waste Management; \$28,174,000
- Other enterprise fund activities; \$4,885,000
- Internal service fund activities; \$37,660,000

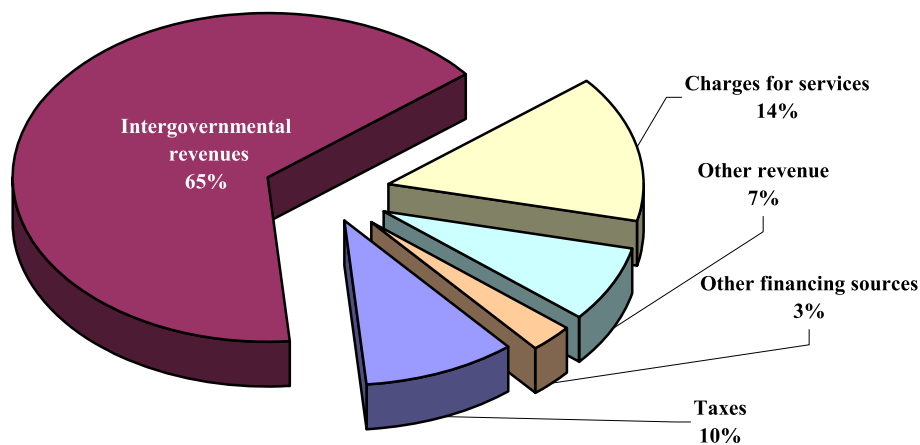
GENERAL FUND FINANCIAL ANALYSIS

Revenues and other financing sources for the General Fund, including comparative amounts from the preceding year are shown in the following tabulation (in thousands):

Revenues and Other Financing Sources	Fiscal Year 2002-2003	Percent of Total	Fiscal Year 2001-2002	Percent of Total
Taxes	\$ 160,220	10%	\$ 146,435	10%
Intergovernmental revenues	1,076,950	65%	1,032,665	66%
Charges for services	237,987	14%	225,753	14%
Other revenue	122,673	7%	130,250	8%
Other financing sources	43,958	3%	25,034	2%
Total	\$ 1,641,788	100%	\$ 1,560,137	100%

The increase in tax revenue is primarily attributable to higher assessed property values due to new home development and increased real estate sales. The increase in intergovernmental revenues is primarily attributable to additional federal funding for assistance programs provided by the Department of Social Services, Mental Health, and Probation. The decrease in other revenue is primarily attributable to a decrease in interest-invested earnings due to a drop in interest rates. The increase in other financing sources is primarily attributable to transfers in from non-major governmental funds for fire protection, engineering and lease costs.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2003 (In Thousands)



Total Revenues and Other Financing Sources = \$ 1,641,788

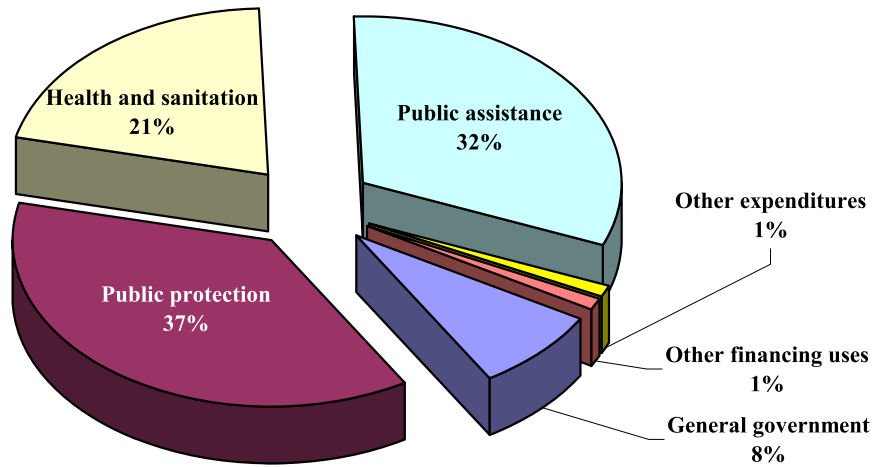
Management's Discussion & Analysis (Unaudited)

Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

<u>Expenditures and Other Financing Uses</u>	<u>Fiscal Year</u> <u>2002-2003</u>	<u>Percent of</u> <u>Total</u>	<u>Fiscal Year</u> <u>2001-2002</u>	<u>Percent of</u> <u>Total</u>
General government	\$ 133,476	8%	\$ 104,365	7%
Public protection	611,014	37%	565,380	36%
Health and sanitation	338,265	21%	302,195	20%
Public assistance	520,345	32%	491,554	32%
Other expenditures	18,499	1%	39,505	3%
Other financing uses	18,172	1%	32,992	2%
Total	\$ 1,639,771	100%	\$ 1,535,991	100%

Increased Salaries and benefits, and Services and supplies caused the increases in both health and sanitation and public protection. Salaries and benefits, as well as Other expenditures, primarily caused the increase in Public assistance. These increases, necessary to maintain service levels, are consistent with the rate of County population growth plus inflationary factors for the same period.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2003 (In Thousands)



Total Expenditures and Other Financing Uses = \$ 1,639,771

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the Original and the Final Amended Budget and 2) the Final Amended Budget and the Actual revenue and expenditure amounts. The Budgetary Comparison Statement displays the details of the comparison and is included in the Governmental Fund Statements section.

Management's Discussion & Analysis (Unaudited)

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variance

The original General Fund estimated revenue budget increased \$28,840,000, 1.7%, from \$1,650,425,000 to the final amended revenue budget of \$1,679,265,000. Of the increase, \$18,743,000 relates to aid received from other governmental agencies and \$10,097,000 relates to Motor Vehicle In-lieu taxes, interest earned on Treasury investments, and Assessor's Documentary Transfer Taxes being higher than originally estimated. These increases are detailed below.

Aid Received from Other Governmental Agencies:

- State-approved rate increases resulted in a \$4,987,000 growth in programs for Foster Care/Emergency and Adoption Assistance as more children were placed in foster and adoptive homes.
- Revenue estimates increased \$2,013,000 to fund Tuberculosis Prevention programs.
- Revenue estimates increased \$1,020,000 to fund Women, Infants and Children Supplemental Nutrition Program to serve additional participants and support program administration increases.
- Revenue estimates increased \$1,789,000 to fund Sheriff's Ben Clark Public Safety Training Center, \$791,000, and Community Oriented Policing Making Officer Redeployment Effective (COPS MORE), \$998,000.
- Revenue estimates increased \$1,425,000 to support county trauma centers.
- Revenue increased from an initial allocation of \$7,509,000, from State as a result of the passage of Proposition 41, the Voting Modernization Bond Act of 2002.

Revenue Received In Excess of Original Budget Estimate: Actual revenue received was higher than estimated in the original budget; therefore, revenue estimates were increased and offset by increases in contingency to be held for future needs. Following are the significant revenue estimates increased during the year:

- Motor Vehicle In Lieu of Taxes, \$4,565,000
- Documentary Transfer Taxes, \$3,500,000
- Federal In-Lieu Taxes, \$2,032,000

Expenditure Appropriation Variances

The original General Fund appropriation budget increased 4%, \$61,471,000, from \$1,665,259,000 to the final amended appropriation budget of \$1,726,730,000. The significant appropriation increases were in General Government, \$25,056,000, Public Protection, \$19,501,000, Health and Sanitation, \$27,563,000, and the Public Assistance, \$11,655,000, functional areas. There was a decrease of \$22,289,000 in the Debt Service functional area. The following describes the appropriation increases/decreases.

General Government: The appropriation budget increase was primarily due to a reclassification of \$25,056,000 from the Debt Service governmental fund group.

Public Protection: The appropriation budget increased 3%, \$19,501,000, from the original budget of \$607,565,000 to \$627,066,000. Significant appropriation increases include the following:

- The District Attorney's Office required an increase in appropriations of \$2,800,000 predominantly due to State mandated programs and increased retirement benefits.
- The appropriations for the Sheriff's Department was increased by \$6,800,000 due to increased costs associated with State mandated programs, higher retirement benefit rates, unanticipated settlement costs,

Management's Discussion & Analysis (Unaudited)

correctional deputies' training costs, and the purchase of 800MHz radios. The Sheriff's Department also received Federal COPS funds of \$1,335,450 to meet local public safety needs.

- The Probation Department required an increase in appropriations of \$2,087,000 due to a 5% salary increase for all safety unit employees, a spike in leave balance payoffs for employees retiring or separating, and an increase in the salary savings rate to cover additional department ISF charges.
- The Fire Department received an increase in appropriations of \$1,200,000 for the abatement of dead tree groves, and the purchase of Fire Engines costing \$3,254,000. The \$3,254,000 was a carryover from fiscal year 2001-02.

Health and Sanitation: The appropriation budget increased 8%, \$27,563,000, from \$346,657,000 to \$374,220,000. The significant factors are:

- An additional appropriation of \$13,000,000 needed to cover additional costs related to indigent care expenses (MISP).
- An additional appropriation of \$14,000,000 for health services for the SB855, SB1255, and Graduate Medical Education Disproportionate Share Hospital Medi-Cal programs. The State delayed the transfer of fiscal year 2001-02 funds to the County until fiscal year 2002-03. This resulted in an adjustment to the Health Services budget.

Public Assistance: The appropriation budget increased 2%, \$11,655,000, from the \$547,909,000 original adopted budget to the final amended budget of \$559,564,000. The significant factors are:

- An additional appropriation of \$2,038,000 needed to cover additional costs related to Child Welfare Services.
- An additional appropriation of \$8,800,000 to cover expenditures related to the CalWorks program.

Debt Service: The appropriation budget decreased by 45% (\$22,289,000) from \$49,714,000 to \$27,425,000 primarily as a result of the reclassification of payments from principal functional categories to current functional categories to reflect the current nature of the refinanced Teeter program debt which is due within one year.

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

During the year, the General Fund had a positive budget variance of \$23,696,000 resulting from unexpended appropriations of \$105,131,000 and overestimated revenue of \$81,435,000. The following factors contributed to the variance:

Expenditure Variances

General Fund expenditures of \$1,621,599,000 were 6%, \$105,131,000, less than the final amended appropriation budget of \$1,726,730,000. Health and Sanitation and Public Assistance were the two most significant factors attributing to the unexpended appropriations as follows:

Health and Sanitation: Expenditures were 10%, \$35,955,000, less than the final amended budget of \$374,220,000. Significant appropriation variances include the following:

- Mental Health Treatment and Mental Health Administration experienced a cost savings for salaries and benefits in the amount of \$5,438,000 and \$1,317,000, respectively. The decrease is due to uncertainties regarding the State's fiscal crisis and the potential impact to the County, Mental Health management reviewed vacant positions on a case-by-case basis to determine the urgency of filling the position and in many cases recruitments were delayed or canceled.

Management's Discussion & Analysis (Unaudited)

- Mental Health Treatment had a cost savings of \$3,400,000 in services and supplies and \$7,400,000 in other charges caused by the underutilization of contracts for Managed Care at Department of Social Services and Institute of Mental Disease Providers. Also, \$1,000,000 cost savings in other charges for Substance Abuse Treatment.
- The Medically Indigent Services Program ended the year with an unexpended appropriation of \$5,400,000 for other charges related to Public Health Services.
- Public Health had an unexpended appropriation of \$2,926,000 in salaries and benefits related to California Children's Services and Agency Administration costs due to a decrease in revenue received from grant funds. In addition, Public Health had a cost savings of \$2,000,000 in Services and Supplies and \$1,329,000 in Capital Assets.

Public Assistance: Expenditures decreased 7%, \$39,219,000, less than the final amended budget of \$559,564,000. Significant appropriation variances include the following:

- Due to project delays and budget constraints several facility projects were not completed resulting in a budget variance of \$16,400,000. Some of the large projects not completed were Banning CPS, Blythe multi-program expansion, Indio CPS, Jurupa Valley Self Sufficiency and Perris Self Sufficiency.
- DPSS had additional cost savings in services and supplies, specifically in contracted services for supplies and printing of \$3,000,000 and \$4,200,000, respectively. The decrease is due to the current budget environment and the departments' efforts to reduce general operating costs.
- DPSS also had a cost savings of \$13,061,000 in other charges, which resulted from a reduced demand for specific budgeted client services. Specifically, diagnostic and client services for children and adults programs were lower by \$5,300,000 and childcare services by \$4,500,000. Additionally, requested budget adjustments related to anticipated increases in IHSS provider wage rates as a result of implementation of the IHSS Public Authority State mandate. Due to delays in implementation and wage rate negotiations, the increases were not fully realized, resulting in \$2,000,000 of cost savings for other charges. An additional cost savings for other charges in the amount of \$1,700,000 is related to lower than expected Child Protective Services direct costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30 the County's capital assets for both its governmental and business-type activities amounted to \$1,549,393,000 (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, infrastructure (channels, storm drains, basins, roads, traffic signals, bridges and parks), structures and improvements and equipment. The County's capital assets increased 3%, \$60,838,000 from \$1,488,555,000 as restated to \$1,549,393,000.

The Waste Management Department completed construction of a \$6,494,000 department headquarters building in September 2002. The construction process began in August 2001 and was occupied in September 2002. The project was funded exclusively through Waste Management operating funds.

The County completed construction of a \$1,116,000 Women and Children's Shelter in April 2003. The project was financed through local governments and Federal HUD funding.

The County began the design of an Inmate Education and Counseling Center at the Smith Correctional Facility (Rehabilitation Center) in fiscal year 2002-03. Construction started in December 2003 with completion expected in 2004. The Center will accommodate training and education programs for inmates and their families. The \$7,700,000 project is financed through the Inmate Welfare Trust Fund.

Management's Discussion & Analysis (Unaudited)

The County currently has several construction projects that are in a design phase including the renovation of the 1933 Historic Courthouse (\$10,000,000), the Smith Correctional Facility expansion (\$8,000,000), and the Ben Clark Training Center Shooting Range (\$4,100,000).

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

- The June 30, 2003 construction in progress balance of \$31,157,000 included retirements of \$3,229,000, and additions of \$38,741,000 in capital assets comprised of the following projects:
 - Buildings and Structures; \$20,465,000
 - Channels, storm drains and basins (infrastructure); \$7,050,000
 - Road, bridge, and signal infrastructure; \$4,620,000
 - Waste Management landfill liners; \$3,800,000
 - Housing; \$870,000
 - Parks; \$805,000
 - Other smaller projects; \$1,131,000
- \$110,963,000 of construction was completed during the fiscal year and transferred from construction-in-progress to the following capital asset accounts:
 - Structures and improvements; \$96,737,000
 - Infrastructures: Road and signals; \$8,906,000
 - Infrastructures: Flood storm drains; \$3,713,000
 - Infrastructures: Waste; \$1,619,000
- Capital asset increases from additions and completed projects for infrastructure were \$45,990,000 comprised of the following:
 - Roads; \$34,204,000
 - Flood Storm Drains; \$6,620,000
 - Traffic Signals; \$2,396,000
 - Other Infrastructure; \$1,716,000
 - Flood Dams and Basins; \$530,000
 - Flood Channels; \$452,000
 - Parks trails and improvements; \$72,000

Management's Discussion & Analysis (Unaudited)

- Total building and structure retirements were \$13,722,000, of which \$13,254,000 was related to the Regional Medical Center's old hospital buildings. There were no infrastructure retirements in fiscal year 2002-03.

As of June 30, 2003, significant commitments for capital expenditures include the following:

- Redevelopment projects; \$23,800,000
- Flood channels and storm drain projects; \$7,097,000
- Purchase of multi-functional fire engines; \$4,430,000
- Southwest Justice Center Courts construction; \$2,146,000

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made.

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

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)
	As Restated:				As Restated:		Percent
	2003	2002	2003	2002	2003	2002	of Change
Infrastructure	\$ 411,519	\$ 375,209	\$ 20,009	\$ 19,666	\$ 431,528	\$ 394,875	9%
Land and Easements	287,174	281,711	22,627	23,057	309,801	304,768	2%
Land Improvements	99	99	8,899	9,181	8,998	9,280	-3%
Structures and Improvements	488,469	393,328	170,787	168,195	659,256	561,523	17%
Equipment	87,386	88,116	21,267	23,385	108,653	111,501	-3%
Construction in Progress	25,078	95,901	6,079	10,707	31,157	106,608	-71%
Total	\$ 1,299,725	\$ 1,234,364	\$ 249,668	\$ 254,191	\$ 1,549,393	\$ 1,488,555	4%

GASB Statement No. 34 allows for an extended period of deferral (through the fiscal year-ending June 30, 2006) before the County is required to record and depreciate infrastructure assets acquired prior to July 1, 2001. As a result of this deferral, the retroactive historical value of the County's transportation infrastructure assets (roads, bridges, and traffic signals that were completed prior to July 1, 2001) have not been included in the government-wide financial statements but will be included before June 30, 2006. The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated according their useful life. Additional information about the County's capital assets can be found in Note 9 to the financial statements.

Debt Administration Under the direction of the Board of Supervisors, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. On June 30, 2003, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled \$295.19 as of June 30, 2003. The calculated legal debt limit for the County is \$1,353,391,000. However, in October 2001, Moody's Investors Service placed a "negative outlook" on the credit rating for California counties (Riverside County included) noting it "primarily reflects the possibility that the State could address a significant part of any budget shortfall by diverting revenues from local governments, particularly counties." Following are the investment ratings maintained by the County:

Management's Discussion & Analysis (Unaudited)

	<u>Moody's Investors Service, Inc.</u>	<u>Standards & Poor's Corp.</u>
Long-term lease debt	A3	A+
Issuer credit	A1	AA-

Since 1981, the County has issued Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2002-03, the County, as a participant in the California Statewide Communities Development Authority Pool, issued \$175,000,000 in TRANs to satisfy short-term cash flow needs. The Authority Pool received ratings "MIG 1" from Moody's Investors Service, Inc. and "SP-1+" from Standard & Poor's Rating Services.

In October 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (alternate method of property tax distribution). The Plan required the "buy-out" of delinquent secured taxes and the annual advance of unpaid taxes to participating agencies. Funding for the County's on-going obligations under Teeter for fiscal year 2002-03 was accomplished through the sale of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes in the amount of \$37,682,000. The \$37,682,000 was comprised of \$34,775,000 (representing the amount of fiscal year 2002-03 delinquent property taxes) and \$2,907,000 (representing prior years' property taxes still delinquent). The Letter of Credit provider is Westdeutsche Landesbank Girozentrale and the repayment is now a pledge of the General Fund.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2003.

County's Outstanding Debt							
(In Thousands)							
	Governmental		Business-type		Total	Total	Variance
	Activities		Activities				
	2003	2002	2003	2002	2003	2002	
Loans payable	\$ 67,130	\$ 67,854	\$ -	\$ -	\$ 67,130	\$ 67,854	(1%)
Notes payable	930	3,126	-	-	930	3,126	(70%)
Bonds payable	91,758	91,758	228,392	233,454	320,150	325,212	(2%)
Certificates of participation	357,855	381,101	3,000	3,884	360,855	384,985	(6%)
Total Outstanding	<u>\$517,673</u>	<u>\$543,839</u>	<u>\$ 231,392</u>	<u>\$ 237,338</u>	<u>\$749,065</u>	<u>\$781,177</u>	<u>(4%)</u>

Lease Revenue Bond Refunding: On March 4, 2003, the County issued \$60,180,000 of CORAL Certificates of Participation (County of Riverside Hospital Project, 2003 Series A & B). The proceeds from the sale of the certificates were used to advance refund \$59,500,000 of 1993 Series A Hospital Project Certificates of Participation. The amount of the refunding debt outstanding at June 30, 2003 is \$60,180,000.

Defeasance of Debt: On April 30, 2003, the County issued \$16,120,000 of County of Riverside Court Financing Authority Taxable Refunding Certificates of Participation (Bankruptcy Court, Series 2003). The proceeds from the sale of the certificates, along with \$1,600,000 on deposit in the Reserve Fund of the refunded certificates, were used to exercise the County's option to prepay \$17,016,000 of 1997 Bankruptcy Court Project Certificates of Participation. The amount of refunding debt outstanding at June 30, 2003 is \$16,120,000.

Additional information regarding the County's short and long-term debt is included in Notes 12 and 13 to the financial statements and Tables 8, 9, 10 and 11 in the Statistical section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County continues to be extremely vulnerable to the State's budget and fiscal condition. Though California's economy improved during fiscal year 2002-03, the State continues to face a substantial structural deficit. The fiscal year 2004-05 outlook for the County is guarded. The long-term outlook is uncertain as the County's finances are

Management's Discussion & Analysis (Unaudited)

heavily influenced by the State's budget. The Governor's fiscal year 2004-05 proposed budget includes drastic cuts that will negatively affect this County's General Fund.

The County has recently increased cost containment measures. In addition to previous actions that included limiting equipment purchases, travel expenditures, and a freeze in the filling of vacant employment positions, General Fund departments were notified that their fiscal year 2003-04 General Fund support would be reduced by an average of 2.5 %, and their support for fiscal year 2004-2005 would be reduced by 8%.

The County budget for fiscal year 2003-04 assumed a beginning General Fund unreserved / undesignated fund balance of \$29,610,000. Estimated discretionary revenues were \$18,600,000 higher than those in the previous Final Budget based on an improved outlook for the County. The change in total estimated discretionary General Fund income represents a 5% increase. Subsequent to adoption of the County's final budget, the State took action to reduce vehicle license fee revenue by an estimated \$38 million. The newly elected governor reduced the vehicle tax but pledged to protect local governments from further vehicle tax losses. The final effect this will have on Riverside County will be known after the Legislature acts to confirm or adjust the Governor's budget position. Additional information is included in Note 22 of the financial statements regarding the "State of California Fiscal Outlook".

The County's employee retirement benefit contribution rate for miscellaneous members increased from 0% for fiscal year 2002-03 to 3.6% for fiscal year 2003-04, due primarily to the losses in investment returns for the CalPERS fund in 2001 and 2002. The County's contribution for Safety members will be 13.8% for fiscal years 2002-03 and 2003-04. The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment return and the County's growth rate, among other factors. CalPERS has notified the County that our Miscellaneous and Safety contribution rates for fiscal year 2004-05 will increase to 9.7% (Miscellaneous) and 17% (Safety). Fiscal year 2005-06 is projected at 13.8% (Miscellaneous) and 24.4% (Safety). Additional information regarding the County's retirement plans is included in Notes 18, 19 and 20 of the financial statements and schedules of retirement funding progress are included in the Required Supplementary Information section.

Assessed property values increased 11.08% in fiscal year 2002-03 and 11.66% in fiscal year 2003-04 yielding a total assessed property tax roll of \$122,000,000,000 for fiscal year 2003-04. According to the County Assessor, the \$12,800,000,000 increase is attributable to the 2% annual C.P.I. increase, ownership changes, and new construction in the County. The increase also takes into affect the reductions in assessed property values as the result of Proposition 8. The assessed values of 49,500 properties were affected by the Proposition 8 reductions in fiscal year 2003-04.

REQUEST FOR INFORMATION

This financial report is designed to provide our stakeholders with a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Riverside, Office of the Auditor-Controller, County Administrative Center, 4080 Lemon Street - 11th Floor, P.O. Box 1326, Riverside, CA 92502-1326; Phone: (909) 955-3800; Fax: (909) 955-3802; web site: www.auditorcontroller.org.



Basic Financial Statements - Government-Wide Financial Statements

COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2003
(Dollars in Thousands)

	Primary Government			Component
	Governmental	Business-type	Total	Unit
				Activities
ASSETS:				
Cash and investments (Note 5)	\$ 658,161	\$ 37,090	\$ 695,251	\$ 56,625
Receivables, net (Notes 1 and 7)	210,342	60,594	270,936	4,028
Inventories	3,773	4,672	8,445	-
Internal balances (Note 8)	9,024	(9,024)	-	-
Prepaid items and deposits	32	2,080	2,112	-
Restricted cash and investments (Notes 5 and 6)	265,372	97,408	362,780	-
Notes receivable	9,943	-	9,943	-
Land held for resale	12,685	-	12,685	-
Capital assets (Note 9):				
Depreciable assets	987,473	220,962	1,208,435	40
Nondepreciable assets	312,252	28,706	340,958	-
Bond issuance costs	406	4,598	5,004	-
Total assets	<u>2,469,463</u>	<u>447,086</u>	<u>2,916,549</u>	<u>60,693</u>
LIABILITIES:				
Accounts payable	70,136	12,211	82,347	2,339
Salaries and benefits payable	41,602	5,943	47,545	147
Due to other governments	20,343	1,631	21,974	1,462
Interest payable	5,081	1,394	6,475	-
Deposits payable	31	326	357	-
Teeter notes payable (Note 12)	37,682	-	37,682	-
Other liabilities	2,528	2,922	5,450	-
Deferred revenue (Note 7)	103,183	-	103,183	-
Long-term liabilities (Note 13) :				
Due within one year	99,445	18,702	118,147	19
Due beyond one year	717,740	310,149	1,027,889	11
Total liabilities	<u>1,097,771</u>	<u>353,278</u>	<u>1,451,049</u>	<u>3,978</u>
NET ASSETS:				
Invested in capital assets, net of related debt	503,294	19,972	523,266	-
Restricted for:				
Capital projects	161,792	-	161,792	-
Children's programs	-	-	-	56,715
Debt service	86,812	-	86,812	-
Other purposes	413,842	33,740	447,582	-
Unrestricted	205,952	40,096	246,048	-
Total net assets	<u>\$ 1,371,692</u>	<u>\$ 93,808</u>	<u>\$ 1,465,500</u>	<u>\$ 56,715</u>

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

COUNTY OF RIVERSIDE
Statement of Activities
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 183,132	\$ 118,494	\$ 59,491	\$ -
Public protection	620,663	192,179	195,281	661
Public ways and facilities	87,092	36,378	62,295	30,784
Health and sanitation	330,830	33,626	213,797	-
Public assistance	588,502	2,298	515,939	-
Education	8,609	570	120	1,092
Recreation and culture	8,842	3,922	3,307	-
Interest on long-term debt	33,666	-	-	-
Total governmental activities	<u>1,861,336</u>	<u>387,467</u>	<u>1,050,230</u>	<u>32,537</u>
Business-type activities:				
Regional Medical Center	228,339	189,141	-	9,712
Waste Management Department	36,579	49,623	-	-
Housing Authority	57,977	58,199	-	-
Flood Control	2,054	2,167	-	-
County Service Areas	294	289	-	-
Total business-type activities	<u>325,243</u>	<u>299,419</u>	<u>-</u>	<u>9,712</u>
Total primary government	<u>\$ 2,186,579</u>	<u>\$ 686,886</u>	<u>\$ 1,050,230</u>	<u>\$ 42,249</u>
Component unit:				
Children and Families First Commission	<u>\$ 27,799</u>	<u>\$ -</u>	<u>\$ 24,618</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales and use taxes

Other taxes

Intergovernmental revenue not restricted to programs:

Contractual revenue- Redevelopment

Motor vehicle in-lieu of taxes

Investment earnings

Gain on sale of capital assets

Other

Transfers

Total general revenues and transfers

Changes in net assets

NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)

NET ASSETS, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Unit
\$ (5,147)	\$ -	\$ (5,147)	
(232,542)	-	(232,542)	
42,365	-	42,365	
(83,407)	-	(83,407)	
(70,265)	-	(70,265)	
(6,827)	-	(6,827)	
(1,613)	-	(1,613)	
(33,666)	-	(33,666)	
(391,102)	-	(391,102)	
-	(29,486)	(29,486)	
-	13,044	13,044	
-	222	222	
-	113	113	
-	(5)	(5)	
-	(16,112)	(16,112)	
(391,102)	(16,112)	(407,214)	
			\$ (3,181)
225,775	-	225,775	-
22,444	-	22,444	-
10,377	-	10,377	-
6,015	-	6,015	-
106,466	-	106,466	-
24,909	3,235	28,144	783
504	754	1,258	-
155,620	-	155,620	300
(13,287)	13,287	-	-
538,823	17,276	556,099	1,083
147,721	1,164	148,885	(2,098)
1,223,971	92,644	1,316,615	58,813
\$ 1,371,692	\$ 93,808	\$ 1,465,500	\$ 56,715

FUNCTION/PROGRAM ACTIVITIES:

