

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Table of Contents	i
Letter of Transmittal	v
Principal County Officials	xiii
Organization Chart	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting for 2003	xv
<u>FINANCIAL SECTION:</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities	22
<u>Fund Financial Statements:</u>	
<u>Governmental Funds:</u>	
Balance Sheet	25
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
<u>Budgetary Comparison Statements:</u>	
General Fund	32
Flood Control	35
<u>Proprietary Funds:</u>	
Statement of Fund Net Assets	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets	37
Statement of Cash Flows	38
<u>Fiduciary Funds:</u>	
Statement of Fiduciary Net Assets	40
Statement of Changes in Fiduciary Net Assets	41

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED):

Notes to the Basic Financial Statements:

(1)	Summary of Significant Accounting Policies	43
(2)	Stewardship, Compliance and Accountability	54
(3)	Reconciliation of Government-wide and Fund Financial Statements	55
(4)	Restatements of Beginning Fund Balance / Net Assets	56
(5)	Cash and Investments	57
(6)	Restricted Cash and Investments	61
(7)	Receivables	62
(8)	Interfund Transactions	63
(9)	Capital Assets	65
(10)	Landfill Closure and Post-closure Care Costs	68
(11)	Operating Leases	69
(12)	Short-Term Debt	69
(13)	Long-Term Obligations	70
(14)	Fund Balances	82
(15)	Risk Management	83
(16)	Medi-Cal and Medicare Programs	84
(17)	Jointly Governed Organizations	84
(18)	Retirement Plan	86
(19)	Defined Benefit Pension Plan	88
(20)	Post-Retirement Benefits	89
(21)	Commitments and Contingencies	89
(22)	Subsequent Events	91

Required Supplementary Information (other than MD&A):

Schedules of Funding Progress	93
-----------------------------------------------------	----

Combining and Individual Fund Statements and Budgetary Schedules:

Budgetary Comparison Schedule – Public Facilities Improvements	95
--------------------------------------------------------------------------------------	----

Nonmajor Governmental Funds:

Combining Balance Sheet	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	98

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED):

<u>Special Revenue Funds:</u>	99
<u>Combining Balance Sheet</u>	100
<u>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</u>	102
<u>Budgetary Comparison Schedule – Transportation</u>	104
<u>Budgetary Comparison Schedule – Community Services</u>	105
<u>Budgetary Comparison Schedule – Redevelopment Agency</u>	106
<u>Budgetary Comparison Schedule – County Service Areas</u>	107
<u>Budgetary Comparison Schedule – Regional Park and Open-Space</u>	108
<u>Budgetary Comparison Schedule – Air Quality Improvement</u>	109
<u>Budgetary Comparison Schedule – Other Special Revenue</u>	110
<u>Debt Service Funds:</u>	111
<u>Combining Balance Sheet</u>	112
<u>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</u>	114
<u>Budgetary Comparison Schedule – Flood Control</u>	116
<u>Budgetary Comparison Schedule – Redevelopment Agency</u>	117
<u>Budgetary Comparison Schedule – Teeter</u>	118
<u>Capital Projects Funds:</u>	119
<u>Combining Balance Sheet</u>	120
<u>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</u>	122
<u>Budgetary Comparison Schedule – Flood Control</u>	124
<u>Budgetary Comparison Schedule – Redevelopment Agency</u>	125
<u>Budgetary Comparison Schedule – Regional Park and Open-Space District</u>	126
Nonmajor Enterprise Funds:.....	127
<u>Combining Statement of Fund Net Assets</u>	128
<u>Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets</u>	129
<u>Combining Statement of Cash Flows</u>	130
Internal Service Funds:.....	131
<u>Combining Statement of Fund Net Assets</u>	132
<u>Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets</u>	134
<u>Combining Statement of Cash Flows</u>	136

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (CONTINUED):	
<u>Fiduciary Funds:</u>	139
Agency Funds:	
<u>Combining Statement of Fiduciary Assets and Liabilities</u>	140
<u>Combining Statement of Changes in Fiduciary Assets and Liabilities</u>	141
 <u>STATISTICAL SECTION (Unaudited):</u>	
Government-wide Information:	
Table 1 <u>Government-wide Expenses by Function</u>	143
Table 2 <u>Government-wide Revenues</u>	144
 Fund Information:	
Table 3 <u>General Governmental Expenditures And Transfers Out by Function</u>	145
Table 4 <u>General Governmental Revenues And Transfers In By Source</u>	146
Table 5 <u>Assessed Value of Taxable Property</u>	147
Table 6 <u>Property Tax Levies and Collections</u>	148
Table 7 <u>Secured Property Tax Rates – All Overlapping Governments – Tax Area Rate</u>	149
Table 8 <u>Ratio of Net General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita</u>	150
Table 9 <u>Computation of Legal Debt Margin</u>	151
Table 10 <u>Estimated Direct and Overlapping Bonded Debt</u>	152
Table 11 <u>Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Expenditures</u>	153
Table 12 <u>Construction and Bank Deposits</u>	154
Table 13 <u>Demographic Statistics</u>	155
Table 14 <u>Principal Taxpayers</u>	156
Table 15 <u>Miscellaneous Statistical Information</u>	157

County of Riverside, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

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

County of Riverside, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Prepared by the Office of:

Robert E. Byrd, CGFM
County Auditor-Controller

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Table of Contents.....	i
Letter of Transmittal.....	v
Principal County Officials.....	xiii
Organization Chart.....	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting for 2003	xv
 FINANCIAL SECTION:	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	3
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	21
Statement of Activities	22
 Fund Financial Statements:	
<u>Governmental Funds:</u>	
Balance Sheet	25
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
 <u>Budgetary Comparison Statements:</u>	
General Fund... ..	32
Flood Control.....	35
 <u>Proprietary Funds:</u>	
Statement of Fund Net Assets	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets	37
Statement of Cash Flows	38
 <u>Fiduciary Funds:</u>	
Statement of Fiduciary Net Assets	40
Statement of Changes in Fiduciary Net Assets	41

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (CONTINUED):	
Notes to the Basic Financial Statements:	
(1) Summary of Significant Accounting Policies.....	43
(2) Stewardship, Compliance and Accountability.....	54
(3) Reconciliation of Government-wide and Fund Financial Statements.....	55
(4) Restatements of Beginning Fund Balance / Net Assets.....	56
(5) Cash and Investments	57
(6) Restricted Cash and Investments	61
(7) Receivables.....	62
(8) Interfund Transactions	63
(9) Capital Assets	65
(10) Landfill Closure and Post-closure Care Costs	68
(11) Operating Leases.....	69
(12) Short-Term Debt.....	69
(13) Long-Term Obligations	70
(14) Fund Balances.....	82
(15) Risk Management	83
(16) Medi-Cal and Medicare Programs.....	84
(17) Jointly Governed Organizations	84
(18) Retirement Plan.....	86
(19) Defined Benefit Pension Plan	88
(20) Post-Retirement Benefits	89
(21) Commitments and Contingencies	89
(22) Subsequent Events.....	91
Required Supplementary Information (other than MD&A):	
Schedules of Funding Progress	93
Combining and Individual Fund Statements and Budgetary Schedules:	
Budgetary Comparison Schedule – Public Facilities Improvements.....	95
<u>Nonmajor Governmental Funds:</u>	
Combining Balance Sheet	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	98

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED):

<i>Special Revenue Funds:</i>	99
Combining Balance Sheet.....	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	102
Budgetary Comparison Schedule – Transportation	104
Budgetary Comparison Schedule – Community Services	105
Budgetary Comparison Schedule – Redevelopment Agency	106
Budgetary Comparison Schedule – County Service Areas.....	107
Budgetary Comparison Schedule – Regional Park and Open-Space.....	108
Budgetary Comparison Schedule – Air Quality Improvement	109
Budgetary Comparison Schedule – Other Special Revenue	110
 <i>Debt Service Funds:</i>	 111
Combining Balance Sheet.....	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	114
Budgetary Comparison Schedule – Flood Control	116
Budgetary Comparison Schedule – Redevelopment Agency.....	117
Budgetary Comparison Schedule – Teeter	118
 <i>Capital Projects Funds:</i>	 119
Combining Balance Sheet.....	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	122
Budgetary Comparison Schedule – Flood Control	124
Budgetary Comparison Schedule – Redevelopment Agency	125
Budgetary Comparison Schedule – Regional Park and Open-Space District.....	126
 <u>Nonmajor Enterprise Funds:</u>	 127
Combining Statement of Fund Net Assets	128
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	129
Combining Statement of Cash Flows.....	130
 <u>Internal Service Funds:</u>	 131
Combining Statement of Fund Net Assets	132
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	134
Combining Statement of Cash Flows.....	136

**COUNTY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (CONTINUED):	
<u>Fiduciary Funds:</u>	139
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities.....	140
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	141
 STATISTICAL SECTION (Unaudited):	
Government-wide Information:	
Table 1 Government-wide Expenses by Function.....	143
Table 2 Government-wide Revenues.....	144
 Fund Information:	
Table 3 General Governmental Expenditures And Transfers Out by Function.....	145
Table 4 General Governmental Revenues And Transfers In By Source.....	146
Table 5 Assessed Value of Taxable Property.....	147
Table 6 Property Tax Levies and Collections.....	148
Table 7 Secured Property Tax Rates – All Overlapping Governments – Tax Area Rate 9.....	149
Table 8 Ratio of Net General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita.....	150
Table 9 Computation of Legal Debt Margin.....	151
Table 10 Estimated Direct and Overlapping Bonded Debt.....	152
Table 11 Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Expenditures.....	153
Table 12 Construction and Bank Deposits.....	154
Table 13 Demographic Statistics.....	155
Table 14 Principal Taxpayers.....	156
Table 15 Miscellaneous Statistical Information.....	157

INTRODUCTORY SECTION





OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Ivan M. Chand, CGFM
ASSISTANT AUDITOR-CONTROLLER

December 17, 2004

The Honorable Board of Supervisors
and Citizens of the County of Riverside
4080 Lemon Street, 5th 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, 2004, 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, 2003.
- 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, 2004. 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 financial reporting entity for the County includes all the funds of the primary government--the County of Riverside as legally defined-- as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

The County has eleven (11) independent fiscal entities that are considered Blended Component Units and one Discretely Presented Component Unit. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the Notes to the Basic Financial Statements.

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 277,000; Moreno Valley with a population of 155,100, and Corona with a population of 141,800.

Total County population was 1,776,700 on January 1, 2004, an increase of 3.4% compared to the revised estimate for 2003 from the California State Department of Finance. 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 fifth 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 20.1% from March 1999 to March 2004, while the population increased by 19.2% in the County from January 1, 1999 to January 1, 2004. As of March 2004, unemployment in the PMSA was 5.8% (revised on an annual basis by the Employment Development Department Labor Market Information Division) as compared to 6.0% 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 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 \$6,334 consists of the following components:

	<u>Development Agreement Fee</u>
Public Facilities	\$ 2,799
Regional Parklands and Trails	521
Habitat Conservation and Open Space Land Bank Offset	375
Public Services Offset	<u>2,639</u>
Total	<u>\$ 6,334</u>

Based on renegotiated development agreements, fees range from \$3,423 to \$6,334 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. As of June 30, 2004 the total of unexpended and uncommitted development agreement money available in capital project funds is \$1,136,488.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an Interim Open Space Mitigation Fee. This ordinance was amended on November 26, 2002 and again on July 22, 2003. The most recent amendment was due to implementation of the Western Riverside County Multiple Species Habitat and Conservation Plan. Collection of the fee is performed by both Riverside County and cities within Riverside County, but responsibility for accounting has transferred over to the Riverside Conservation Authority. Riverside Conservation Authority is a Joint Powers Authority formed between the County of Riverside and various cities in the western county area. Reporting of the Ordinance 810 fees in this section references those collected before June 22, 2004, which was when Ordinance 810.2 went into effect.

The fee collected under Ordinance 810.1 is used toward the acquisition of open space and the preservation of wildlife and their habitats. This fee was collected only in the Western portion of Riverside County as defined by the Ordinance. The fees that were collected under Ordinance 810.1 are as follows:

<u>Type</u>	<u>Unit of Measure</u>	<u>Amount</u>
Single family residence	Per unit	\$ 821
Multiple family residence	Per unit	\$ 687
Commercial use	Per acre	\$ 3,293
Industrial use	Per acre	\$ 1,373
Surface mining use	Per intensive use area	\$ 343

As of June 30, 2004 the total amount of unexpended uncommitted interim open space mitigation funds related to Ordinance 810 and 810.1 is \$2,344,236.

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.

As of June 30, 2004 the total of unexpended uncommitted development mitigation funds related to Ordinance 659 in capital project funds is \$414,040.

Development Impact Fees

In September 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, 2004, the total unexpended uncommitted development impact fees were \$67,377,364. The increase in the balance of unexpended uncommitted development impact fees over fiscal year 2003 is primarily attributed to the rapid 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 2002-03 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 2003-04 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 resolutions. The budget for fiscal year 2004-05 was adopted on July 13, 2004. Activities of the General Fund, all special revenue funds, 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 MD&A preceding the basic financial statements.

General Fund Cash Balance and Fund Balance

The cash balance of the General Fund increased from \$44,433,000 at June 30, 2003 to \$65,681,000 at June 30, 2004. This increase is attributable primarily to a favorable real estate market that generated more property tax and related documentary transfer fee revenue, than expected. The County's General Fund fund balance represents the equivalent of 36 working days of expenditures.

Cash Management

The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal; second to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law. In accordance with its investment policy, the County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than 1.5 years, .86 years for 2004. To provide sufficient liquidity to meet daily expenditures, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less, 89% for 2004.

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 \$2,877,930,000 at June 30, 2004, \$1,583,526,000 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 benefitted 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. Certain other employees, such as per diem medical and dental personnel, crossing guards and service aides, are specifically excluded from participation in the system, regardless of the number of hours worked. 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 1.75% of base earnings (excludes overtime and earnings exceeding the social security base of \$87,000 for calendar year 2003 and \$87,900 for calendar year 2004).

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. 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 bond 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, 2004, 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 Vavrinek, Trine, Day & Co., 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, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports.

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 sixteen 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 seventeenth 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 working 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, Vavrinek, Trine, Day & Co., LLP, for their efforts throughout this audit engagement.