Primary government:

Governmental activities:

General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and culture
Interest on long-term debt
Total governmental activities

Business-type activities:

Regional Medical Center
Waste Management Department
Housing Authority
Flood Control
County Service Areas
Total business-type activities
Total primary government

Component unit:

Children and Families First Commission





Basic Financial Statments - Fund Financial Statements

COUNTY OF RIVERSIDE

Balance Sheet

Governmental Funds

June 30, 2003

(Dollars in Thousands)

	General	Flood Control	Other Funds	Total Governmental Funds
ASSETS:				
Cash and investments (Note 5)	\$ 44,433	\$ 123,686	\$ 348,399	\$ 516,518
Accounts receivable (Notes 1 and 7)	4,534	269	11,566	16,369
Interest receivable (Note 7)	3,026	163	1,772	4,961
Taxes receivable (Note 7)	4,336	1,104	1,481	6,921
Due from other governments (Note 7)	172,459	4	8,324	180,787
Inventories	865	-	843	1,708
Due from other funds (Note 8)	12,369	-	544	12,913
Restricted cash and investments (Notes 5 and 6)	189,143	-	76,229	265,372
Advance to other funds (Note 8)	7,766	-	-	7,766
Notes receivable (Note 7)	-	-	9,943	9,943
Land held for resale	-	-	12,685	12,685
Total assets	438,931	125,226	471,786	1,035,943
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	47,834	1,321	11,623	60,778
Salaries and benefits payable	35,670	547	2,852	39,069
Due to other governments	15,248	88	4,989	20,325
Due to other funds (Note 8)	3,627	-	9,105	12,732
Deposits payable	20	-	11	31
Teeter notes payable (Note 12)	-	-	37,682	37,682
Deferred revenue (Note 7)	117,954	-	17,847	135,801
Total liabilities	220,353	1,956	84,109	306,418
Fund balances (Note 14):				
Reserved	103,489	7,097	298,848	409,434
Unreserved-designated, reported in				
General fund	89,011	-	-	89,011
Special revenue funds	-	-	11,929	11,929
Capital projects funds	-	-	5,128	5,128
Unreserved-undesignated, reported in				
General fund	26,078	-	-	26,078
Special revenue funds	-	116,173	70,791	186,964
Capital projects funds	-	-	981	981
Total fund balances	218,578	123,270	387,677	729,525
Total liabilities and fund balances	\$ 438,931	\$ 125,226	\$ 471,786	\$ 1,035,943

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



COUNTY OF RIVERSIDE
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2003
(Dollars in Thousands)

Fund balances - total governmental funds (page 25) \$ 729,525

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 1,244,805

Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds. 406

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements. 32,618

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds	\$	91,758	
Capital lease obligations		71,878	
Certificates of participation		357,855	
Loans payable		67,130	
Notes payable		930	
Accrued interest payable		5,081	
Accreted interest payable		1,206	
Compensated absences		102,675	
		(698,513)	(698,513)

Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets. 62,851

Net assets of governmental activities (page 21) \$ 1,371,692

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



COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	General Fund	Flood Control	Other Funds	Total
REVENUES:				
Taxes	\$ 160,220	\$ 25,058	\$ 73,318	\$ 258,596
Licenses, permits and franchise fees	15,411	-	10,266	25,677
Fines, forfeitures and penalties	36,899	-	342	37,241
Use of money and property:				
Interest	12,893	1,622	8,816	23,331
Rents and concessions	966	4,998	33,869	39,833
Aid from other governmental agencies:				
Federal	373,766	-	54,667	428,433
State	657,085	-	39,381	696,466
Other	46,099	-	-	46,099
Charges for services	237,987	7,300	82,631	327,918
Other revenue	56,504	5,347	71,049	132,900
Total revenues	<u>1,597,830</u>	<u>44,325</u>	<u>374,339</u>	<u>2,016,494</u>
EXPENDITURES:				
General government	133,476	5,649	65,736	204,861
Public protection	611,014	-	2,767	613,781
Public ways and facilities	-	25,447	95,043	120,490
Health and sanitation	338,265	-	858	339,123
Public assistance	520,345	-	50,113	570,458
Education	343	-	8,918	9,261
Recreation and culture	194	-	10,528	10,722
Debt service:				
Principal	3,888	-	33,755	37,643
Interest	5,639	-	25,581	31,220
Capital outlay	8,435	1,610	12,444	22,489
Total expenditures	<u>1,621,599</u>	<u>32,706</u>	<u>305,743</u>	<u>1,960,048</u>
Excess (deficiency) of revenues over (under) expenditures	(23,769)	11,619	68,596	56,446
OTHER FINANCING SOURCES (USES):				
Transfers in	35,523	239	22,899	58,661
Transfers out	(18,172)	(968)	(52,739)	(71,879)
Capital leases	8,435	-	-	8,435
Total other financing sources (uses)	<u>25,786</u>	<u>(729)</u>	<u>(29,840)</u>	<u>(4,783)</u>
NET CHANGE IN FUND BALANCES	2,017	10,890	38,756	51,663
Fund balances, beginning of year, as previously reported	217,984	112,357	348,025	678,366
Adjustments to beginning fund balances (Note 4)	(1,423)	23	896	(504)
Fund balances, beginning of year, as restated	<u>216,561</u>	<u>112,380</u>	<u>348,921</u>	<u>677,862</u>
FUND BALANCES, END OF YEAR	<u>\$ 218,578</u>	<u>\$ 123,270</u>	<u>\$ 387,677</u>	<u>\$ 729,525</u>

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



COUNTY OF RIVERSIDE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 29) \$ 51,663

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

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

Expenditures for capital assets	88,662	
Less loss on sale of capital assets	(246)	
Donation of capital assets	3,814	
Less current year depreciation	<u>(30,286)</u>	61,944

Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount of amortization expense in the current period. (14)

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

Principal payments 37,863

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements. (45)

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

Change in accrued interest	(314)	
Change in accreted interest	(295)	
Change in long-term compensated absences	<u>(4,256)</u>	(4,865)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities. 1,175

Change in net assets of governmental activities (page 23) \$ 147,721

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 150,067	\$ 154,522	\$ 160,220	\$ 5,698
Licenses, permits and fees	18,600	18,899	15,411	(3,488)
Fines, forfeitures and penalties	33,475	38,822	36,899	(1,923)
Use of money and property:				
Interest	11,150	11,150	12,893	1,743
Rents and concessions	1,178	893	966	73
Aid from other governmental agencies:				
Federal	358,595	370,970	373,766	2,796
State	637,815	739,942	657,085	(82,857)
Other	-	46,099	46,099	-
Charges for current services	258,518	225,326	237,987	12,661
Other revenue	181,027	72,642	56,504	(16,138)
Total revenues	1,650,425	1,679,265	1,597,830	(81,435)
EXPENDITURES:				
General government				
Salaries and employee benefits	67,276	68,536	66,745	(1,791)
Services and supplies	71,753	108,665	101,957	(6,708)
Other charges	6,743	10,549	10,080	(469)
Capital assets	888	580	360	(220)
Intrafund transfers	(33,794)	(50,406)	(45,666)	4,740
Total general government	112,866	137,924	133,476	(4,448)
Public protection:				
Salaries and employee benefits	376,026	388,204	385,031	(3,173)
Services and supplies	199,247	198,976	192,452	(6,524)
Other charges	38,551	38,606	38,142	(464)
Capital assets	3,479	11,474	5,247	(6,227)
Intrafund transfers	(9,738)	(10,194)	(9,858)	336
Total public protection	607,565	627,066	611,014	(16,052)
Health and sanitation:				
Salaries and employee benefits	128,528	131,264	121,602	(9,662)
Services and supplies	82,416	89,854	84,132	(5,722)
Other charges	158,268	187,464	173,572	(13,892)
Capital assets	491	2,446	387	(2,059)
Intrafund transfers	(23,046)	(36,808)	(41,428)	(4,620)
Total health and sanitation	346,657	374,220	338,265	(35,955)
Public assistance:				
Salaries and employee benefits	150,763	145,019	144,608	(411)
Services and supplies	88,998	86,839	60,990	(25,849)
Other charges	322,406	341,933	328,873	(13,060)
Capital assets	524	955	746	(209)
Intrafund transfers	(14,782)	(15,182)	(14,872)	310
Total public assistance	\$ 547,909	\$ 559,564	\$ 520,345	\$ (39,219)

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Education:				
Salaries and employee benefits	\$ 175	\$ 175	\$ 174	\$ (1)
Services and supplies	173	164	160	(4)
Capital assets	-	10	9	(1)
Total education	<u>348</u>	<u>349</u>	<u>343</u>	<u>(6)</u>
Recreation and culture:				
Salaries and employee benefits	46	53	52	(1)
Services and supplies	126	119	116	(3)
Other charges	28	10	26	16
Total recreation and culture	<u>200</u>	<u>182</u>	<u>194</u>	<u>12</u>
Debt service:				
Principal	44,106	21,572	3,888	(17,684)
Interest	5,608	5,853	5,639	(214)
Capital outlay	-	-	8,435	8,435
Total debt service	<u>49,714</u>	<u>27,425</u>	<u>17,962</u>	<u>(9,463)</u>
Total expenditures	<u>1,665,259</u>	<u>1,726,730</u>	<u>1,621,599</u>	<u>(105,131)</u>
Excess (deficiency) of revenues over (under) expenditures	(14,834)	(47,465)	(23,769)	23,696
OTHER FINANCING SOURCES (USES):				
Transfers in	-	37,026	35,523	(1,503)
Transfers out	-	(19,242)	(18,172)	1,070
Capital leases	-	-	8,435	8,435
Total other financing sources (uses)	<u>-</u>	<u>17,784</u>	<u>25,786</u>	<u>8,002</u>
NET CHANGE IN FUND BALANCE	<u>(14,834)</u>	<u>(29,681)</u>	<u>2,017</u>	<u>31,698</u>
Fund balance, beginning of year, as previously reported	<u>217,984</u>	<u>217,984</u>	<u>217,984</u>	<u>-</u>
Adjustment to beginning fund balance (Note 4)	<u>-</u>	<u>-</u>	<u>(1,423)</u>	<u>(1,423)</u>
Fund balance, beginning of year, as restated	<u>217,984</u>	<u>217,984</u>	<u>216,561</u>	<u>(1,423)</u>
FUND BALANCE, END OF YEAR	<u>\$ 203,150</u>	<u>\$ 188,303</u>	<u>\$ 218,578</u>	<u>\$ 30,275</u>

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



COUNTY OF RIVERSIDE
Budgetary Comparison Statement
Flood Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 20,079	\$ 20,079	\$ 25,058	\$ 4,979
Use of money and property:				
Rents and concessions	1,748	1,748	1,622	(126)
Interest	98	98	4,998	4,900
Aid from other governmental agencies:				
Federal	110	110	-	(110)
State	410	410	-	(410)
Charges for services	5,530	5,605	7,300	1,695
Other revenue	19,622	19,622	5,347	(14,275)
Total revenues	<u>47,597</u>	<u>47,672</u>	<u>44,325</u>	<u>(3,347)</u>
EXPENDITURES:				
General government	5,891	5,972	5,649	(323)
Public ways and facilities	67,289	70,001	25,447	(44,554)
Capital outlay	-	-	1,610	1,610
Total expenditures	<u>73,180</u>	<u>75,973</u>	<u>32,706</u>	<u>(43,267)</u>
Excess (deficiency) of revenues over (under) expenditures	(25,583)	(28,301)	11,619	39,920
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	239	239
Transfers out	-	-	(968)	(968)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(729)</u>	<u>(729)</u>
NET CHANGE IN FUND BALANCE	(25,583)	(28,301)	10,890	39,191
Fund balance, beginning of year	112,357	112,357	112,357	-
Adjustments to beginning fund balance (Note 4)	-	-	23	23
Fund balance, beginning of year, as restated	<u>112,357</u>	<u>112,357</u>	<u>112,380</u>	<u>23</u>
FUND BALANCE, END OF YEAR	<u>\$ 86,774</u>	<u>\$ 84,056</u>	<u>\$ 123,270</u>	<u>\$ 39,214</u>

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

COUNTY OF RIVERSIDE
Statement of Net Assets
Proprietary Funds
June 30, 2003
(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental
	Regional	Waste	Other	Total	Internal
	Medical	Management			Service
	Center	Department			Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	\$ 7	\$ 28,124	\$ 8,959	\$ 37,090	\$ 141,643
Accounts receivable - net (Notes 1 and 7)	42,431	5,062	886	48,379	1,157
Interest receivable (Note 7)	-	134	4	138	147
Taxes receivable (Note 7)	-	-	12	12	-
Due from other governments (Note 7)	11,314	309	442	12,065	-
Advance to other funds (Note 8)	-	-	-	-	-
Inventories	4,672	-	-	4,672	2,065
Due from other funds (Note 8)	3,321	-	22	3,343	182
Restricted cash and investments (Notes 5 and 6)	22,632	72,095	2,681	97,408	-
Prepaid items and deposits	1,648	345	87	2,080	32
Total current assets	<u>86,025</u>	<u>106,069</u>	<u>13,093</u>	<u>205,187</u>	<u>145,226</u>
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	167,305	37,734	15,923	220,962	54,920
Nondepreciable assets	8,956	14,134	5,616	28,706	-
Bond issuance costs	3,556	-	1,042	4,598	-
Total noncurrent assets	<u>179,817</u>	<u>51,868</u>	<u>22,581</u>	<u>254,266</u>	<u>54,920</u>
Total assets	<u>265,842</u>	<u>157,937</u>	<u>35,674</u>	<u>459,453</u>	<u>200,146</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	9,480	2,622	109	12,211	9,358
Salaries and benefit payable	5,276	621	46	5,943	2,533
Due to other funds (Note 8)	3,657	-	22	3,679	27
Due to other governments	-	-	1,631	1,631	18
Interest Payable	1,332	-	62	1,394	-
Deposits Payable	-	280	46	326	-
Other Liabilities	-	388	2,534	2,922	2,528
Accrued closure and post-closure costs (Notes 10 and 13)	-	1,700	-	1,700	-
Accrued remediation costs (Note 21)	-	900	-	900	-
Compensated absences (Notes 1 and 13)	2,486	566	28	3,080	1,492
Capital lease obligations (Note 13)	2,072	-	-	2,072	16,351
Certificates of participation (Note 13)	960	-	-	960	-
Bonds payable (Note 13)	9,490	-	500	9,990	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	24,875
Total current liabilities	<u>34,753</u>	<u>7,077</u>	<u>4,978</u>	<u>46,808</u>	<u>57,182</u>
Noncurrent portion of long-term liabilities:					
Compensated absences (Note 13)	6,871	1,512	606	8,989	3,103
Advances from other funds (Note 8)	7,766	-	-	7,766	-
Accrued closure and post closure care costs (Note 10)	-	42,305	-	42,305	-
Accrued remediation costs (Note 21)	-	15,570	-	15,570	-
Capital lease obligations (Notes 1 and 13)	3,670	-	-	3,670	14,300
Certificates of participation (Note 13)	2,040	-	-	2,040	-
Bonds payable (Note 13)	207,782	-	10,620	218,402	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	62,132
Other long-term liabilities (Note 13)	18,566	-	607	19,173	1,500
Total noncurrent liabilities	<u>246,695</u>	<u>59,387</u>	<u>11,833</u>	<u>317,915</u>	<u>81,035</u>
Total liabilities	<u>281,448</u>	<u>66,464</u>	<u>16,811</u>	<u>364,723</u>	<u>138,217</u>
NET ASSETS:					
Invested in capital assets, net of related debt	(44,298)	51,868	12,402	19,972	24,269
Restricted	20,733	11,431	1,576	33,740	-
Unrestricted	7,959	28,174	4,885	41,018	37,660
Total net assets	<u>\$ (15,606)</u>	<u>\$ 91,473</u>	<u>\$ 18,863</u>	<u>94,730</u>	<u>\$ 61,929</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.				(922)	
Net assets of business-type activities				<u>\$ 93,808</u>	

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

COUNTY OF RIVERSIDE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental
	Regional	Waste	Other	Total	Internal
	Medical Center	Management Department			Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	\$ 183,048	\$ -	\$ -	\$ 183,048	\$ -
Charges for services	-	49,623	59,762	109,385	177,478
Other revenue	6,093	-	893	6,986	9,919
Total operating revenues	189,141	49,623	60,655	299,419	187,397
OPERATING EXPENSES:					
Cost of materials used	-	-	-	-	964
Personnel services	104,907	11,845	7,115	123,867	49,025
Communications	-	412	-	412	4,287
Insurance	1,634	88	2	1,724	1,609
Maintenance of building and equipment	-	1,720	2,590	4,310	12,210
Insurance claims	-	-	-	-	51,349
Supplies	48,054	3,482	692	52,228	19,048
Purchased services	38,006	20,163	286	58,455	22,637
Depreciation and amortization	9,782	3,429	1,738	14,949	18,832
Rents and leases of equipment	-	120	-	120	1,990
Public assistance	-	-	45,060	45,060	-
Utilities	5,007	-	643	5,650	207
Closure and post-closure care costs	-	2,215	-	2,215	-
Remediation costs (recovery)	-	(7,303)	-	(7,303)	-
Other	1,257	201	1,349	2,807	2,940
Total operating expenses	208,647	36,372	59,475	304,494	185,098
Operating income (loss)	(19,506)	13,251	1,180	(5,075)	2,299
NONOPERATING REVENUES (EXPENSES):					
Investment income	1,666	1,380	189	3,235	1,578
Interest expense	(17,523)	(4)	(824)	(18,351)	(1,837)
Gain (loss) on disposal of capital assets	805	-	(51)	754	504
Other nonoperating expenses	(1,376)	-	-	(1,376)	(2,321)
Total nonoperating revenues (expenses)	(16,428)	1,376	(686)	(15,738)	(2,076)
Income (loss) before capital contributions, and transfers	(35,934)	14,627	494	(20,813)	223
Capital contributions	9,712	-	-	9,712	-
Transfers in	13,287	-	-	13,287	23
Transfers out	-	-	-	-	(93)
CHANGE IN NET ASSETS	(12,935)	14,627	494	2,186	153
Net assets, beginning of the year, as previously reported	(2,671)	76,846	18,067		60,197
Adjustments to beginning net assets (Note 4)	-	-	302		1,579
Net assets, beginning of the year, as restated	(2,671)	76,846	18,369		61,776
NET ASSETS, END OF YEAR	\$ (15,606)	\$ 91,473	\$ 18,863		\$ 61,929
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(1,022)	
Change in net assets of business-type activities				\$ 1,164	

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Business-type Activities -- Enterprise Funds				Governmental
	Regional	Waste	Other	Total	Internal
	Medical Center	Management Department			Service Funds
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 196,243	\$ 46,494	\$ 62,805	\$ 305,542	\$ 189,481
Cash payment to suppliers for goods and services	(97,630)	(28,632)	(49,655)	(175,917)	(108,126)
Cash payment to employees for services	(103,729)	(11,812)	(7,022)	(122,563)	(48,469)
Net cash provided by (used in) operating activities	<u>(5,116)</u>	<u>6,050</u>	<u>6,128</u>	<u>7,062</u>	<u>32,886</u>
Cash flows from noncapital financing activities:					
Advances from other funds	4,811	-	-	4,811	(2,321)
Transfers received	13,287	-	-	13,287	23
Transfers paid	-	-	-	-	(93)
Net cash provided by (used in) noncapital financing activities	<u>18,098</u>	<u>-</u>	<u>-</u>	<u>18,098</u>	<u>(2,391)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	805	-	17	822	743
Capital contributions	9,712	-	-	9,712	-
Acquisition and construction of capital assets	(3,694)	(7,548)	(643)	(11,885)	(16,985)
Principal paid on capital leases	(1,841)	-	-	(1,841)	(8,458)
Principal paid on certificates of participation	(684)	(200)	-	(884)	-
Principal paid on bonds	(4,572)	-	(490)	(5,062)	-
Interest paid on long-term debt	(15,265)	(4)	(824)	(16,093)	(1,846)
Net cash used in capital and related financing activities	<u>(15,539)</u>	<u>(7,752)</u>	<u>(1,940)</u>	<u>(25,231)</u>	<u>(26,546)</u>
Cash flows from investing activities:					
Interest received on investments	1,666	1,445	190	3,301	1,696
Net cash provided by investing activities	<u>1,666</u>	<u>1,445</u>	<u>190</u>	<u>3,301</u>	<u>1,696</u>
Net increase (decrease) in cash and cash equivalents	(891)	(257)	4,378	3,230	5,645
Cash and cash equivalents, beginning of year	23,530	100,476	7,262	131,268	135,998
Cash and cash equivalents, end of year	<u>\$ 22,639</u>	<u>\$ 100,219</u>	<u>\$ 11,640</u>	<u>\$ 134,498</u>	<u>\$ 141,643</u>

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Business-type Activities -- Enterprise Funds				Governmental
	Regional	Waste	Other	Total	Activities
	Medical	Management			Internal
	Center	Department			Service
					Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (19,506)	\$ 13,251	\$ 1,180	\$ (5,075)	\$ 2,299
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	9,782	3,429	1,738	14,949	18,832
Amortization of bond issuance costs	692	-	69	761	-
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Accounts receivable	2,019	(1,504)	(410)	105	515
Taxes receivable	-	-	(1)	(1)	-
Inventories	(760)	-	-	(760)	(341)
Due from other funds	558	-	(5)	553	1,345
Due from other governments	16,043	(111)	1,552	17,484	224
Prepaid items and deposits	788	(12)	(29)	747	(32)
Increase (decrease) in:					
Accounts payable	(7,087)	(2,010)	(1,087)	(10,184)	4,315
Salaries and benefits payable	329	105	38	472	(266)
Compensated absences	849	(72)	55	832	822
Estimated claims liability	-	-	-	-	4,307
Due to other funds	(12,210)	(593)	(86)	(12,889)	(1,033)
Due to other governments	-	(909)	993	84	(2)
Accrued closure and post-closure care costs	-	1,761	-	1,761	-
Accrued remediation costs	-	(7,303)	-	(7,303)	-
Deposits payable	-	(12)	38	26	-
Other liabilities	3,387	30	2,083	5,500	1,901
Net cash provided by (used in) operating activities	\$ (5,116)	\$ 6,050	\$ 6,128	\$ 7,062	\$ 32,886

Supplemental disclosure of noncash capital, financing, and investing activities

Capital assets financed with capital leases	\$ 1,891	\$ -	\$ -	\$ 1,891	\$ 9,282
Accretion on capital appreciation bonds	3,387	-	-	3,387	-
The County issued refunding bonds totaling \$60,180,000 to refund \$59,500,000 of leasehold revenue bonds.					

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

COUNTY OF RIVERSIDE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	\$ 5,940	\$ 1,694,655	\$ 15,643	\$ 196,486
Accounts receivable	367	-	-	-
Interest receivable	8	2,087	13	12
Taxes receivable	-	-	-	399
Due from other governments	-	796	-	7
Total assets	<u>6,315</u>	<u>1,697,538</u>	<u>15,656</u>	<u>196,904</u>
LIABILITIES:				
Accounts payable	-	-	5,712	83,074
Due to other governments	-	-	5	109,009
Due to third parties	-	-	-	4,821
Total liabilities	<u>-</u>	<u>-</u>	<u>5,717</u>	<u>\$ 196,904</u>
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other puposes	<u>\$ 6,315</u>	<u>\$ 1,697,538</u>	<u>\$ 9,939</u>	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust
ADDITIONS:			
Employer contributions	\$ 921	\$ -	\$ -
Employee contributions	1,193	-	-
Contributions to pooled investments	-	3,761,510	-
Contributions to Private-Purpose Trust	-	-	11,085
Investment income	161	777	13
Total additions	<u>2,275</u>	<u>3,762,287</u>	<u>11,098</u>
DEDUCTIONS:			
Distributions from pooled investments	-	3,245,864	-
Distributions from Private-Purpose Trust	-	-	11,098
Administrative and other expenses	297	-	-
Total deductions	<u>297</u>	<u>3,245,864</u>	<u>11,098</u>
Change in net assets	1,978	516,423	-
Net Assets Held in Trust, beginning of the year	<u>4,337</u>	<u>1,181,115</u>	<u>9,939</u>
Net Assets Held in Trust, end of the year	<u>\$ 6,315</u>	<u>\$ 1,697,538</u>	<u>\$ 9,939</u>

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





Basic Financial Statements - Notes to the Basic Financial Statements

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements
June 30, 2003

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. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units

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

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

Riverside County Regional Park and Open-Space District (Park District) The governing board of the Park District is the County's governing body. Among its duties, it approves the Park District's budget, approves contracts, sets fees and charges for park use, and appoints the management. The Park District is reported as both governmental and fiduciary fund types.

Riverside County Desert Facilities Corporation (Desert Facilities) Desert Facilities has its own five member governing body appointed by the County's governing body and provides service almost entirely to the primary government (the County) through the purchase or construction of land and/or facilities, which are then leased back to the County. Desert Facilities is reported as a governmental fund type.

County of Riverside Redevelopment Agency (RDA) The governing body of the RDA is the County's governing body. Among its duties, it approves the RDA's budget and appoints the management. The RDA is reported as a governmental fund type.

County of Riverside Asset Leasing Corporation (CORAL) The governing board of CORAL is appointed by the County's governing board and CORAL provides services entirely to the County through the purchase or construction of land and/or facilities, which are then leased back to the County. CORAL is reported as a governmental fund type.

Riverside County Service Areas (CSAs) The governing body of the CSAs is the County's governing body. Among its duties, it approves the CSAs' budgets, approves parcel fees, and appoints the management. The CSAs are reported as either governmental or proprietary fund types.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Riverside County Public Financing Authority (Public Financing Authority) The governing body of the Public Financing Authority is the County's governing body. The Public Financing Authority was formed for the public purpose of assisting in financing public improvements of the County, the RDA and other local agencies. The Public Financing Authority is reported as a governmental fund type.

County of Riverside District Court Financing Corporation (District Corporation) The governing body of the District Corporation is the County's governing body. The District Corporation assists the County by providing for the acquisition, construction and renovation of certain leased premises and other public facilities and improvements. The District Corporation is reported as a governmental fund type.

In-home Supportive Services Public Authority (IHSS PA) The governing body of the IHSS PA is the County's governing body. The IHSS PA acts as the employer for Riverside In-home Supportive Services providers and performs other IHSS functions as required and retained by the County.

Discretely Presented Component Unit

Riverside County Children and Families Commission (Commission) A governing board of nine members, which are appointed by the County Board of Supervisors and can be removed at will, administers the Commission. The membership includes one member of the County Board of Supervisors. The Commission was formed to develop, adopt, promote and implement early childhood development programs, which do not directly benefit the County.

Additional detailed financial information for each of these entities 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.

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, and the related fiduciary responsibility of the County for disbursement of these assets. School and special district boards that are separately elected and that are independent of the County Board of Supervisors, 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-four 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.

Implementation of Governmental Accounting Standards Board Statements and Standards

Governmental Accounting Standards Board Statement No. 41

During fiscal year 2002-03, the County adopted the provisions of GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34*. GASB Statement No. 41 clarifies the budgetary presentation requirements of GASB Statement No. 34 when significant budgetary perspective differences between the General Fund and a major special revenue fund cause difficulties in presenting budgetary comparison information. In such cases, governments are required to present budgetary comparison schedules as required supplementary information (RSI) based on the structure that the government uses for its legally adopted budget. This statement had no effect on the County's reporting since the County's budgeting for major special revenue funds have similar budgetary perspectives.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 39

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement is effective for periods beginning after June 15, 2003. This statement amends GASB Statement No. 14 by providing additional guidance in determining whether certain organizations should be reported as component units. The County has elected not to implement GASB No. 39 early and has not determined its effect on the County's basic financial statements.

Governmental Accounting Standards Board Statement No. 40

In May of 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures –an amendment of GASB Statement No. 3*. This statement is effective for periods beginning after June 15, 2004. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The County has not yet determined the effect, if any, of GASB Statement No. 40 on the County's basic financial statements.

Governmental Accounting Standards Board Statement No. 42

In November of 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement is effective for periods beginning after December 15, 2004. This statement requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. Users of financial statements will better understand when impairments have occurred and what their financial impact is on the government. This Statement also enhances comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner.

Basis of Presentation

Government - wide Financial Statements

The statement of net assets 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. It is the County's policy to make eliminations to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 23% (\$8,477,000) of the County's \$37,224,000 indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from non-exchange 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:

The *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.

The *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.

The County reports the following major enterprise funds:

The *Regional Medical Center ("RMC")* 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 RMC. Revenue for this fund is primarily from charges for services and secondarily from the County's General Fund.

The *Waste Management Department ("Waste Management")* accounts for solid waste revenues earned, expenses incurred, 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. This operation 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County reports the following additional fund types:

Internal Service Funds account for the County's fleet services, information services, printing services, supply services, OASIS project (accounting and human resources information system), risk management, temporary assistance pool, 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 assets at the end of the fiscal year, as presented in the statements of activities, were allocated to the user 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 CalPERS participation.

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.

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 public guardian conservatorship, public social service foster care, and maintenance and children's trust.

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 government-wide, proprietary, and fiduciary 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, 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, contracts, and other non-exchange transactions, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For business-type activities reported on the government-wide financial statements and proprietary fund financial statements, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

A reconciliation is presented that briefly explains the adjustments necessary to reconcile the fund financial statements to the government wide financial statements. This reconciliation is 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.

Investments, including U.S. Treasury and Agency securities, are carried at fair value based on current market prices. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within 90 days of June 30, 2003, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized 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 fair value based on the value of each participating dollar.

The fair value of a participants' 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 plus accrued interest, of the participants' percentage participation at the date of such withdrawal. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2003 to support the valuation.

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 87.8% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 12.2% of the total funds on deposit in the County Treasury represented discretionary deposits.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Investment Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Regional Medical Center accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractals are \$53,062,000 and \$363,112,000 respectively. The Regional Medical Center has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The Regional Medical Center receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the Regional Medical Center 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 Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total FY 2002-03 gross assessed valuation of the County was \$110,020,473,000.

In order to lessen the fiscal impact of the tax increment financing of redevelopment projects on other units of local governments, RDA has entered into pass-through agreements with various governmental agencies to “pass-through” portions of tax increment funds received by RDA, attributable to the area within the territorial limits of other agencies.

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) of the full cash value of taxable property and distributed in accordance with statutory formulas. Amounts needed to finance the annual requirements of voter-approved debt (approved by the electorate prior to June 30, 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 preceding 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 30th 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 (5) 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. Additional 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the “Teeter Plan”. This method allows for a 100% 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 were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July 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 one percent (1%) of the tax levy for participating entities flow to the County General Fund. For FY 2002-03, \$12,000,000 was transferred from the TLRF to the General Fund.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid assets recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

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 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, 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 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. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is \$5,000, except for Regional Medical Center equipment for which the threshold is \$500 because of regulatory reporting requirements. 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 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	3-20 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

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. There was no capitalized interest reported on construction in progress for FY 2002-03.

Pursuant to GASB Statement No. 34, an extended period of deferral until the end of fiscal year 2006, is available before the requirement is effective to record and depreciate infrastructure assets acquired prior to July 1, 2001. As a result, the retroactive historical value of the County's transportation infrastructure assets (roads, bridges, and traffic signals that were completed prior to July 1, 2001) has not been included in the government-wide financial statements, but will be included by June 30, 2006. The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated.

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, Desert Facilities, and Housing Authority outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and bond redemption purposes. Waste Management 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.

Land Held for Resale

These assets, held by the County's RDA, are invested in various programs and are intended primarily for development and subsequent resale. These assets had a fair value of \$12,685,000 at June 30, 2003.

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, 2003, the amount of accrued vacation, holiday pay and sick leave reported in the government-wide statement of net assets was \$119,339,000.

The County allows unlimited accumulation of sick leave. Upon retirement, disability retirement or death of an employee, unused accumulated sick leave is paid to the employee or the employee's estate at the rate of ten (10) percent of the current salary for five full years of service, plus two (2) percent for each additional year to a

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

maximum of fifty (50) percent with the total payment no more than 120 days of full pay. In addition, there is an optional payout of sick leave for health insurance premiums for certain employees.

Deferred Revenue

Deferred revenue arises when a potential revenue transaction does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received before the County has a legal claim to them, such as grants received in advance of incurring qualified expenditures.

Long-term Debt

The County reports long-term debt of governmental funds in the government-wide statement of net assets. 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 assets. 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 assets.

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 assets. 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, whether or not withheld from the actual debt proceeds, received are reported as debt service expenditures.

Bond Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond issuance costs associated with the issuance of bonds for the Riverside County Regional Medical Center were incurred upon issuance for each of the outstanding Lease Revenue Bond series. As such, they are capitalized and amortized over the life of the related issuance.

Landfill Closure and Post-Closure Care Costs

Waste Management 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 Management also recognizes as expense closure and post-closure care costs for inactive landfills that have been closed under State and Federal regulations.

Waste Management, under State and Federal regulations, may be required to perform corrective action for contaminate releases at any of its active or inactive landfills. Waste Management provides for remediation costs for landfills upon notification from the local water quality board that a specific landfill is considered to be in the "evaluation monitoring" phase. Upon notification, Waste Management provides for these costs based on the most recent cost study information available.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

Interfund transactions are reflected as either 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” (i.e., the current portion of interfund loans) or “advances to/advances from other funds” (i.e., the non-current 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 Assets

The government-wide financial statements and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted net assets, or unrestricted net assets.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or legislation.

Unrestricted Net Assets – This category represents net assets of the County, not restricted for any project or other purpose.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not appropriable or legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

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 of Supervisors (the Board) adopts a budget in accordance with the provisions of Section 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 generally accepted accounting principles. Budgeted governmental funds consist of the General Fund, major funds and some non-major funds (all Special Revenue funds, certain Debt Service Funds and certain Capital Project Funds). Annual budgets are not adopted for CORAL, Desert Facilities, District Corporation (included in the Debt Service Funds), CORAL, and District Court Financing Corporation (included in the Capital Projects Funds).

As adopted by the Board, expenditures are controlled by the County at the budgetary unit, 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 the “Final 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 only for the General Fund and any major special revenue funds (Flood Control) for which the County legally adopts annual budgets, and are part of the basic financial statements. The budgetary comparison statements provide 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.

Excess of Expenditures Over Appropriations

General Fund capital outlay expenditures of \$8,435,000 related to capital leases were unbudgeted. These expenditures were funded by the related “other financing sources”.

Deficit Net Assets

The following fund had deficit net assets at June 30, 2003 (in thousands):

	Deficit Net Assets
Enterprise Fund:	
Regional Medical Center	\$ 15,606

With the increased costs of health care and reduced allocation of revenue from the State disproportionate share program (Senate Bill 855), the Regional Medical Center had deficit net assets of \$15,606,000 at June 30, 2003. Contributing to the deficit was a 3.7% (\$7,485,000) increase in operating expenses, a 21.9% (\$2,727,000) decrease in capital contributions, a 12.6% (\$1,897,000) decrease in transfers from the General Fund, while operating revenue increased 2.8% (\$5,212,000) from July 1, 2002 to June 30, 2003. To lessen the impact of the deficit in net assets in the hospital’s General Fund, the hospital intends to decrease expenses, where possible, while maximizing collections through patient demographic mix, including increases from third-party payer sources.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different from those reported for governmental funds in the balance sheet. The following provides a reconciliation of those differences (in thousands):

	Total Governmental Funds (Page 25)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 21)
Assets:					
Cash and investments	\$ 516,518	\$ -	\$ 141,643	\$ -	\$ 658,161
Receivables:					
Accounts receivable	16,369	-	1,157	-	17,526
Interest	4,961	-	147	-	5,108
Taxes	6,921	-	-	-	6,921
Due from other governments	180,787	-	-	-	180,787
Notes receivable	9,943	-	-	-	9,943
Inventories	1,708	-	2,065	-	3,773
Due from other funds	12,913	-	182	(13,095)	-
Prepaid items and deposits	-	-	32	-	32
Internal balances	-	-	-	9,024	9,024
Restricted cash and investments	265,372	-	-	-	265,372
Advances to other funds	7,766	-	150	(7,916)	-
Land held for resale	12,685	-	-	-	12,685
Capital assets:					
Nondepreciable	-	312,252	-	-	312,252
Depreciable, net	-	932,553	54,920	-	987,473
Bond issuance costs	-	406	-	-	406
Total assets	1,035,943	1,245,211	200,296	(11,987)	2,469,463
Liabilities:					
Accounts payable	60,778	-	9,358	-	70,136
Salaries and benefits payable	39,069	-	2,533	-	41,602
Due to other funds	12,732	-	27	(12,759)	-
Due to other governments	20,325	-	18	-	20,343
Accrued interest payable	-	5,081	-	-	5,081
Deposits payable	31	-	-	-	31
Deferred revenue	135,801	-	-	(32,618)	103,183
Teeter note payable	37,682	-	-	-	37,682
Other liabilities	-	-	2,528	-	2,528
Long-term liabilities due within one year					
Capital lease obligations	-	10,921	16,351	-	27,272
Certificates of participation	-	11,415	-	-	11,415
Loans payable	-	946	-	-	946
Notes payable	-	295	-	-	295
Compensated absences	-	33,150	1,492	-	34,642
Estimated claims liabilities	-	-	24,875	-	24,875
Long-term liabilities due in more than one year					
Bonds payable	-	91,758	-	-	91,758
Capital lease obligations	-	60,957	14,300	-	75,257
Certificates of participation	-	346,440	-	-	346,440
Loans payable	-	66,184	-	-	66,184
Notes payable	-	635	-	-	635
Accreted interest payable	-	1,206	-	-	1,206
Compensated absences	-	69,525	3,103	-	72,628
Estimated claims liabilities	-	-	62,132	-	62,132
Advance from other funds	-	-	150	(150)	-
Other long-term liabilities	-	-	1,500	-	1,500
Total liabilities	306,418	698,513	138,367	(45,527)	1,097,771
Total fund balances/net assets	729,525	546,698	61,929	33,540	1,371,692
Total liabilities and fund balances/net assets	\$ 1,035,943	\$ 1,245,211	\$ 200,296	\$ (11,987)	\$ 2,469,463

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 4 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications among different governmental fund types. A summary of the restatements as of June 30, 2003 is as follows (in thousands):

Description	<u>Government-wide Statement of Net Assets</u>				
	Governmental Funds	Enterprise Funds	Internal Service Funds	Governmental Activities	Business-type Activities
Fund balances/net assets as of June 30, 2002, as previously reported	\$ 678,366	\$ 92,242	\$ 60,197	\$ 1,314,640	\$ 92,342
Restatements:					
Adjustments of prior year postings of revenues and expenditures	(504)	302	398	-	302
Compensation insurance liability	-	-	(5,734)	-	-
Capital assets	-	-	5,727	(91,745)	-
Net effect of adjustments to governmental and internal service funds	-	-	-	1,076	-
Capital leases	-	-	1,188	-	-
Total Restatements	(504)	302	1,579	(90,669)	302
Fund balances/net assets, as of June 30, 2002 as restated	<u>\$ 677,862</u>	<u>\$ 92,544</u>	<u>\$ 61,776</u>	<u>\$ 1,223,971</u>	<u>\$ 92,644</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 5 – CASH AND INVESTMENTS

The County's cash and investments are considered to be cash on hand, demand deposits and investments. A significant amount is held by the County Treasurer in a cash and investment pool. As provided for by Government Code, the County maintains a cash and investment pool that is available for all funds of the County, as well as the funds of other agencies within the County for which the County Treasury is the depository. The County Treasury is not a depository for any public agencies outside the County. The purpose of the Treasurer's pool is to maximize interest earnings through pooled investment activities. Interest earned on the pooled funds is apportioned quarterly based on the average ending daily balance of each fund. Among the funds deposited within the Treasurer's cash and investment pool are cash and investments held by CORAL, RDA, Housing, Flood Control, and other blended component units.

State statutes and County policy authorize the County to invest in obligations of the U.S. Treasury, Federal agencies, a U.S. Government-sponsored enterprise, the State of California, local government agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, guaranteed investment contracts, bond anticipation notes, medium term corporate bonds and negotiable certificates of deposit issued by national and State licensed or chartered banks or Federal or State savings and loan associations.

Cash Deposits

In accordance with the Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the County's deposits at June 30, 2003 are categorized in the following manner (in thousands).

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name.	\$ 14,685	\$ 14,685
Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.	1,180,311	1,180,311
Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name.	38,547	38,547
Total	<u>\$ 1,233,543</u>	<u>\$ 1,233,543</u>

County warrants, unlike checks, are deducted from the County carrying value of cash at the time the warrants are presented for payment to the bank. There is no timing difference between when the County records the warrants as presented for payment and when the bank is authorized to honor the warrants by the County; therefore, the carrying balance of deposits at June 30, 2003 equals the bank balance. All expenditures for which warrants have been issued at June 30, 2003 are recognized in the operating funds at the time the warrants are issued. The liability for the payment of the warrants and the cash to fund the payment are recorded in a specific agency fund for Warrant Clearing.

Investments

In accordance with Governmental Accounting Standard Board Statement 3, the County's investments are categorized separately below to give an indication of the level of custodial credit risk assumed by the County at year-end.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Category 1 includes investments that are insured, registered, or held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent, but not in the County's name.

The County's investments are categorized as follows (in thousands):

	Category 1	Category 2	Category 3	Fair Value
U.S. government securities	\$ 1,091,644	\$ 3,757	\$ -	\$ 1,095,401
Negotiable certificates of deposit	10,000	-	-	10,000
Commercial paper	539,918	-	-	539,918
Repurchase agreements	-	69,283	-	69,283
Local agency obligations	2,410	-	-	2,410
Total	\$ 1,643,972	\$ 73,040	\$ -	1,717,012
Investments not subject to categorization:				
Local agency investment fund				4,375
Guaranteed investment contracts				19,810
Mutual funds				2,640
Certificates of deposit				50,000
Total investments				\$ 1,793,837

The Local Investment Advisory Board (Board) has oversight responsibility for the State's Local Agency Investment Fund (LAIF). The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.

Summary of Cash and Investments

Total deposits	\$ 1,233,543
Total investments	1,793,837
	\$ 3,027,380

Total County cash and investments are reported as follows (in thousands):

	Total Governmental Activities	Total Business-type Activities	Total Component Unit	Total Fiduciary Funds	Total
Cash and investments	\$ 658,161	\$ 37,090	\$ 56,625	\$ 1,912,724	\$ 2,664,600
Restricted cash and investments	265,372	97,408	-	-	362,780
Total cash and investments	\$ 923,533	\$ 134,498	\$ 56,625	\$ 1,912,724	\$ 3,027,380

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

A summary of deposits and investments held by the County Treasurer are as follows (in thousands):

	Fair Value	Principal	Interest Rate Percent Range	Maturity Range
Total Deposits	\$ 1,186,900	\$ 1,186,900	0.80-1.70	06/30/03
Commercial paper	539,918	539,918	.980-1.310	07/01/03-09-03/03
Local agency obligations	2,410	2,410	2.050	06/01/05-06/15/20
U.S. Government Securities	1,091,644	1,090,409	.871-3.250	07/07/03-09/11/06
Certificates of deposit	60,000	60,000	1.210-1.850	07/08/03-10/14/03
Total Investments	1,693,972	1,692,737		
Total Deposits and Investments	<u>\$ 2,880,872</u>	<u>\$ 2,879,637</u>		

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of and for the fiscal year ended June 30, 2003 (in thousands):

Statement of Net Assets

Net assets held in trust for all pool participants	<u>\$2,880,872</u>
Equity of internal pool participants	<u>\$ 1,186,217</u>
Equity of external pool participants	<u>1,694,655</u>
Total equity	<u>\$ 2,880,872</u>

Statement of Changes in Net Assets

Net assets at July 1, 2002	\$ 2,308,481
Net change in investments by pool participants	<u>572,391</u>
Net assets at June 30, 2003	<u>\$ 2,880,872</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2003 is as follows (in thousands):

	General Fund	Nonmajor Governmental Funds	Regional Medical Center	Waste Management Department	Nonmajor Enterprise Funds
1985 Certificates	\$ -	\$ 21,235	\$ -	\$ -	\$ -
1989/1993 Hospital Bonds	-	-	22,378	-	-
1993 Master Refunding	-	2,894	-	-	-
1997 B & C Hospital	-	-	27	-	-
1997 Family Law Court	-	979	-	-	-
1997 Historic Court House	-	2,412	-	-	-
1997 Lease Refunding	-	388	-	-	-
1998 Larson Justice Center	-	34	-	-	-
2000 Southwest Justice Center	-	6,101	-	-	-
2003 A & B Hospital	-	-	46	-	-
Waste Management	-	-	-	72,095	-
Housing Authority Bond	-	-	-	-	2,681
Desert Facilities Corporation	-	123	-	-	-
District Court Project	-	747	-	-	-
Restricted Program Money	189,143	-	181	-	-
Teeter Commercial Paper Notes	-	37,948	-	-	-
2001 CAC Annex	-	3,368	-	-	-
Total Restricted Assets	\$ 189,143	\$ 76,229	\$ 22,632	\$ 72,095	\$ 2,681

At June 30, 2003 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 7 - RECEIVABLES

Receivables at year-end of the County's 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	General	Flood	Nonmajor	Internal	Total
Governmental Activities:	Fund	Control	Governmental	Service	Governmental
			Funds	Funds	Activities
Accounts	\$ 4,534	\$ 269	\$ 11,566	\$ 1,157	\$ 17,526
Interest	3,026	163	1,772	147	5,108
Taxes	4,336	1,104	1,481	-	6,921
Due from other governments	172,459	4	8,324	-	180,787
Notes	-	-	9,943	-	9,943
Total receivables	<u>\$ 184,355</u>	<u>\$ 1,540</u>	<u>\$ 33,086</u>	<u>\$ 1,304</u>	<u>\$ 220,285</u>

Receivables	Regional	Waste	Nonmajor	Total Business-
Business-type Activities:	Medical	Management	Funds	type Activities
	Center	Department		
Accounts	\$ 458,605	\$ 9,343	\$ 886	\$ 468,834
Interest	-	134	4	138
Taxes	-	-	12	12
Due from other governments	11,314	309	442	12,065
Gross receivables	469,919	9,786	1,344	481,049
Less: allowance for contractals	(322,675)	-	-	(322,675)
allowance for uncollectibles	(93,499)	(4,281)	-	(97,780)
Total receivables	<u>\$ 53,745</u>	<u>\$ 5,505</u>	<u>\$ 1,344</u>	<u>\$ 60,594</u>

Governmental funds report deferred revenue in connection with receivables for revenue not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2003, the various components of deferred revenue and unearned revenue were as follows (in thousands):

Governmental activities:	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Due from other governments	\$ 32,618	\$ -
Resources received that do not yet meet the criteria for revenue recognition	-	85,336
Nonmajor funds:		
Resources received that do not yet meet the criteria for revenue recognition	-	17,847
Total governmental activities	<u>\$ 32,618</u>	<u>\$ 103,183</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2003 is as follows (in thousands):

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Regional Medical Center	\$ 3,657
	Internal Service Funds	27
	Nonmajor Governmental Funds	8,685
		<u>12,369</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	420
	General Fund	124
		<u>544</u>
Regional Medical Center	General Fund	3,321
Internal Service Funds	General Fund	182
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	22
Total		<u>\$ 16,438</u>

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.

Interfund Receivables/ Payables

Advances to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Regional Medical Center	\$ 7,766
Total		<u>\$ 7,766</u>

The balance of \$ 7,765,836 advance to the Regional Medical Center fund from the General Fund resulted from loans made to provide for cash flow needs and to provide financing resources.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenue. The following schedule briefly summarizes the County's transfer activity (in thousands):

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 8 – INTERFUND TRANSACTIONS (CONTINUED)

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	Regional Medical Center	\$ 13,287	Operating Contribution
Total		<u>\$ 13,287</u>	

(b) Between Funds within the Governmental or Business-type Activities:¹

Transfer out	Transfer in	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	Nonmajor Governmental Funds	\$ 2,654	Reimb of CS admin Overhead
	Nonmajor Governmental Funds	547	Leases
	Nonmajor Governmental Funds	6	Miscellaneous
	Nonmajor Governmental Funds	4	Office Expense
	Nonmajor Governmental Funds	1,448	Debt Service Payments
	Nonmajor Governmental Funds	225	Salary Reimbursement
		<u>4,884</u>	
Internal Service Funds	Nonmajor Governmental Funds	93	
Flood Control	Nonmajor Governmental Funds	968	Capital Project Payments
Nonmajor Governmental Funds	General Fund	29,505	Fire services
	General Fund	128	Miscellaneous
	General Fund	1,633	Engineering
	General Fund	74	Extra Duty
	General Fund	255	Fire Services
	General Fund	3,621	Leases
	General Fund	62	Legal Services
	General Fund	20	Personnel Services
	General Fund	38	Salary Reimbursement
	General Fund	187	Utilities
		<u>35,523</u>	
	Flood Control	239	Capital Project Payments
	Internal Service Funds	23	
	Nonmajor Governmental Funds	369	Miscellaneous
	Nonmajor Governmental Funds	163	Air Quality AB2766
	Nonmajor Governmental Funds	1,207	Reimb of CS Admin Overhead
	Nonmajor Governmental Funds	111	CSA Admin Charges
	Nonmajor Governmental Funds	53	CSA Intercounty
	Nonmajor Governmental Funds	141	Leases
	Nonmajor Governmental Funds	4,119	Miscellaneous
	Nonmajor Governmental Funds	785	Office Expense
	Nonmajor Governmental Funds	1,330	Salary Reimbursement
	Nonmajor Governmental Funds	8,676	Debt Service Payments
		<u>16,954</u>	
Total		<u>\$ 58,684</u>	

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

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows (in thousands):

	Balance July 1, 2002 (As restated)	Additions	Retirements	Transfers	Balance June 30, 2003
<u>Governmental activities:</u>					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 281,711	\$ 5,463	\$ -	\$ -	\$ 287,174
Construction in progress	95,901	32,940	-	(103,763)	25,078
Total capital assets, not being depreciated	<u>377,612</u>	<u>38,403</u>	<u>-</u>	<u>(103,763)</u>	<u>312,252</u>
<i>Capital assets, being depreciated:</i>					
Infrastructure					
Flood channels	184,908	452	-	-	185,360
Flood storm drains	167,741	2,907	-	3,713	174,361
Flood dams and basins	28,038	530	-	-	28,568
Roads	34,924	25,473	-	8,731	69,128
Traffic signals	2,052	2,221	-	175	4,448
Bridges	4,829	-	-	-	4,829
Parks trails and improvements	1,231	72	-	-	1,303
Land improvements	110	-	-	-	110
Structures and improvements	506,208	14,751	(290)	91,916	612,585
Equipment	242,935	20,196	(9,653)	8,482	261,960
Total capital assets, being depreciated	<u>1,172,976</u>	<u>66,602</u>	<u>(9,943)</u>	<u>113,017</u>	<u>1,342,652</u>
Less accumulated depreciation for:					
Infrastructure	(48,514)	(7,964)	-	-	(56,478)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(112,880)	(11,565)	276	53	(124,116)
Equipment	(154,819)	(29,589)	8,522	1,312	(174,574)
Total accumulated depreciation	<u>(316,224)</u>	<u>(49,118)</u>	<u>8,798</u>	<u>1,365</u>	<u>(355,179)</u>
Total capital assets, being depreciated, net	<u>856,752</u>	<u>17,484</u>	<u>(1,145)</u>	<u>114,382</u>	<u>987,473</u>
Governmental activities capital assets, net	<u>\$ 1,234,364</u>	<u>\$ 55,887</u>	<u>\$ (1,145)</u>	<u>\$ 10,619</u>	<u>\$ 1,299,725</u>

Beginning net capital assets were reduced by \$91,745 primarily due to the following restatements:

Capital Assets, net, as of June 30, 2002, as originally stated	\$ 1,326,109
Hospital building capitalized in both Business-type and Governmental Activities, net	(111,406)
Restatement of equipment, infrastructure and other assets, net	<u>19,661</u> <u>(91,745)</u>
Capital Assets, net, as of June 30, 2002 as restated	<u><u>\$ 1,234,364</u></u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2003 was as follows (in thousands):

	Balance July 1, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Business-type activities:					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 23,057	\$ -	\$ (430)	\$ -	\$ 22,627
Construction in progress	10,707	5,801	(3,229)	(7,200)	6,079
Total capital assets, not being depreciated	<u>33,764</u>	<u>5,801</u>	<u>(3,659)</u>	<u>(7,200)</u>	<u>28,706</u>
<i>Capital assets, being depreciated:</i>					
Land improvements	11,732	139	(208)	-	11,663
Infrastructure-landfill liners	21,496	-	-	-	21,496
Infrastructure-other	3,487	97	-	1,619	5,203
Structures and improvements	218,370	1,985	(13,432)	5,580	212,503
Equipment	93,757	4,389	(2,436)	(36)	95,674
Total capital assets, being depreciated	<u>348,842</u>	<u>6,610</u>	<u>(16,076)</u>	<u>7,163</u>	<u>346,539</u>
Less accumulated depreciation for:					
Land improvements	(2,551)	(421)	208	-	(2,764)
Infrastructure-landfill liners	(4,396)	(1,075)	-	(25)	(5,496)
Infrastructure-other	(921)	(273)	-	-	(1,194)
Structures and improvements	(50,175)	(6,961)	15,425	(5)	(41,716)
Equipment	(70,372)	(6,219)	2,246	(62)	(74,407)
Total accumulated depreciation	<u>(128,415)</u>	<u>(14,949)</u>	<u>17,879</u>	<u>(92)</u>	<u>(125,577)</u>
Total capital assets, being depreciated, net	<u>220,427</u>	<u>(8,339)</u>	<u>1,803</u>	<u>7,071</u>	<u>220,962</u>
Business-type activities capital assets, net	<u>\$ 254,191</u>	<u>\$ (2,538)</u>	<u>\$ (1,856)</u>	<u>\$ (129)</u>	<u>\$ 249,668</u>

Depreciation

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

General government	\$ 4,391
Public protection	10,190
Health and sanitation	2,149
Public assistance	2,546
Public ways and facilities	10,492
Education	-
Recreation and culture	518
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	18,832
Total depreciation expense – governmental functions	<u>\$ 49,118</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

Regional Medical Center	\$ 9,782
Waste Management	3,429
Housing Authority	1,693
County Service Areas	6
Flood Control	39
Total depreciation expense – business-type functions	\$ 14,949

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2003, was as follows (in thousands):

	Balance July 1, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 64	\$ -	\$ -	\$ -	\$ 64
Total capital assets, being depreciated	64	-	-	-	64
Less accumulated depreciation for:					
Equipment	(13)	(11)	-	-	(24)
Total accumulated depreciation	(13)	(11)	-	-	(24)
Total capital assets, net	\$ 51	\$ (11)	\$ -	\$ -	\$ 40

NOTE 10 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management has recorded approximately \$69,000,952 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 25.1% to 100%). State and Federal laws and regulations require Waste Management 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 Management will recognize the remaining estimated total cost of \$30,033,293 as the remaining estimated capacity of 16,745,056 tons is filled. Waste Management expects all currently permitted landfill capacities to be filled by 2024. The total estimate of approximately \$99,034,245 is based on what it would cost to perform all closure and post-closure care at year-end. Actual costs may be different due to inflation, changes in technology or changes in regulations.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 10 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (CONTINUED)

Cumulative expense, percentage of landfill capacity used to date and the estimated remaining landfill life by operating landfill are as follows (in thousands):

<u>Facility Name</u>	<u>Cumulative Expense</u>	<u>Capacity Used as of June 30, 2003</u>	<u>Estimated Years Remaining</u>
Anza (Anza)	\$ 2,545	100.0%	-
Badlands (Moreno Valley)	5,625	30.5%	10
Blythe (Blythe)	1,496	25.1%	21
Coachella (Coachella)	8,335	100.0%	-
Desert Center (Desert Center)	655	68.8%	8
Double Butte (Winchester)	9,663	100.0%	-
Edom Hill (Cathedral City)	16,518	93.3%	1
Highgrove (Riverside)	6,431	100.0%	-
Lamb Canyon (Beaumont)	6,443	37.8%	21
Mead Valley (Perris)	8,293	100.0%	-
Mecca II (Mecca)	1,542	97.1%	4
Oasis (Oasis)	1,455	69.5%	21
	<u>\$ 69,001</u>		

Waste Management 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 14 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. In accordance with sections 18283 and 18290 of the CCR, Waste Management has implemented Pledge of Revenue agreements between Waste Management and the California Integrated Waste Management Board (CIWMB) for seven active landfills and five closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste Management has determined that the projected net revenues, after current operating costs, from tipping fees during the thirty 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 Management and the CIWMB. Waste Management is in compliance with these requirements, and investments of \$61,665,005 are held for these purposes at June 30, 2003 and are classified as restricted assets in the basic financial statements. Waste Management expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 11 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 3.0% per annum rental increase, principally for the General Fund, 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, 2003 (in thousands):

<u>Year Ending June 30:</u>	
2004	\$ 23,859
2005	20,359
2006	17,084
2007	11,617
2008	8,554
2009-2013	25,241
2014-2018	4,367
2019-2023	41
Total Minimum Payments	\$ 111,122

Rental expense was \$ 28,236,676 principally in the General Fund for the year ended June 30, 2003.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes

On July 9, 2002, the County issued \$ 175,000,000 of Tax and Revenue Anticipation Notes (TRANs), paid June 30, 2003. The Notes yield an interest rate of 3.00%.