Respectfully yours,


ROBERT E. BYRD
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2004

ELECTED OFFICIALS

Board of Supervisors:

Chairman, Fourth District.....ROY WILSON

Vice Chairman, Third District.....JAMES VENABLE

First DistrictBOB BUSTER

Second District JOHN F. TAVAGLIONE

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

District Attorney..... GROVER TRASK

Sheriff - Coroner - Public Guardian..... BOB DOYLE

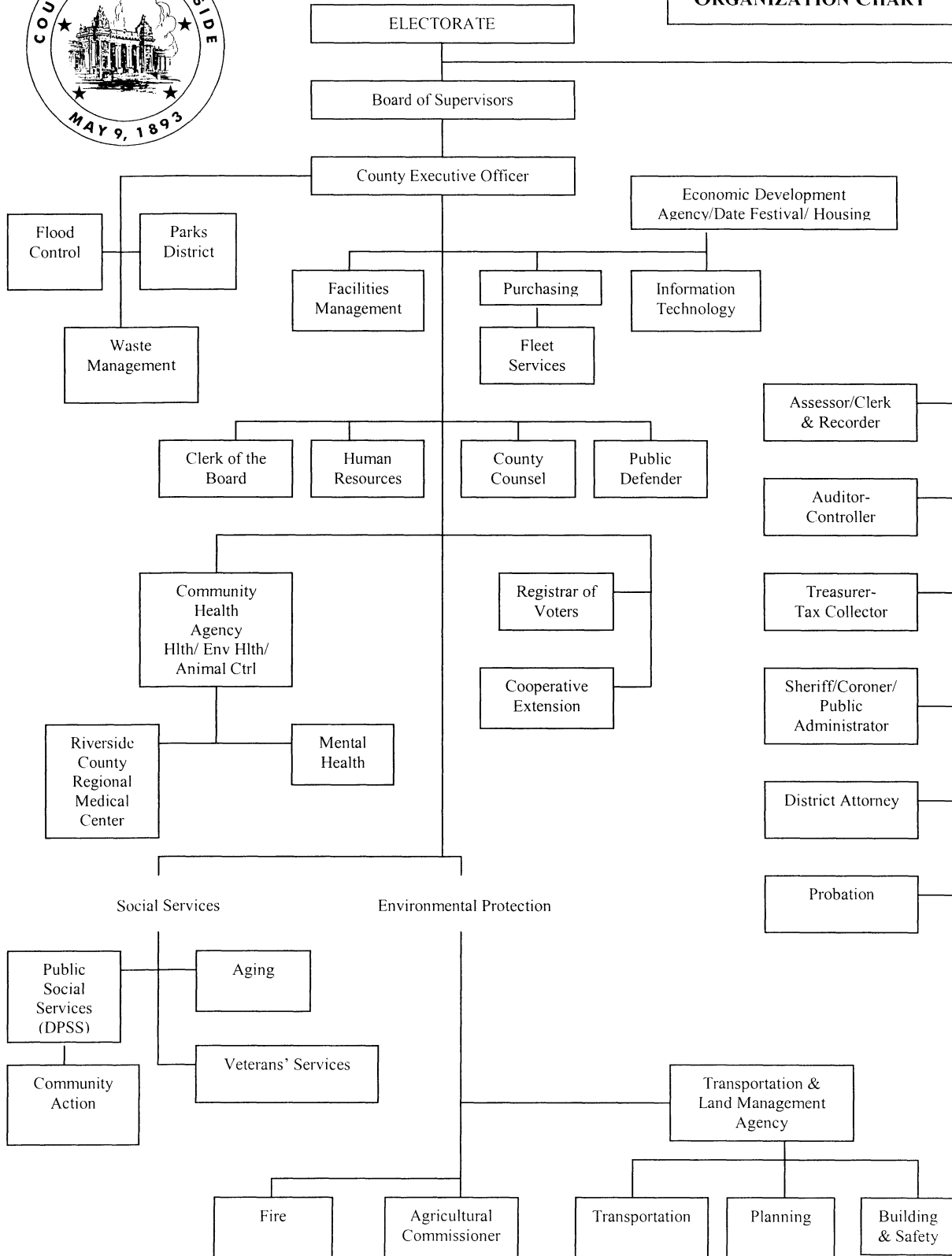
APPOINTED OFFICIALS

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, 2003

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.



Nancy L. Zjelle

President

Jeffrey R. Emery

Executive Director



(This Page Intentionally Left Blank)

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Board of Supervisors
 County of Riverside, California

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 (the County), as of and for the year ended June 30, 2004, 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 Riverside County Flood Control and Water Conservation District (Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), County of Riverside Redevelopment Agency (the RDA), and Riverside County Children and Families Commission (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Revenues</u>
Governmental Activities	30%	8%
Business-type Activities	6%	17%
Discretely Presented Component Unit	100%	100%
Aggregate Remaining Fund Information	41%	37%

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 Flood Control District, Housing Authority, Park District, RDA, and Commission are 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 reports 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, 2004, 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 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 our report dated December 17, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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.

Vannik, Tami Day & Co., LLP

Rancho Cucamonga, California
December 17, 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, 2004. 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 and have a different focus from the fund financial statements. The government-wide financial statements focus on operational accountability by measuring the flow of *economic* resources. Accordingly, the government-wide financial statements provide a better description of the entity's economic condition. This contrasts with the fund statements which focus on legal compliance by measuring the flow of *current* financial resources.

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 three major funds, twenty nonmajor funds, and a representative allocation of the County's internal service funds. The three major Governmental funds are the General Fund, the Flood Control and Water Conservation District (Flood Control) Special Revenue Fund, and the Public Facilities Capital Project 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.

Management's Discussion & Analysis (Unaudited)

The financial information for the Children and Families Commission is discretely presented separately from the financial information of the primary government. It is discretely presented because of its separate legal standing, fiscal independence, and public benefit nature in providing services to County residents.

The blended component units are:

- Bankruptcy Court
- 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, the Flood Control special revenue fund, and the Public Facilities Improvements capital project 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.

Management's Discussion & Analysis (Unaudited)

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 Bankruptcy Court, CORAL, Desert 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 funds, a 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 and this MD&A present schedules of retirement plan funding progress.

FINANCIAL HIGHLIGHTS

- The assets of the County, \$3 billion, exceeded its liabilities, \$1.5 billion, at the close of the fiscal year by \$1.5 billion (net assets). Of this amount, \$419 million (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors; \$564 million (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and \$550 million is invested in capital assets, net of related debt. Using net assets as a general indication of financial health, the County's overall financial position has improved this year.
- The County's net assets increased by \$92.7 million during fiscal year 2003-04. Of this amount, \$86.6 million was from governmental activities and \$6.1 million was from business-type activities. Countywide expenses of \$2.5 billion were substantially offset by program revenues of \$1.9 billion, leaving an operating deficit of \$526 million. The operating deficit was offset by general revenues of \$619 million resulting in the increase in net assets.

Management's Discussion & Analysis (Unaudited)

- As of June 30, 2004, the total fund balances of the governmental funds were \$776 million. This represents an increase of 6%, or \$46.7 million, in comparison with the prior year. Approximately 34%, \$259 million, of 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 \$249 million, or 15% of the total General Fund expenditures. This amount includes \$101 million of reserved fund balance and \$70 million of designated fund balance.
- The County's long-term obligations showed a net increase of 3%, or \$26.8 million, compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable and notes payable. See Note 13 for the various components of the net change in long-term obligations.

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. 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 \$1.5 billion.

The County's total net assets increased 6.4%, \$92.7 million, during fiscal year 2003-04, compared to the prior year's increase of 4.2%, or \$59 million. Eighty-seven million of the increase was from governmental activities and \$6 million was from business-type activities. For the prior year, \$57 million of the increase in net assets was from governmental activities and \$1.5 million 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%, \$550 million, of the County's total net assets for fiscal year 2003-04 compared to 36%, \$523 million, for fiscal year 2002-03. 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 37%, \$564 million, of the County's total net assets for fiscal year 2003-04 compared to 47%, \$696 million, for fiscal year 2002-03. 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 27%, \$419 million of the County total net assets for fiscal year 2003-04 compared to 17%, \$246 million, for fiscal year 2002-03. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets, for fiscal year 2003-04, \$387 million is from governmental activities and \$32 million is for business-type activities compared to \$206 million for governmental activities and \$40 million for business-type activities for the prior year.

Management's Discussion & Analysis (Unaudited)

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

Statement of Net Assets June 30, 2004 (in thousands)

	Governmental		Business-type		Total		%
	Activities		Activities				
	2004	2003	2004	2003	2004	2003	Variance
Current and other assets	\$ 1,296,870	\$ 1,169,738	\$ 200,407	\$ 197,418	\$ 1,497,277	\$ 1,367,156	10%
Capital assets	1,330,282	1,299,725	236,781	249,668	1,567,063	1,549,393	1%
Total assets	2,627,152	2,469,463	437,188	447,086	3,064,340	2,916,549	5%
Other liabilities	320,593	280,586	31,227	24,427	351,820	305,013	15%
Long-term liabilities	873,785	817,185	306,025	328,851	1,179,810	1,146,036	3%
Total liabilities	1,194,378	1,097,771	337,252	353,278	1,531,630	1,451,049	6%
Net assets:							-
Invested in capital assets, net of related debt	524,624	503,294	25,102	19,972	549,726	523,266	5%
Restricted	521,143	662,446	43,232	33,740	564,375	696,186	-19%
Unrestricted	387,007	205,952	31,602	40,096	418,609	246,048	70%
Total net assets	\$ 1,432,774	\$ 1,371,692	\$ 99,936	\$ 93,808	\$ 1,532,710	\$ 1,465,500	5%

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. As with the prior year, in fiscal year 2003-04, a total of \$1.1 billion was earned, making this the largest revenue source for governmental activities. Public Assistance, and Health and Sanitation received 72% of the governmental activity funding for fiscal year 2003-04 compared to 69% in the prior year. Public Protection received 18% of the governmental activity funding for fiscal year 2003-04, compared with 19% for fiscal year 2002-03.
- A total of \$425 million was earned as governmental activity charges for services compared to \$388 million for fiscal year 2002-03. 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 revenue, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 56% of this revenue source, compared to 50% from the prior year. General government generated 25% compared to 31% for prior year. Health and Sanitation generated 8% of this revenue source as compared to 9% in the prior year.
- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with \$33 million earned for fiscal year 2003-04 compared to \$32.5 million earned for fiscal year 2002-03. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2003-04, 94% of the revenue, or \$30.9 million, as compared to 95%, or \$30.8 million, for fiscal year 2002-03, 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 \$267 million earned during the year, an increase of 18%, \$40.6 million, as compared to the \$226 million earned in fiscal year 2002-03. 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 \$2.1 billion for the current fiscal year as compared to \$1.9 billion for the prior fiscal year, an increase of 10% or \$191 million. The increase is primarily caused by increases in salaries, services and supplies for Probation and Sheriff Departments. Thirty-five percent, or \$710 million, of total governmental activities expenses were for Public Protection; 29% or \$591 million for Public Assistance; 18%, \$376 million, for Health and Sanitation; 11% or \$232 million for General Government; and 7%, \$143 million for various program expenses.

Business-type Activities

Revenues: The County has two major business-type activities: The Regional Medical Center (RMC) and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority 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 and provide services primarily to non-County entities. For the current year, 100%, \$385 million, of business-type activities program revenue was received from charges for services, as compared to 97%, \$299 million, for the prior fiscal year. The majority of the revenue for the current fiscal year, \$267 million, was received by RMC as compared to \$199 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were \$403 million for the fiscal year compared to \$325 million for the prior fiscal year, which represents a 24%, \$77.3 million, increase from last year. This increase was primarily attributable to an increase in staffing and supply costs for RMC, an increase in HUD Section 8 assistance payments for the Housing Authority, and an increase in tonnage, rates and remediation estimates for Waste Management. Seventy-four percent, \$296 million, of total expenses were incurred by RMC compared to 71%, \$228 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 16%, \$61.6 million, compared to 18%, \$57.9 million, for the prior year; Waste Management Department, 10%, \$40 million, compared to 12%, \$36.6 million, 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, 2004							
(In thousands)							
	Governmental Activities		Business-type Activities		Total		Variance
	2004	2003	2004	2003	2004	2003	(%)
Revenues:							
Program revenues:							
Charges for services	\$ 424,644	\$ 387,467	\$ 385,028	\$ 299,419	\$ 809,672	\$ 686,886	18%
Operating grants and	1,086,456	1,050,230	-	-	1,086,456	1,050,230	3%
Capital grants and contributions	33,041	32,537	125	9,712	33,166	42,249	-21%
General revenues:							
Property taxes	266,391	225,775	-	-	266,391	225,775	18%
Sales and use taxes	26,633	22,444	-	-	26,633	22,444	19%
Other taxes	12,108	10,377	-	-	12,108	10,377	17%
Contractual revenue - RDA	11,385	6,015	-	-	11,385	6,015	89%
Motor vehicle in-lieu taxes	87,435	106,466	-	-	87,435	106,466	-18%
Investment earnings	16,835	24,909	2,505	3,235	19,340	28,144	-31%
Gain on sale of capital assets	1,491	504	4,208	754	5,699	1,258	353%
Other	189,736	155,620	-	-	189,736	155,620	22%
Total revenues	2,156,155	2,022,344	391,866	313,120	2,548,021	2,335,464	
Expenses:							
General government	232,322	183,132	-	-	232,322	183,132	27%
Public protection	710,053	620,663	-	-	710,053	620,663	14%
Public ways and facilities	93,529	87,092	-	-	93,529	87,092	7%
Health and sanitation	376,338	330,830	-	-	376,338	330,830	14%
Public assistance	590,719	588,502	-	-	590,719	588,502	0%
Education	10,280	8,609	-	-	10,280	8,609	19%
Recreation and culture	9,666	8,842	-	-	9,666	8,842	9%
Interest on long-term debt	29,890	33,666	-	-	29,890	33,666	-11%
Regional Medical Center	-	-	296,227	228,339	296,227	228,339	30%
Waste Management Department	-	-	40,056	36,579	40,056	36,579	10%
Housing Authority	-	-	61,599	57,977	61,599	57,977	6%
Flood Control	-	-	4,318	2,054	4,318	2,054	110%
County Service Areas	-	-	329	294	329	294	12%
Total expenses	2,052,797	1,861,336	402,529	325,243	2,455,326	2,186,579	12%
Excess (deficiency) before							
Special items and transfers	103,358	161,008	(10,663)	(12,123)	92,695	148,885	-38%
Transfers in (out)	(16,791)	(13,287)	16,791	13,287	-	-	0%
Change in net assets	86,568	147,721	6,128	1,164	92,695	148,885	-38%
Net Assets, Beginning of Year, as Restated	1,346,206	1,223,971	93,808	92,644	1,440,014	1,316,615	9%
Net Assets, End of Year	\$ 1,432,774	\$ 1,371,692	\$ 99,936	\$ 93,808	\$ 1,532,710	\$ 1,465,500	5%

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 short-term 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, 2004, the County's governmental funds reported combined fund balances of \$766 million, an increase of \$46.6 million in comparison with the prior year. Of this total amount, \$363 million constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance, \$413 million is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County programs; \$135 million
- Outstanding debt service; \$65.9 million
- Liquidation of current contractual commitments; \$204 million
- Other smaller restrictions; \$8.1 million

Total governmental fund revenue increased 3%, \$66.2 million from the prior fiscal year with \$2.1 billion being earned for the fiscal year ended June 30, 2004. Expenditures also increased 5%, \$89.4 million, from the prior fiscal year with \$2 billion being expended for governmental function during fiscal year 2003-04, compared to \$1.96 billion for the prior fiscal year. Therefore, governmental fund balance increased 6% or \$46.6 million. In comparison, fiscal year 2002-03 had an increase in governmental fund balance of 8%, \$51.2 million, over fiscal year 2001-02.

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 \$148 million compared to \$115 million for the prior fiscal year, while total fund balance was \$249 million for the current year and \$219 million 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 9% of the total General Fund expenditures of \$1.7 billion for the current year as compared to 7% of the prior year total of \$1.6 billion. The total fund balance of the General Fund for the current year is 15% of the total General Fund expenditure as compared to 13% 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 the 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 \$127 million, compared to \$158 million, for prior fiscal year. Total proprietary fund net assets decreased 19%, \$30 million, compared to a \$4.2 million increase for the prior fiscal year.

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

- Regional Medical Center; \$-2 million

- Waste Management; \$36 million
- Other enterprise fund activities; \$6 million
- Internal service fund activities; \$-6.3 million

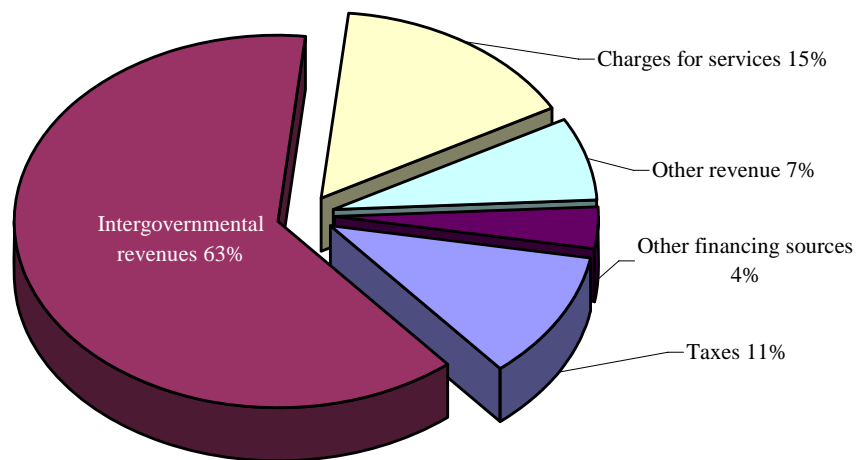
GENERAL FUND FINANCIAL ANALYSIS

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 2003-2004	Percent of Total	Fiscal Year 2002-2003	Percent of Total
Taxes	\$ 193,329	11%	\$ 160,220	10%
Intergovernmental revenues	1,093,299	63%	1,076,950	69%
Charges for services	263,107	15%	237,987	15%
Other revenue	128,212	7%	56,504	4%
Other financing sources	62,007	4%	25,786	2%
Total	\$ 1,739,954	100%	\$ 1,557,447	100%

The increase in tax revenue is primarily attributable due to new construction development and higher assessed property values, collections on title transfers, and increased real estate sales. The increase in intergovernmental revenue is primarily attributable to additional federal funding for assistance programs provided by the Department of Social Services and the Probation Department. Other increases in Intergovernmental revenues are from increased contractual revenue from various city redevelopment agencies and an increase in Disproportionate Share Hospital revenue from the State. Charges for current services increased primarily from contractual law enforcement revenue. The increase in other financing sources is primarily attributable to transfers in from non-major governmental funds for fire protection and lease costs.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2004 (In Thousands)

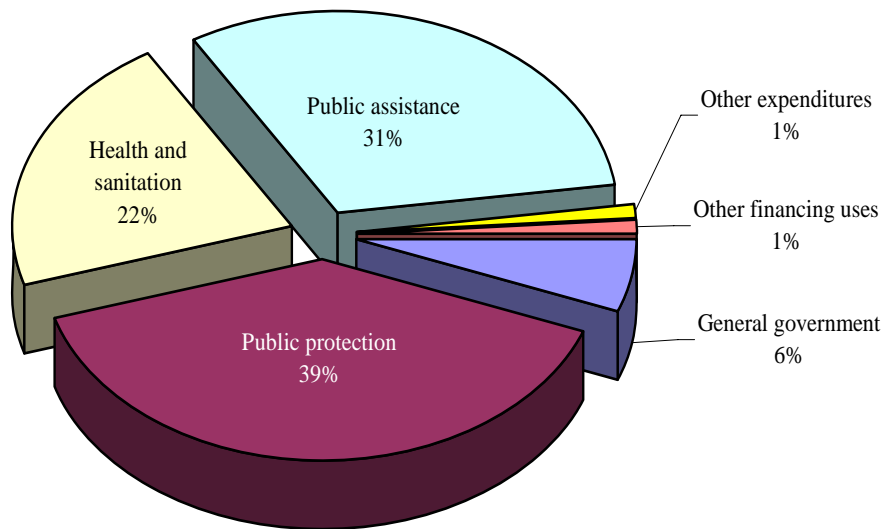


Total Revenues and Other Financing Sources = \$1,739,954

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 2003-2004</u>	<u>Percent of Total</u>	<u>Fiscal Year 2002-2003</u>	<u>Percent of Total</u>
General government	\$ 101,429	6%	\$ 133,476	8%
Public protection	674,389	39%	611,014	37%
Health and sanitation	362,010	22%	338,265	21%
Public assistance	536,275	31%	520,345	32%
Other expenditures	15,980	1%	18,499	1%
Other financing uses	21,027	1%	18,172	1%
Total	\$ 1,711,110	100%	\$ 1,639,771	100%

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2004 (In Thousands)



Total Expenditures and Other Financing Uses = \$ 1,711,110

The decrease in the General Government expenditures was primarily due to a decrease in services and supplies, charges for services, and other financing sources during the course of the fiscal year. Increased salaries and benefits and services and supplies caused the expenditure increase in the Public Protection, Health and Sanitation, and Public assistance functional areas. The County sought several cost-avoidance options as well as other revenue sources, which resulted in the needed adjustments to the General Fund spending plan.

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.

Variance between General Fund Original Adopted and Final Amended

Estimated Revenue Variance

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 amounts. The Budgetary Comparison Statement displays the details of the comparison and is included in the Governmental Fund Statements section.

Estimated Revenue Variance

The original General Fund revenue budget decreased \$3.9 million from \$1.758 billion to the final amended revenue budget of \$1.754 billion. The net decrease relates to a \$12 million increase in Property Tax, a \$1.5 million increase in Sales Tax, a \$4.5 million increase in Documentary Transfer Tax, a \$4.7 million increase in Fines, Forfeitures, and Penalties, a \$27.9 million decrease in Charges for Current Services, and a \$1.3 million net reclassification increase from Other to Intergovernmental.

Aid Received from Other Governmental Agencies:

- Federal aid exceeded budget by \$13.5 million: State Homeland Security Grants increased by \$3.4 million, Community Oriented Policing Services (COPS) increased by \$1.3 million, In-Home Supportive Services increased by \$1.3 million, Cal/WORKs assistance program increased by \$1.6 million, Edward Byrne Memorial Grant increased by \$690 thousand, Hazard Mitigation Grant Program increased by \$635 thousand, State Fire Assistance Program Grant Award increased by \$400 thousand, Office of Traffic Safety Grant Award increased by \$363 thousand, Nutrition Incentive Award increased by \$341 thousand, High Intensity Drug Trafficking Area (HIDTA) grant award increased by \$252 thousand, FEMA Supplemental Grant Emergency Operations Planning (EOPs) Grant award increased by \$248 thousand.
- The budget for State aid had a net increase of \$71.7 million primarily due to a reclassification of \$89.6 million from Other revenue to Disproportionate Share Hospital revenue and a decrease in Motor Vehicle In-lieu revenue.

Expenditure Appropriation Variances

The original General Fund appropriation budget increased 4.8%, \$85.6 million, from \$1.777 billion to the final amended appropriation budget of \$1.862 billion. The significant appropriation increases were \$17.5 million in Public Protection and \$81.7 million in Health and Sanitation, \$81.7 million. In addition, there were decreases of \$20.1 million to General Government and \$13.5 million to Public Assistance. For budgetary presentation purposes, appropriations were decreased by \$21 million for reclassification to transfers-out. The major appropriation increases are described below.

Public Protection: The appropriation budget increased 2.5%, \$17. million, from the original budget of \$674 million to \$691 million. Significant appropriation increases are briefly described below:

- The Law Offices of the public Defender required an appropriation increase of \$1 million due to a large employee settlement, unanticipated parity adjustments for attorneys, high leave payoffs for retiring employees, and accrued leave buy-downs for attorneys.

Management's Discussion & Analysis (Unaudited)

- The District Attorney's Office ("DA") required a \$3 million increase in appropriations because of higher than anticipated staffing levels.
- The appropriations for the Sheriff's Department were increased by \$4 million for grant awards under the State Homeland Security Program, COPS, Edward Byrne memorial grant for services and equipment, and High Intensity Drug Traffic Areas ("HIDTA").
- The appropriations for the Fire Department were increased \$9 million for grant awards under the State Domestic Preparedness Program, upgrade of Public safety, Homeland Security, and the State Fire Assistance program.

Health and Sanitation: The appropriation budget increased 22.6%, \$82 million, from \$362 million to \$444 million. The significant factors are:

- An additional appropriation of \$3 million to cover uncompensated emergency medical services.
- An increase in appropriation of \$27 million due to SB1255 and SB855 net benefit distributions by the State during the fiscal year.
- Cost savings of \$4 million due to measures taken by the Regional Medical Center to mitigate a \$12 million shortfall.
- An increase of \$36 million related to Mental Health.

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

During the year, the General Fund had a positive budget variance of \$74.1 million resulting from unexpended appropriations of \$151 million and overestimated revenue of \$77 million. The following contributed to the variance:

Expenditure Variances

General Fund expenditures of \$1.7 billion were 9%, \$151 million, less than the final amended appropriation budget of \$1.8 billion. General Government and Health and Sanitation were the two most significant functions attributing to the unexpended appropriations as follows:

General Government: Expenditures were 12%, \$13.4 million, less than the final amended budget of \$115 million. The most significant factor was a \$12.9 million appropriation for contingencies that was not spent. The County's cost-cutting measures during the fiscal year were a factor in these unexpended appropriations.

Health and Sanitation: Expenditures were 19%, \$81.7 million, less than the final amended budget of \$444 million. The most significant factor was the decrease in Other Charges of \$73 million that occurred in the Health and Mental Health departments as a result of their cost-cutting measures. Other appropriation decreases include: Salaries and Benefits, \$17 million; Capital Assets, \$830 thousand; Services and Supplies, \$736 thousand. These savings were partially offset by an appropriation \$9.9 million increase of Intrafund Transfers, resulting in the net decrease of \$81.7 million.

Management's Discussion & Analysis (Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the County's capital assets for both its governmental and business-type activities amounted to \$1.6 billion (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, runways and parks), structures and improvements and equipment. This amount represents an increase of \$17.7 million, or 1% from last year.

The County completed remodeling projects for the offices of the Auditor-Controller and renovations for the Assessor-Clerk-Recorder in the County Administrative Center. These two projects, totaling \$2.5 million, were financed through the County's various governmental funds and completed in January 2004.

The Transportation Department completed construction of a \$1.1 million Beaumont Maintenance Facility in October 2003. The facility serves as a base for road maintenance operations and minor vehicle repairs. The project was funded exclusively with Gas Tax.

The Inmate Education and Counseling Center at the Smith Correctional Facility (Rehabilitation Center) is currently under construction with completion expected in the latter part of 2004. When completed, the Center will accommodate training and education programs for inmates and their families. The \$8.2 million project is financed through the Inmate Welfare Trust Fund.

The County currently has projects in various stages of construction including the overall expansion of the Smith Correctional Facility (\$8 million) and the Ben Clark Training Center Shooting Range (\$8.1 million) with expected completion in April 2005. The County's other construction projects that are currently in review for bid or in a design phase are the 1933 Historic Courthouse renovation (\$10.5 million), the Smith Correctional Facility expansion Phase II (\$6.5 million), and the County Administrative Center (CAC) 6th Floor (Assessor-Clerk-Recorder) renovation (\$1.9 million).

The County's future construction projects include a new Perris Sheriff Station Complex and Health Clinic in Perris (\$27 million) and a new South West Regional Animal Facility (\$12 million).

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

- The June 30, 2004 construction in progress balance of \$44.7 million excluded completed projects and adjustments of \$42.6 million, and included new projects of \$56.2 million, primarily comprised of the following:
 - Roads, bridges, and signal infrastructure; \$24.7 million
 - Channels, storm drains and basins infrastructure; \$11 million
 - Buildings and Structures; \$5.1 million
 - Parks; \$2 million
 - Housing; \$1.3 million
 - Other smaller projects; \$384 thousand
- \$42.1 million excluding adjustments of \$498 thousand, of construction was completed during the fiscal year and transferred from construction-in-progress to the following capital asset accounts:
 - Structures and improvements; \$4.4 million
 - Infrastructures: Roads and signals; \$33 million
 - Infrastructures: Waste; \$4.5 million

Management's Discussion & Analysis (Unaudited)

- Infrastructures: Flood storm drains; \$128 thousand
- Capital asset increases of \$13 million from additions and completed projects of \$37.7 million for infrastructure totaled \$51 million comprised of the following:
 - Roads; \$29.2 million
 - Waste landfill liners and other; \$7.6 million
 - Flood Storm Drains; \$6.8 million
 - Traffic Signals; \$3.7 million
 - Runways; \$2.8 million
 - Flood Channels; \$177 thousand
 - Parks trails and improvements; \$78 thousand
- Total building and structure retirements were \$7.5 million, which was related to the Housing Authority's sale of two apartment complex units and HUD public housing units. New significant commitments for capital expenditures include the following:
 - Transportation projects; \$81.6 million
 - Flood Control projects; \$19 million
 - Redevelopment projects; \$16.3 million
 - Banning Smith Correctional Facility Education and Counseling Center; \$4.8 million
 - Parks projects; \$2 million
 - 1933 Historic Courthouse renovation; \$641 thousand
 - Banning Smith Correctional Facility expansion; \$315 thousand

In the government-wide financial statements, assets are capitalized and depreciated, if applicable, over the expected useful life, beginning with the in-service date. In the fund financial statements, capital costs comparative are accounted for as expenditures when payments are made.

Comparative capital assets for governmental and business-type activities are summarized below:

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)
	2004	2003	2004	2003	2004	2003	Percent of Change
Infrastructure	\$ 444,212	\$ 411,519 #	\$ 26,087	\$ 20,009	\$ 470,299	\$ 431,528	9%
Land and Easements	288,166	287,174 0	21,127	22,627	309,293	309,801	0%
Land Improvements	99	99 0	7,099	8,899	7,198	8,998	-20%
Structures and Improvements	479,364	488,469 0	161,733	170,787	641,097	659,256	-3%
Equipment	75,878	87,386 0	18,575	21,267	94,453	108,653	-13%
Construction in Progress	42,563	25,078 0	2,160	6,079	44,724	31,157	44%
Total	\$ 1,330,282	\$ 1,299,725	\$ 236,781	\$ 249,668	\$ 1,567,064	\$ 1,549,392	1%

Management's Discussion & Analysis (Unaudited)

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, 2004, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled \$321.03 as of June 30, 2004. The calculated legal debt limit for the County is \$1.5 billion. 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:

	Moody's Investors Service, Inc.	Standards & Poor's Corp.
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 2003-04, the County, as a participant in the California Statewide Communities Development Authority Pool, issued \$170 million in TRANs to satisfy short-term cash flow needs.

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 2003-04 was accomplished through the sale of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes. In fiscal year 2003-04 \$48.2 million in delinquent taxes were collected and used to pay down \$37.7 million in existing Notes, resulting in a \$10.5 million surplus. The surplus was applied toward the current fiscal year unpaid delinquent taxes of \$34.5 million dollars, resulting in the \$24 million Teeter amount.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2004.

County's Outstanding Debt Obligation (In Thousands)

	Governmental		Business-Type		Total		Variance
	Activities		Activities				
	2004	2003	2004	2003	2004	2003	
Loans payable	\$ 66,375	\$ 67,130	\$ -	\$ -	\$ 66,375	\$ 67,130	-1%
Notes payable	635	930	-	-	635	930	-32%
Bonds payable	91,758	91,758	210,558	228,392	302,316	320,150	-6%
Certificates of participation	387,869	357,855	2,040	3,000	389,909	360,855	8%
Total Outstanding	\$ 546,637	\$ 517,673	\$ 212,598	\$ 231,392	\$ 759,235	\$ 749,065	1%

Management's Discussion & Analysis (Unaudited)

Certificates of Participation/ Refunding

In December 2003, the County of Riverside Asset Leasing Corporation (CORAL), issued \$13.1 million of Certificates of Participation, Series A (2003 Series A- Historic Courthouse Project), with an interest rate of 3% and also issued \$8.6 million of Certificates of Participation, Series B (2003 Series B- Capital Facilities Project Refunding), with an initial interest rate of 2%. The 2003 Series A were issued on parity with the 1997 Historic Courthouse certificates to provide funding for certain improvements of the County's Historic Courthouse, fund capitalized interest costs, fund a reserve fund and pay costs of issuance. The 2003 Series B were issued to refund \$8.2 million of outstanding Certificates of Participation, 1993 Master Lease Refunding, bearing interest rates ranging from 3.25% to 5.75%, fund a debt-service reserve fund and a construction fund.