Tax-Exempt Commercial Paper Notes

In December 1993, the County adopted the Teeter Plan, an 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). As a necessary component for the issuance of the commercial paper, the County entered into an agreement with a financial institution to provide \$40,689,436 in direct pay letters of credit. During FY 2002-03, the County retired \$38,074,000 of the \$40,981,000 principal amount outstanding at June 30, 2002, with a \$2,907,000 residual balance forward. The County then issued tax-exempt commercial paper notes of \$34,775,000. No amounts were drawn on the letter of credit, which expired November 19, 2002. The West LB bank has extended the LOC (Line of Credit) for 5 more years, which now expires in December 2007.

Short-term debt activity for the year ended June 30, 2003, was as follows (in thousands):

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
FY 2002-03 TRANs	\$ -	\$ 175,000	\$ (175,000)	\$ -
Teeter Notes	40,981	34,775	(38,074)	37,682
Total	\$ 40,981	\$ 209,775	\$ (213,074)	\$ 37,682

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds and notes, and other liabilities which are payable from the General, Debt Service, Enterprise and Internal Service Funds. The calculated legal debt limit for the County is \$1,353,391,000.

Capital Leases

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

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, 2003 (in thousands):

Year Ending June 30, 2003	Governmental Activities	Business-type Activities
2004	\$ 27,293	\$ 2,273
2005	20,347	1,927
2006	13,795	777
2007	10,742	635
2008	8,863	427
2009-2013	26,274	130
2014-2018	14,300	6
2019-2023	3,249	-
2024-2028	2,711	-
Total minimum payments	127,574	6,175
Less amount representing interest	(25,045)	(433)
Present value of net minimum lease payments	\$ 102,529	\$ 5,742

The statement of net assets includes the Palm Desert Financing Authority capital lease of \$ 6,395,000 for the construction of the Blythe County Administrative Center.

Certificates of Participation, Bonds, Notes, and Loans Payable

General obligation bonds are not secured by collateral. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Not-for-profit corporation certificates of participation and revenue bonds are secured by certain facilities or annual base rental lease payments payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

On June 27, 1988, the Redevelopment Agency (RDA) agreed to reimburse the County of Riverside Asset Leasing Corporation (CORAL) for a portion of the \$169,400,000, 1985 Certificates of Participation (the 1985 Certificates). The amount to be reimbursed by the RDA is determined by multiplying the ratio of the assessed property value of the RDA over the assessed unincorporated property value of the County times the original issuance of the 1985 Certificates. At June 30, 2003, the total obligation from RDA was \$5,340,000. CORAL financed debt is used by various departments within the County to acquire equipment and by the County to finance land acquisition and construction of structures and improvements. Assets thus acquired are financed through a master lease agreement. The benefiting departments are assigned proportionate shares of debt that represents their usage and are billed through a master lease agreement. Proprietary funds recognize their portion of assigned debt in the individual funds. Departments who are part of a governmental fund maintain their portion of debt in the government-wide statement of net assets.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

RDA approved the issuance of Bond Anticipation Notes (BAN) in an amount not to exceed \$6,500,000 to the Treasurer and Tax Collector of the County, for the financing of a Sports Park. The note has been issued as a single note upon which advances are made by the Treasurer upon receipt of a disbursement request from the RDA. Interest on the note shall accrue upon each such advance from the date thereof at 50 basis points above the rate for the Treasurer's Pooled Investment Fund and shall include a three-year maturity from the date of the advance. RDA drew down \$410,000 in 1999 and an additional \$6,090,000 during the fiscal year ended June 30, 2000 for a total balance outstanding of \$6,500,000. During the current fiscal year, RDA made a final principal payment of \$1,321,000 leaving an outstanding balance of \$0 as June 30, 2003.

During the year ended June 30, 2003, the County incurred interest costs of \$ 51,389,000.

A summary of long-term debt obligations follows (in thousands):

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2003
<i>Certificates of Participation:</i>					
<u>CORAL</u>					
1985 Certificate:					
Serial Certificates	12/01/03 – 12/01/15	6.65% - 7.35%	\$3,900 - \$15,000	\$ 169,400	\$ 108,500
<u>CORAL</u>					
1993 Master Refunding:					
Serial Certificate	11/01/03 – 11/01/06	4.75% - 5.75%	\$635 - \$2,785	27,390	4,785
Term Certificate	11/01/07 – 11/01/18	5.75%	\$305 - \$880	6,250	6,250
1993 Master Refunding				33,640	11,035
<u>CORAL</u>					
1997 Historic Courthouse:					
Serial Certificate	11/01/03 – 11/01/10	4.40% - 5.50%	\$245 - \$555	3,750	3,095
Serial Capital Appreciation Certificate (net of future capital appreciation of \$1,167)	11/01/11 – 11/01/14	6.00% - 6.10%	\$247 - \$261	1,015	1,015
Term Certificate	11/01/15 – 11/01/27	5.75% - 5.88%	\$735 - \$2,015	17,070	17,070
1997 Historic Courthouse				21,835	21,180
<u>CORAL</u>					
1997 Family Law:					
Serial Certificate	11/01/03 – 11/01/11	4.30% - 5.75%	\$225 - \$330	3,465	2,465
Term Certificate	11/01/12 – 11/01/27	5.70%	\$345 - \$800	8,700	8,700
1997 Family Law				\$ 12,165	\$ 11,165

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2003
<i>Certificates of Participation:</i>					
<u>CORAL</u>					
1997 Lease Refunding:					
Serial Certificate	11/01/03 – 11/01/12	4.25% - 5.00%	\$1,830 - \$1,895	\$ 43,560	\$ 18,635
Term Certificate	11/01/13 – 11/01/17	5.125%	\$1,310 - \$1,595	7,250	7,250
Term Certificate	11/01/18 – 11/01/21	5.125%	\$1,680 - \$1,955	7,260	7,260
1997 Lease Refunding				58,070	33,145
<u>CORAL</u>					
1998 Larson Justice Center:					
Serial Certificate	12/01/03 – 12/01/12	3.70% - 4.75%	\$1,015 - \$1,550	18,185	12,830
Term Certificate	12/01/13 – 12/01/18	5.15%	\$1,625 - \$2,075	11,055	11,055
Term Certificate	12/01/19 – 12/01/21	5.17%	\$2,175 - \$2,400	6,860	6,860
1998 Larson Justice Center				36,100	30,745
<u>CORAL</u>					
2000 Southwest Justice Center:					
Term Certificate	11/01/04 – 11/01/13	4.88% - 5.40%	\$1,445 - \$2,240	17,945	17,945
Term Certificate	11/01/14 – 11/01/32	4.84%	\$2,400 - \$6,200	76,300	76,300
Southwest Justice Center				94,245	94,245
<u>CORAL</u>					
2001 CAC Annex:					
Serial Certificate	11/01/03 – 11/01/26	5.00% - 5.13%	\$610 - \$1,880	27,120	27,120
Term Certificate	11/01/30	5.13%	\$8,540	8,540	8,540
Term Certificate	11/01/31	5.75%	\$2,415	2,415	2,415
2001 CAC Annex				38,075	38,075
<u>Desert Facilities Corporation</u>					
Monterey Avenue Project					
Term Certificate	11/01/03 – 11/01/20	9.00%	\$200 - \$800	8,800	7,600
<u>District Court Financing Corporation</u>					
U.S. District Court Project					
Serial Capital Appreciation Cert. (net of future capital appreciation of \$4,277)	12/15/15 – 06/15/20	7.59%	\$640 - \$844	2,165	2,165
Total Certificates of Participation				\$ 474,495	\$ 357,855

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2003
<i>Bonds Payable:</i>					
<u>CORAL (Sheriff Department)</u>					
1997 B & C (Hospital):					
Term Bonds (Series C)	06/01/19	5.81%	\$1,733	\$ 1,733	\$ 1,733
<u>RDA</u>					
2001 Tax Allocation Bonds	10/01/05 – 10/01/35	3.55% - 5.25%	\$830 - \$6,680	90,025	90,025
Total Bonds Payable				91,758	91,758
<i>Notes Payable:</i>					
1995 Zone 6 Negotiable Promissory Notes	09/01/02 – 09/01/05	4.75% - 5.05%	\$ 285 - \$ 325	2,675	930
Total Notes Payable				2,675	930
<i>Loans Payable:</i>					
<u>RDA</u>					
1998 Loans Payable	10/01/02 – 10/01/33	4.20% - 5.63%	\$855 - \$4,240	68,296	65,670
<u>RDA</u>					
2000 Loans Payable	01/01/03 – 01/01/15	9.90%	\$42 - \$158	1,329	1,460
Total Loans Payable				69,625	67,130
Total Governmental Activities				\$ 638,553	\$ 517,673

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2003
<i>Certificates of Participation:</i>					
<u>Regional Medical Center</u>					
1997 Lease Refunding:					
Serial Certificate	11/01/03– 11/01/06	4.25% - 5.00%	\$960 - \$1,040	\$ 11,754	\$ 3,000
Total Certificates of Participation				11,754	3,000
<i>Bonds Payable:</i>					
<u>Regional Medical Center</u>					
1993 A & B (Hospital):					
Term Bonds (Series A)	06/01/10 – 06/01/12	5.90% - 6.50%	\$12,230 - \$13,870	81,135	39,125
Term Bonds (Series B)	06/01/13 – 06/01/14	5.410%	\$7,050 - \$7,475	14,525	14,525
Bond Discount				(613)	(116)
Loss on Defeasance				(17,264)	(5,402)
1993 A & B – bonds				<u>77,783</u>	<u>48,132</u>
<u>Regional Medical Center</u>					
1997 A (Hospital):					
Serial Capital Appreciation Bonds (net of future capital appreciation of \$111,904)	06/01/13 – 06/01/26	5.70% - 6.01%	\$3,034 - \$3,445	41,170	41,170
<u>Regional Medical Center</u>					
1997 B & C Serial Bonds					
(Series B)	06/01/04 – 06/01/19	4.10% - 5.50%	\$290 - \$255	4,785	3,725
Term Bonds (Series B)	06/01/04 – 06/01/19	5.00% - 5.70%	\$475 - \$11,475	63,935	63,935
Term Bonds (Series C)	06/01/19	5.81%	\$1,532	1,532	1,532
Bond Discount				(36)	(25)
Loss on Defeasance				(4,506)	(3,128)
1997 B & C (Hospital)				<u>65,710</u>	<u>66,039</u>
<u>Regional Medical Ctr.</u>					
2003 A & B (Hospital):					
Serial Bonds (Series A)	06/01/04 – 06/01/09	2.50% - 5.00%	\$ 1,250 - \$9,185	56,140	56,140
Serial Bonds (Series B)	06/01/04 – 06/01/07	3.35%	\$ 4,040	4,040	4,040
Bond Premium				3,070	3,070
Loss on Defeasance				(1,319)	(1,319)
2003 A & B – bonds				<u>\$ 61,931</u>	<u>\$ 61,931</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2003
<i>Bonds Payable:</i>					
<u>Housing Authority</u>					
1986 Series A	11/01/02-11/01/06	7.38%	\$200 - \$335	\$ 1,960	\$ 960
<u>Housing Authority</u>					
1998 Series A:					
Term Bonds	12/01/02-12/01/07	6.25%	\$75 - \$90	780	505
Term Bonds	12/01/08-12/01/18	6.85%	\$100 - \$200	1,625	1,550
				2,405	2,055
<u>Housing Authority</u>					
1998 Series B:					
Serial Bonds	06/01/03-06/01/08	4.10%-4.60%	\$140 - \$175	1,485	935
Term Bonds	06/01/09-06/01/19	5.00%	\$180 - \$295	2,570	2,430
				4,055	3,365
<u>Housing Authority</u>					
1998 Series C:					
Term Bonds	06/01/03-06/01/28	6.40%	\$75 - \$360	5,085	4,740
Total Bonds Payable				260,099	228,392
Total Business-type Activities				\$ 271,853	\$ 231,392

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2003, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental Year ending June 30, 2003:	Loans Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2004	\$ 946	\$ 3,701	\$ 295	\$ 38
2005	996	3,654	310	24
2006	1,031	3,604	325	8
2007	1,081	3,552	-	-
2008	1,148	3,496	-	-
2009-2013	6,702	16,475	-	-
2014-2018	8,592	14,349	-	-
2019-2023	10,629	11,626	-	-
2024-2028	13,720	8,282	-	-
2029-2033	18,045	3,841	-	-
2034-2038	4,240	119	-	-
Total	\$ 67,130	\$ 72,699	\$ 930	\$ 70

Governmental Year ending June 30, 2003:	Bonds Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2004	\$ -	\$ 4,764	\$ 11,415	\$ 26,298
2005	-	4,764	11,420	25,435
2006	830	4,749	12,255	24,517
2007	1,325	4,707	11,875	23,533
2008	1,380	4,649	12,810	22,541
2009-2013	7,870	18,153	80,917	92,211
2014-2018	10,030	20,513	86,183	49,993
2019-2023	14,633	16,878	51,145	27,505
2024-2028	16,520	13,128	42,860	15,062
2029-2033	21,215	8,561	36,975	4,561
2034-2038	17,955	2531	-	-
Total	\$ 91,758	\$ 103,397	\$ 357,855	\$ 311,656

As of June 30, 2003, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type Year ending June 30, 2003:	Bonds Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2004	\$ 9,990	\$ 13,476	\$ 960	\$ 326
2005	10,245	13,419	1,000	289
2006	10,655	13,258	1,040	135
2007	11,220	13,015	-	-
2008	11,340	12,814	-	-
2009-2013	64,544	58,734	-	-
2014-2018	70,833	44,935	-	-
2019-2023	33,903	29,051	-	-
2024-2028	12,582	6,546	-	-
Total requirements	235,312	205,248	3,000	750
Bond Discount/Premium, net	2,929	-	-	-
Loss on Defeasance	(9,849)	-	-	-
Total	\$ 228,392	\$ 205,248	\$ 3,000	\$ 750

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – 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, 2003 (in thousands):

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
<u>Governmental activities:</u>				
<u>Certificates of Participation:</u>				
CORAL (1997 Historic Courthouse)	\$ 364	\$ 84	\$ -	\$ 448
District Court Financing Corporation (U.S. District Court Project)	547	211		758
Total governmental-type activities	<u>\$ 911</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 1,206</u>
<u>Business-type activities:</u>				
<u>Lease Revenue Bonds:</u>				
Regional Medical Center (1997 A Hospital)	\$ 15,179	\$ 3,387	\$ -	\$ 18,566
Total business-type activities	<u>\$ 15,179</u>	<u>\$ 3,387</u>	<u>\$ -</u>	<u>\$ 18,566</u>

The accreted interest payable balances at June 30, 2003 represent accreted interest on the 1997 Historic Courthouse, the U.S. District Court Project, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were \$1,015,000 for the 1997 Historic Courthouse, \$2,165,000 for the U.S. District Court Project, and \$41,170,000 for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be \$2,630,000 for the 1997 Historic Courthouse, \$7,200,000 for the U.S. District Court Project, and \$171,640,000 for the 1997 A Hospital Serial Capital Appreciation Bonds.

Lease Revenue Bond Refunding

In March 2003, the County of Riverside Asset Leasing Corporation (CORAL), on behalf of the Medical Center, issued \$56,140,000 of Leasehold Revenue Bonds, Series A (2003 Series A Bonds), with a initial interest rate of 2.5%, and also issued \$4,040,000 of Leasehold Revenue Bonds, Series B (2003 Series B Bonds), with an initial interest rate of 3.35%, to advance refund \$59,500,000 of outstanding Leasehold Revenue Bonds, 1993 Series A (1993 Series A Bonds) bearing interest at rates ranging from 6.00% to 6.375%. Interest on the 2003 Series A and B Revenue Bonds is payable initially on June 1, 2003, and semiannually thereafter on December 1 and June 1 of each year until June 1, 2009 for the 2003 Series A Bonds and until June 1, 2007 for the 2003 Series B Bonds. In conjunction with this advanced refunding, CORAL re-offered its 1993 Series B Bonds and 1997 Series C Bonds (Re-offered Bonds) at fixed interest rates of 5.410% and 5.810%, respectively.

The net proceeds of approximately \$62.4 million (after a premium of \$3.4 million and payment of \$1.1 million in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the \$59.5 million portion of the remaining 1993 Series A Bonds. As a result, the 1993 Series A Bonds are considered to be defeased in the principal amount of \$59.5 million and the liability for those bonds has been removed from the accompanying financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1.4 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2009 using the effective interest method. CORAL completed the advance refunding to reduce its total debt service payments by approximately \$4.2 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3.9 million.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

The Re-offered Bonds and the 2003 Series A and B Bonds are not subject to optional redemption prior to maturity. The 1993 Series B Bonds are subject to mandatory redemption prior to their maturity date on June 1, 2013, in the amount of \$7,050,000, in part, solely from sinking fund installments, at the principal amount plus accrued interest to the date of redemption, without premium. The 1997 Series C Bonds and the 2003 Series A and B Bonds are not subject to mandatory redemption prior to maturity.

Defeasance of Debt

On November 1, 1993, the County issued \$33,640,000 of CORAL Certificates of Participation (1993 Master Refunding Project). The proceeds from the sale of the 1993 certificates were applied to the refunding and defeasance of \$32,730,000 aggregate principal of leasehold mortgage bonds, leasehold revenue bonds and certificates of participation previously issued. Accordingly, the refunded debt has been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 2003 was \$10,845,000.

On September 30, 1997, the Riverside County Public Financing Authority issued \$69,625,000 in Revenue Bonds to concurrently loan to the Redevelopment Agency and the County of Riverside, at the same interest rate, funds to advance refund \$11,095,000 of outstanding 1991 Tax Allocation Bonds and redeem \$17,395,000 of 1990 Tax Allocation Bonds. Proceeds from this transaction were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Bonds. As a result, the 1991 Bonds are considered to be defeased and the liability for those Bonds has been removed from the financial statements. The amount of the refunded debt outstanding at June 30, 2003 was \$10,745,000.

On April 21, 1998, the County issued \$36,100,000 of CORAL Certificates of Participation (1998 Larson Justice Center). The proceeds from the sale of the certificates were used to advance refund \$31,700,000 of 1994 Desert Facilities Corporation Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 2003 was \$28,065,000.

Bankruptcy Court, Series 2003 Refunding

At June 30, 2003, the Court Financing Corporation (Bankruptcy Court) no longer met the requirements necessary to be considered a component unit of the County. On April 30, 2003, the Court Financing Corporation issued \$16,120,000 of County Of Riverside Court Financing Court Refunding Certificates of Participation (Bankruptcy Court, Series 2003). The proceeds from the sale certificates, along with \$1,600,000 on deposit in the Reserve Fund of the refunded certificates, were used to prepay \$17,016,000 of 1997 Bankruptcy Court Project Certificates of Participation. The amount of refunded debt outstanding at June 30, 2003 is \$16,120,000.

For informational purposes only:

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding June 30, 2003
<u>Certificates of Participation:</u>					
<u>Court Financing Corporation</u>					
Bankruptcy Courthouse Acquisition Proj- Series 2003					
Serial Bond	11/01/03 – 11/01/14	1.46% - 4.92%	\$480 - \$1,060	\$ 4,500	\$ 4,500
Term Bond	11/01/08 – 11/01/13	4.850%	\$795 - \$1,010	5,390	5,390
Term Bond	11/01/15 – 11/01/19	5.890%	\$1.110 - \$1,385	6,230	6,230
Serial/Term Certificates 2003				<u>\$ 16,120</u>	<u>\$ 16,120</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

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.

A total of \$ 120,110,000 of Mortgage Revenue Bonds has been issued and \$111,866,274 is outstanding as of June 30, 2003. 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 \$211,933,000 at June 30, 2003, 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 and Water Conservation District (Flood Control) has issued special assessment bonds, totaling \$7,790,000 as of June 30, 2003, 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 Finance Authority of the County of Riverside issued \$13,470,000 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 Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the Lease.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2003 (in thousands):

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Amounts Due Within One Year
<u>Governmental activities:</u>					
Debt long-term liabilities:					
Bonds payable	\$ 91,758	\$ -	\$ -	\$ 91,758	\$ -
Capital lease obligations	123,870	17,694	(39,035)	102,529	27,272
Certificates of participation	381,101	-	(23,246)	357,855	11,415
Loans payable	67,854	173	(897)	67,130	946
Notes payable	3,126	-	(2,196)	930	295
Total debt long-term liabilities	<u>667,709</u>	<u>17,867</u>	<u>(65,374)</u>	<u>620,202</u>	<u>39,928</u>
Other long-term liabilities:					
Accreted interest payable	911	295	-	1,206	-
Compensated absences*	102,193	5,639	(562)	107,270	34,642
Estimated claims liabilities	77,610	58,130	(48,733)	87,007	24,875
Other long-term liability	-	1,500	-	1,500	-
Total other long-term liabilities	<u>180,714</u>	<u>65,564</u>	<u>(49,295)</u>	<u>196,983</u>	<u>59,517</u>
Total governmental activities – long-term liabilities	<u>\$ 848,423</u>	<u>\$ 83,431</u>	<u>\$ (114,669)</u>	<u>\$ 817,185</u>	<u>\$ 99,445</u>
<u>Business-type activities:</u>					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount- (new 2003 Series A&B) and losses on bond defeasance**	\$ 233,454	\$ 60,180	\$ (65,242)	\$ 228,392	\$ 9,990
Capital lease obligations	5,690	1,893	(1,841)	5,742	2,072
Certificates of participation	3,884	-	(884)	3,000	960
Total debt long-term liabilities	<u>243,028</u>	<u>62,073</u>	<u>(67,967)</u>	<u>237,134</u>	<u>13,022</u>
Other long-term liabilities:					
Accreted interest payable	15,179	3,387	-	18,566	-
Accrued closure and post-closure care costs	42,244	2,215	(454)	44,005	1,700
Compensated absences*	11,237	935	(103)	12,069	3,080
Accrued remediation costs	23,773	-	(7,303)	16,470	900
Other long-term liability	-	607	-	607	-
Total other long-term liabilities	<u>92,433</u>	<u>7,144</u>	<u>(7,860)</u>	<u>91,717</u>	<u>5,680</u>
Total business-type activities Long-term liabilities	<u>\$ 335,461</u>	<u>\$ 69,217</u>	<u>\$ (75,827)</u>	<u>\$ 328,851</u>	<u>\$ 18,702</u>

* Obligations for compensated absences have been paid from, and continue to be paid from, the fund associated with the obligation.

** The reduction in bonds payable amount of \$65,242,000 includes bond discount amortization of \$3,206,539 and losses on bond defeasance of \$1,354,895 during FY 2002-03.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 14 – FUND BALANCES

Fund balances that are not available for appropriation or are not considered “expendable available financial resources”, are reserved. Unreserved fund balances that have been earmarked by the Board for specified purpose are considered designated. Such reserved and designated fund balances at June 30, 2003 are as follows (in thousands):

	General Fund	Flood Control	Nonmajor Governmental Funds	Total Governmental Funds
Reserved:				
Encumbrances	\$ 10,967	\$ 7,096	\$ 32,324	\$ 50,387
Imprest cash	364	1	5	370
Inventories	865	-	-	865
Advances	7,766	-	-	7,766
Program operations	83,177	-	178,844	262,021
Construction	-	-	415	415
General	350	-	-	350
Debt service	-	-	87,260	87,260
Total reserved fund balances	<u>103,489</u>	<u>7,097</u>	<u>298,848</u>	<u>409,434</u>
Designated:				
Strategic planning	55,835	-	-	55,835
Probation	901	-	-	901
Public safety	1,668	-	-	1,668
Tobacco settlement	18,749	-	-	18,749
3% at 60 Retirement plan	1,161	-	-	1,161
Program operations	6,324	-	11,929	18,253
Capital projects and programs	4,373	-	5,128	9,501
Total designated fund balances	<u>89,011</u>	<u>-</u>	<u>17,057</u>	<u>106,068</u>
Total unreserved-undesignated fund balances	26,078	116,173	71,772	214,023
Total fund balances	<u>\$ 218,578</u>	<u>\$ 123,270</u>	<u>\$ 387,677</u>	<u>\$ 729,525</u>

See Note 1 for information regarding the reserves for encumbrances and inventories. The general reserve was established under the provisions of Government Code Section 29086 for "dry period" financing, which is that period before the property tax apportionment is received by a fund. The County also issues Tax and Revenue Anticipation Notes to finance the General Fund's "dry period."

On the statement of net assets, under governmental activities, there are restricted cash and investments associated with reserved and unreserved fund balances of special revenue, debt service, and capital project funds that are contained in the cash and investments asset account. (see pages 25, 96-97, 108-109, and 116-117)

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 15 – 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 occurred but are unreported (i.e., IBNRs) 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 \$15,000,000, subject to a self-insured retention (SIR) of \$1,000,000 for each claim. The County also purchases an additional \$10,000,000 in excess limits for a total of \$25,000,000 in limits for general liability. Medical malpractice utilizes an excess policy providing coverage on claims made. Limits under the malpractice policy are \$10,000,000 subject to a self-insured retention of \$1,100,000. The general liability policy provides an additional \$10,000,000 in excess limits for medical malpractice (excess the medical malpractice programs \$10,000,000 policy limit) for a total of \$20,000,000. The maximum limit under the excess workers' compensation, Section A, is \$50,000,000; Section B, employer liability is \$5,000,000 per claim. Section A is subject to a \$2,000,000 SIR for each accident, employee injury, or disease. The County does occasionally structure settlements when feasible and agreeable to both parties. The amount of settlements has not exceeded insurance 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 deductible; Flood Control is subject to a 2% deductible within a 100-year flood zone and \$25,000 outside a 100-year flood zone; The County's property is categorized into two (2) Towers: Tower 1 provides \$290,000,000 in limits; Tower IV (RMC) has \$540,000,000 in limits. Earthquake (scheduled locations equal \$1 million in value or if required by contract) for each Tower is \$70,000,000 in limits, subject to a 5% of replacement cost value deductible. Boiler and Machinery provides up to \$100,000,000 in limits, with various deductibles. Should a catastrophic event occur and losses exceed the limits, the County would be responsible. The limits in all Towers are shared with other counties on a per event basis.