Interest on the 2003 Series A Certificates of Participation is payable initially November 1, 2006, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2033. Interest on the 2003 Series B Certificates of Participation is payable initially May 1, 2004, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2018.

Defeasance of Debt: On April 30, 2003, the County issued \$16.1 million 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 \$1.6 million on deposit in the Reserve Fund of the refunded certificates, were used to exercise the County's option to prepay \$17 million of 1997 Bankruptcy Court Project Certificates of Participation. The amount of refunding debt outstanding at June 30, 2004 is \$15.6 million.

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

A strengthening local economy continues to help Riverside County overcome its recent budget difficulties. A significant portion of the County's recent budget difficulties were the result of the nearly \$100 million that the State has "borrowed" in recent years. Though the State continues to struggle with budget deficits and slow revenue growth, Riverside County faces neither. Local revenues continue to strengthen, with double-digit growth of both property and sales taxes becoming a near normal occurrence.

The State owes Riverside County in excess of \$80 million for several years of unpaid state-mandated claims and Vehicle License Fee (VLF) revenue. The Governor and Legislature, in the current state budget document, pledge to repay the VLF loan in full during fiscal year 2007 and to begin repayment of the mandated services debt the same year.

Proposition 1A went on the November 2004 ballot as part of a movement to limit the State's ability to appropriate local revenues. Proposition 1A protects revenues dedicated to locally delivered services, prohibits the state from lowering local property tax revenue, and allows for limited revenue reductions under certain conditions but requires repayment within three years. In addition, proposition 1A requires that local sales taxes remain with local governments and requires the State to either fund or suspend mandated services.

The County recently increased cost containment measures. In addition to previous actions that included limiting equipment purchases, travel expenditures, and a freeze in filling 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 aforementioned measures should not be needed beyond early fiscal year 2004-05.

Management's Discussion & Analysis (Unaudited)

The County budget for fiscal year 2004-05 assumed a beginning General Fund unreserved / undesignated fund balance of \$20 million. Estimated discretionary revenues were \$36 million 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 9% increase. Subsequent to adoption of the County's final budget, the State took action to reduce vehicle license fee revenue by an estimated \$14 million. This reduction is a \$12 million improvement over earlier estimates and the county's budget. The state budget reduced the vehicle tax but pledged to protect local governments from further vehicle tax losses. This should have no effect on county revenues. Additional information is included in Note 22 of the financial statements regarding the "State of California Fiscal Outlook."

The County's pension program, which is managed by the Public Employees Retirement System (PERS), experienced stock market losses, benefit changes, and changes to employee demographics, as described below. As a result, unfunded liabilities are estimated to exceed \$300 million this year. PERS policy calls for payments to be made toward the unfunded liability at their assumed earnings rate of 7.75% per year. However, the county is able to borrow at lower rates. In November, 2004 the Board granted conceptual approval for the issuance of \$300 million in pension obligation bonds; proceeds of the bonds will be used to reduce the county's PERS liability. County staff will take the steps necessary to issue bonds and will return to the Board for final approval in January or February of 2005. If the PERS earning estimate is accurate, this bond issuance will save the county over \$5 million per year.

The County's employee retirement benefit contribution rate for miscellaneous members increased from 9.79% for fiscal year 2003-04 to 15.35% for fiscal year 2004-05, due primarily to the losses in investment returns for the CalPERS fund in 2001 and 2002. The County's contribution for Safety members increased from 17% for fiscal year 2003-04 to 24.4% for fiscal year 2004-05. 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 contribution rates for fiscal year 2005-06 will increase to 16.27% and Safety contribution rates will decrease to 21.12%. Fiscal year 2006-07 rates are projected at 16.4% (Miscellaneous) and 20.9% (Safety). Additional information regarding the County's retirement plans are 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 11.52% in fiscal year 2003-04 and 14.18% in fiscal year 2004-05 yielding a total assessed property tax roll of \$140 billion for fiscal year 2004-05. According to the County Assessor, the \$17.4 billion increase is attributable to the 1.87% 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 34,173 properties were affected by the Proposition 8 reductions in fiscal year 2004-05.

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: (951) 955-3800; Fax: (951) 955-3802; web site: www.auditorcontroller.org.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS



COUNTY OF RIVERSIDE

Statement of Net Assets

June 30, 2004

(Dollars in Thousands)

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
				Children and Families Commission
ASSETS:				
Cash and investments (Note 5)	\$ 651,833	\$ 47,353	\$ 699,186	\$ 55,219
Receivables, net (Notes 1 and 7)	308,766	55,923	364,689	4,448
Due from other governments	-	-	-	-
Inventories	5,352	4,406	9,758	-
Internal balances (Note 8)	13,035	(13,035)	-	-
Prepaid items and deposits	108	1,866	1,974	-
Restricted cash and investments (Notes 5 and 6)	289,130	99,854	388,984	-
Notes receivable	14,775	-	14,775	-
Land held for resale	13,479	-	13,479	-
Capital assets (Note 9):				
Depreciable assets, net	999,553	213,494	1,213,047	39
Nondepreciable assets	330,729	23,287	354,016	-
Bond issuance costs	392	4,040	4,432	-
Total assets	<u>2,627,152</u>	<u>437,188</u>	<u>3,064,340</u>	<u>59,706</u>
LIABILITIES:				
Accounts payable	95,366	17,785	113,151	2,973
Salaries and benefits payable	53,836	8,221	62,057	18
Due to other governments	32,008	756	32,764	-
Interest payable	9,477	1,311	10,788	-
Deposits payable	60	277	337	-
Teeter notes payable (Note 12)	23,967	-	23,967	-
Other liabilities	4,386	2,877	7,263	-
Deferred revenue (Note 7)	101,493	-	101,493	-
Long-term liabilities (Note 13) :				
Due within one year	112,484	19,959	132,443	28
Due beyond one year	761,301	286,066	1,047,367	24
Total liabilities	<u>1,194,378</u>	<u>337,252</u>	<u>1,531,630</u>	<u>3,043</u>
NET ASSETS:				
Invested in capital assets, net of related debt	524,624	25,102	549,726	-
Restricted for:				
Capital projects	152,982	-	152,982	-
Children's programs	-	-	-	56,663
Debt service	61,105	-	61,105	-
Other purposes	307,056	43,232	350,288	-
Unrestricted	387,007	31,602	418,609	-
Total net assets	<u>\$ 1,432,774</u>	<u>\$ 99,936</u>	<u>\$ 1,532,710</u>	<u>\$ 56,663</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, 2004
(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 232,322	\$ 105,248	\$ 93,689	\$ -
Public protection	710,053	237,681	193,999	1,144
Public ways and facilities	93,529	37,230	13,203	30,938
Health and sanitation	376,338	33,866	266,210	-
Public assistance	590,719	2,238	515,944	-
Education	10,280	476	120	959
Recreation and culture	9,666	7,905	3,291	-
Interest on long-term debt	29,890	-	-	-
Total governmental activities	2,052,797	424,644	1,086,456	33,041
Business-type activities:				
Regional Medical Center	296,227	266,484	-	125
Waste Management Department	40,056	54,538	-	-
Housing Authority	61,599	61,080	-	-
Flood Control	4,318	2,656	-	-
County Service Areas	329	270	-	-
Total business-type activities	402,529	385,028	-	125
Total primary government	\$ 2,455,326	\$ 809,672	\$ 1,086,456	\$ 33,166
Component unit:				
Children and Families First Commission	\$ 25,922	\$ -	\$ 24,619	\$ -

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
\$ (33,385)	\$ -	\$ (33,385)	
(277,229)	-	(277,229)	
(12,158)	-	(12,158)	
(76,262)	-	(76,262)	
(72,537)	-	(72,537)	
(8,725)	-	(8,725)	
1,530	-	1,530	
(29,890)	-	(29,890)	
<u>(508,655)</u>	<u>-</u>	<u>(508,655)</u>	
-	(29,618)	(29,618)	
-	14,482	14,482	
-	(519)	(519)	
-	(1,662)	(1,662)	
-	(59)	(59)	
<u>-</u>	<u>(17,376)</u>	<u>(17,376)</u>	
<u>(508,655)</u>	<u>(17,376)</u>	<u>(526,031)</u>	
			\$ (1,303)
266,391	-	266,391	-
26,633	-	26,633	-
12,108	-	12,108	-
11,385	-	11,385	-
87,435	-	87,435	-
16,835	2,505	19,340	630
1,491	4,208	5,699	-
189,736	-	189,736	8
<u>(16,791)</u>	<u>16,791</u>	<u>-</u>	<u>-</u>
<u>595,223</u>	<u>23,504</u>	<u>618,727</u>	<u>638</u>
86,568	6,128	92,696	(665)
<u>1,346,206</u>	<u>93,808</u>	<u>1,440,014</u>	<u>57,328</u>
<u>\$ 1,432,774</u>	<u>\$ 99,936</u>	<u>\$ 1,532,710</u>	<u>\$ 56,663</u>

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



(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS



COUNTY OF RIVERSIDE

Balance Sheet
Governmental Funds
June 30, 2004
(Dollars in Thousands)

	General	Flood Control	Public Facilities Improvements	Other Funds	Total Governmental Funds
ASSETS:					
Cash and investments (Note 5)	\$ 65,681	\$ 126,851	\$ 155,427	\$ 175,982	\$ 523,941
Accounts receivable (Notes 1 and 7)	21,472	1,023	123	7,187	29,805
Interest receivable (Note 7)	4,078	334	422	1,336	6,170
Taxes receivable (Note 7)	4,367	1,324	-	36,695	42,386
Due from other governments (Note 7)	214,319	713	-	13,588	228,620
Inventories	2,979	-	-	829	3,808
Due from other funds (Note 8)	8,892	-	-	625	9,517
Restricted cash and investments (Notes 5 and 6)	230,390	2,327	-	56,413	289,130
Advance to other funds (Note 8)	5,646	-	-	106	5,752
Notes receivable (Note 7)	-	-	-	14,775	14,775
Land held for resale	-	-	-	13,479	13,479
Total assets	557,824	132,572	155,972	321,015	1,167,383
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	70,790	2,971	2,273	13,179	89,213
Salaries and benefits payable	46,367	740	-	3,581	50,688
Due to other governments	19,663	1	673	11,663	32,000
Due to other funds (Note 8)	945	-	-	9,339	10,284
Interest payable	-	-	-	87	87
Deposits payable	25	-	-	35	60
Teeter notes payable (Note 12)	-	-	-	23,967	23,967
Advances from other funds	-	-	-	106	106
Deferred revenue (Note 7)	170,981	2,327	-	11,455	184,763
Total liabilities	308,771	6,039	2,946	73,412	391,168
Fund balances (Note 14):					
Reserved	100,940	19,051	152,842	140,362	413,195
Unreserved-designated, reported in					
General fund	70,361	-	-	-	70,361
Special revenue funds	-	-	-	13,041	13,041
Capital projects funds	-	-	-	20,353	20,353
Unreserved-undesignated, reported in					
General fund	77,752	-	-	-	77,752
Special revenue funds	-	107,482	-	82,088	189,570
Capital projects funds	-	-	184	(8,241)	(8,057)
Total fund balances	249,053	126,533	153,026	247,603	776,215
Total liabilities and fund balances	\$ 557,824	\$ 132,572	\$ 155,972	\$ 321,015	\$ 1,167,383

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



(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

Fund balances - total governmental funds (page 25)	\$	776,215
 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.		1,286,872
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		392
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.		83,270
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		65,260
Certificates of participation		387,869
Loans payable		66,375
Notes payable		635
Accrued interest payable		9,390
Accreted interest payable		1,524
Compensated absences		117,852
		(740,663)
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.		26,688
		26,688
Net assets of governmental activities (page 21)	\$	1,432,774

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



(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General Fund	Flood Control	Public Facilities Improvements	Other Funds	Total
REVENUES:					
Taxes	\$ 193,329	\$ 28,620	\$ -	\$ 83,183	\$ 305,132
Licenses, permits and franchise fees	19,964	-	6,302	152	26,418
Fines, forfeitures and penalties	42,905	-	-	392	43,297
Use of money and property:					
Interest	8,724	911	1,417	5,093	16,145
Rents and concessions	1,359	671	258	29,664	31,952
Aid from other governmental agencies:					
Federal	373,146	-	-	57,824	430,970
State	673,403	-	-	39,743	713,146
Other	46,750	-	-	-	46,750
Charges for services	263,107	7,489	58,697	39,204	368,497
Other revenue	55,260	9,491	16,356	19,297	100,404
Total revenues	1,677,947	47,182	83,030	274,552	2,082,711
EXPENDITURES:					
Current					
General government	101,429	6,793	46,637	62,557	217,416
Public protection	674,389	-	-	3,409	677,798
Public ways and facilities	-	36,285	686	97,002	133,973
Health and sanitation	362,010	-	-	3,717	365,727
Public assistance	536,275	-	-	39,992	576,267
Education	337	-	-	9,904	10,241
Recreation and culture	181	-	-	9,061	9,242
Debt service:					
Principal	6,979	-	-	25,139	32,118
Interest	7,475	-	-	17,048	24,523
Cost of issuance	-	-	-	504	504
Capital outlay	1,008	475	-	121	1,604
Total expenditures	1,690,083	43,553	47,323	268,454	2,049,413
Excess (deficiency) of revenues over (under) expenditures	(12,136)	3,629	35,707	6,098	33,298
OTHER FINANCING SOURCES (USES):					
Transfers in	60,999	40	5,878	96,466	163,383
Transfers out	(21,027)	(406)	(36,743)	(121,525)	(179,701)
Bond proceeds	-	-	-	21,645	21,645
Gain (loss) on sale of assets	-	-	-	494	494
Capital leases (Note 13)	1,008	-	-	-	1,008
Total other financing sources (uses)	40,980	(366)	(30,865)	(2,920)	6,829
NET CHANGE IN FUND BALANCES	28,844	3,263	4,842	3,178	40,127
Fund balances, beginning of year, as previously reported	218,578	123,270	146,588	241,089	729,525
Adjustments to beginning fund balances (Note 4)	1,631	-	1,596	3,336	6,563
Fund balances, beginning of year, as restated	220,209	123,270	148,184	244,425	736,088
FUND BALANCES, END OF YEAR	\$ 249,053	\$ 126,533	\$ 153,026	\$ 247,603	\$ 776,215

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



(This Page Intentionally Left Blank)

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, 2004
 (Dollars in Thousands)

Net change in fund balances - total governmental funds (page 29) \$ 40,127

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	72,126	
Less loss on sale of capital assets	(261)	
Donation of capital assets	4,574	
Less current year depreciation	(34,371)	42,068

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.

Net principal payments 8,803

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. 50,652

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	(4,309)	
Change in accreted interest	(318)	
Change in long-term compensated absences	(15,177)	(19,804)

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. (35,265)

Change in net assets of governmental activities (page 23) \$ 86,568

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, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 158,767	\$ 176,767	\$ 193,329	\$ 16,562
Licenses, permits and fees	20,262	20,577	19,964	(613)
Fines, forfeitures and penalties	40,809	45,520	42,905	(2,615)
Use of money and property:				
Interest	7,948	7,948	8,724	776
Rents and concessions	1,141	1,054	1,359	305
Aid from other governmental agencies:				
Federal	378,562	392,039	373,146	(18,893)
State	660,125	731,861	673,403	(58,458)
Other	-	50,000	46,750	(3,250)
Charges for current services	295,952	268,097	263,107	(4,990)
Other revenue	195,285	61,091	55,260	(5,831)
Total revenues	1,758,851	1,754,954	1,677,947	(77,007)
EXPENDITURES:				
Current				
General government				
Salaries and employee benefits	76,010	75,571	73,517	(2,054)
Services and supplies	82,059	86,784	75,066	(11,718)
Other charges	35,352	11,603	14,538	2,935
Capital assets	759	773	668	(105)
Intrafund transfers	(71,751)	(72,717)	(62,360)	10,357
Appropriation for contingencies	13,145	12,861	-	(12,861)
Total general government	135,574	114,875	101,429	(13,446)
Public protection:				
Salaries and employee benefits	426,598	427,954	425,844	(2,110)
Services and supplies	210,079	221,684	210,925	(10,759)
Other charges	41,722	42,682	39,587	(3,095)
Capital assets	4,492	11,266	9,341	(1,925)
Intrafund transfers	(8,944)	(12,140)	(11,308)	832
Total public protection	673,947	691,446	674,389	(17,057)
Health and sanitation:				
Salaries and employee benefits	146,116	148,906	131,917	(16,989)
Services and supplies	90,021	140,494	139,758	(736)
Other charges	234,304	251,291	178,245	(73,046)
Capital assets	325	852	22	(830)
Intrafund transfers	(108,782)	(97,880)	(87,932)	9,948
Total health and sanitation	\$ 361,984	\$ 443,663	\$ 362,010	\$ (81,653)

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, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Public assistance:				
Salaries and employee benefits	\$ 161,602	\$ 161,745	\$ 155,776	\$ (5,969)
Services and supplies	74,567	56,944	56,544	(400)
Other charges	335,185	340,290	340,172	(118)
Capital assets	100	100	-	(100)
Intrafund transfers	(15,511)	(16,611)	(16,217)	394
Total public assistance	<u>555,943</u>	<u>542,468</u>	<u>536,275</u>	<u>(6,193)</u>
Education:				
Salaries and employee benefits	193	193	187	(6)
Services and supplies	155	155	150	(5)
Total education	<u>348</u>	<u>348</u>	<u>337</u>	<u>(11)</u>
Recreation and culture:				
Salaries and employee benefits	69	58	58	-
Services and supplies	90	115	113	(2)
Other charges	32	11	10	(1)
Total recreation and culture	<u>191</u>	<u>184</u>	<u>181</u>	<u>(3)</u>
Debt service:				
Principal	44,838	40,723	6,979	(33,744)
Interest	3,753	7,478	7,475	(3)
Capital outlay	-	-	1,008	1,008
Total debt service	<u>48,591</u>	<u>48,201</u>	<u>15,462</u>	<u>(32,739)</u>
Total expenditures	<u>1,776,578</u>	<u>1,841,185</u>	<u>1,690,083</u>	<u>(151,102)</u>
Excess (deficiency) of revenues over (under) expenditures	(17,727)	(86,231)	(12,136)	74,095
OTHER FINANCING SOURCES (USES):				
Transfers in	-	60,999	60,999	-
Transfers out	-	(21,027)	(21,027)	-
Capital leases	-	-	1,008	1,008
Total other financing sources (uses)	<u>-</u>	<u>39,972</u>	<u>40,980</u>	<u>1,008</u>
NET CHANGE IN FUND BALANCE	(17,727)	(46,259)	28,844	75,103
Fund balance, beginning of year, as previously reported	218,578	218,578	218,578	-
Adjustment to beginning fund balance	-	-	1,631	1,631
Fund balance, beginning of year, as restated	<u>218,578</u>	<u>218,578</u>	<u>220,209</u>	<u>1,631</u>
FUND BALANCE, END OF YEAR	<u>\$ 200,851</u>	<u>\$ 172,319</u>	<u>\$ 249,053</u>	<u>\$ 76,734</u>

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



(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE
 Budgetary Comparison Statement
 Flood Control Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 22,257	\$ 22,357	\$ 28,620	\$ 6,263
Use of money and property:				
Rents and concessions	-	-	911	911
Interest	1,381	1,381	671	(710)
Aid from other governmental agencies:				
State	464	464	-	(464)
Charges for services	8,800	8,910	7,489	(1,421)
Other revenue	14,398	15,183	9,491	(5,692)
Total revenues	<u>47,300</u>	<u>48,295</u>	<u>47,182</u>	<u>(1,113)</u>
EXPENDITURES:				
Current:				
General government	7,125	7,491	6,793	(698)
Public ways and facilities	85,586	90,999	36,285	(54,714)
Capital outlay	-	475	475	-
Total expenditures	<u>92,711</u>	<u>98,965</u>	<u>43,553</u>	<u>(55,412)</u>
Excess (deficiency) of revenues over (under) expenditures	(45,411)	(50,670)	3,629	54,299
OTHER FINANCING SOURCES (USES):				
Transfers in	-	40	40	-
Transfers out	-	(2,032)	(406)	1,626
Total other financing sources (uses)	<u>-</u>	<u>(1,992)</u>	<u>(366)</u>	<u>1,626</u>
NET CHANGE IN FUND BALANCE	(45,411)	(52,662)	3,263	55,925
Fund balance, beginning of year, as restated	<u>123,270</u>	<u>123,270</u>	<u>123,270</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 77,859</u>	<u>\$ 70,608</u>	<u>\$ 126,533</u>	<u>\$ 55,925</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, 2004

(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	\$ 15	\$ 37,888	\$ 9,450	\$ 47,353	\$ 127,892
Accounts receivable - net (Notes 1 and 7)	41,991	4,555	540	47,086	1,524
Interest receivable (Note 7)	-	290	4	294	261
Taxes receivable (Note 7)	-	-	12	12	-
Due from other governments (Note 7)	8,273	201	57	8,531	-
Inventories	4,406	-	-	4,406	1,544
Due from other funds (Note 8)	925	210	23	1,158	-
Restricted cash and investments (Notes 5 and 6)	24,381	73,087	2,386	99,854	-
Prepaid items and deposits	1,543	290	33	1,866	108
Total current assets	81,534	116,521	12,505	210,560	131,329
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	160,350	42,374	10,770	213,494	42,954
Nondepreciable assets	8,705	9,461	5,121	23,287	456
Bond issuance costs	3,068	-	972	4,040	-
Total noncurrent assets	172,123	51,835	16,863	240,821	43,410
Total assets	253,657	168,356	29,368	451,381	174,739
LIABILITIES:					
Current liabilities:					
Accounts payable	13,784	3,722	279	17,785	6,153
Salaries and benefit payable	6,962	821	438	8,221	3,148
Due to other funds (Note 8)	178	-	23	201	190
Due to other governments	-	-	756	756	8
Interest payable	1,300	-	11	1,311	-
Deposits payable	-	230	47	277	-
Other liabilities	-	520	2,357	2,877	4,386
Accrued closure and post-closure costs (Notes 10 and 13)	-	2,282	-	2,282	-
Accrued remediation costs (Note 21)	-	1,098	-	1,098	-
Compensated absences (Notes 1 and 13)	3,136	720	26	3,882	1,750
Capital lease obligations (Note 13)	1,887	-	-	1,887	10,244
Certificates of participation (Note 13)	1,000	-	-	1,000	-
Bonds payable (Note 13)	9,730	-	80	9,810	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	40,152
Total current liabilities	37,977	9,393	4,017	51,387	66,031
Noncurrent portion of long-term liabilities:					
Compensated absences (Note 13)	7,317	1,486	807	9,610	3,646
Advances from other funds (Note 8)	5,646	-	-	5,646	-
Accrued closure and post closure care costs (Note 10)	-	34,894	-	34,894	-
Accrued remediation costs (Note 21)	-	14,817	-	14,817	-
Capital lease obligations (Notes 1 and 13)	2,179	-	-	2,179	8,114
Certificates of participation (Note 13)	1,040	-	-	1,040	-
Bonds payable (Note 13)	198,848	-	1,900	200,748	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	77,106
Other long-term liabilities (Note 13)	22,167	-	611	22,778	1,500
Total noncurrent liabilities	237,197	51,197	3,318	291,712	90,366
Total liabilities	275,174	60,590	7,335	343,099	156,397
NET ASSETS:					
Invested in capital assets, net of related debt	(42,561)	51,835	15,828	25,102	24,596
Restricted	23,051	19,962	219	43,232	-
Unrestricted	(2,007)	35,969	5,986	39,948	(6,254)
Total net assets	\$ (21,517)	\$ 107,766	\$ 22,033	108,282	\$ 18,342
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.				(8,346)	
Net assets of business-type activities				\$ 99,936	

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, 2004
(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental
	Regional			Total	Internal
	Medical Center	Waste Management	Other		Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	\$ 258,489	\$ -	\$ -	\$ 258,489	\$ -
Charges for services	-	54,538	63,537	118,075	143,067
Other revenue	7,995	-	469	8,464	10,749
Total operating revenues	<u>266,484</u>	<u>54,538</u>	<u>64,006</u>	<u>385,028</u>	<u>153,816</u>
OPERATING EXPENSES:					
Cost of materials used	-	-	-	-	1,283
Personnel services	115,432	13,312	7,811	136,555	52,109
Communications	-	281	3	284	5,318
Insurance	1,727	65	3	1,795	4,905
Maintenance of building and equipment	-	2,170	1,864	4,034	13,856
Insurance claims	-	-	-	-	79,054
Supplies	52,200	2,082	1,140	55,422	20,594
Purchased services	41,310	23,663	1,027	66,000	13,809
Depreciation and amortization	8,887	3,930	1,375	14,192	18,216
Rents and leases of equipment	-	219	-	219	1,969
Public assistance	-	-	49,369	49,369	7
Utilities	4,522	-	584	5,106	201
Closure and post-closure care costs	-	(6,585)	-	(6,585)	-
Remediation costs (recovery)	-	(40)	-	(40)	-
Other	87,232	-	1,289	88,521	2,040
Total operating expenses	<u>311,310</u>	<u>39,097</u>	<u>64,465</u>	<u>414,872</u>	<u>213,361</u>
Operating income (loss)	<u>(44,826)</u>	<u>15,441</u>	<u>(459)</u>	<u>(29,844)</u>	<u>(59,545)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	1,542	805	158	2,505	698
Interest expense	(14,809)	-	(756)	(15,565)	(1,058)
Gain (loss) on disposal of capital assets	(66)	47	4,227	4,208	(148)
Other nonoperating revenues / (expenses)	35,332	-	-	35,332	7
Total nonoperating revenues (expenses)	<u>21,999</u>	<u>852</u>	<u>3,629</u>	<u>26,480</u>	<u>(501)</u>
Income (loss) before capital contributions, and transfers	<u>(22,827)</u>	<u>16,293</u>	<u>3,170</u>	<u>(3,364)</u>	<u>(60,046)</u>
Capital contributions	125	-	-	125	17,830
Transfers in	16,791	-	-	16,791	133
Transfers out	-	-	-	-	(606)
CHANGE IN NET ASSETS	<u>(5,911)</u>	<u>16,293</u>	<u>3,170</u>	<u>13,552</u>	<u>(42,689)</u>
Net assets, beginning of the year, as previously reported	(15,606)	91,473	18,863		61,929
Adjustments to beginning net assets (Note 4)	-	-	-		(898)
Net assets, beginning of the year, as restated	<u>(15,606)</u>	<u>91,473</u>	<u>18,863</u>		<u>61,031</u>
NET ASSETS, END OF YEAR	<u>\$ (21,517)</u>	<u>\$ 107,766</u>	<u>\$ 22,033</u>		<u>\$ 18,342</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(7,424)</u>	
Change in net assets of business-type activities				<u>\$ 6,128</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 Ending June 30, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental
	Regional	Waste	Other	Total	Internal
	Medical Center				Management
Cash flows from operating activities					
Cash receipts from customers / other funds	\$ 272,849	\$ 54,943	\$ 64,806	\$ 392,598	\$ 153,631
Cash paid to suppliers for goods and services	(182,194)	(28,002)	(56,101)	(266,297)	(113,534)
Cash paid to employees for services	(112,650)	(12,984)	(7,220)	(132,854)	(50,693)
Net cash provided by (used in) operating activities	<u>(21,995)</u>	<u>13,957</u>	<u>1,485</u>	<u>(6,553)</u>	<u>(10,596)</u>
Cash flows from noncapital financing activities					
Advances from (to) other funds	33,212	-	-	33,212	7
Transfers received	16,791	-	-	16,791	133
Transfers paid	-	-	-	-	(606)
Net cash provided by (used in) noncapital financing activities	<u>50,003</u>	<u>-</u>	<u>-</u>	<u>50,003</u>	<u>(466)</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	(66)	47	4,227	4,208	(148)
Acquisition and construction of capital assets	(1,681)	(3,897)	4,273	(1,305)	(7,230)
Principal paid on capital leases	(4,676)	-	-	(4,676)	(12,667)
Capital Contributions	125	-	-	125	17,830
Principal paid on certificates of participation	2,040	-	-	2,040	-
Principal paid on bonds payable	(8,694)	-	(9,140)	(17,834)	-
Interest paid on long-term debt	(14,841)	-	(807)	(15,648)	(1,058)
Net cash used in capital and related financing activities	<u>(27,793)</u>	<u>(3,850)</u>	<u>(1,447)</u>	<u>(33,090)</u>	<u>(3,273)</u>
Cash flows from investing activities					
Interest received on investments	1,542	649	158	2,349	584
Net cash provided by investing activities	<u>1,542</u>	<u>649</u>	<u>158</u>	<u>2,349</u>	<u>584</u>
Net increase (decrease) in cash and cash equivalents	1,757	10,756	196	12,709	(13,751)
Cash and cash equivalents, beginning of year	22,639	100,219	11,640	134,498	141,643
Cash and cash equivalents, end of year	<u>\$ 24,396</u>	<u>\$ 110,975</u>	<u>\$ 11,836</u>	<u>\$ 147,207</u>	<u>\$ 127,892</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 Ending June 30, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income to net cash provided					
Operating income (loss)	\$ (44,826)	\$ 15,441	\$ (459)	\$ (29,844)	\$ (59,545)
Adjustments to reconcile operating income to net cash					
Depreciation and amortization	8,887	3,930	1,375	14,192	18,216
Decrease (Increase) accounts receivable	440	507	346	1,293	(367)
Decrease (Increase) taxes receivable	-	-	-	-	-
Decrease (Increase) bond issuance cost	488	-	70	558	-
Decrease (Increase) due from other funds	2,396	(210)	(1)	2,185	182
Decrease (Increase) due from other governments	3,041	108	385	3,534	-
Decrease (Increase) inventories	266	-	-	266	521
Decrease (Increase) prepaid items and deposits	105	55	54	214	(76)
Increase (Decrease) accounts payable	4,304	1,100	170	5,574	(3,205)
Increase (Decrease) due to other funds	(3,479)	-	1	(3,478)	163
Increase (Decrease) due to other governments	-	-	(875)	(875)	(10)
Increase (Decrease) deposits payable	-	(50)	1	(49)	-
Increase (Decrease) accrued closure costs	-	(6,829)	-	(6,829)	-
Increase (Decrease) accrued remediation costs	-	(555)	-	(555)	-
Increase (Decrease) other liabilities	3,601	132	(173)	3,560	1,858
Increase (Decrease) estimated claims liability	-	-	-	-	30,251
Increase (Decrease) salaries and benefits payable	1,686	200	392	2,278	615
Increase (Decrease) compensated absences	1,096	128	199	1,423	801
Net cash provided by (used in) operating activities	<u>\$ (21,995)</u>	<u>\$ 13,957</u>	<u>\$ 1,485</u>	<u>\$ (6,553)</u>	<u>\$ (10,596)</u>
Supplemental disclosure of noncash investing, capital, and financing activities	<u>-</u>	<u>\$ 323</u>	<u>-</u>	<u>\$ 323</u>	<u>\$ 3,416</u>

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, 2004
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	\$ 7,212	\$ -	\$ 16,455	\$ 266,968
Cash Equivalent & MMF	-	146,796	-	-
Commercial Paper	-	204,345	-	-
Certificates of Deposit	-	6,091	-	-
Federal Agency	-	1,214,216	-	-
Medium Term Notes	-	12,078	-	-
Accounts receivable	278	1,803	1	210
Interest receivable	18	1,090	33	73
Taxes receivable	-	2	-	387
Due from other governments	-	1,823	-	-
Due from other funds	-	4,481	-	-
Total assets	<u>7,508</u>	<u>1,592,725</u>	<u>16,489</u>	<u>\$ 267,638</u>
LIABILITIES:				
Accounts payable	-	-	7,696	121,902
Salaries and benefits payable	-	-	-	5
Due to other governments	-	-	24	143,440
Advance from other funds	-	-	-	2,291
Total liabilities	<u>-</u>	<u>-</u>	<u>7,720</u>	<u>\$ 267,638</u>
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	<u>\$ 7,508</u>	<u>\$ 1,592,725</u>	<u>\$ 8,769</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, 2004
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private- Purpose Trust
ADDITIONS:			
Employer contributions	\$ 813	\$ -	\$ -
Employee contributions	840	-	-
Contributions to pooled investments	-	444,241	-
Contributions to Private-Purpose Trust	-	-	816
Investment income	48	2,568	18
Total additions	<u>1,701</u>	<u>446,809</u>	<u>834</u>
DEDUCTIONS:			
Distributions from pooled investments	-	551,622	-
Distributions from Private-Purpose Trust	-	-	2,004
Administrative and other expenses	508	-	-
Total deductions	<u>508</u>	<u>551,622</u>	<u>2,004</u>
Change in net assets	1,193	(104,813)	(1,170)
Net Assets Held in Trust, beginning of the year	<u>6,315</u>	<u>1,697,538</u>	<u>9,939</u>
Net Assets Held in Trust, end of the year	<u>\$ 7,508</u>	<u>\$ 1,592,725</u>	<u>\$ 8,769</u>

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



(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS



COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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 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, 2004

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.