The activities related to such programs are accounted for in Internal Service Funds. Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2003 are reported in these funds. Where certain funds have an accumulated deficit or insufficient reserves, the County developed a method to provide funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70% confidence level a one-time holiday on department charges is granted. Revenues of these Internal Service Funds are primarily provided by other County funds and are intended to cover self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and other uninsured liabilities. Cash available in the Risk Management Internal Service Funds at June 30, 2003 plus revenues to be collected during fiscal year 2003-04 are expected to be sufficient to cover all fiscal year 2003-04 payments. The carrying amount of unpaid claim liabilities is \$87,007,000. The liabilities are discounted at 5%.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 15 – RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities during the past two fiscal years for all self-insurance funds combined are as follows (in thousands):

	<u>June 30, 2002</u>	<u>June 30, 2003</u>
Unpaid claims, beginning of year	\$ 71,876	\$ 77,610
Increase (decrease) in provision for insured events of prior years	(40)	6,857
Incurred claims for current year	43,009	51,349
Claim payments	<u>(37,235)</u>	<u>(48,809)</u>
Unpaid claims, end of year	<u>\$ 77,610</u>	<u>\$ 87,007</u>

NOTE 16 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, the County Medically Indigent Services Program (MISP), and the County Indigent Adult (IA) program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, 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 payors. 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 contractually agreed-upon per discharge rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Services. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center 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 service revenue. In 2003, such differences amounted to a \$2,996,000 increase to net patient service revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2000.

During 1991, legislation was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals that serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Regional Medical Center has recorded net patient service revenue of approximately \$15,659,000 from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2003.

The continuation of government reimbursement programs is contingent upon Federal, State and County government policies.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 17 – 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 boards of directors for each of these organizations are 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.

The jointly governed organizations in which the County participated at June 30, 2003 are as follows:

The CSAC Excess Insurance Authority was formed in October 1979 and has a current membership of 52 California counties. The Authority 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 was formed in November 1973 with the cities of Coachella, Desert Hot Springs, Indian Wells, Indio, Palm Springs and Rancho Mirage. 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 (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, 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.

Van Horn Regional Treatment Facility was organized in January 1991 with Los Angeles, San Diego, San Bernardino and Orange Counties for the purpose of constructing and operating a treatment center for emotionally disturbed minors. The Facility's Board of Directors consists of the Chief Probation Officer and the Director of Mental Health for each county.

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 and 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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.

NOTE 18 – RETIREMENT PLAN

Plan Description

The County, Flood Control and Water Conservation District (Flood Control), the Regional Park and Open-Space District (Park District) and Waste Management contribute to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law have established a menu of benefit provisions as well as other requirements. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. A separate report for the various County plans within CalPERS is not available. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS are required to contribute 8% (9% for safety employees) of their annual covered salary. The County contributes 1% of the total 8% contribution required of Miscellaneous member County employees hired prior to July 11, 2002 on their behalf and for their account. The County makes the full contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above dates make their own contributions for the first five years. Miscellaneous prosecution unit member employees hired on or after September 3, 1992 make their own contributions for the first year. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood Control, Park District and Waste Management are required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2002-03, the contribution rates were:

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
Miscellaneous	0.000%	0.000%	0.000%	7.622%
Safety	13.844%	-	-	-

The State statute establishes the contribution requirements of the plan member and the employer contribution rate is established and may be amended by CalPERS.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 18 – RETIREMENT PLAN (CONTINUED)

Annual Pension Cost

For fiscal year 2002-03, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (in thousands):

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
Miscellaneous	\$ -	\$ -	\$ -	\$ 512
Safety	\$ 18,483	-	-	-

The required contribution for fiscal year 2002-03 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses) and; (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of CalPERS' assets was determined using 100% of the market value of investments. CalPERS' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization periods in years at June 30, 2003 are:

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
Miscellaneous	20	20	20	20
Safety	20	-	-	-

Riverside County – Miscellaneous

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2001	\$ -	-	\$ -
June 30, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -

Riverside County - Safety

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2001	\$ -	-	\$ -
June 30, 2002	\$ 15,968	100%	\$ -
June 30, 2003	\$ 18,483	100%	\$ -

Flood Control and Water Conservation District

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2001	\$ -	-	\$ -
June 30, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 18 – RETIREMENT PLAN (CONTINUED)

Regional Park and Open-Space District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 99	100%	\$ -
June 30, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -

Waste Management Department

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 877	100%	\$ -
June 30, 2002	\$ 859	100%	\$ -
June 30, 2003	\$ 512	100%	\$ -

NOTE 19– DEFINED BENEFIT PENSION PLAN

County of Riverside

The County provides a Defined Benefit Pension Plan to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to IRC Section 401(a), and is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately. Participants in the plan are required to contribute 3.75% of their compensation to the plan. The County's required contribution is currently 1.00%, but an additional contribution of \$269,031 (0.75%) was made to repay the trust for losses due to uncollected overpayments and associated charges.

Annual Pension Cost

Three-Year Trend Information
(Dollar Amounts in Thousands)

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 557	100%	\$ -
2002	\$ 680	100%	\$ -
2003	\$ 921	100%	\$ -

As of June 30, 2003, the Fund has a cash balance of \$5,940,000. In December 2001, it was discovered that overpayments were made in the lump sum distributions to those participants terminated from this plan in 1999 and 2000. Of the \$723,000 in outstanding receivables created by these overpayments, payees returned \$251,616, payments over time (promissory notes) have been arranged for \$366,600, and claims for a total of \$38,494 are pending action by the Court. In addition, \$9,690 is pending further collection actions and \$56,600 has been determined uncollectible.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 19– DEFINED BENEFIT PENSION PLAN (CONTINUED)

Housing Authority

On May 22, 2001, the County Board of Supervisors approved and authorized action to transition employees of the Housing Authority (the Authority) to County employees retroactive to May 3, 2001. These employees became subject to the provisions of the CalPERS retirement plan with no carry over vesting from the prior retirement plan. Employees will be 100% vested in the CalPERS retirement plan after 5 years of uninterrupted service.

Before the Authority employees became County employees, the Authority fully funded a defined contribution pension plan on behalf of qualified employees. During the current fiscal year, the Authority participated in the CalPERS plan through the County of Riverside and was not required and did not make any contributions to the prior plan.

The following information details plan activity during the current fiscal year (in thousands):

Total covered payroll	\$ 4,868
Total payroll subject to CalPERS	\$ 3,905
Employer contribution required and actual contribution	\$ 315

NOTE 20 – POST-RETIREMENT BENEFITS

In addition to providing retirement benefits, the County provides certain post-retirement health insurance premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to an agreement with CalPERS. Employees with a minimum service of five years and are at least 50 years of age at retirement qualify to receive the post-retirement benefits. Approximately 1,720 retirees meet and are covered under the eligibility requirements. CalPERS is responsible for administering some of the benefits to the retirees. Waste Management, Flood, and Park District have not been a part of CalPERS administered Health Plans since December 31, 2002. In addition, most of the bargaining units have withdrawn from the CalPERS administered health plans and are now enrolled with County paid health plan carriers.

The contributions are funded on a pay-as-you-go basis, which is allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2003, CalPERS administered Health plan expenditures amounted to approximately \$647,276 and County administered health plan expenditures amounted to approximately \$2,299,136, respectively.

NOTE 21 – 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. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the County.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2003, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time. County management does not expect such amounts, if any, to be material to the basic financial statements. The County's annual single audit of federal awards is pending completion.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 21 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments

At June 30, 2003, the County had various non-cancelable construction contracts with outside contractors. These contracts were financed through either the General Fund or Capital Projects funds. Approximately \$37,473,000 will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Management Department entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste Management expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be approximately \$15,507,500. These additional costs will be capitalized as the costs are incurred.

Remediation Contingencies

Waste Management is presently aware of groundwater contamination at 9 of its landfills, 6 of which are closed. Waste Management is also aware of air/gas contamination at seventeen landfills, ten of which are closed. Based on engineering studies Waste Management estimates the present value of the total costs of corrective action for foreseeable contaminate releases at approximately \$16,469,600. At June 30, 2003, Waste Management has accrued \$16,469,600 for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2003 is reported as a negative expense resulting from prior estimates, current estimates and current actual expenses.

Waste Management has established a remediation restricted cash fund to set aside funds for future remediation costs. Investments of \$10,146,991 are held for these purposes at June 30, 2003. These amounts are classified as restricted assets in the basic financial statements.

County of Orange v. Assessment Appeal Board

An Orange County Superior Court has ruled that an illegal assessment method was used in recapturing Proposition 13 values. The case was granted class-action status by the Superior Court on December 12, 2002. Orange County is considering asking for an appellate court review of the ruling. Any potential impact to Riverside County as result of this court ruling is not determinable or quantifiable at this time.

Orthopedic Hospital Lawsuit Settlement

The Centers for Medicare and Medicaid Services (CMMS) has agreed to provide \$175,000,000 of federal matching funds in the California Healthcare Association (CHA) negotiated Orthopedic Hospital Lawsuit Settlement. The Medical Center expects to receive an amount not to exceed \$1,800,000 in connection with this settlement. However, the exact amount cannot be determined until applications are made available by CMMS. Due to this uncertainty, no amount has been accrued as of June 30, 2003.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2003

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 1, 2003, the County as a participant in the California Statewide Communities Development Authority Pool issued \$170,000,000 of Tax and Revenue Anticipation Notes due June 30, 2004. The notes will yield interest at the rate of 2.00% per annum from their date of issuance and delivery until the notes are paid in full. The notes in accordance with California law are general obligations of the County. The notes are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2003-04 and legally available for payment thereof. Proceeds from the notes will be used for fiscal year 2003-04 General Fund expenditures including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

State of California Fiscal Outlook

The California Legislative Analyst's Office (LAO) issued its "California's Fiscal Outlook, LAO Projections, 2003-04 through 2008-09". The report indicates that policymakers in structuring the 2003-04 budget were challenged with a shortfall estimated by the administration to be as high as \$38 billion. The report also highlighted that this shortfall was the "product of three years' worth of major imbalances between revenues and expenditures." Assuming that all budget plans, including one-time solutions, would be realized, the shortfall would be closed leaving a reserve of \$2.2 billion.

The report also suggests that the 2004-05 operating shortfall will reemerge at approximately \$14 billion assuming the vehicle license fee rate increase is revoked. The persistent gap between annual expenditures and revenues will continue unless addressed by ongoing solutions rather than borrowing, deferrals, and other one-time solutions.

It is currently not known to what extent the State's projected deficit will ultimately impact the County. What is known is that the County has made an involuntary loan of VLF revenue to the State of \$19,900,000 in fiscal year 2003-04. The County's strategy of preparing for uncertainty by building reserve funds has been working. Some \$40,000,000 from the reserve for economic uncertainty has been allocated in the past two years. In many ways the use of this reserve has mitigated the effects of events created by the State's budget problems. The current reserve is far less than needed to address continued deferral of State reimbursements. The County continues to examine and implement alternative solutions to mitigate risks including defined internal fund borrowing, building reserves through cost reductions, and finding alternative revenue solutions.

The Effects of the Economy on CalPERS

Based on the negative performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2003-04 will increase to 9.786% and 17.014%, respectively. Fiscal year 2004-05 contribution rates are projected at 15.354% (Miscellaneous) and 24.390% (Safety). They will be accounted for in fiscal year 2003-04 and future budget years.





Required Supplementary Information

SCHEDULES OF FUNDING PROGRESS

The tables below show a 3-year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll as of June 30, 2002. (Dollars in Thousands)

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2000	\$ 1,618,890	\$ 1,177,959	\$ 440,931	1.374	\$ 408,877	107.8%
June 30, 2001	\$ 1,721,620	\$ 1,577,493	\$ 144,127	1.091	\$ 466,882	30.9%
June 30, 2002	\$ 1,600,979	\$ 1,750,111	\$ (149,132)	.915	\$ 527,189	(28.3%)

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2000	\$ 779,061	\$ 686,800	\$ 92,261	1.134	\$ 119,552	77.2%
June 30, 2001	\$ 805,953	\$ 768,481	\$ 37,472	1.049	\$ 127,824	29.3%
June 30, 2002	\$ 776,005	\$ 840,221	\$ (64,216)	.924	\$ 137,201	(46.8%)

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2000	\$ 60,749	\$ 42,509	\$ 18,240	1.429	\$ 8,198	222.5%
June 30, 2001	\$ 64,037	\$ 53,185	\$ 10,852	1.204	\$ 8,541	127.1%
June 30, 2002	\$ 58,674	\$ 58,135	\$ 539	1.009	\$ 9,876	5.5%

SCHEDULES OF FUNDING PROGRESS (CONTINUED)

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2000	\$ 9,053	\$ 6,497	\$ 2,556	1.393	\$ 2,324	110.0%
June 30, 2001	\$ 9,796	\$ 8,761	\$ 1,035	1.118	\$ 2,288	45.2%
June 30, 2002	\$ 9,232	\$ 10,014	\$ (782)	.922	\$ 2,670	(29.3%)

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2000	\$ 8,261	\$ 7,209	\$ 1,052	1.146	\$ 6,013	17.5%
June 30, 2001	\$ 9,431	\$ 10,856	\$ (1,425)	.869	\$ 5,716	(24.9%)
June 30, 2002	\$ 9,830	\$ 12,630	\$ (2,800)	.778	\$ 5,651	(49.5%)



Combining and Individual Fund Statements and Budgetary Schedules



Nonmajor Governmental Funds

COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	\$ 107,024	\$ 67,594	\$ 173,781	\$ 348,399
Accounts receivable	9,208	-	2,358	11,566
Interest receivable	290	1,244	238	1,772
Taxes receivable	1,481	-	-	1,481
Due from other governments	8,269	-	55	8,324
Inventories	843	-	-	843
Due from other funds	369	-	175	544
Restricted cash and investments	-	65,455	10,774	76,229
Notes receivable	9,943	-	-	9,943
Land held for resale	2,324	-	10,361	12,685
Total assets	<u>139,751</u>	<u>134,293</u>	<u>197,742</u>	<u>471,786</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	10,248	695	680	11,623
Salaries and benefits payable	2,626	-	226	2,852
Due to other governments	4,948	-	41	4,989
Due to other funds	274	8,656	175	9,105
Deposits payable	11	-	-	11
Teeter notes payable	-	37,682	-	37,682
Deferred revenue	15,600	-	2,247	17,847
Total liabilities	<u>33,707</u>	<u>47,033</u>	<u>3,369</u>	<u>84,109</u>
Fund balances:				
Reserved	23,324	87,260	188,264	298,848
Unreserved-designated, reported in:				
Special revenue funds	11,929	-	-	11,929
Capital projects funds	-	-	5,128	5,128
Unreserved undesignated, reported in:				
Special revenue funds	70,791	-	-	70,791
Capital projects funds	-	-	981	981
Total fund balances	<u>106,044</u>	<u>87,260</u>	<u>194,373</u>	<u>387,677</u>
Total liabilities and fund balances	<u>\$ 139,751</u>	<u>\$ 134,293</u>	<u>\$ 197,742</u>	<u>\$ 471,786</u>

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2003
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 47,128	\$ 23,587	\$ 2,603	\$ 73,318
Licenses, permits and franchise fees	820	-	9,446	10,266
Fines, forfeitures and penalties	342	-	-	342
Use of money and property:				
Interest	949	5,003	2,864	8,816
Rents and concessions	11,976	21,893	-	33,869
Aid from other governmental agencies:				
Federal	54,667	-	-	54,667
State	36,979	-	2,402	39,381
Charges for services	43,649	-	38,982	82,631
Other revenue	32,838	16,127	22,084	71,049
Total revenues	<u>229,348</u>	<u>66,610</u>	<u>78,381</u>	<u>374,339</u>
EXPENDITURES:				
General government	26,321	7,218	32,197	65,736
Public protection	2,767	-	-	2,767
Public ways and facilities	95,043	-	-	95,043
Health and sanitation	858	-	-	858
Public assistance	50,113	-	-	50,113
Education	8,918	-	-	8,918
Recreation and culture	2,412	-	8,116	10,528
Debt service:				
Principal	778	32,977	-	33,755
Interest	2,453	23,128	-	25,581
Capital outlay	-	-	12,444	12,444
Total expenditures	<u>189,663</u>	<u>63,323</u>	<u>52,757</u>	<u>305,743</u>
Excess (deficiency) of revenues				
Over (under) expenditures	39,685	3,287	25,624	68,596
OTHER FINANCING SOURCES (USES):				
Transfers in	12,403	3,353	7,143	22,899
Transfers out	(41,274)	(7,172)	(4,293)	(52,739)
Total other financing sources (uses)	<u>(28,871)</u>	<u>(3,819)</u>	<u>2,850</u>	<u>(29,840)</u>
NET CHANGE IN FUND BALANCES	<u>10,814</u>	<u>(532)</u>	<u>28,474</u>	<u>38,756</u>
Fund balances, beginning of year,				
as previously reported	120,455	87,826	139,744	348,025
Adjustments to beginning fund balances	(25,225)	(34)	26,155	896
Fund balances, beginning of year, as restated	<u>95,230</u>	<u>87,792</u>	<u>165,899</u>	<u>348,921</u>
FUND BALANCES, END OF YEAR	<u>\$ 106,044</u>	<u>\$ 87,260</u>	<u>\$ 194,373</u>	<u>\$ 387,677</u>



Special Revenue Funds

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These are funds established for the purpose of accounting for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted in expenditure for the specified purposes.

TRANSPORTATION FUNDS

These four funds were established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share highway user taxes and are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

COMMUNITY SERVICES FUNDS

These fourteen funds provide financing for public services. Community service funds for the County are: HUD Community Services Grant, EDA Administration, Community Action Agency, Job Training Partnership, Office of Aging, County Free Library, Structural Fire Protection, Homeless Housing Relief Fund, Home Program Trust Fund, and EDA US Department of Agriculture Rural Development, Workforce Development, Healthy Kids and Bio-terrorism Preparedness. The primary source of revenue for these types of funds is from State/Federal Grants.

REDEVELOPMENT AGENCY FUND

This fund was established to account for administration and revenues and expenditures related to the low and moderate income housing set aside program. 20% of the tax increments allocated to the Redevelopment Agency are required to be placed in this fund.

COUNTY SERVICE AREA FUNDS

These sixty-eight service area funds were established to provide authorized services such as road, park, lighting maintenance, fire protection, or water to specified areas in the County. They are financed by ad valorem property taxes in the area benefited, or by special assessments levied on specific properties.

REGIONAL PARK AND OPEN-SPACE DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County of the District.

AIR QUALITY IMPROVEMENT FUND

This fund accounts for the share the County receives through a subvention/allocation process from motor vehicle fees levied by the State of California, the usage of which is restricted to reducing air pollution.

OTHER SPECIAL REVENUE FUNDS

These sixteen funds provide financing to make services available to the public and governmental agencies. At the current time, the other special revenue funds within this County are as follows: Rideshare, AD CFD Administration, Aviation, Ladera Irrigation, National Date Festival, Cal-ID, AB2766 Sher Bill, Special Aviation, Supervisorial Road Districts, Multi-Species Habitat Conservation Agency, Riverside U.S. Grazing Fees, Mitigation Project Operations, Airport Land Use Commission, Prop 10 and IHSS Public Authority.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2003
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas
ASSETS:				
Cash and investments	\$ 40,823	\$ 22,467	\$ 8,574	\$ 12,057
Accounts receivable	7,840	1,352	-	-
Interest receivable	239	6	4	15
Taxes receivable	32	1,201	-	234
Due from other governments	3,451	4,019	-	11
Inventories	843	-	-	-
Due from other funds	173	196	-	-
Notes receivable	-	-	9,943	-
Land held for resale	-	-	2,324	-
Total assets	53,401	29,241	20,845	12,317
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	6,385	1,817	277	191
Salaries and benefits payable	1,430	1,043	-	26
Due to other governments	2,739	1,335	-	832
Due to other funds	-	103	-	-
Deposits payable	-	-	-	11
Deferred revenue	13,149	869	-	-
Total liabilities	23,703	5,167	277	1,060
Fund balances:				
Reserved	1,548	1,263	18,568	60
Unreserved:				
Designated	4,807	973	2,000	14
Undesignated	23,343	21,838	-	11,183
Total fund balances	29,698	24,074	20,568	11,257
Total liabilities and fund balances	\$ 53,401	\$ 29,241	\$ 20,845	\$ 12,317

Regional Park and Open-Space District	Air Quality Improvement	Other Special Revenue	Total	
\$ 4,088	\$ 705	\$ 18,310	\$ 107,024	ASSETS:
-	-	16	9,208	Cash and investments
6	1	19	290	Accounts receivable
-	-	14	1,481	Interest receivable
169	167	452	8,269	Taxes receivable
-	-	-	843	Due from other governments
-	-	-	369	Inventories
-	-	-	9,943	Due from other funds
-	-	-	2,324	Notes receivable
-	-	-	-	Land held for resale
<u>4,263</u>	<u>873</u>	<u>18,811</u>	<u>139,751</u>	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
105	14	1,459	10,248	Accounts payable
-	-	127	2,626	Salaries and benefits payable
-	-	42	4,948	Due to other governments
-	-	171	274	Due to other funds
-	-	-	11	Deposits payable
-	-	1,582	15,600	Deferred revenue
<u>105</u>	<u>14</u>	<u>3,381</u>	<u>33,707</u>	Total liabilities
				Fund balances:
167	-	1,718	23,324	Reserved
3,991	-	144	11,929	Unreserved:
-	859	13,568	70,791	Designated
<u>4,158</u>	<u>859</u>	<u>15,430</u>	<u>106,044</u>	Undesignated
<u>\$ 4,263</u>	<u>\$ 873</u>	<u>\$ 18,811</u>	<u>\$ 139,751</u>	Total fund balances
				Total liabilities and fund balances

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas
REVENUES:				
Taxes	\$ 9,063	\$ 30,849	\$ 5,897	\$ 829
Licenses, permits and franchise fees	820	-	-	-
Fines, forfeitures and penalties	-	342	-	-
Use of money and property:				
Interest	417	68	164	136
Rents and concessions	6,370	1,564	-	2
Aid from other governmental agencies:				
Federal	7,044	44,904	-	-
State	30,564	4,812	-	16
Charges for services	17,440	6,202	-	5,391
Other revenue	9,900	17,993	13	217
Total revenues	<u>81,618</u>	<u>106,734</u>	<u>6,074</u>	<u>6,591</u>
EXPENDITURES:				
General government	-	10,606	4,844	-
Public protection	360	-	-	14
Public ways and facilities	84,028	-	-	3,456
Health and sanitation	-	-	-	675
Public assistance	-	49,723	-	-
Education	-	8,918	-	-
Recreation and culture	-	-	-	761
Debt service:				
Principal	-	457	321	-
Interest	285	-	1,350	-
Total expenditures	<u>84,673</u>	<u>69,704</u>	<u>6,515</u>	<u>4,906</u>
Excess (deficiency) of revenues over (under) expenditures	(3,055)	37,030	(441)	1,685
OTHER FINANCING SOURCES (USES):				
Transfers in	8,609	3,123	-	-
Transfers out	(3,557)	(36,378)	-	(507)
Total other financing sources (uses)	<u>5,052</u>	<u>(33,255)</u>	<u>-</u>	<u>(507)</u>
NET CHANGE IN FUND BALANCES	1,997	3,775	(441)	1,178
Fund balances, beginning of year, as previously reported	53,834	19,781	20,481	10,085
Adjustments to beginning fund balances	(26,133)	518	528	(6)
Fund balances, beginning of year, as restated	<u>27,701</u>	<u>20,299</u>	<u>21,009</u>	<u>10,079</u>
FUND BALANCES, END OF YEAR	<u>\$ 29,698</u>	<u>\$ 24,074</u>	<u>\$ 20,568</u>	<u>\$ 11,257</u>

Regional Park and Open-Space District	Air Quality Improvement	Other Special Revenue	Total	
\$ -	\$ -	\$ 490	\$ 47,128	REVENUES:
-	-	-	820	Taxes
-	-	-	342	Licenses, permits and franchise fees
63	10	91	949	Fines, forfeitures and penalties
-	-	4,040	11,976	Use of money and property:
-	-	2,719	54,667	Interest
662	554	371	36,979	Rents and concessions
487	-	14,129	43,649	Aid from other governmental agencies:
57	-	4,658	32,838	Federal
1,269	564	26,498	229,348	State
-	167	10,704	26,321	Charges for services
11	-	2,382	2,767	Other revenue
-	-	7,559	95,043	Total revenues
-	-	183	858	EXPENDITURES:
-	-	390	50,113	General government
1,592	-	59	2,412	Public protection
-	-	-	8,918	Public ways and facilities
-	-	818	2,453	Health and sanitation
1,603	167	22,095	189,663	Public assistance
-	-	-	778	Education
-	-	818	2,453	Recreation and culture
(334)	397	4,403	39,685	Debt service:
-	-	671	12,403	Principal
-	(225)	(607)	(41,274)	Interest
-	(225)	64	(28,871)	Total expenditures
(334)	172	4,467	10,814	Excess (deficiency) of revenues over (under) expenditures
4,490	687	11,097	120,455	OTHER FINANCING SOURCES (USES):
2	-	(134)	(25,225)	Transfers in
4,492	687	10,963	95,230	Transfers out
\$ 4,158	\$ 859	\$ 15,430	\$ 106,044	Total other financing sources (uses)
				NET CHANGE IN FUND BALANCES
				Fund balances, beginning of year, as previously reported
				Adjustments to beginning fund balances
				Fund balances, beginning of year, as restated
				FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 13,526	\$ 13,526	\$ 9,063	\$ (4,463)
Licenses, permits and franchise fees	585	585	820	235
Use of money and property:				
Interest	115	121	417	296
Rents and concessions	6,316	12,633	6,370	(6,263)
Aid from other governmental agencies:				
Federal	33,830	33,830	7,044	(26,786)
State	40,450	40,450	30,564	(9,886)
Charges for services	21,401	14,358	17,440	3,082
Other revenue	21,119	23,033	9,900	(13,133)
Total revenues	<u>137,342</u>	<u>138,536</u>	<u>81,618</u>	<u>(56,918)</u>
EXPENDITURES:				
Public protection	405	395	360	(35)
Public ways and facilities	138,617	144,042	84,028	(60,014)
Debt service:				
Principal	-	956	-	(956)
Interest	-	285	285	-
Total expenditures	<u>139,022</u>	<u>145,678</u>	<u>84,673</u>	<u>(61,005)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,680)	(7,142)	(3,055)	4,087
OTHER FINANCING SOURCES (USES):				
Transfers in	-	8,609	8,609	-
Transfers out	-	(3,556)	(3,557)	(1)
Total other financing sources (uses)	<u>-</u>	<u>5,053</u>	<u>5,052</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	(1,680)	(2,089)	1,997	4,086
Fund balance, beginning of year, as previously reported	53,834	53,834	53,834	-
Adjustments to beginning fund balance	-	-	(26,133)	(26,133)
Fund balance, beginning of year, as restated	<u>53,834</u>	<u>53,834</u>	<u>27,701</u>	<u>(26,133)</u>
FUND BALANCE, END OF YEAR	<u>\$ 52,154</u>	<u>\$ 51,745</u>	<u>\$ 29,698</u>	<u>\$ (22,047)</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 28,627	\$ 28,627	\$ 30,849	\$ 2,222
Fines, forfeitures, and penalties	591	591	342	(249)
Use of money and property:				
Interest	41	41	68	27
Rents and concessions	1,084	1,084	1,564	480
Aid from other governmental agencies:				
Federal	67,873	70,983	44,904	(26,079)
State	5,298	6,331	4,812	(1,519)
Charges for services	7,789	4,751	6,202	1,451
Other revenue	11,956	13,748	17,993	4,245
Total revenues	<u>123,259</u>	<u>126,156</u>	<u>106,734</u>	<u>(19,422)</u>
EXPENDITURES:				
General government	9,908	12,203	10,606	(1,597)
Public protection	28,133	(24)	-	24
Public assistance	75,282	74,495	49,723	(24,772)
Education	9,467	9,532	8,918	(614)
Debt service:				
Principal	650	458	457	(1)
Total expenditures	<u>123,440</u>	<u>96,664</u>	<u>69,704</u>	<u>(26,960)</u>
Excess (deficiency) of revenues over (under) expenditures	(181)	29,492	37,030	7,538
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,136	3,123	(13)
Transfers out	-	(36,420)	(36,378)	42
Total other financing sources (uses)	<u>-</u>	<u>(33,284)</u>	<u>(33,255)</u>	<u>29</u>
NET CHANGE IN FUND BALANCE	(181)	(3,792)	3,775	7,567
Fund balance, beginning of year, as previously reported	19,781	19,781	19,781	-
Adjustments to beginning fund balance	-	-	518	518
Fund balance, beginning of year, as restated	<u>19,781</u>	<u>19,781</u>	<u>20,299</u>	<u>518</u>
FUND BALANCE, END OF YEAR	\$ 19,600	\$ 15,989	\$ 24,074	\$ 8,085