County of Riverside Bankruptcy Court Corporation (Bankruptcy Court) The governing body of the Bankruptcy Court is the County's governing body. The Bankruptcy Court assists the County by providing for the acquisition, construction and renovation of public facilities and improvements. The Bankruptcy Court 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. 39

During fiscal year 2003-04, the County adopted the provisions of GASB 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 40

During fiscal year 2003-04, the County adopted the provisions of GASB 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.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 42

In November 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.

Governmental Accounting Standards Board Statement No. 43

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after December 15, 2005. This Statement establishes uniform financial reporting standards for other nonpension benefits (OPEB) plans and supersedes the interim guidance included in Statement No. 26. The standards in this Statement apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The County has elected not to early implement GASB No. 43 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 44

In June 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement is effective for periods beginning after June 15, 2005. This statement updates the statistical section schedules to include requirements for governments to report the broad array of debt they now issue in addition to general obligation bonds that were previously reported. The Statement also replaces prior standards with clearer guidelines that can be implemented by any type of governmental entity. The County has elected not to early implement GASB No. 44.

Governmental Accounting Standards Board Statement No. 45

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after December 15, 2006. The statement generally requires that state and local governmental employers account for and report the annual cost of other nonpension benefits (OPEB) and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County has elected not to early implement GASB No. 45 and has not determined its effect on the County's financial statements.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 33% (\$10,957,000) of the County's \$33,992,000 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 *Public Facilities Improvements fund* accounts for revenues and expenditures related to the acquisition and construction of public buildings and park or recreational facilities. Revenues are obtained from State funding, sale of fixed assets, contributions, and from other funds when allocated by the Board of Supervisors.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2004, 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, 2004 to support the valuation.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 84.7% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that districts and agencies constituting approximately 15.3% 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.

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 net allowance for uncollectibles and allowance for contractals was \$513,773,000. 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 2003-04 gross assessed valuation of the County was \$122,844,382,000.

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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 stipulates 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 2003-04, \$19,000,000 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 that 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

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

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 2003-04.

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. At June 30, 2004 the assets had a fair value of \$13,479,000.

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, 2004, the amount of accrued vacation, holiday pay and sick leave reported in the government-wide statement of net assets was \$136,740,000.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2004

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 are 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, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2nd 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 Sections 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with 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, and Bankruptcy Court (included in the Debt Service Funds), Correctional Facilities, 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 (the 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 \$1,008,000 related to capital leases were unbudgeted. These expenditures were funded by the related “other financing sources”.

Deficit Net Assets

The following funds had deficit net assets at June 30, 2004 (in thousands):

	Deficit Net Assets
Enterprise Fund:	
Regional Medical Center	\$ 21,517
Internal Service Fund:	
Risk Management	\$ 19,775

The Regional Medical Center had deficit net assets of \$21,517 at June 30, 2004. Contributing to the deficit was a 49.2% (\$102,663,000) increase in operating expenses. Countering this was an increase in operating revenues by 40.9% (\$77,343,000), and a 26.4% (\$3,504,000) increase in transfers from the General Fund from July 1, 2003 to June 30, 2004. The deficit net assets for Risk Management resulted from an of 51.7% (\$32,612,000) increase in operating expenses. A significant increase in insurance claims expense, 58.9% (\$29,121,000), related to new actuarial reports for estimated claims liabilities accounted for the majority of this increase. Along with the increase in operating expenses was a 35.1% (\$17,680,000) decrease in operating revenues from July 1, 2003 to June 30, 2004.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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	\$ 523,941	\$ -	\$127,892	\$ -	\$ 651,833
Receivable:					
Accounts receivable	29,805	-	1,524	-	31,329
Interest	6,170	-	261	-	6,431
Taxes	42,386	-	-	-	42,386
Due from other governments	228,620	-	-	-	228,620
Notes receivable	14,775	-	-	-	14,775
Inventories	3,808	-	1,544	-	5,352
Due from other funds	9,517	-	-	(9,517)	-
Prepaid Items	-	-	108	-	108
Internal balances	-	-	-	13,035	13,035
Restricted cash and investments	289,130	-	-	-	289,130
Advances to other funds	5,752	-	-	(5,752)	-
Land held for resale	13,479	-	-	-	13,479
Capital assets:					
Nondepreciable	-	330,273	456	-	330,729
Depreciable, net	-	956,599	42,954	-	999,553
Bond issuance costs	-	392	-	-	392
Total assets	1,167,383	1,287,264	174,739	(2,234)	2,627,152
Liabilities:					
Accounts payable	89,213	-	6,153	-	95,366
Salaries and benefits payable	50,688	-	3,148	-	53,836
Due to other funds	10,284	-	190	(10,474)	-
Due to other governments	32,000	-	8	-	32,008
Interest payable	87	-	-	-	87
Accrued interest payable	-	9,390	-	-	9,390
Deposits payable	60	-	-	-	60
Deferred revenue	184,763	-	-	(83,270)	101,493
Teeter note payable	23,967	-	-	-	23,967
Other Liabilities	-	-	4,386	-	4,386
Long-term liabilities due within one year					
Capital lease obligations	-	8,304	10,244	-	18,548
Certificates of participation	-	12,467	-	-	12,467
Loans payable	-	996	-	-	996
Notes payable	-	310	-	-	310
Compensated absences	-	38,261	1,750	-	40,011
Estimated claims liability	-	-	40,152	-	40,152
Long-term liabilities due in more than one year					
Bonds payable	-	91,758	-	-	91,758
Capital lease obligations	-	56,956	8,114	-	65,070
Certificates of participation	-	375,402	-	-	375,402
Loans payable	-	65,379	-	-	65,379
Notes payable	-	325	-	-	325
Accreted interest payable	-	1,524	-	-	1,524
Compensated absences	-	79,591	3,646	-	83,237
Estimated claims liability	-	-	77,106	-	77,106
Advance from other funds	106	-	-	(106)	-
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	391,168	740,663	156,397	(93,850)	1,194,378
Fund balances/net assets:					
Total fund balances/net assets	776,215	546,601	18,342	91,616	1,432,774
Total liabilities and fund balances/net assets	\$ 1,167,383	\$1,287,264	\$174,739	\$ (2,234)	\$ 2,627,152

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2004 is as follows (in thousands):

Description	General Fund	Flood Control	Public Facilities Improvements	Nonmajor Funds	Intenal Service Funds	Government-wide Statement of Net Assets
						Governmental Activities
Governmental Activities:						
Fund balances/net assets as of June 30, 2003, as previously reported	\$ 218,578	\$ 123,270	\$ 146,588	\$ 241,089	\$ 61,929	\$ 1,371,692
Restatements:						
Adjustments of prior year postings of:						
Revenues and expenditures	1,631	-	1,596	3,336	(29)	6,562
Capital assets	-	-	-	-	(529)	-
Net effect of adjustments to governmental and internal service funds	-	-	-	-	-	(898)
Long-term debt obligation	-	-	-	-	(340)	(31,150)
Total Restatements	1,631	-	1,596	3,336	(898)	(25,486)
Fund balances/net assets, as of June 30, 2003, as restated	<u>\$ 220,209</u>	<u>\$ 123,270</u>	<u>\$ 148,184</u>	<u>\$ 244,425</u>	<u>\$ 61,031</u>	<u>\$ 1,346,206</u>
Business-type Activities:						
Description	Regional Medical Center	Waste Management	Nonmajor Funds	Business-type Activities		
Net assets as of June 30, 2003, as previously reported	\$ (15,606)	\$ 91,473	\$ 18,863	\$ 93,808		
Restatements:						
Adjustments of prior year postings of:						
Revenues and expenditures	-	-	-	-		
Total Restatements	-	-	-	-		
Net assets as of June 30, 2003, as restated	<u>\$ (15,606)</u>	<u>\$ 91,473</u>	<u>\$ 18,863</u>	<u>\$ 93,808</u>		

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2004 Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Total Governmental Activities	Total Business-type Activities	Total Component Unit	Total Fiduciary Funds	Total
Cash and investments	\$ 651,833	\$ 47,353	\$ 55,219	\$ 1,874,161	\$ 2,628,566
Restricted cash and investments	289,130	99,854	-	-	388,984
Total cash and investments	\$ 940,963	\$ 147,207	\$ 55,219	\$ 1,874,161	\$ 3,017,550

As of June 30, 2004 cash and investments consist of the following (in thousands):

Deposits	\$ 372,978
Investments	2,644,572
Total cash and Investments	\$ 3,017,550

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

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the County's investment policy that address interest rate, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	3 Years	15% / 150mm	2.50%
US Treasury	5 Years	100%	None
California Local Agency Debt	3 Years	2.5%	None
Federal Agencies	5 Years	None	None
Bills of Exchange	180 Days	30%	None
Commercial Paper	270 Days	40%	50mm
Certificate & Time Deposits	1 Year	25%	50mm
Repurchase Agreements	45 Days	40% / 25%	None
Reverse Repurchase Agreements	60 Days	10%	None
Medium Term Notes	2 Years	20%	25mm
Mutual Funds	Daily Liquidity	20%	None
Secured Bank Deposits	1 Year	None	None
Mortgage Pass-Through Securities	N/A	20%	None
Local Agency Investment Funds	3 Years	2.50%	1.25%

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity required for operations. The County monitors its interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio and through specific identification. With respect to this metric the County's policy is to acquire investments with maturity of less than 5 years and to achieve an overall weighted average maturity of the pool of 541 days or 1.5 years.

As of June 30, 2004, the County had the following investments (in thousands):

Investment	Maturity	Fair Value	Weighted Average Maturity (Years)
Treasury Investments			
Commercial Paper	8/3/2004	\$ 335,479	0.03
Farm Credit Disc Notes	12/17/2004	39,423	0.47
Federal Farm Credit Bank	06/05 - 01/07	132,599	1.45
Federal Home Loan Bank	01/05 - 05/07	563,823	2.04
FHLC - FHLB	11/05 - 04/07	105,173	2.09
Federal Home Loan Disc	07/04 - 08/04	69,761	0.07
Federal Nat Mort Assn	05/05 - 05/07	172,342	1.79
FNMA Disc Notes	07/04 - 02/05	691,377	0.29
Federal Home Loan Mort Cp	08/04 - 01/05	218,374	0.30
Local Agency Obligations	07/12 - 06/20	1,800	11.85
Mid term Notes	08/05 - 01/06	19,830	1.36
Repurchase Agreements	7/1/2004	240,000	0.00
Time Deposits	10/12/2004	10,000	0.28
Total Treasury Investments		2,599,981	
Investments Outside the Treasury			
US Government Securities	7/1/2004	3,801	0.00
Mutual Funds	7/1/2004	1,029	0.00
Pooled Investment	10/1/2004	4,157	0.25
Investment Agreements	10/1/2033	29,507	11.12
Local Agency Investment Funds		6,096	0.00
Total Investments Outside the Treasury		44,591	
Total Investments		\$ 2,644,572	

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that disclosure be made with respect to custodial credit risks relating to deposits. As of June 30, 2004 the County has deposits of \$361,407,000 with fiscal agents in excess of federal depository insurance limits held in uncollateralized accounts.

As of June 30, 2004, the County had investments held by Morgan Stanley and Merrill Lynch respectfully, whereby the underlying securities are not insured or registered in the name of the County.:

<u>Investment Type</u>	<u>Reported Amount (in thousands)</u>
Repurchase Agreement	\$ 200,000
Repurchase Agreement	40,000

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2004, the County Treasury had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2004	Fair Value
Treasury Investments				
Commercial Paper	8/3/2004	A1/P1	AAA	\$ 335,479
Farm Credit Disc Notes	12/17/2004	AAA	AAA	39,423
Federal Farm Credit Bank	06/05 - 01/07	AAA	AAA	132,599
Federal Home Loan Bank	01/05 - 05/07	AAA	AAA	563,823
FHLC - FHLB	11/05 - 04/07	AAA	AAA	105,173
Federal Home Loan Disc	07/04 - 08/04	AAA	AAA	69,761
Federal Nat Mort Assn	05/05 - 05/07	AAA	AAA	172,342
FMA Disc Notes	07/04 - 02/05	AAA	AAA	691,377
Federal Home Loan Mort Cp	08/04 - 01/05	AAA	AAA	218,374
Local Agency Obligations	07/12 - 06/20	N/A	N/A	1,800
Mid term Notes	08/05 - 01/06	A	AAA	19,830
Repurchase Agreements	7/1/2004	A-1,P-1,F-1	A-1/P-1	240,000
Time Deposits	10/12/2004	N/R	N/R	10,000
Total Treasury Investments				2,599,981
Investments Outside the Treasury				
US Government Securities	7/1/2004	AAA	AAA	3,801
Mutual Funds	7/1/2004	N/R	N/R	1,029
Pooled Investment	10/1/2004	N/R	N/R	4,157
Investment Agreements	10/1/2033	N/R	Aa	24,254
Investment Agreements	10/1/2033	N/R	AAA	5,253
Local Agency Investment Funds		N/R	N/R	6,096
Total Investments Outside the Treasury				44,591
Total Investments				\$ 2,644,572

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

At June 30, 2004 the amount of assets restricted by legal and contractual requirements is as follows (in thousands):

	General Fund	Flood Control	Nonmajor Governmental Funds	Regional Medical Center	Waste Management Department	Nonmajor Enterprise Funds
1985 Certificates	\$ -	\$ -	\$ 22,046	\$ -	\$ -	\$ -
1989/1993 Hospital Bonds	-	-	-	24,140	-	-
1997 B & C Hospital	-	-	-	27	-	-
1997 Family Law Court	-	-	951	-	-	-
1997 Historic Court House	-	-	2,278	-	-	-
1997 Lease Refunding	-	-	372	-	-	-
1998 Larson Justice Center	-	-	29	-	-	-
2000 Southwest Justice Center	-	-	1,160	-	-	-
2001 CAC Annex	-	-	2,884	-	-	-
2003 A & B Hospital	-	-	-	19	-	-
2003 A Historic Courthouse	-	-	12,270	-	-	-
2003 B Capital Facilities	-	-	2,334	-	-	-
Waste Management	-	-	-	-	73,087	-
Housing Authority Bond	-	-	-	-	-	1,536
Desert Facilities Corporation	-	-	127	-	-	-
District Court Project	-	-	839	-	-	-
Restricted Program Money	230,390	2,327	353	195	-	850
Teeter Commercial Paper Notes	-	-	9,578	-	-	-
Bankruptcy Courthouse	-	-	1,192	-	-	-
Total Restricted Assets	\$ 230,390	\$ 2,327	\$ 56,413	\$ 24,381	\$ 73,087	\$ 2,386

At June 30, 2004 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, 2004

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	Public Facilities	Nonmajor	Internal	Total
Governmental Activities:	Fund	Control	Facilities	Governmental	Service	Governmental
			Improvements	Funds	Funds	Activities
Accounts	\$ 21,472	\$ 1,023	\$ 123	\$ 7,187	\$ 1,524	\$ 31,329
Interest	4,078	334	422	1,336	261	6,431
Taxes	4,367	1,324	-	36,695	-	42,386
Due from other governments	214,319	713	-	13,588	-	228,620
Total receivables	<u>\$ 244,236</u>	<u>\$ 3,394</u>	<u>\$ 545</u>	<u>\$ 58,806</u>	<u>\$ 1,785</u>	<u>\$ 308,766</u>

Receivables	Regional	Waste	Nonmajor	Total Business-
Business-type Activities:	Medical Center	Management	Funds	type Activities
Accounts	\$ 458,165	\$ 8,836	\$ 540	\$ 467,541
Interest	-	290	4	294
Taxes	-	-	12	12
Due from other governments	8,273	201	57	8,531
Gross receivables	466,438	9,327	613	476,378
Less: Allowance for contractals	(322,675)	-	-	(322,675)
Allowance for uncollectibles	(93,499)	(4,281)	-	(97,780)
Total receivables	<u>\$ 50,264</u>	<u>\$ 5,046</u>	<u>\$ 613</u>	<u>\$ 55,923</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, 2004, 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	\$ 83,187	\$ -
Resources received that do the criteria for revenue	-	87,794
Flood Control		
Due from other	4	
Resources received that do the criteria for revenue		2,323
Nonmajor funds:		
Due from other	79	-
Resources received that do criteria for revenue	-	11,376
Total governmental	<u>\$ 83,270</u>	<u>\$ 101,493</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2004 is as follows (in thousands):

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Regional Medical Center	\$ 178
	Nonmajor Governmental Funds	8,714
		<u>8,892</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	625
Regional Medical Center	General Fund	925
Waste Management	General Fund	20
	Internal Service Fund	190
		<u>210</u>
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	23
Total		<u><u>\$ 10,675</u></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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Regional Medical Center	\$ 5,646
Total		<u><u>\$ 5,646</u></u>

The balance of \$5,646 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, 2004

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	\$ 16,791	Operating Contribution
Total		<u>\$ 16,791</u>	

(b) Between Funds within the Governmental Activities:¹

Transfer out	Transfer in	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	Nonmajor Governmental Funds	\$ 2,157	Overhead reimbursement
	Nonmajor Governmental Funds	602	Leases
	Nonmajor Governmental Funds	1,477	Debt service
		<u>4,236</u>	
Internal Service Funds	General Fund	480	Business services
	Nonmajor Governmental Funds	126	Equipment
		<u>606</u>	
Flood Control	Flood Control	31	Capital projects
	Public Facilities Improvement	375	Capital projects
		<u>406</u>	
Nonmajor Governmental Funds	General Fund	37,189	Fire services
	General Fund	18,164	Overhead reimbursement
	General Fund	974	Administrative support
	General Fund	3,607	Leases
	General Fund	278	Law enforcement
	General Fund	116	Professional services
	General Fund	102	Miscellaneous
	General Fund	61	CDBG
	General Fund	28	Capital projects
	Internal Service Funds	133	Business services
	Nonmajor Governmental Funds	49,897	Capital projects
	Nonmajor Governmental Funds	3,831	Administrative support
	Nonmajor Governmental Funds	619	Miscellaneous
	Nonmajor Governmental Funds	604	Interest
	Nonmajor Governmental Funds	254	CDBG
	Nonmajor Governmental Funds	156	Leases
	Flood Control	9	Capital projects
Public Facilities Improvement	5,503	Capital projects	
	<u>121,524</u>		
Public Facilities Improvement	Nonmajor Governmental Funds	36,743	Overhead reimbursement
		<u>36,743</u>	
Total		<u>\$ 163,515</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, 2004

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Governmental activities:					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 287,174	\$ 1,230	\$ (89)	\$ (149)	\$ 288,166
Construction in progress	25,078	55,117	(148)	(37,484)	42,563
Total capital assets, not being depreciated	312,252	56,347	(237)	(37,633)	330,729
<i>Capital assets, being depreciated:</i>					
Infrastructure					
Flood channels	185,360	177	-	-	185,537
Flood storm drains	174,361	6,724	-	128	181,213
Flood dams and basins	28,568	-	-	-	28,568
Roads	69,128	-	-	29,247	98,375
Traffic signals	4,448	-	-	3,779	8,227
Bridges	4,829	-	-	-	4,829
Runways	-	2,839	-	-	2,839
Parks trails and improvements	1,303	78	-	-	1,381
Land improvements	110	-	-	-	110
Structures and improvements	612,585	453	(56)	3,004	615,986
Equipment	261,960	19,514	(7,063)	(335)	274,076
Total capital assets, being depreciated	1,342,652	29,785	(7,119)	35,823	1,401,141
Less accumulated depreciation for:					
Infrastructure	(56,478)	(10,262)	-	(17)	(66,757)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(124,116)	(13,294)	56	732	(136,622)
Equipment	(174,574)	(29,030)	5,750	(344)	(198,198)
Total accumulated depreciation	(355,179)	(52,586)	5,806	371	(401,588)
Total capital assets, being depreciated, net	987,473	(22,801)	(1,313)	36,194	999,553
Governmental activities capital assets, net	\$ 1,299,725	\$ 33,546	\$ (1,550)	\$ (1,439)	\$1,330,282

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Business-type activities:					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 22,627	\$ 150	\$ (1,299)	\$ (351)	\$ 21,127
Construction in progress	6,079	1,124	(288)	(4,755)	2,160
Total capital assets, not being depreciated	28,706	1,274	(1,587)	(5,106)	23,287
<i>Capital assets, being depreciated:</i>					
Land improvements	11,663	-	-	-	11,663
Infrastructure-landfill liners	21,496	2,155	-	3,922	27,573
Infrastructure-other	5,203	935	-	611	6,749
Structures and improvements	212,503	655	(7,536)	-	205,622
Equipment	95,674	2,221	(1,249)	223	96,869
Total capital assets, being depreciated	346,539	5,966	(8,785)	4,756	348,476
Less accumulated depreciation for:					
Land improvements	(2,764)	(3,346)	-	1,546	(4,564)
Infrastructure-landfill liners	(5,496)	(1,201)	-	-	(6,697)
Infrastructure-other	(1,194)	(344)	-	-	(1,538)
Structures and improvements	(41,716)	(4,243)	3,616	(1,546)	(43,889)
Equipment	(74,407)	(5,072)	1,184	1	(78,294)
Total accumulated depreciation	(125,577)	(14,206)	4,800	1	(134,982)
Total capital assets, being depreciated, net	220,962	(8,240)	(3,985)	4,757	213,494
Business-type activities capital assets, net	\$ 249,668	\$ (6,966)	\$ (5,572)	\$ (349)	\$ 236,781

Depreciation

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

General government	\$ 6,472
Public protection	10,602
Health and sanitation	1,952
Public assistance	2,484
Public ways and facilities	12,345
Recreation and culture	515
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	18,216
Total depreciation expense – governmental functions	<u>\$ 52,586</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

Regional Medical Center	\$ 8,910
Waste Management	3,918
Housing Authority	1,320
County Service Areas	9
Flood Control	49
 Total depreciation expense – business-type functions	 \$ 14,206

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2004, was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 64	\$ 15	\$ -	\$ -	\$ 79
Total capital assets, being depreciated	64	15	-	-	79
Less accumulated depreciation for:					
Equipment	(24)	(16)	-	-	(40)
Total accumulated depreciation	(24)	(16)	-	-	(40)
Total capital assets, net	\$ 40	\$ (1)	\$ -	\$ -	\$ 39

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management (Waste) has recorded approximately \$62,470,000 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 20% to 100%). State and Federal laws and regulations require Waste 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 will recognize the remaining estimated total cost of \$33,157,160 as the remaining estimated capacity of 23,756,229 tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2024. The total estimate of approximately \$95,627,726 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.

Cumulative expenses, percentage of landfill capacity used to date, and the estimated remaining landfill life by operating landfill are as follows:

Facility Name	Cumulative Expense	Capacity Used as of June 30, 2004	Estimated Years Remaining
Anza (Anza)	\$2,588,000	100%	-
Badlands (Moreno Valley)	6,381,000	34.1%	9
Blythe (Blythe)	1,607,000	26.6%	20
Coachella (Coachella)	8,384,000	100%	-
Desert Center (Desert Center)	666,000	68.9%	7
Double Butte (Winchester)	9,708,000	100%	-
Edom Hill (Cathedral City)	11,489,000	98.0%	-
Highgrove (Riverside)	6,456,000	100%	-
Lamb Canyon (Beaumont)	3,783,000	20.0%	19
Mead Valley (Perris)	8,338,000	100%	-
Mecca II (Mecca)	1,590,000	98.4%	1
Oasis (Oasis)	1,480,000	69.5%	20
	<u>\$62,470,000</u>		

Waste 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 has implemented Pledge of Revenue agreements between Waste 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 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 and the CIWMB. Waste is in compliance with these requirements, and investments of \$56,363,314 are held for these purposes at June 30, 2004 and are classified as restricted assets in the basic financial statements. Waste 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, 2004

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, 2004 (in thousands):

<u>Year Ending June 30, 2004</u>	
2005	\$ 27,580
2006	17,243
2007	11,776
2008	8,977
2009	8,017
2010-2014	18,870
2015-2019	3,006
Total Minimum Payments	\$ 95,469

Rental expense was \$28,004,260 principally in the General Fund for the year ended June 30, 2004.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes

On July 1, 2003, the County issued \$ 170,000,000 of Tax and Revenue Anticipation Notes (TRANs), paid June 30, 2004. The Notes yielded an interest rate of 2.00%.

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 \$25,739,902 in direct pay letters of credit. During FY 2003-04, the County retired \$37,682,000 of the principal amount outstanding at June 30, 2003. The County then issued tax-exempt commercial paper notes of \$23,967,000. 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, 2004, was as follows (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
FY 2003-04 TRANs	\$ -	\$ 170,000	\$ (170,000)	\$ -
Teeter Notes	37,682	23,967	(37,682)	23,967
Total	\$ 37,682	\$ 193,967	\$ (207,682)	\$ 23,967

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, certificates of participation, 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 \$1,511,307,000.

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, 2004 (in thousands):

Year Ending June 30, 2004	Governmental Activities	Business-type Activities
2005	\$ 21,309	\$ 2,309
2006	14,794	998
2007	11,795	716
2008	9,487	508
2009	6,097	185
2010-2014	23,522	38
2015-2019	11,113	-
2020-2024	3,246	-
2025-2029	2,188	-
Total minimum payments	103,551	4,754
Less amount representing interest	(19,933)	(688)
Present value of net minimum lease payments	<u>\$ 83,618</u>	<u>\$ 4,066</u>

The statement of net assets includes the Palm Desert Financing Authority capital lease of \$6,275,000 for the construction of the Blythe County Administrative Center.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2004
<i>Certificates of Participation:</i>					
<u>CORAL</u>					
1985 Certificate:	12/01/03 – 12/01/15	Variable	\$4,400 - \$15,100	\$ 169,400	\$ 104,600
Serial Certificates				<u>169,400</u>	<u>104,600</u>
<u>CORAL</u>					
1997 Historic Courthouse:					
Serial Certificate	11/01/03 – 11/01/10	4.40% - 5.50%	\$245 - \$555	3,750	2,850
Serial Capital Appreciation Certificate (net of future capital appreciation of \$1,078)	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	<u>17,070</u>	<u>17,070</u>
1997 Historic Courthouse				<u>21,835</u>	<u>20,935</u>
<u>CORAL</u>					
1997 Family Law:					
Serial Certificate	11/01/03 – 11/01/11	4.30% - 5.75%	\$215 - \$330	3,465	2,240
Term Certificate	11/01/12 – 11/01/27	5.70%	\$345 - \$800	<u>8,700</u>	<u>8,700</u>
1997 Family Law				<u>12,165</u>	<u>10,940</u>
<u>CORAL</u>					
1997 Lease Refunding:					
Serial Certificate	11/01/03 – 11/01/12	4.25% - 5.00%	\$2,385 - \$1,830	31,806	14,210
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	<u>7,260</u>	<u>7,260</u>
1997 Lease Refunding				<u>\$ 46,316</u>	<u>\$ 28,720</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2004
<u>Certificates of Participation:</u>					
<u>CORAL</u>					
1998 Larson Justice Center:					
Serial Certificate	12/01/03 – 12/01/12	3.70% - 4.75%	\$1,065 - \$1,550	\$ 18,185	\$ 11,765
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	29,680
<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%	\$616 - \$1,880	27,120	26,510
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	37,465
<u>2003A – Historic Court Project (new)</u>					
Serial Certificate	11/01/06 – 11/01/12	3.00% - 4.00%	\$260 - \$310	4,125	4,125
Term Certificate	11/01/23	5.00%	\$2,320	2,320	2,320
Term Certificate	11/01/28	5.00%	\$2,955	2,955	2,955
Term Certificate	11/01/33	5.13%	\$3,790	3,790	3,790
2003A-Historic Court Project				13,190	13,190
<u>2003B – Capital Facilities Refunding</u>					
Serial Certificate (new)	11/01/04 – 11/01/11	2.00% - 4.20%	\$820 - \$395	8,685	8,685
2003B- Capital Facilities				8,685	8,685
<u>Desert Facilities Corporation</u>					
Monterey Avenue Project	11/01/03 – 11/01/20	9.00%	\$200 - \$800	8,800	7,400
Term Certificate				\$ 8,800	\$ 7,400

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2004
<u>Court Financing Corporation</u>					
Bankruptcy Courthouse Acquisition Project	11/01/02– 11/01/27	7.50%	\$230 - \$1,420	\$ 16,120	\$ 15,640
Term Certificate	11/01/02– 11/01/27	7.50%	\$230 - \$1,420	16,120	15,640
<u>District Court Financing Corporation</u>					
U.S. District Court Project Serial Capital Appreciation Cert. (net of future capital appreciation of \$4,049)	12/15/15 – 06/15/20	7.59%	\$640 - \$844	2,165	3,151
Term /Series 1999	6/15/99– 06/15/15	1.93%	Variable	17,635	13,344
Term /Series 2002	10/31/02 – 06/15/20	3.00%	Variable	925	860
Term certificate				20,725	17,355
Total Certificates of Participation				\$ 485,656	\$ 387,869
<u>Bonds Payable:</u>					
<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
<u>Notes Payable:</u>					
1995 Zone 6 Negotiable Promissory Notes	09/01/02 – 09/01/05	4.75% - 5.05%	\$ 285 - \$ 325	2,675	635
Total Notes Payable				2,675	635
<u>Loans Payable:</u>					
<u>RDA</u>					
1998 Loans Payable	10/01/02 – 10/01/33	4.20% - 5.63%	\$855 - \$4,240	68,296	64,770
2000 Loans Payable	01/01/03 – 01/01/15	9.90%	\$42 - \$158	1,329	1,605
Total Loans Payable				69,625	66,375
Total Governmental Activities				\$ 649,714	\$ 546,637

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Business-type Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
-----------------------------------	----------	-------------------	-------------------------------------	-----------------------------	---------------------------------