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 8,780	\$ 8,780	\$ 5,897	\$ (2,883)
Use of money and property:				
Interest	450	450	164	(286)
Other revenue	4,000	4,000	13	(3,987)
Total revenues	<u>13,230</u>	<u>13,230</u>	<u>6,074</u>	<u>(7,156)</u>
EXPENDITURES:				
General government	13,230	11,881	4,844	(7,037)
Debt service:				
Principal	-	-	321	321
Interest	-	1,350	1,350	-
Total expenditures	<u>13,230</u>	<u>13,231</u>	<u>6,515</u>	<u>(6,716)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1)	(441)	(440)
NET CHANGE IN FUND BALANCE	-	(1)	(441)	(440)
Fund balance, beginning of year, as previously reported	20,481	20,481	20,481	-
Adjustments to beginning fund balance	-	-	528	528
Fund balance, beginning of year, as restated	<u>20,481</u>	<u>20,481</u>	<u>21,009</u>	<u>528</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 20,481</u></u>	<u><u>\$ 20,480</u></u>	<u><u>\$ 20,568</u></u>	<u><u>\$ 88</u></u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 758	\$ 758	\$ 829	\$ 71
Use of money and property:				
Interest	232	232	136	(96)
Rents and concessions	2	2	2	-
Aid from other governmental agencies:				
State	7	7	16	9
Charges for services	4,461	4,481	5,391	910
Other revenue	117	117	217	100
Total revenues	<u>5,577</u>	<u>5,597</u>	<u>6,591</u>	<u>994</u>
EXPENDITURES:				
Public protection	248	164	14	(150)
Public ways and facilities	5,447	5,610	3,456	(2,154)
Health and sanitation	675	676	675	(1)
Recreation and culture	1,104	1,283	761	(522)
Total expenditures	<u>7,474</u>	<u>7,733</u>	<u>4,906</u>	<u>(2,827)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,897)	(2,136)	1,685	3,821
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(507)	(507)	-
Total other financing sources (uses)	<u>-</u>	<u>(507)</u>	<u>(507)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,897)	(2,643)	1,178	3,821
Fund balances, beginning of year, as previously reported	10,085	10,085	10,085	-
Adjustments to beginning fund balance	-	-	(6)	(6)
Fund balance, beginning of year, as restated	<u>10,085</u>	<u>10,085</u>	<u>10,079</u>	<u>(6)</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,188</u>	<u>\$ 7,442</u>	<u>\$11,257</u>	<u>\$ 3,815</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 174	\$ 174	\$ 63	\$ (111)
Rents and concessions	68	68	-	(68)
Aid from other governmental agencies:				
State	-	-	662	662
Charges for services	686	686	487	(199)
Other revenue	1,091	1,091	57	(1,034)
Total revenues	<u>2,019</u>	<u>2,019</u>	<u>1,269</u>	<u>(750)</u>
EXPENDITURES:				
Public protection	10	32	11	(21)
Recreation and culture	2,091	2,110	1,592	(518)
Total expenditures	<u>2,101</u>	<u>2,142</u>	<u>1,603</u>	<u>(539)</u>
NET CHANGE IN FUND BALANCE	(82)	(123)	(334)	(211)
Fund balance, beginning of year, as previously reported	4,490	4,490	4,490	-
Adjustments to beginning fund balance	-	-	2	2
Fund balance, beginning of year, as restated	<u>4,490</u>	<u>4,490</u>	<u>4,492</u>	<u>2</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,408</u>	<u>\$ 4,367</u>	<u>\$ 4,158</u>	<u>\$ (209)</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	-
Use of money and property:				
Interest	-	-	10	10
Aid from other governmental agencies:				
State	-	-	554	554
Total revenues	-	-	564	564
EXPENDITURES:				
General government	-	893	167	(726)
Total expenditures	-	893	167	(726)
Excess (deficiency) of revenues over (under) expenditures	-	(893)	397	1,290
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(225)	(0)
Total other financing sources (uses)	-	-	(225)	(0)
NET CHANGE IN FUND BALANCE	-	(893)	172	1,289
Fund balance, beginning of year	687	687	687	-
FUND BALANCE, END OF YEAR	<u>\$ 687</u>	<u>\$ (206)</u>	<u>\$ 859</u>	<u>\$ 1,289</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 272	\$ 272	\$ 490	\$ 218
Use of money and property:				
Interest	53	53	91	38
Rents and concessions	3,404	3,920	4,040	120
Aid from other governmental agencies:				
Federal	9,091	9,670	2,719	(6,951)
State	1,045	1,743	371	(1,372)
Charges for services	30,862	14,690	14,129	(561)
Other revenue	1,674	4,635	4,658	23
Total revenues	<u>46,401</u>	<u>34,983</u>	<u>26,498</u>	<u>(8,485)</u>
EXPENDITURES:				
General government	30,786	30,167	10,704	(19,463)
Public protection	2,990	3,311	2,382	(929)
Public ways and facilities	12,640	14,410	7,559	(6,851)
Health and sanitation	-	1,612	183	(1,429)
Public assistance	-	-	390	390
Recreation and culture	109	81	59	(22)
Debt service:				
Principal	-	-	-	-
Interest	-	818	818	-
Total expenditures	<u>46,525</u>	<u>50,399</u>	<u>22,095</u>	<u>(28,304)</u>
Excess (deficiency) of revenues over (under) expenditures	(124)	(15,416)	4,403	19,819
OTHER FINANCING SOURCES (USES):				
Transfers in	-	678	671	(7)
Transfers out	-	-	(607)	(607)
Total other financing sources (uses)	<u>-</u>	<u>678</u>	<u>64</u>	<u>(614)</u>
NET CHANGE IN FUND BALANCE	(124)	(14,738)	4,467	19,205
Fund balance, beginning of year, as previously reported	11,097	11,097	11,097	-
Adjustments to beginning fund balance	-	-	(134)	(134)
Fund balance, beginning of year, as restated	<u>11,097</u>	<u>11,097</u>	<u>10,963</u>	<u>(134)</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,973</u>	<u>\$ (3,641)</u>	<u>\$ 15,430</u>	<u>\$ 19,071</u>



Debt Service Funds

COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund receives revenue to pay principal and interest for flood control bonds. These bonds are legal obligations of Zones 2, 4, 6 and Flood Control and were issued to finance construction of flood control channels within each zone.

REDEVELOPMENT AGENCY

This fund receives tax increment revenue to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency and were issued to finance construction of infrastructure and public facilities with various project areas.

DESERT FACILITIES CORPORATION

Desert Facilities Corporation is a non-profit corporation established for the purpose of financing the construction of a courthouse project for use by the County.

TEETER

This fund receives revenue from collection of delinquent taxes, which is then used to pay principal and interest in association with Taxable and Tax-Exempt Commercial Paper of the Teeter Plan.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT PROJECT)

District Court Project is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction and development of a United States District Courthouse, financed from the proceeds of the sale of certificates.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2003
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
ASSETS:				
Cash and investments	\$ -	\$ -	\$ 56,089	\$ -
Interest receivable	176	-	1,023	-
Restricted cash and investments	26,782	-	-	123
Total assets	<u>26,958</u>	<u>-</u>	<u>57,112</u>	<u>123</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	-	-	686	-
Due to other funds	-	-	-	-
Teeter notes payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>686</u>	<u>-</u>
Fund balances:				
Reserved	26,958	-	56,426	123
Total fund balances	<u>26,958</u>	<u>-</u>	<u>56,426</u>	<u>123</u>
Total liabilities and fund balances	<u>\$ 26,958</u>	<u>\$ -</u>	<u>\$ 57,112</u>	<u>\$ 123</u>

Teeter	District Court Project	Total	
\$ 11,505	\$ -	\$ 67,594	ASSETS:
45	-	1,244	Cash and investments
37,948	602	65,455	Interest receivable
49,498	602	134,293	Restricted cash and investments
			Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
9	-	695	Accounts payable
8,656	-	8,656	Due to other funds
37,682	-	37,682	Teeter notes payable
46,347	-	47,033	Total liabilities
			Fund balances:
3,151	602	87,260	Reserved
3,151	602	87,260	Total fund balances
\$ 49,498	\$ 602	\$ 134,293	Total liabilities and fund balances

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
REVENUES:				
Taxes	\$ -	\$ -	\$ 23,587	\$ -
Use of money and property:				
Interest	1,761	-	2,834	15
Rents and concessions	19,441	-	-	164
Other revenue	16,120	-	-	-
Total revenues	<u>37,322</u>	<u>-</u>	<u>26,421</u>	<u>179</u>
EXPENDITURES:				
General government	-	-	7,218	-
Debt service:				
Principal	28,189	875	2,732	(173)
Interest	14,372	70	6,934	377
Total expenditures	<u>42,561</u>	<u>945</u>	<u>16,884</u>	<u>204</u>
Excess (deficiency) of revenues over (under) expenditures	(5,239)	(945)	9,537	(25)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,373	945	-	-
Transfers out	(1,183)	(239)	(5,750)	-
Total other financing sources (uses)	<u>190</u>	<u>706</u>	<u>(5,750)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,049)	(239)	3,787	(25)
Fund balances, beginning of year, as previously reported	31,764	239	52,916	148
Adjustments to beginning fund balances	243	-	(277)	-
Fund balances, beginning of year, as restated	<u>32,007</u>	<u>239</u>	<u>52,639</u>	<u>148</u>
FUND BALANCES, END OF YEAR	<u>\$ 26,958</u>	<u>\$ -</u>	<u>\$ 56,426</u>	<u>\$ 123</u>

Teeter	District Court Project	Total	
\$ -	\$ -	\$ 23,587	REVENUES:
			Taxes
363	30	5,003	Use of money and property:
-	2,288	21,893	Interest
6	1	16,127	Rents and concessions
<u>369</u>	<u>2,319</u>	<u>66,610</u>	Other revenue
			Total revenues
-	-	7,218	EXPENDITURES:
			General government
28	1,326	32,977	Debt service:
505	870	23,128	Principal
<u>533</u>	<u>2,196</u>	<u>63,323</u>	Interest
			Total expenditures
(164)	123	3,287	Excess (deficiency) of revenues over (under) expenditures
961	74	3,353	OTHER FINANCING SOURCES (USES):
-	-	(7,172)	Transfers in
<u>961</u>	<u>74</u>	<u>(3,819)</u>	Transfers out
			Total other financing sources (uses)
797	197	(532)	NET CHANGE IN FUND BALANCES
2,354	405	87,826	Fund balances, beginning of year, as previously reported
-	-	(34)	Adjustments to beginning fund balances
<u>2,354</u>	<u>405</u>	<u>87,792</u>	Fund balances, beginning of year, as restated
<u>\$ 3,151</u>	<u>\$ 602</u>	<u>\$ 87,260</u>	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Debt Service Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Other revenue	\$ 945	\$ -	\$ -	\$ -
Total revenues	945	-	-	-
EXPENDITURES:				
Debt service:				
Principal	945	875	875	-
Interest	-	70	70	-
Total expenditures	945	945	945	-
Excess (deficiency) of revenues over (under) expenditures	-	(945)	(945)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	945	945
Transfers out	-	-	(239)	(239)
Total other financing sources (uses)	-	-	706	706
NET CHANGE IN FUND BALANCE	-	(945)	(239)	706
Fund balance, beginning of year	239	239	239	-
FUND BALANCE, END OF YEAR	\$ 239	\$ (706)	\$ -	\$ 706

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

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Debt Service Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 21,000	\$ 22,000	\$ 23,587	\$ 1,587
Use of money and property:				
Interest	2,200	2,200	2,834	634
Other revenue	2,900	2,900	-	(2,900)
Total revenues	<u>26,100</u>	<u>27,100</u>	<u>26,421</u>	<u>(679)</u>
EXPENDITURES:				
General government	26,100	14,416	7,218	(7,198)
Debt service:				
Principal	-	-	2,732	2,732
Interest	-	6,934	6,934	-
Total expenditures	<u>26,100</u>	<u>21,350</u>	<u>16,884</u>	<u>(4,466)</u>
Excess (deficiency) of revenues over (under) expenditures	-	5,750	9,537	3,787
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(5,750)	(5,750)	-
Total other financing sources (uses)	<u>-</u>	<u>(5,750)</u>	<u>(5,750)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year, as previously reported	52,916	52,916	52,916	-
Adjustments to beginning fund balance	-	-	(277)	(277)
Fund balance, beginning of year, as restated	<u>52,916</u>	<u>52,916</u>	<u>52,639</u>	<u>(277)</u>
FUND BALANCE, END OF YEAR	<u>\$ 52,916</u>	<u>\$ 52,916</u>	<u>\$ 56,426</u>	<u>\$ 3,510</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 40,957	\$ -	\$ (40,957)
Use of money and property:				
Interest	-	-	363	363
Other revenue	42,883	34,775	6	(34,769)
Total revenues	42,883	75,732	369	(75,363)
EXPENDITURES:				
Debt service:				
Principal	42,883	75,227	28	(75,199)
Interest	-	505	505	-
Total Expenditures	42,883	75,732	533	(75,199)
Excess (deficiency) of revenues over (under) expenditures	-	-	(164)	(164)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	961	961
Total other financing sources (uses)	-	-	961	961
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	2,354	2,354	2,354	-
FUND BALANCE, END OF YEAR	\$ 2,354	\$ 2,354	\$ 3,151	\$ 797



Capital Projects Funds

COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

PUBLIC FACILITIES IMPROVEMENTS

These twenty-six funds are used to finance the acquisition and construction of public buildings and park or recreational facilities. Revenues are obtained from State funding, sale of fixed assets, contributions, and from other funds when allocated by the Board of Supervisors.

CORRECTIONAL FACILITIES

These three funds are used to finance the acquisition and construction of correctional facilities, courts, and other buildings for justice related activities. Revenues are obtained from State funding, court collections for fines, fees, and assessments, and certificates of participation sold through CORAL.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund is used to finance the construction of flood control channels and projects. Revenues are obtained from property taxes, special assessments and proceeds of tax allocation bonds.

REDEVELOPMENT AGENCY

This fund is used to finance the construction of infrastructure and public facilities in various project areas. Revenues are obtained from proceeds of tax allocation bonds.

DISTRICT COURT PROJECT

District Court Project is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction and development of a United States District Courthouse, financed from the proceeds of the sale of certificates.

REGIONAL PARK AND OPEN-SPACE DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE
 Combining Balance Sheet
 Capital Projects Funds
 June 30, 2003
 (Dollars in Thousands)

	Public Facilities Improvements	Correctional Facilities	CORAL	Flood Control
ASSETS:				
Cash and investments	\$ 148,536	\$ 981	\$ -	\$ 223
Accounts receivable	147	-	-	-
Interest receivable	181	-	8	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash and investments	-	-	10,629	-
Land held for sale	-	-	-	-
Total assets	<u>148,864</u>	<u>981</u>	<u>10,637</u>	<u>223</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	11	-	-	(1)
Salaries and benefits payable	-	-	-	-
Due to other governments	18	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	2,247	-	-	-
Total liabilities	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Fund balances:				
Reserved	146,588	-	10,637	-
Unreserved:				
Designated	-	-	-	224
Undesignated	-	981	-	-
Total fund balances	<u>146,588</u>	<u>981</u>	<u>10,637</u>	<u>224</u>
Total liabilities and fund balances	<u>\$ 148,864</u>	<u>\$ 981</u>	<u>\$ 10,637</u>	<u>\$ 223</u>

Redevelopment Agency	District Court Project	Regional Park and Open-Space District	Total	
\$ 18,852	\$ -	\$ 5,189	\$ 173,781	ASSETS:
2,114	-	97	2,358	Cash and investments
42	-	7	238	Accounts receivable
-	-	55	55	Interest receivable
-	-	175	175	Due from other governments
-	145	-	10,774	Due from other funds
10,361	-	-	10,361	Restricted cash and investments
				Land held for sale
<u>31,369</u>	<u>145</u>	<u>5,523</u>	<u>197,742</u>	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
627	-	43	680	Accounts payable
-	-	226	226	Salaries and benefits payable
-	-	23	41	Due to other governments
-	-	175	175	Due to other funds
-	-	-	2,247	Deferred revenue
<u>627</u>	<u>-</u>	<u>467</u>	<u>3,369</u>	Total liabilities
				Fund balances:
30,742	145	152	188,264	Reserved
-	-	4,904	5,128	Unreserved:
-	-	-	981	Designated
				Undesignated
<u>30,742</u>	<u>145</u>	<u>5,056</u>	<u>194,373</u>	Total fund balances
<u>\$ 31,369</u>	<u>\$ 145</u>	<u>\$ 5,523</u>	<u>\$ 197,742</u>	Total liabilities and fund balances

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Public Facilities Improvements	Correctional Facilities	CORAL	Flood Control
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and franchise fees	9,446	-	-	-
Use of money and property:				
Interest	1,549	-	553	4
Aid from other governmental agencies:				
State	-	-	-	-
Charges for services	36,380	-	-	-
Other revenue	20,619	-	-	-
Total revenues	67,994	-	553	4
EXPENDITURES:				
General government	13,624	1	-	-
Recreation and culture	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Capital outlay	-	-	12,340	104
Total expenditures	13,624	1	12,340	104
Excess (deficiency) of revenues over (under) expenditures	54,370	(1)	(11,787)	(100)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,393	-
Transfers out	(3,744)	-	(474)	-
Total other financing sources (uses)	(3,744)	-	919	-
NET CHANGE IN FUND BALANCES	50,626	(1)	(10,868)	(100)
Fund balances beginning of year,				
as previously reported	69,825	982	21,487	324
Adjustments to beginning fund balances	26,137	-	18	-
Fund balances, beginning of year, as restated	95,962	982	21,505	324
FUND BALANCES, END OF YEAR	\$ 146,588	\$ 981	\$ 10,637	\$ 224

Redevelopment Agency	District Court Project	Regional Park and Open-Space District	Total	
\$ -	\$ -	\$ 2,603	\$ 2,603	REVENUES:
-	-	-	9,446	Taxes
682	2	74	2,864	Licenses, permits and franchise fees
-	-	2,402	2,402	Use of money and property:
-	-	2,602	38,982	Interest
1,390	75	-	22,084	Aid from other governmental agencies:
2,072	77	7,681	78,381	State
				Charges for services
				Other revenue
				Total revenues
18,572	-	-	32,197	EXPENDITURES:
-	-	8,116	8,116	General government
-	-	-	-	Recreation and culture
-	-	-	-	Debt service:
-	-	-	12,444	Principal
18,572	-	8,116	52,757	Capital outlay
				Total expenditures
(16,500)	77	(435)	25,624	Excess (deficiency) of revenues over (under) expenditures
5,750	-	-	7,143	OTHER FINANCING SOURCES (USES):
-	(75)	-	(4,293)	Transfers in
5,750	(75)	-	2,850	Transfers out
(10,750)	2	(435)	28,474	Total other financing sources (uses)
				NET CHANGE IN FUND BALANCES
41,492	143	5,491	139,744	Fund balances beginning of year, as previously reported
-	-	-	26,155	Adjustments to beginning fund balances
41,492	143	5,491	165,899	Fund balances, beginning of year, as restated
\$ 30,742	\$ 145	\$ 5,056	\$ 194,373	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 3,000	\$ -	\$ (3,000)
License, permits and franchise fees	300	2,764	9,446	6,682
Use of money and property:				
Interest	-	-	1,549	1,549
Charges for services	20,722	39,985	36,380	(3,605)
Other revenue	10,532	12,096	20,619	8,523
Total revenues	31,554	57,845	67,994	10,149
EXPENDITURES:				
General government	31,554	48,922	13,624	(35,298)
Total expenditures	31,554	48,922	13,624	(35,298)
Excess (deficiency) of revenues over(under) expenditures	-	8,923	54,370	45,447
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(3,966)	(3,744)	222
Total other financing sources and (uses)	-	(3,966)	(3,744)	222
NET CHANGE IN FUND BALANCE	-	4,957	50,626	45,669
Fund balance, beginning of year, as previously reported	69,825	69,825	69,825	-
Adjustments to beginning fund balance	-	-	26,137	26,137
Fund balance, beginning of year, as restated	69,825	69,825	95,962	26,137
FUND BALANCE, END OF YEAR	\$ 69,825	\$ 74,782	\$ 146,588	\$ 71,584

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Flood Control Capital Projects Fund
 For the Fiscal Year Ended June 30, 2003
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 2	\$ 2	\$ 4	\$ 2
Other revenue	400	400	-	(400)
Total revenues	402	402	4	(398)
EXPENDITURES:				
Capital outlay	400	448	104	(344)
Total expenditures	400	448	104	(344)
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	2	(46)	(100)	(54)
Fund balance, beginning of year	324	324	324	-
FUND BALANCE, END OF YEAR	\$ 326	\$ 278	\$ 224	\$ (54)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Capital Projects Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under) (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property:				
Interest	\$ 900	\$ 900	\$ 682	\$ (218)
Other revenue	<u>27,323</u>	<u>24,073</u>	<u>1,390</u>	<u>(22,683)</u>
Total revenues	<u>28,223</u>	<u>24,973</u>	<u>2,072</u>	<u>(22,901)</u>
EXPENDITURES:				
General government	<u>28,223</u>	<u>30,723</u>	<u>18,572</u>	<u>(12,151)</u>
Total expenditures	<u>28,223</u>	<u>30,723</u>	<u>18,572</u>	<u>(12,151)</u>
Excess (deficiency) of revenues over(under) expenditures	-	(5,750)	(16,500)	(10,750)
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>5,750</u>	<u>5,750</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>5,750</u>	<u>5,750</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(10,750)</u>	<u>(10,750)</u>
Fund balance, beginning of year, as previously reported	<u>41,492</u>	<u>41,492</u>	<u>41,492</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 41,492</u>	<u>\$ 41,492</u>	<u>\$ 30,742</u>	<u>\$ (10,750)</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 2,278	\$ 2,278	\$ 2,603	\$ 325
Use of money and property:				
Interest	144	144	74	(70)
Rents and concessions	340	340	-	(340)
Aid from other governmental agencies:				
State	552	558	2,402	1,844
Charges for services	3,114	3,296	2,602	(694)
Other revenue	1,061	1,061	-	(1,061)
Total revenues	7,489	7,677	7,681	4
EXPENDITURES:				
Recreation and culture	12,262	12,593	8,116	(4,477)
Total expenditures	12,262	12,593	8,116	4,477
Excess (deficiency) of revenues over (under) expenditures	(4,773)	(4,916)	(435)	(4,473)
NET CHANGE IN FUND BALANCE	(4,773)	(4,916)	(435)	(4,473)
Fund balance, beginning of year	5,491	5,491	5,491	-
FUND BALANCE, END OF YEAR	\$ 718	\$ 575	\$ 5,056	\$ (4,473)





Nonmajor Enterprise Funds

COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds account for operations providing goods or services to the general public on a continuing basis. The accounting for these funds is in a manner similar to private enterprises and the intent of the governing body is that all costs are to be financed or recovered primarily through user charges.

COUNTY SERVICE AREA WATER AND SEWER DISTRICT FUNDS

These three funds were established to account for revenues earned, expenses incurred, and the allocation of net income for County Service Areas 62 and 122.

HOUSING AUTHORITY

The Housing Authority was established to provide decent housing in a suitable living environment for families that cannot afford standard private housing.

FLOOD CONTROL

These funds were established to account for transactions resulting from topographical map sales, subdivision operations and issuance of encroachment permits.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 436	\$ 7,492	\$ 1,031	\$ 8,959
Accounts receivable-net	-	447	439	886
Interest receivable	1	-	3	4
Taxes receivable	12	-	-	12
Due from other governments	-	435	7	442
Due from other funds	-	22	-	22
Restricted cash and investments	-	2,681	-	2,681
Prepaid items and deposits	-	87	-	87
Total current assets	<u>449</u>	<u>11,164</u>	<u>1,480</u>	<u>13,093</u>
Noncurrent Assets:				
Capital assets:				
Depreciable assets	71	15,677	175	15,923
Nondepreciable assets	-	5,616	-	5,616
Bond issuance costs	-	1,042	-	1,042
Total Noncurrent Assets	<u>71</u>	<u>22,335</u>	<u>175</u>	<u>22,581</u>
Total assets	<u>520</u>	<u>33,499</u>	<u>1,655</u>	<u>35,674</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	-	3	106	109
Salaries and benefits payable	8	-	38	46
Due to other funds	-	22	-	22
Due to other governments	-	1,631	-	1,631
Interest payable	-	62	-	62
Deposits payable	46	-	-	46
Other liabilities	-	2,534	-	2,534
Compensated absences	10	-	18	28
Bonds payable	-	500	-	500
Total current liabilities	<u>64</u>	<u>4,752</u>	<u>162</u>	<u>4,978</u>
Noncurrent portion of long-term liabilities:				
Compensated absences	19	468	119	606
Bonds payable	-	10,620	-	10,620
Other long- term liabilities	-	607	-	607
Total noncurrent liabilities	<u>19</u>	<u>11,695</u>	<u>119</u>	<u>11,833</u>
Total liabilities	<u>83</u>	<u>16,447</u>	<u>281</u>	<u>16,811</u>
NET ASSETS:				
Invested in capital assets, net of related debt	-	12,227	175	12,402
Restricted	62	1,514	-	1,576
Unrestricted	375	3,311	1,199	4,885
Total net assets	<u>\$ 437</u>	<u>\$ 17,052</u>	<u>\$ 1,374</u>	<u>\$ 18,863</u>

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	\$ 272	\$ 57,323	\$ 2,167	\$ 59,762
Other	17	876	-	893
Total operating revenues	<u>289</u>	<u>58,199</u>	<u>2,167</u>	<u>60,655</u>
OPERATING EXPENSES:				
Personnel services	139	5,934	1,042	7,115
Insurance	2	-	-	2
Maintenance of building and equipment	29	2,561	-	2,590
Supplies	3	-	689	692
Purchased services	28	-	258	286
Depreciation and amortization	6	1,693	39	1,738
Public assistance	-	45,060	-	45,060
Utilities	67	576	-	643
Other	10	1,339	-	1,349
Total operating expenses	<u>284</u>	<u>57,163</u>	<u>2,028</u>	<u>59,475</u>
Operating income	<u>5</u>	<u>1,036</u>	<u>139</u>	<u>1,180</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	7	148	34	189
Interest expense	(10)	(814)	-	(824)
Gain (loss) on disposal of capital assets	-	17	(68)	(51)
Total nonoperating revenues (expenses)	<u>(3)</u>	<u>(649)</u>	<u>(34)</u>	<u>(686)</u>
CHANGE IN NET ASSETS				
Net assets, beginning of year, as previously reported	450	16,665	952	18,067
Adjustments to beginning net assets	(15)	-	317	302
Net assets, beginning of year, as restated	<u>435</u>	<u>16,665</u>	<u>1,269</u>	<u>18,369</u>
NET ASSETS, END OF YEAR	<u>\$ 437</u>	<u>\$ 17,052</u>	<u>\$ 1,374</u>	<u>\$ 18,863</u>

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities:				
Cash received from customers/other funds	\$ 326	\$ 60,543	\$ 1,936	\$ 62,805
Cash payment to suppliers for goods and services	(139)	(47,775)	(1,741)	(49,655)
Cash payment to employees for services	(136)	(5,850)	(1,036)	(7,022)
Net cash provided by (used in) operating activities	<u>51</u>	<u>6,918</u>	<u>(841)</u>	<u>6,128</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	17	-	17
Acquisition and construction of capital assets	(36)	(457)	(150)	(643)
Principal paid on bond payable	-	(490)	-	(490)
Interest paid on long-term debt	(10)	(814)	-	(824)
Net cash used in capital and related financing activities	<u>(46)</u>	<u>(1,744)</u>	<u>(150)</u>	<u>(1,940)</u>
Cash flows from investing activities:				
Interest received on investments	<u>7</u>	<u>144</u>	<u>39</u>	<u>190</u>
Net cash provided by investing activities	<u>7</u>	<u>144</u>	<u>39</u>	<u>190</u>
Net increase (decrease) in cash and cash equivalents	12	5,318	(952)	4,378
Cash and cash equivalents, beginning of year	<u>424</u>	<u>4,855</u>	<u>1,983</u>	<u>7,262</u>
Cash and cash equivalents, end of year	<u>\$ 436</u>	<u>\$ 10,173</u>	<u>\$ 1,031</u>	<u>\$ 11,640</u>

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 5	\$ 1,036	\$ 139	\$ 1,180
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	6	1,693	39	1,738
Amortization of bond issuance costs	-	69	-	69
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	-	(233)	(177)	(410)
Taxes receivables	(1)	-	-	(1)
Due from other funds	-	(22)	17	(5)
Due from other governments	-	1,514	38	1,552
Prepaid items and deposits	-	(29)	-	(29)
Increase (decrease) in:				
Accounts payable	-	(293)	(794)	(1,087)
Salaries payable	-	-	38	38
Compensated absences	3	84	(32)	55
Due to other funds	-	22	(108)	(86)
Due to other governments	-	994	(1)	993
Deposits payable	38	-	-	38
Other liabilities	-	2,083	-	2,083
Net cash provided by (used in) operating activities	<u>\$ 51</u>	<u>\$ 6,918</u>	<u>\$ (841)</u>	<u>\$ 6,128</u>





Internal Service Funds

COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established to account for the goods or services furnished by one County department or agency to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

FLEET SERVICES FUND

This fund finances the operation and maintenance of the Sheriff's department vehicles as well as for other County departments. Revenue is attained from other departments on a cost-reimbursement basis.

INFORMATION SERVICES FUND

This fund is supported by revenues received from County departments for services from the information Services department for software systems support to computer network and data structure design and organization to County computer systems.

PRINTING SERVICES FUND

This fund accounts for the financing of materials, services and supplies provided to the County departments on a cost-reimbursement basis. This operation also provides such services as paper reclamation program, which collects and sells waste paper collected from County departments for recycling.

SUPPLY SERVICES FUND

The purpose of this fund is to provide financing to support an operation that provides County departments with merchandise and service on a cost-reimbursement basis.

OASIS PROJECT FUND

These funds were established to support the implementation, operation and maintenance of the County's central administrative information system for County departments. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT FUNDS

These eleven funds account for the financing of employee benefit insurances and County self-insurances. They include funds for dental, life, medical, vision, disability income, and unemployment insurance for applicable bargaining units, County general liability, medical malpractice and worker's compensation.

TEMPORARY ASSISTANCE POOL

The purpose of this fund is to provide a ready source of temporary workers to County departments with lower overhead charges than are typically levied by outside temporary employment agencies.

FLOOD CONTROL EQUIPMENT FUNDS

This fund was established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
ASSETS:					
Current assets:					
Cash and investments	\$ 2,398	\$ 6,505	\$ 1,233	\$ 2,959	\$ 6,438
Accounts receivable-net	116	-	67	2	-
Interest receivable	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Inventories	278	1,069	129	349	-
Due from other funds	-	182	-	-	-
Prepaid items and deposits	-	32	-	-	-
Total current assets	<u>2,792</u>	<u>7,788</u>	<u>1,429</u>	<u>3,310</u>	<u>6,438</u>
Noncurrent assets:					
Capital assets:					
Depreciable assets	<u>25,842</u>	<u>21,486</u>	<u>1,918</u>	<u>398</u>	<u>3,650</u>
Total noncurrent assets	<u>25,842</u>	<u>21,486</u>	<u>1,918</u>	<u>398</u>	<u>3,650</u>
Total assets	<u>28,634</u>	<u>29,274</u>	<u>3,347</u>	<u>3,708</u>	<u>10,088</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	375	4,493	331	1,896	963
Salaries and benefits payable	238	1,011	94	53	-
Due to other funds	27	-	-	-	-
Due to other governments	10	-	-	-	-
Other liabilities	2,528	-	-	-	-
Compensated absences	99	1,032	18	26	-
Capital lease obligation	9,617	6,477	252	-	5
Estimated claims liability	-	-	-	-	-
Total current liabilities	<u>12,894</u>	<u>13,013</u>	<u>695</u>	<u>1,975</u>	<u>968</u>
Noncurrent portion of long-term liabilities:					
Compensated absences	198	2,095	36	53	-
Advance from other funds	-	-	-	-	-
Capital lease obligation	9,003	4,458	839	-	-
Estimated claims liabilities	-	-	-	-	-
Other long term liabilities	1,500	-	-	-	-
Total noncurrent liabilities	<u>10,701</u>	<u>6,553</u>	<u>875</u>	<u>53</u>	<u>-</u>
Total liabilities	<u>23,595</u>	<u>19,566</u>	<u>1,570</u>	<u>2,028</u>	<u>968</u>
NET ASSETS:					
Invested in capital assets, net of related debt	7,222	10,551	827	398	3,645
Unrestricted (deficit)	<u>(2,183)</u>	<u>(843)</u>	<u>950</u>	<u>1,282</u>	<u>5,475</u>
Total net assets	<u>\$ 5,039</u>	<u>\$ 9,708</u>	<u>\$ 1,777</u>	<u>\$ 1,680</u>	<u>\$ 9,120</u>

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

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
\$ 113,053	\$ 5,172	\$ 3,885	\$ 141,643	ASSETS:
952	-	20	1,157	Current assets:
146	-	1	147	Cash and investments
-	-	-	-	Accounts receivable-net
-	-	240	2,065	Interest receivable
-	-	-	182	Advance to other funds
-	-	-	32	Inventories
114,151	5,172	4,146	145,226	Due from other funds
				Prepaid items and deposits
				Total current assets
77	43	1,506	54,920	Noncurrent assets:
77	43	1,506	54,920	Capital assets:
				Depreciable assets
114,228	5,215	5,652	200,146	Total noncurrent assets
				Total assets
				LIABILITIES:
1,192	2	106	9,358	Current liabilities:
396	688	53	2,533	Accounts payable
-	-	-	27	Salaries and benefits payable
8	-	-	18	Due to other funds
-	-	-	2,528	Due to other governments
212	73	32	1,492	Other liabilities
-	-	-	16,351	Compensated absences
24,875	-	-	24,875	Capital lease obligation
26,683	763	191	57,182	Estimated claims liability
				Total current liabilities
431	149	141	3,103	Noncurrent portion of long-term liabilities:
-	-	-	-	Compensated absences
-	-	-	14,300	Advance from other funds
62,132	-	-	62,132	Capital lease obligation
-	-	-	1,500	Estimated claims liabilities
62,563	149	141	81,035	Other long term liabilities
89,246	912	332	138,217	Total noncurrent liabilities
				Total liabilities
				NET ASSETS:
77	43	1,506	24,269	Invested in capital assets,
24,905	4,260	3,814	37,660	net of related debt
\$ 24,982	\$ 4,303	\$ 5,320	\$ 61,929	Unrestricted (deficit)
				Total net assets

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

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:				
Charges for services	\$ 19,878	\$ 59,309	\$ 3,802	\$ 13,379
Other revenue	-	2	9	-
Total operating revenues	19,878	59,311	3,811	13,379
OPERATING EXPENSES:				
Cost of materials used	964	-	-	-
Personnel services	2,729	22,673	1,008	617
Communications	88	3,775	64	21
Insurance	75	76	5	19
Maintenance of building and equipment	1,714	8,921	330	27
Insurance claims	-	-	-	-
Supplies	2,593	651	364	12,168
Purchased services	431	5,289	416	300
Depreciation and amortization	8,757	7,456	330	31
Rents and leases of equipment	2	1,306	13	-
Utilities	6	201	-	-
Other	59	406	11	63
Total operating expenses	17,418	50,754	2,541	13,246
Operating income (loss)	2,460	8,557	1,270	133
NONOPERATING REVENUES (EXPENSES):				
Investment income	-	3	-	-
Interest expense	(825)	(941)	(38)	(4)
Gain (loss) on disposal of capital assets	738	(8)	(225)	-
Other nonoperating expenses	-	-	-	-
Total nonoperating revenues (expenses)	(87)	(946)	(263)	(4)
Income (loss) before capital contributions and transfers	2,373	7,611	1,007	129
Transfers in	-	-	-	-
Transfers out	(149)	-	69	-
CHANGE IN NET ASSETS	2,224	7,611	1,076	129
Net assets, beginning of year, as previously reported	2,036	(1,998)	1,589	1,583
Adjustments to beginning net assets	779	4,095	(888)	(32)
Net assets, beginning of year, as restated	2,815	2,097	701	1,551
NET ASSETS, END OF YEAR	\$ 5,039	\$ 9,708	\$ 1,777	\$ 1,680

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
\$ 17,893	\$ 40,511	\$ 18,147	\$ 4,559	\$ 177,478	OPERATING REVENUES:
-	9,908	-	-	9,919	Charges for services
17,893	50,419	18,147	4,559	187,397	Other revenue
					Total operating revenues
-	-	-	0	964	OPERATING EXPENSES:
-	5,060	15,629	1,309	49,025	Cost of materials used
263	73	3	0	4,287	Personnel services
3	1,378	53	-	1,609	Communications
1,056	128	34	-	12,210	Insurance
-	51,349	-	-	51,349	Maintenance of building and equipment
154	1,060	89	1,969	19,048	Insurance claims
12,370	1,956	1,576	299	22,637	Supplies
1,620	51	12	575	18,832	Purchased services
214	450	5	-	1,990	Depreciation and amortization
-	-	-	-	207	Rents and leases of equipment
627	1,607	167	-	2,940	Utilities
16,307	63,112	17,568	4,152	185,098	Other
1,586	(12,693)	579	407	2,299	Total operating expenses
					Operating income (loss)
-	1,548	-	27	1,578	NONOPERATING REVENUES (EXPENSES):
(22)	-	(7)	-	(1,837)	Investment income
(6)	-	-	5	504	Interest expense
(1,000)	(1,321)	-	-	(2,321)	Gain (loss) on disposal of capital assets
(1,028)	227	(7)	32	(2,076)	Other nonoperating expenses
558	(12,466)	572	439	223	Total nonoperating revenues (expenses)
-	-	-	23	23	Income (loss) before capital contributions and transfers
(13)	-	-	-	(93)	Transfers in
545	(12,466)	572	462	153	Transfers out
5,861	42,538	3,730	4,858	60,197	CHANGE IN NET ASSETS
2,714	(5,090)	1	-	1,579	Net assets, beginning of year, as previously reported
8,575	37,448	3,731	4,858	61,929	Adjustments to beginning net assets
\$ 9,120	\$ 24,982	\$ 4,303	\$ 5,320	\$ 61,929	Net assets, beginning of year, as restated
					NET ASSETS, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
Cash flows from operating activities:					
Cash receipts from interfund services provided	\$ 19,854	\$ 59,135	\$ 3,793	\$ 13,404	\$ 18,223
Cash paid to suppliers for goods and services	(4,082)	(19,236)	(964)	(12,273)	(13,968)
Cash paid to employees for services	(2,663)	(22,415)	(955)	(584)	-
Net cash provided by operating activities	<u>13,109</u>	<u>17,484</u>	<u>1,874</u>	<u>547</u>	<u>4,255</u>
Cash flows from noncapital financing activities:					
Advances from other funds	-	-	-	-	(1,000)
Transfers received	-	-	-	-	-
Transfers paid	(149)	-	69	-	(13)
Net cash provided by (used in) noncapital financing activities	<u>(149)</u>	<u>-</u>	<u>69</u>	<u>-</u>	<u>(1,013)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	738	-	-	-	-
Acquisition and construction of capital assets	(12,552)	(1,628)	(1,518)	(219)	(491)
Principal paid on capital leases	-	(8,413)	(45)	-	-
Interest paid on long-term debt	(825)	(941)	(38)	(4)	(22)
Net cash used in capital and related financing activities	<u>(12,639)</u>	<u>(10,982)</u>	<u>(1,601)</u>	<u>(223)</u>	<u>(513)</u>
Cash flows from investing activities:					
Interest received on investments	-	3	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	321	6,505	342	324	2,729
Cash and cash equivalents, beginning of year	2,077	-	891	2,635	3,709
Cash and cash equivalents, end of year	<u>\$ 2,398</u>	<u>\$ 6,505</u>	<u>\$ 1,233</u>	<u>\$ 2,959</u>	<u>\$ 6,438</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,460	\$ 8,557	\$ 1,270	\$ 133	\$ 1,586
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	8,757	7,456	330	31	1,620
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Accounts receivable	(60)	-	(67)	(2)	330
Inventories	33	(348)	(33)	50	-
Due from other funds	-	(176)	-	27	-
Due from other governments	36	-	49	-	-
Prepaid items and deposits	-	(32)	-	-	-
Increase (decrease) in:					
Accounts payable	(694)	2,711	272	275	719
Salaries payable	116	173	48	27	-
Compensated absences	(50)	85	5	6	-
Estimated claims liability	-	-	-	-	-
Due to other funds	27	(942)	-	-	-
Due to other governments	(10)	-	-	-	-
Other liabilities	2,494	-	-	-	-
Net cash provided by operating activities	<u>\$ 13,109</u>	<u>\$ 17,484</u>	<u>\$ 1,874</u>	<u>\$ 547</u>	<u>\$ 4,255</u>
Supplemental disclosure of noncash capital and related financing activities					
Capital assets financed with capital leases	<u>\$ 7,635</u>	<u>\$ 832</u>	<u>\$ 815</u>	<u>\$ -</u>	<u>\$ -</u>

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
\$ 51,658	\$ 18,147	\$ 5,267	\$ 189,481	Cash flows from operating activities:
(53,137)	(1,925)	(2,541)	(108,126)	Cash receipts from interfund services provided
(4,736)	(15,843)	(1,273)	(48,469)	Cash paid to suppliers for goods and services
(6,215)	379	1,453	32,886	Cash paid to employees for services
				Net cash provided by operating activities
(1,321)	-	-	(2,321)	Cash flows from noncapital financing activities:
-	-	23	23	Advances from other funds
-	-	-	(93)	Transfers received
(1,321)	-	23	(2,391)	Transfers paid
				Net cash provided by (used in) noncapital financing activities
-	-	5	743	Cash flows from capital and related financing activities:
2	(36)	(543)	(16,985)	Proceeds from sale of capital assets
-	-	-	(8,458)	Acquisition and construction of capital assets
-	(16)	-	(1,846)	Principal paid on capital leases
2	(52)	(538)	(26,546)	Interest paid on long-term debt
				Net cash used in capital and related financing activities
1,645	9	39	1,696	Cash flows from investing activities:
1,645	9	39	1,696	Interest received on investments
				Net cash provided by investing activities
(5,889)	336	977	5,645	Net increase (decrease) in cash and cash equivalents
118,942	4,836	2,908	135,998	Cash and cash equivalents, beginning of year
\$ 113,053	\$ 5,172	\$ 3,885	\$ 141,643	Cash and cash equivalents, end of year
\$ (12,693)	\$ 579	\$ 407	\$ 2,299	Reconciliation of operating income to net cash provided by operating activities:
				Operating income
51	12	575	18,832	Adjustments to reconcile operating income to net cash provided by operating activities:
				Depreciation
				Changes in operating assets and liabilities:
				Decrease (increase) in:
319	-	(5)	515	Accounts receivable
-	-	(43)	(341)	Inventories
920	-	574	1,345	Due from other funds
-	-	139	224	Due from other governments
-	-	-	(32)	Prepaid items and deposits
				Increase (decrease) in:
1,141	2	(111)	4,315	Accounts payable
(319)	(364)	53	(266)	Salaries payable
643	150	(17)	822	Compensated absences
4,307	-	-	4,307	Estimated claims liability
-	-	(118)	(1,033)	Due to other funds
8	-	-	(2)	Due to other governments
(592)	-	(1)	1,901	Other liabilities
\$ (6,215)	\$ 379	\$ 1,453	\$ 32,886	Net cash provided by operating activities
				Supplemental disclosure of noncash capital and related financing activities
\$ -	\$ -	\$ -	\$ 9,282	Capital assets financed with capital leases





Fiduciary Funds

COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These are funds established for the purpose of accounting for assets held in trustee or agency capacity for others and therefore cannot be used to support the government's own programs and are excluded from the government-wide financial statements.

AGENCY FUNDS

These 176 funds account for assets held by the County in a custodial capacity. These funds include payroll insurances, taxes and other withholdings; property taxes, special assessments, asset forfeitures and fees collected on behalf of cities, special districts, special task forces and other agencies. Agency funds only involve the receipt, temporary investment, and remittance to individuals, private organizations or other governments.



COUNTY OF RIVERSIDE
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003
(Dollars in Thousands)

	Payroll Deductions	Property Tax Assessments	Warrants	Other	Total
ASSETS:					
Cash and investments	\$ 22,334	\$ 73,628	\$ 42,472	\$ 58,052	\$ 196,486
Interest receivable	7	-	-	5	12
Taxes receivable	9	-	-	390	399
Due from other governments	-	-	-	7	7
Total assets	<u>22,350</u>	<u>73,628</u>	<u>42,472</u>	<u>58,454</u>	<u>196,904</u>
LIABILITIES:					
Accounts payable	9,449	1,448	40,823	31,354	83,074
Due to other governments	12,901	72,180	1,649	22,279	109,009
Due to third parties	-	-	-	4,821	4,821
Total liabilities	<u>\$ 22,350</u>	<u>\$ 73,628</u>	<u>\$ 42,472</u>	<u>\$ 58,454</u>	<u>\$ 196,904</u>

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Other	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>Assets</u>				
Cash and investments	\$ 47,402	\$ 1,181,680	\$ 1,171,030	\$ 58,052
Interest receivable	142	86	223	5
Taxes receivable	336	434	380	390
Due from other governments	167	59	219	7
Total Assets	<u>48,047</u>	<u>1,182,259</u>	<u>1,171,852</u>	<u>58,454</u>
<u>Liabilities</u>				
Accounts payable	8	67,240	35,894	31,354
Salaries and benefits payable	64	-	64	-
Due to other governments	21,795	54,180	53,696	22,279
Due to third parties	26,180	1	21,360	4,821
Total Liabilities	<u>\$ 48,047</u>	<u>\$ 121,421</u>	<u>\$ 111,014</u>	<u>\$ 58,454</u>
<u>Payroll Deductions</u>				
<u>Assets</u>				
Cash and investments	\$ 6,732	\$ 239,818	\$ 224,216	\$ 22,334
Interest receivable	-	16	9	7
Taxes receivable	-	18	9	9
Total Assets	<u>6,732</u>	<u>239,852</u>	<u>224,234</u>	<u>22,350</u>
<u>Liabilities</u>				
Accounts payable	19	245,414	235,984	9,449
Due to other governments	6,713	79,349	73,161	12,901
Total Liabilities	<u>\$ 6,732</u>	<u>\$ 324,763</u>	<u>\$ 309,145</u>	<u>\$ 22,350</u>
<u>Property Tax Assessments</u>				
<u>Assets</u>				
Cash and investments	\$ 67,735	\$ 29,500	\$ 23,607	\$ 73,628
Interest receivable	48	-	48	-
Taxes receivable	11,015	-	11,015	-
Total Assets	<u>78,798</u>	<u>29,500</u>	<u>34,670</u>	<u>73,628</u>
<u>Liabilities</u>				
Accounts payable	14	10,311	8,877	1,448
Due to other governments	12,943	1,092,401	1,033,164	72,180
Due to third parties	65,841	-	65,841	-
Total Liabilities	<u>\$ 78,798</u>	<u>\$ 1,102,712</u>	<u>\$ 1,107,882</u>	<u>\$ 73,628</u>

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>Warrants</u>				
<u>Assets</u>				
Cash and investments	\$ 105,647	\$ 1,270,126	\$ 1,333,301	\$ 42,472
Interest receivable	21	-	21	-
Total Assets	105,668	1,270,126	1,333,322	42,472
<u>Liabilities</u>				
Accounts payable	2	1,358,314	1,317,494	40,822
Due to other governments	11,910	3,714	13,974	1,650
Due to third parties	93,756	57,042	150,798	-
Total Liabilities	\$ 105,668	\$ 1,419,070	\$ 1,482,266	\$ 42,472
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 227,516	\$ 2,721,124	\$ 2,752,154	\$ 196,486
Interest receivable	211	102	301	12
Taxes receivable	11,351	452	11,404	399
Due from other governments	167	59	219	7
Total Assets	239,245	2,721,737	2,764,078	196,904
<u>Liabilities</u>				
Accounts payable	43	1,681,279	1,598,249	83,073
Salaries and benefits payable	64	-	64	-
Due to other governments	53,361	1,229,644	1,173,995	109,010
Due to third parties	185,777	57,043	237,999	4,821
Total Liabilities	\$ 239,245	\$ 2,967,966	\$ 3,010,307	\$ 196,904





STATISTICAL SECTION

STATISTICAL
SECTION

County of Riverside
Government-wide Expenses By Function
Governmental Activities
Last Two Fiscal Years
(Dollars In Thousands)

Table 1

Function	Fiscal Year 2002	Fiscal Year 2003
General Government	\$ 154,665	\$ 183,132
Public Protection	549,019	620,663
Public Ways and Facilities	135,183	87,092
Health and Sanitation	310,434	330,830
Public Assistance	563,273	588,502
Education	9,315	8,609
Recreation and Culture	9,332	8,842
Interest on Long-Term Debt	<u>38,945</u>	<u>33,666</u>
Total	<u>\$ 1,770,166</u>	<u>\$ 1,861,336</u>

Table 2

**County of Riverside
Government-wide Revenues
Governmental Activities
Last Two Fiscal Years
(Dollars In Thousands)**

	Fiscal Year 2002	Fiscal Year 2003
Program Revenues		
Charges for Services	\$ 366,626	387,467
Operating Grants and Contributions	993,977	1,050,230
Capital Grants and Contributions	32,364	32,537
General Revenues		
Taxes:		
Property Taxes	\$ 179,079	209,979
Property Transfer Taxes	14,767	15,796
Sales and Use Taxes	27,168	22,444
Transient Occupancy Taxes ¹	17,267	-
Other	16,905	10,377
Subtotal:	<u>255,186</u>	<u>258,596</u>
Intergovernmental Revenue:		
Contractual Revenue - Redevelopment	55,587	6,015
Motor Vehicle In-lieu Taxes	<u>100,457</u>	<u>106,466</u>
Subtotal:	156,044	112,481
Investment Earnings	40,061	24,909
Miscellaneous	<u>90,226</u>	<u>156,124</u>
Total Program and General Revenues	<u><u>1,934,484</u></u>	<u><u>2,022,344</u></u>

¹ Transient Occupancy Taxes are included in other taxes for FY 2002-03

Source: Auditor-Controller, County of Riverside

Table 3

County of Riverside General Governmental Expenditures and Transfers Out All Governmental Fund Types Last Ten Fiscal Years (Dollars In Thousands)

Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Education	Recreation and Culture	Capital Outlay	Debt Service	Transfers Out	Total
1993/94	\$ 86,027	\$ 339,310	\$ 85,542	\$ 218,209	\$ 394,803	\$ 8,499	\$ 3,157	\$ 39,553	\$ 83,516	\$ 38,553	\$ 1,297,169
1994/95	92,289	366,291	79,925	207,731	424,748	9,639	5,295	43,775	49,540	24,555	1,303,788
1995/96	80,205	399,915	89,618	202,542	470,659	7,164	6,446	43,608	54,918	59,360	1,414,435
1996/97	75,239	395,347	87,090	225,251	426,627	6,715	6,319	41,638	131,103	105,734	1,501,063
1997/98	90,198	418,006	68,442	242,944	405,150	6,105	5,418	72,711	69,642	187,333	1,565,949
1998/99	85,454	436,689	81,532	249,470	426,077	6,243	874	38,447	86,155	74,135	1,485,076
1999/00	114,348	458,601	93,857	231,228	437,708	7,514	762	90,565	120,736	97,016	1,652,335
2000/01	125,857	502,766	89,997	272,509	496,995	8,436	916	91,695	87,921	98,055	1,775,147
2001/02	153,329	574,343	128,544	302,887	558,638	8,672	8,153	56,160	77,120	70,230	1,938,076
2002/03	204,861	613,781	120,490	339,123	570,458	9,261	10,722	22,489	68,863	71,879	2,031,927

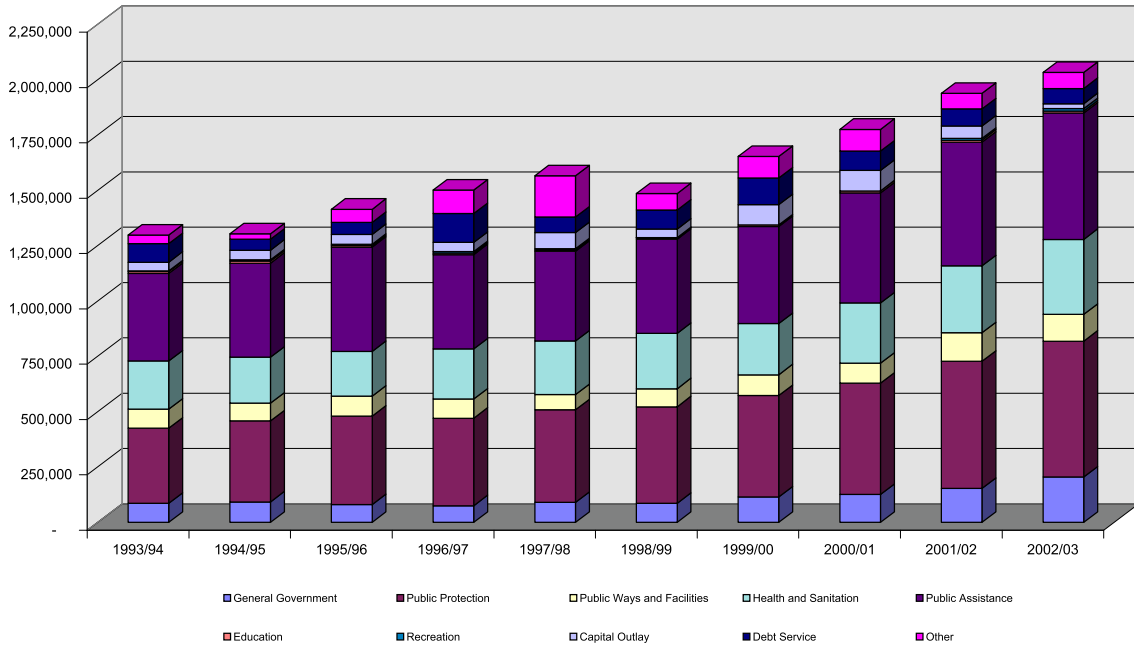
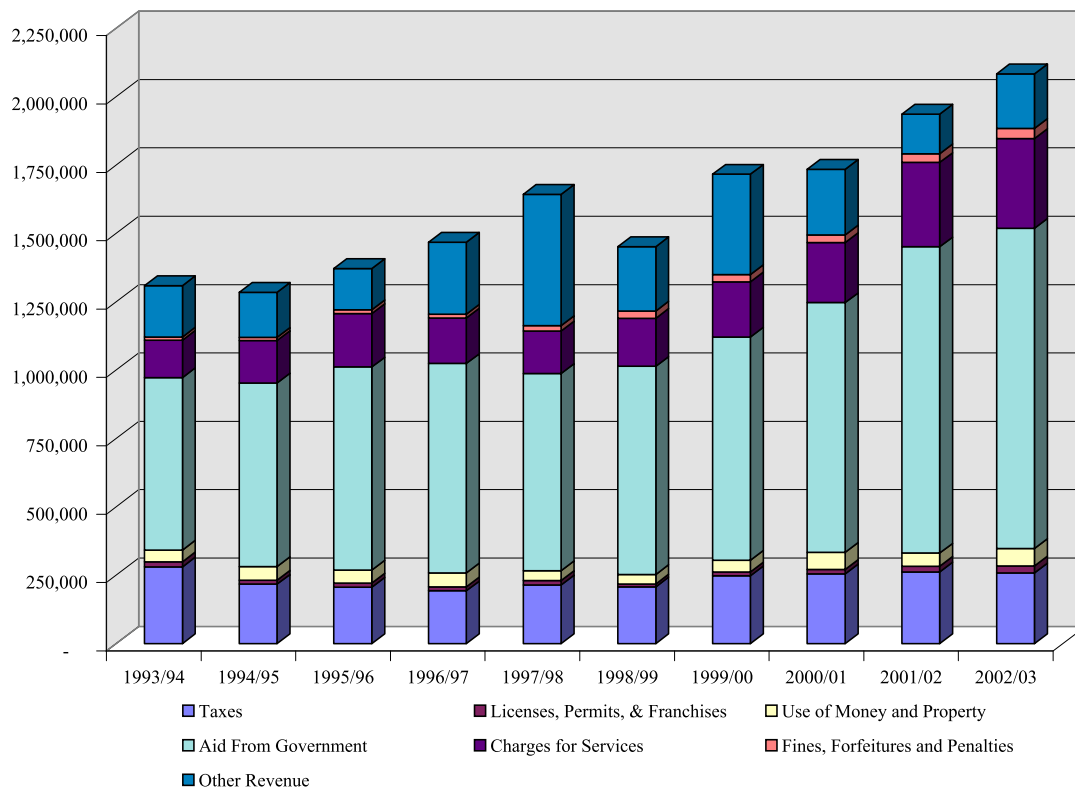


Table 4

County of Riverside
General Governmental Revenues And Transfers In By Source
All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in Thousands)

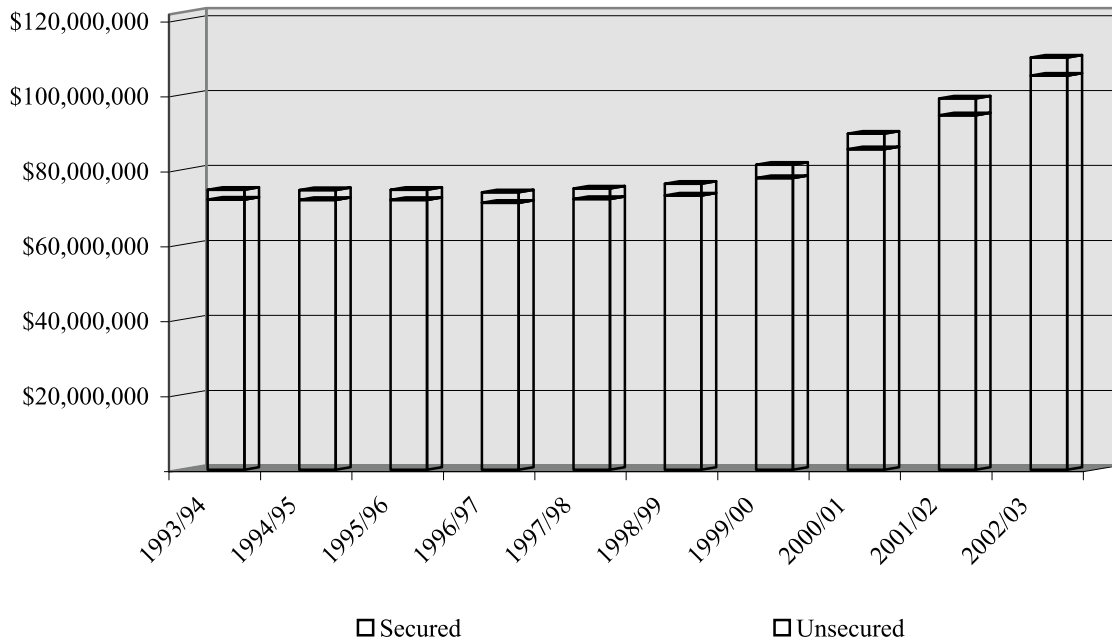
Fiscal Year	Taxes	Licenses Permits and Franchises	Use of Money and Property	Aid From Government	Charges For Services	Fines, Forfeitures and Penalties	Other and Transfers In	Total
1993/94	\$ 280,423	\$ 18,796	\$ 42,272	\$ 630,692	\$ 137,114	\$ 11,703	\$ 188,245	\$ 1,309,245
1994/95	217,311	14,200	50,431	670,589	155,967	11,259	165,114	1,284,871
1995/96	206,355	15,293	47,210	742,555	195,887	13,353	151,143	1,371,796
1996/97	192,905	14,633	50,408	766,291	166,604	13,536	263,282	1,467,659
1997/98	214,321	15,838	36,741	720,678	155,449	19,796	480,320	1,643,143
1998/99	207,091	10,764	35,153	760,723	175,808	26,822	235,373	1,451,734
1999/00	248,502	13,423	42,511	816,389	202,153	26,085	367,236	1,716,299
2000/01	255,209	16,078	62,663	912,760	219,719	27,587	239,947	1,733,963
2001/02	261,348	21,883	47,666	1,119,916	308,345	31,908	145,327	1,936,393
2002/03	258,596	25,677	63,164	1,170,998	327,918	37,241	199,996	2,083,590



County of Riverside
Assessed Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)

Table 5

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
1993/94	\$ 72,093,007	\$ 2,606,197	\$ 74,699,204
1994/95	71,975,652	2,644,821	74,620,473
1995/96	72,005,972	2,724,591	74,730,563
1996/97	71,274,926	2,796,593	74,071,519
1997/98	72,274,222	2,764,571	75,038,793
1998/99	73,155,309	3,160,379	76,315,688
1999/00	77,828,451	3,539,191	81,367,642
2000/01	85,549,275	4,106,069	89,655,344
2001/02	94,589,630	4,459,640	99,049,270
2002/03	105,150,229	4,870,244	110,020,473



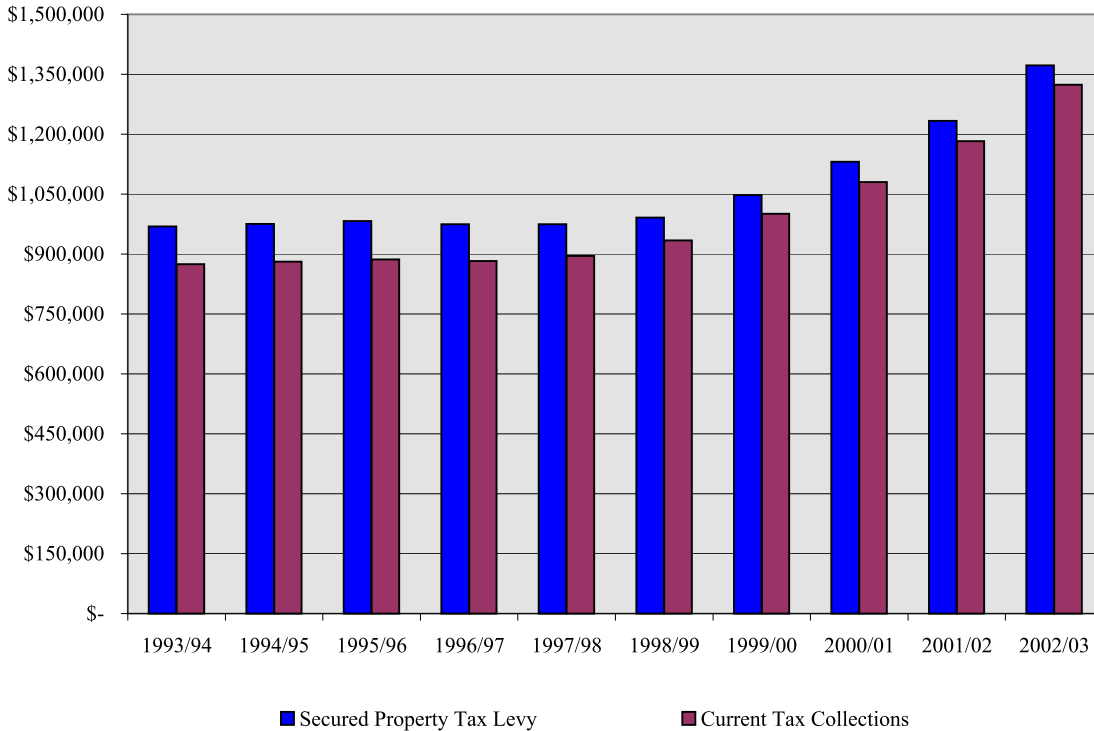
Source: County of Riverside - Assessor's Office

Table 6

**County of Riverside
Property Taxes Levies and Collections
Direct and Overlapping Governments
Last Ten Fiscal Years
(Dollars in Thousands)**

Fiscal Year	Total Secured Property Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections June 30 (1) (2)	Percent of Total Tax Collections To Tax Levy	Current Levy Delinquent June 30
1993/94	\$ 968,671	\$ 874,891	90.32%	\$ 65,736	\$ 940,627	97.10%	\$ 93,780
1994/95	975,132	881,063	90.35%	71,733	952,796	97.71%	94,069
1995/96	982,743	886,672	90.22%	70,163	956,835	97.36%	96,071
1996/97	974,580	882,328	90.53%	62,638	944,966	96.96%	92,252
1997/98	974,439	895,057	91.85%	67,606	962,663	98.79%	79,382
1998/99	990,884	934,080	94.27%	62,047	996,127	100.53%	56,804
1999/00	1,047,635	1,000,896	95.54%	65,813	1,066,709	101.82%	46,739
2000/01	1,130,564	1,080,296	95.55%	40,888	1,121,184	99.17%	50,268
2001/02	1,233,418	1,182,693	95.89%	43,543	1,226,236	99.42%	50,725
2002/03	1,372,208	1,324,013	96.49%	53,120	1,377,133	100.36%	48,195

Note: 1 Includes tax levies and collections for redevelopment agencies which are not available for County operating purpose.
2 Includes current and prior year's redemption, penalties and interest.

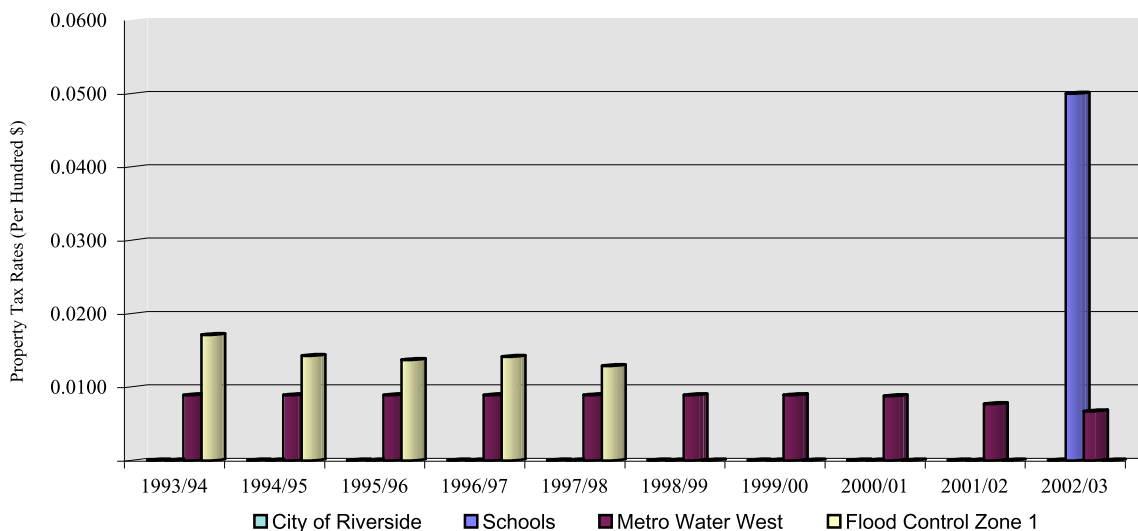


Source: County of Riverside Assessor's Office

County of Riverside
Property Tax Rates
Direct and Overlapping Governments
Tax Rate Area 9 - (Per \$100 of Assessed Value)
Last Ten Fiscal Years

Table 7

Fiscal Year	Countywide Tax	City of Riverside	Schools	Flood Control Zone 1	Metro Water West	Total
1993/94	1.00000	0.00000	0.00000	0.01714	0.00890	1.02604
1994/95	1.00000	0.00000	0.00000	0.01427	0.00890	1.02317
1995/96	1.00000	0.00000	0.00000	0.01372	0.00890	1.02262
1996/97	1.00000	0.00000	0.00000	0.01416	0.00890	1.02306
1997/98	1.00000	0.00000	0.00000	0.01289	0.00890	1.02179
1998/99	1.00000	0.00000	0.00000	0.00000	0.00890	1.00890
1999/00	1.00000	0.00000	0.00000	0.00000	0.00890	1.00890
2000/01	1.00000	0.00000	0.00000	0.00000	0.00880	1.00880
2001/02	1.00000	0.00000	0.00000	0.00000	0.00770	1.00770
2002/03	1.00000	0.00000	0.05000	0.00000	0.00670	1.05670



Note 1: California voters, on June 6, 1978, approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978 Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each County will levy the maximum tax permitted by Article XIII A of \$1 per \$100 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978. The rates shown above are percentages of assessed valuation

Note 2: The tax rate for Tax Rate Area 9, which applies to most property within the City of Riverside, is used to illustrate the breakdown of tax rate within the County.

Source: Auditor-Controller, County of Riverside

Table 8

County of Riverside
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years (Dollars in Thousands Except Net Bonded Debt Per Capita)

Fiscal Year	Population*	Assessed Value	Gross Bonded Debt (1)	Debt Service Money Available	Net Bonded Debt	Ratio Of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1993/94	1,332,000	\$ 74,699,204	\$ 472,905	\$ 114,104 (2)	\$ 358,801	0.48%	\$ 269.37
1994/95	1,355,600	74,620,473	486,410	115,590 (2)	370,820	0.50%	273.55
1995/96	1,381,900	74,730,563	468,635	113,312 (2)	355,323	0.48%	257.13
1996/97	1,380,000	74,071,519	568,665	45,323 (2)	523,342	0.71%	379.23
1997/98	1,441,200	75,038,793	581,828	32,386 (2)	549,442	0.73%	381.24
1998/99	1,473,300	76,315,688	560,368	29,862 (2)	530,506	0.70%	360.08
1999/00	1,557,800	81,367,642	647,075	73,377 (2)	573,698	0.71%	368.27
2000/01	1,583,600	89,655,344	627,809	122,502 (2)	505,307	0.56%	319.09
2001/02	1,645,300 (3)	99,049,270	633,357	123,240 (2)	510,117	0.52%	310.04
2002/03	1,705,500	110,020,473	620,369	133,049 (2)	487,320	0.44%	285.73

*Source: California State Department of Finance

Notes: (1) Includes all long-term general obligation bonds and certificates of participation.

(2) Includes \$107,534, \$104,219, \$106,133, \$38,774, \$27,367, \$23,880, \$35,025, \$30,425, \$42,438, and \$46,911 County of Riverside Asset Leasing Coporation (CORAL) restricted assets in 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03, respectively. Assets are restricted for funding prepayment and retirement of outstanding County of Riverside CORAL debt issues.

(3) Revised Total

County of Riverside
Computation of Legal Debt Margin
June 30, 2003
(Dollars In Thousands)

Table 9

Net assessed valuation, June 2002 (1)	\$	108,271,317
Applicable percentage in computing capacity		1.25%
Total debt limit		1,353,391
Less indebtedness, June 30, 2003 (2)		(620,202)
Legal debt margin, June 30, 2003	\$	733,189

Notes:

- (1) Net assessed valuation does not include homeowners exemption of \$1,749,156 which cannot be considered as part of the valuation in computing the legal debt margin.
- (2) Represents the County's general long-term debt obligations.

Table 10

County of Riverside
Estimated Direct and Overlapping Bonded Debt
June 30, 2003
(Dollars in Thousands)

2002-03 Assessed Valuation: \$110,020,473 (after deducting \$27,138,019 redevelopment incremental valuation; includes unitary utility valuation)

<u>DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:</u>	% Applicable	06/30/03
Riverside County	100%	\$ -
Metropolitan Water District	5.144%	22,855
Unified School Districts	2.703-100	525,590
Perris Union High School District	100%	15,595
Other School Districts	100%	10,164
City of Corona	100%	5,065
Eastern Municipal Water District Improvement Districts	100%	9,010
Elsinore Valley Municipal Water District Improvement Districts No. U2	100%	2,310
Coachella County Water Districts Improvement Districts	100%	20,937
Other Special Districts	100%	17,143
Total Gross Direct And Overlapping General Obligation Bonded Debt		628,669
Less: Eastern Municipal Water District and High Valleys Water District Self-Supporting bonds		(558)
Total Net Direct And Overlapping General Obligation Bonded Debt		\$ 628,111
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	100%	\$ 620,369
Riverside County Board of Education Obligations	100%	14,461
School Districts General Fund and Lease Tax Obligations	2.703-100	485,295
City of Corona General Fund Obligations	100%	62,190
City of Moreno Valley Certificates of Participation	100%	19,125
City of Palm Springs Certificates of Participation	100%	74,007
Other City General Fund Obligations	100%	80,145
Rancho California Water District Water Facilities Corporation	100%	177,994
Other Water District Certificates of Participation	Various	5,595
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	13,302
Community Facilities Districts	100%	1,272,177
Riverside County 1915 Act Bonds	100%	74,543
City and Special District 1915 Act Bonds (Estimated)	100%	249,498
Total Gross Direct And Overlapping General Fund Obligation And Assessment Debt		\$ 3,148,701
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		(6,395)
Riverside District Court Financing Corporation(100% self-supporting from U.S. General Services Administration)		(22,230)
Temecula Unified School District Certificates of Participation (Self-supporting from tax increment revenues)		(6,040)
Other Special District Self-Supporting Bonds (self-supporting from enterprise revenues)		(527)
Moreno Valley Community Facilities District 87-1 (100% Self-Supporting from tax increment revenues)		(16,560)
Total Net Direct And Overlapping General Fund Obligation And Assessment Debt:		\$ 3,096,949
<u>RATIOS TO ASSESSED VALUATION:</u>		
Total Gross General Obligation Debt		0.57%
Total Net General Obligation Debt		0.57%
Combined Direct Debt (\$636,489)		0.77%
Combined Gross Debt (\$3,793,490)		4.58%
Combined Net Debt (\$3,741,180)		4.51%

(1) Excludes Tax and Revenue Anticipation Notes., enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

County of Riverside
Ratio of Annual Debt Service Expenditures For
General Obligation Bonded Debt To Total General Expenditures
Last Ten Fiscal Years
(Dollars in Thousands)

Table 11

Fiscal Year	Principal	Interest	Total Debt Service (a)	Total General Expenditures (b)	Ratio of Debt Service To General Expenditures
1993/94	\$ 2,375	\$ 1,342	\$ 3,717	\$ 1,258,616	0.30%
1994/95	2,524	1,209	3,733	1,279,233	0.29%
1995/96	2,530	1,060	3,590	1,462,438	0.25%
1996/97	4,064	914	4,978	1,395,329	0.36%
1997/98	3,602	673	4,275	1,519,878	0.28%
1998/99	1,585	271	1,856	1,410,941	0.13%
1999/00	1,240	255	1,495	1,555,319	0.10%
2000/01	1,318	182	1,500	1,677,092	0.09%
2001/02	864	117	981	1,867,846	0.05%
2002/03	875	70	945	1,960,048	0.05%

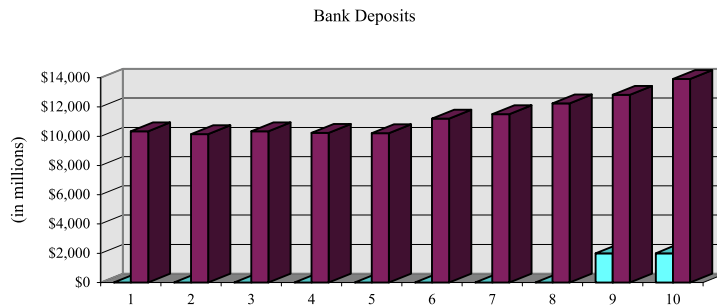
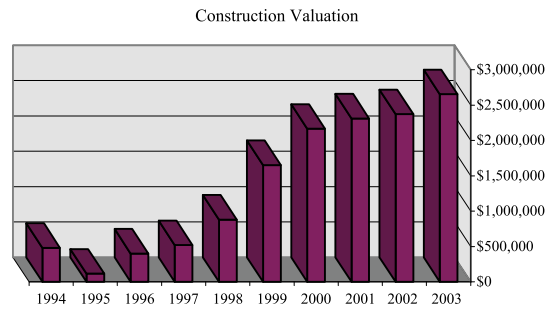
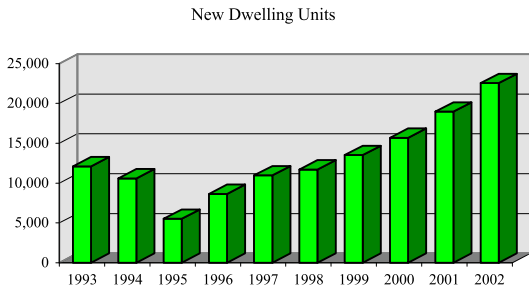
Notes: (a) Flood Control General Obligation Bonded Debt and Negotiable Promissory Note Retirement and Interest.

(b) Includes General, Special Revenue, Debt Service and Capital Projects funds expenditures.

Table 12

**County of Riverside
Construction and Bank Deposits
Last Ten Fiscal Years
(Dollars In Thousands)**

Year	New Dwelling Units		Construction Valuation		Bank Deposits (2)(a)
	Residential (1)	Non-Residential (1)	Residential (1)	Non-Residential (1)	
1993	10,888	1,209	\$ 390,522	\$ 91,604	10,336,294
1994	9,693	901	93,936	22,034	10,145,319
1995	4,972	552	325,170	76,274	10,345,954
1996	7,776	864	420,455	98,625	10,225,026
1997	10,154	822	713,518	167,368	10,204,657
1998	10,536	1,170	1,338,584	313,989	11,198,386
1999	12,163	1,351	1,754,536	411,558	11,513,232
2000	14,115	1,568	1,872,158	439,148	12,243,890
2001	17,066	1,896	1,921,437	450,707	12,830,468
2002	20,284	2,254	2,151,265	504,618	13,918,801



Note: (a) Bank deposit data is for commercial banks, savings & loans and credit unions

Source: (1) Assessor, County of Riverside
(2) Federal Deposit Insurance Corporation

**County of Riverside
Demographic Statistics
Last Ten Fiscal Years**

Table 13

Year	Population (a)	Per Capita Income (a)	Public School Enrollment (b)	Unemployment Rate % (c)
1994	1,357,443	\$ 18,509	252,144	11.4%
1995	1,355,600	18,715	260,216	10.0%
1996	1,381,900	19,632	268,800	9.1%
1997	1,380,000	19,950	277,404	7.8%
1998	1,441,200	20,645	285,516	7.7%
1999	1,473,300	22,451	295,229	6.3%
2000	1,557,800	23,271	307,055	5.3%
2001	1,583,600	24,957	319,393	5.3%
2002	1,645,300 (2)	25,691	333,330	5.7%
2003	1,705,500	(1)	349,607	6.2%

Note: (1) Not Available
(2) Revised Estimate

Sources: (a) California State Department of Finance
(b) Riverside County Superintendent of Schools, School Fiscal Services
(c) State of California, Employment Development Department

Table 14

**County of Riverside
Principal Taxpayers
Fiscal Year Ended June 30, 2003
(Dollars in Thousands)**

Taxpayer	Type of Business	2002-03 Assessed Value	Percentage of Total Assessed Value
Verizon California Inc	Communications	\$ 7,486	0.550%
Southern California Edison Company	Utilities	5,253	0.380%
Southern California Gas Company	Utilities	3,144	0.230%
Desert Springs Marriott Ltd Partnership	Resort Hotel	2,694	0.200%
KSL Desert Resorts	Real Estate Development	2,555	0.190%
Pacific Bell	Communications	2,545	0.190%
OTR	Retail Sales	2,294	0.170%
Woodside Glenoaks Inc	Land Developer	1,936	0.140%
Blythe Energy	Utilities	1,894	0.140%
Overland Moreno Valley	Land Developer	1,582	0.120%
Forecast Group	Land Developer	1,565	0.110%
Advanced Cardiovascular Systems Inc	Medical Devices	1,537	0.110%
International Rectifier Corp	Manufacturing	1,500	0.110%
Pulte Home Corp	Residential	1,400	0.100%
Bighorn Dev	Land Developer	1,376	0.100%
Total Assessed Valuation		<u>\$ 38,761</u>	<u>2.840%</u>

Source: County of Riverside, Treasurer-Tax Collector

County of Riverside
Miscellaneous Statistical Information
June 30, 2003

Table 15

Geographical Location: The State's fourth largest County by area. Extends 184 miles across Southern California from the Arizona border to within 10 miles of the Pacific Ocean. Situated immediately east of Los Angeles and Orange Counties, south of San Bernardino County and north of San Diego and Imperial Counties.

Area of County: 7,295 square miles

County Seat: Riverside, California

Date of Incorporation: May 9, 1893

Form of Government: General Law County, governed by a five-member Board of Supervisors

Fiscal Year Begins: July 1

Registered Voters: 633,905 as of August 26, 2003

Population (1):	Year	Unincorporated	Incorporated	Total
	1993	377,300	951,000	1,328,300
	1994	376,100	955,900	1,332,000
	1995	376,300	979,300	1,355,600
	1996	380,600	1,001,300	1,381,900
	1997	373,400	1,006,600	1,380,000
	1998	384,130	1,057,070	1,441,200
	1999	390,200	1,091,100	1,481,300
	2000	424,600	1,133,200	1,557,800
	2001	429,600	1,154,000	1,583,600
	2002	441,500	1,202,800	1,644,300
	2003	465,800	1,239,700	1,705,500

Total County Employess (2)	Year	Number of Permanent Employees
	1993	10,334
	1994	10,648
	1995	11,018
	1996	11,076
	1997	11,304
	1998	11,687
	1999	12,808
	2000	13,332
	2001	15,951
	2002	15,846
	2003	16,248

Sources: (1) California State Department of Finance. January 1, 2003 - provisional population estimate, January 1, 2001 - revised estimate.
(2) Auditor-Controller, County of Riverside

Table 15

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2003

Company	Location	Product/Service	Employees
Stater Bros.	Countywide	Grocery Retailer	5,600
Kaiser Permanente	Riverside	Health Care	2,893
Fleetwood Enterprises, Inc.	Riverside	Manufactured Housing & Rec. Veh.	2,125
Eisenhower Medical Center	Rancho Mirage	Health Care	1,972
Valley Health System	Hemet	Health Care	1,756
Riverside Community Hospital	Riverside	Health Care	1,641
KSL Desert Resorts Inc.	La Quinta	Hotel Resort	1,600
Desert Regional Medical Center	Palm Springs	Health Care	1,500
Vons	Countywide	Grocery Retailer	1,500
SBC	Countywide	Telecommunications Provider	1,100
The Press-Enterprise Co.	Riverside	Printing and Publishing	1,090
Casino Morongo	Cabazon	Indian Gaming Casino	1,075
Corona Regional Medical Center	Corona	Health Care	1,060
Sears Roebuck and Co.	Countywide	Retail and Services	1,000
Bank of America	Countywide	Financial Services	791
The Gas Co.	Countywide	Utility	765

Source: County of Riverside, Economic Redevelopment Agency

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2003

Table 15

<u>Special District</u>	<u>Number</u>	<u>Special District</u>	<u>Number</u>
Cemetery	10	Library	4
Community Services	2	Mosquito Abatement	2
County Service Areas	59	Regional Park and Open-Space	1
County Water	1	Recreation & Parks	4
Flood Control (including 7 zones)	2	Redevelopment Agency	1
Habitat Conservation Agency	1	Resource Conservation	1
<u>Incorporated Cities (b):</u>	<u>Population</u>	<u>Incorporated Cities (b):</u>	<u>Population</u>
Banning	25,500	Lake Elsinore	33,050
Beaumont	13,800	La Quinta	30,450
Blythe	21,200	Moreno Valley	150,200
Calimesa	7,325	Murrieta	57,000
Canyon Lake	10,500	Norco	25,250
Cathedral City	47,300	Palm Desert	43,900
Coachella	26,750	Palm Springs	44,000
Corona	137,000	Perris	38,200
Desert Hot Springs	17,200	Rancho Mirage	14,950
Hemet	62,200	Riverside	274,100
Indian Wells	4,400	San Jacinto	26,050
Indio	54,500	Temecula	75,000

Sources: (a) Auditor-Controller, County of Riverside
(b) State Department of Finance