Certificates of Participation:

Regional Medical Center

1997 Lease Refunding:					
Serial Certificate	11/01/04– 11/01/06	4.25% - 5.00%	\$960 - \$1,040	\$ 11,754	\$ 2,040
Total Certificates of Participation				\$ 11,754	\$ 2,040

Bonds Payable:

Regional Medical Center

1993 A & B (Hospital):					
Term Bonds (Series A)	06/01/06 – 06/01/12	5.90% - 6.50%	\$7,050 - \$13,870	\$ 75,035	\$ 39,125
Term Bonds (Series B)	06/01/13 – 06/01/14	5.410%	\$7,050 - \$7,475	14,525	14,525
Bond Discount				-	(4,509)
Loss on Defeasance				-	(81)
1993 A & B – bonds				<u>89,560</u>	<u>49,060</u>

Regional Medical Center

1997 A (Hospital):					
Serial Capital					
Appreciation Bonds (net of future capital appreciation of \$108,303)					
	06/01/13 – 06/01/26	5.70% - 6.01%	\$3,034 - \$3,445	41,170	41,170
1997 A (Hospital):				<u>41,170</u>	<u>41,170</u>

Regional Medical Center

1997 B & C Serial Bonds (Series B)					
	06/01/04 – 06/01/19	4.10% - 5.50%	\$315 - \$455	4,785	3,420
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%	\$3,265	3,265	1,532
Bond Discount				(36)	(2,897)
Loss on Defeasance				(4,506)	(23)
1997 B & C (Hospital)				<u>67,443</u>	<u>65,967</u>

Regional Medical Center

2003 A & B (Hospital):					
Serial Bonds (Series A)	06/01/04 – 06/01/09	2.50% - 5.00%	\$ 9,415 - \$11,030		
				56,140	46,955
Serial Bonds (Series B)	06/01/04 – 06/01/07	3.35%	\$ 4,040	4,040	4,040
Bond Premium				3,070	2,210
Loss on Defeasance				(1,319)	(824)
2003 A & B – bonds				<u>\$ 61,931</u>	<u>\$ 52,381</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2004
<i>Bonds Payable:</i>					
<u>Housing Authority</u>					
1998 Series A:					
Term Bonds	12/01/99-12/01/07	6.25%	\$60 - \$90	\$ 780	\$ 355
Term Bonds	12/01/08-12/01/18	6.85%	\$100 - \$200	1,625	1,625
Term Bonds				<u>2,405</u>	<u>1,980</u>
Total Bonds Payable				<u>262,509</u>	<u>210,558</u>
Total Business-type Activities				<u>\$ 274,263</u>	<u>\$ 212,598</u>

As of June 30, 2004, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental Year ending June 30, 2004:	Loans Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2005	\$ 996	\$ 3,673	\$ 310	\$ 24
2006	1,031	3,623	325	8
2007	1,081	3,571	-	-
2008	1,148	3,515	-	-
2009	1,209	3,454	-	-
2010-2014	7,062	16,195	-	-
2015-2019	9,257	13,932	-	-
2020-2024	11,035	11,033	-	-
2025-2029	14,490	7,489	-	-
2030-2034	19,065	2,797	-	-
Total	<u>\$ 66,375</u>	<u>\$ 69,282</u>	<u>\$ 635</u>	<u>\$ 32</u>

Governmental Year ending June 30, 2004:	Bonds Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ 4,764	\$ 12,467	\$ 26,763
2006	830	4,764	13,851	25,805
2007	1,325	4,735	14,025	24,776
2008	1,380	4,679	15,047	23,733
2009	1,440	4,620	16,270	22,423
2010-2014	72,020	22,060	99,214	89,192
2015-2019	14,763	35,441	86,695	45,752
2020-2024	-	-	51,915	26,815
2025-2029	-	11,885	45,385	14,346
2030-2034	-	6,946	33,000	3,394
2035-2039	-	1,018	-	-
Total	<u>\$ 91,758</u>	<u>\$ 100,911</u>	<u>\$ 387,869</u>	<u>\$ 302,999</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2004, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

<u>Business-type</u> Year ending June 30, 2004:	<u>Bonds Payable</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 9,810	\$ 12,915	\$ 1,000	\$ 289
2006	10,175	12,781	1,040	135
2007	10,620	12,572	-	-
2008	11,060	12,397	-	-
2009	11,515	12,222	-	-
2010-2014	62,324	54,487	-	-
2015-2019	72,055	40,811	-	-
2020-2024	22,024	24,360	-	-
2025-2029	7,099	3,129	-	-
Total Requirements	216,682	185,674	2,040	424
Bond Premium, net	2,210	-	-	-
Bond Discount	(7,406)	-	-	-
Loss on Defeasance	(928)	-	-	-
<i>Total</i>	<u>\$ 210,558</u>	<u>\$ 185,674</u>	<u>\$ 2,040</u>	<u>\$ 424</u>

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2004 (in thousands):

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Governmental activities:</u>				
<u>Certificates of Participation:</u>				
CORAL (1997 Historic Courthouse)	\$ 448	\$ 90	\$ -	\$ 538
District Court Financing (U.S. District Court Project)	758	228	-	986
Total governmental-type activities	<u>1,206</u>	<u>318</u>	<u>-</u>	<u>1,524</u>
<u>Business-type activities:</u>				
<u>Lease Revenue Bonds:</u>				
Regional Medical Center (1997 A Hospital)	18,566	3,601	-	22,167
Total business-type activities	<u>\$ 18,566</u>	<u>\$ 3,601</u>	<u>\$ -</u>	<u>\$ 22,167</u>

The accreted interest payable balances at June 30, 2004 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. The increases of \$3,601,130 and \$89,640, respectively, represent current year's accretion, accumulated accretion at June 30, 2004 is \$22,166,505 and \$537,597 respectively. The U.S. District Court Financing accounts for the remainder of \$986,000. The un-accreted balances at June 30, 2004 are \$108,303,422 and \$1,077,525, respectively, for the two 1997 projects.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation/ Refunding

In December 2003, the County of Riverside Asset Leasing Corporation (CORAL), issued \$13,190,000 of Certificates of Participation, Series A (2003 Series A- Historic Courthouse Project), with an interest rate of 3.0% and also issued \$8,685,000 of Certificates of Participation, Series B (2003 Series B- Capital Facilities Project Refunding), with an initial interest rate of 2.0%. The 2003 Series A were issued on parity with the 1997 Historic Courthouse certificates to provide funding for certain improvements of the County's Historic Courthouse, fund capitalized interest costs, fund a reserve fund and pay costs of issuance. The 2003 Series B were issued to refund \$8,250,000 of outstanding Certificates of Participation, 1993 Master Lease Refunding, bearing interest rates ranging from 3.25% to 5.75%, fund a debt-service reserve fund and a construction fund.

Interest on the 2003 Series A Certificates of Participation is payable initially November 1, 2006, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2033. Interest on the 2003 Series B Certificates of Participation is payable initially May 1, 2004, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2018.

The net proceeds of approximately \$8,415,000 of the 2003 Series B Certificates (after a discount of \$21,066 and a payment of \$271,000 in issuance costs) were used to refund the \$8,250,000 portion of the remaining 1993 Master Lease Refunding Certificates.

The current refunding of the 1993 Master Lease refunding certificates resulted in a difference between the re-acquisition price and the net carrying amount of the old debt of approximately \$165,000. This difference, reported in the accompanying financial statements as a deduction from certificates of participation payable, is being charged to operations through the year 2018 using the effective interest method. CORAL completed the advance refunding to reduce its total debt-service payments by approximately \$1,056,272 and obtain an economic gain (difference between the present values of the old and new debt-service payments) of approximately \$527,052.

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, 2004 the total obligation from RDA was \$4,712,000. CORAL financed debt is used by the County to finance land acquisition, construction of structures and improvements, and to acquire equipment by various departments within the County. 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.

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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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 year ended June 30, 2004, the County incurred interest costs of \$41,146,000

Defeasance of Debt

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, 2004 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, 2004 was \$27,215,000.

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 \$116,260,000 of Mortgage Revenue Bonds has been issued and \$107,746,217 is outstanding as of June 30, 2004. 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Interest Rate Swap

Objective and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Southwest Justice Center Series 2000 B Leasehold Revenue Bonds in the amount of \$76,300,000. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.20%. The Bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of \$76,300,000 matches the \$76,300,000 variable-rate Bonds. The swap was effective at the same time the Bond's were issued on May 24, 2000. Starting in fiscal year 2014-15, the notional value of the swap and the principal amount of the associate debt will decline. After June 1, 2003, the County paid the holding company, a fixed payment of 5.20% and receives a variable payment (Floating Rate Option) computed on the weighted average rate paid on the Bonds during any calculation period. As of December 2003, an "Alternative Floating Rate Option" was used to calculate interest. The "Alternative Floating Rate Option" means a per annum rate, not to exceed the maximum interest rate payable on the Bonds, expressed as a decimal, equal to 64% of the monthly London Interbank Offered Rate (LIBOR) in effect for each Alternative Floating Rate Reset Date in the relevant calculation period. Conversely, the Bond variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA).

Fair Value: The swap had a negative fair value of \$(16,098,175) as of June 30, 2004 due to the decline in interest rates. Because the coupons on the Southwest Justice Center Series B variable-rate Bonds adjust to changing interest rates, the Bonds do not have a corresponding fair value increase. The fair value was the quoted market price at June 30, 2004.

Credit / Basis / Termination Risks: The swap counterparty was rated Aa1 by Moody's and AA- by Standard & Poor's as of June 30, 2004. The swap agreement specifies that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (Standard & Poor) or A3 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty. The swap exposes the County to basis risk should the relationship between LIBOR and BMA coverage, changing the synthetic rate on the Bonds. As of June 30, 2004, the County's rate was 64% of LIBOR, or .8760% whereas BMA was 1.05%. The County always has the right to terminate the swap. If the swap is terminated, the variable-rate Bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, the County would be liable for a payment equal to the swaps' fair values.

Swap Payments and Associated Debt: Using rates as of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows. As rates vary, variable-rate Bond interest payments and net swap payments will vary.

Fiscal Year Ended June 30, 2004	Variable Rate Bonds		Net Swap Payments	Total
	Principal	Interest		
2005	\$ -	\$ 668,388	\$ 3,299,212	\$ 3,967,600
2006	-	668,388	3,299,212	3,967,600
2007	-	668,388	3,299,212	3,967,600
2008	-	668,388	3,299,212	3,967,600
2009	-	668,388	3,299,212	3,967,600
2010 - 2014	2,400,000	3,320,916	16,392,284	19,713,200
2015 - 2019	13,900,000	2,884,668	14,238,932	17,123,600
2020 - 2024	18,400,000	2,160,216	10,662,984	12,823,200
2025 - 2029	23,900,000	1,215,888	6,001,712	7,217,600
2030 - 2034	17,700,000	160,308	791,292	951,600
	<u>\$ 76,300,000</u>	<u>\$ 13,083,936</u>	<u>\$ 64,583,264</u>	<u>\$ 153,967,200</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$201,202,000 at June 30, 2004, 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 Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling \$7,265,000 as of June 30, 2004, 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, 2004

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, 2004 (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
<u>Governmental activities:</u>					
Debt long-term liabilities:					
Bonds payable	\$ 91,758	\$ -	\$ -	\$ 91,758	\$ -
Capital lease obligations	102,529	19,039	(37,950)	83,618	18,548
Certificates of participation	387,619	21,875	(21,705)	387,869	12,467
Loans payable	67,130	145	(900)	66,375	996
Notes payable	930	-	(295)	635	310
Total debt long-term liabilities	<u>650,046</u>	<u>41,059</u>	<u>(60,850)</u>	<u>630,255</u>	<u>32,321</u>
Other long-term liabilities:					
Accreted interest payable	1,206	318	-	1,524	-
Compensated absences*	107,270	17,030	(1,052)	123,248	40,011
Estimated claims liabilities	87,007	72,614	(42,363)	117,258	40,152
Other long-term liability	1,500	-	-	1,500	-
Total other long-term liabilities	<u>196,983</u>	<u>89,962</u>	<u>(43,415)</u>	<u>243,530</u>	<u>80,163</u>
Total governmental activities – long-term liabilities	<u>\$ 847,029</u>	<u>\$ 131,021</u>	<u>\$ (104,265)</u>	<u>\$ 873,785</u>	<u>\$ 112,484</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**	\$ 228,392	\$ -	\$ (17,834)	\$ 210,558	\$ 9,810
Capital lease obligations	5,742	3,456	(5,132)	4,066	1,887
Certificates of participation	3,000	-	(960)	2,040	1,000
Total debt long-term liabilities	<u>237,134</u>	<u>3,456</u>	<u>(23,926)</u>	<u>216,664</u>	<u>12,697</u>
Other long-term liabilities:					
Accreted interest payable	18,566	3,601	-	22,167	-
Accrued closure and post-closure care costs	44,005	-	(6,829)	37,176	2,282
Compensated absences*	12,069	1,423	-	13,492	3,882
Accrued remediation costs	16,470	327	(882)	15,915	1,098
Other long-term liability	607	4	-	611	-
Total other long-term liabilities	<u>91,717</u>	<u>5,355</u>	<u>(7,711)</u>	<u>89,361</u>	<u>7,262</u>
Total business-type activities Long-term liabilities	<u>\$ 328,851</u>	<u>\$ 8,811</u>	<u>\$ (31,637)</u>	<u>\$ 306,025</u>	<u>\$ 19,959</u>

* The liabilities for compensated absences have been paid from, and continue to be paid from each fund in accordance with its respective share of such liability. This applies for both governmental and business-type funds.

** The reduction in bonds payable amount of \$17,834,000 includes a bond premium of \$2,210,000, a bond discount amortization of \$7,406,000 and losses on bond defeasance of \$928,000 during FY 2003-04.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2004 are as follows (in thousands):

	General Fund	Flood Control	Public Facilities Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Reserved:					
Encumbrances	\$ 6,063	\$ 19,050	\$ -	\$ 26,176	\$ 51,289
Imprest cash	367	1	1	208	577
Inventories	947	-	-	563	1,510
Advances	5,646	-	-	-	5,646
Program operations	87,567	-	817	46,595	134,979
Construction	-	-	152,024	958	152,982
General	350	-	-	-	350
Debt service	-	-	-	65,862	65,862
Total reserved fund balances	100,940	19,051	152,842	140,362	413,195
Designated:					
Strategic planning	25,000	-	-	-	25,000
Probation	901	-	-	-	901
Public safety	1,667	-	-	-	1,667
Tobacco settlement	16,200	-	-	-	16,200
3% at 60 Retirement plan	1,161	-	-	-	1,161
Program operations	21,010	-	-	33,394	54,404
Capital projects and programs	4,422	-	-	-	4,422
Total designated fund balances	70,361	-	-	33,394	103,755
Total unreserved-undesignated fund balances	77,752	107,482	184	73,847	259,265
Total fund balances	\$ 249,053	\$ 126,533	\$ 153,026	\$ 247,603	\$ 776,215

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."

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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 County's property insurance program provides insurance coverage for all risks subject to a \$50,000 deductible; Flood coverage 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 three (3) Towers: Tower 1 provides \$290,000,000 in limits; Tower II (RCRMC) has \$390,000,000 in limits and Tower VI has \$540,000,000 in limits. Earthquake (scheduled locations equal to or greater than \$1 million in value or if required by contract) for each Tower is \$65,000,000 in limits with an additional \$40,000,000 rooftop limit, subject to a deductible in an amount of 5% of replacement cost value subject to a \$500,000 minimum. 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 self insurance 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, 2004 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 for these Internal Service Funds are primarily provided by other County Department funds and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and other uninsured liabilities. Cash available in the Risk Management Internal Service Funds at June 30, 2004 plus revenues to be collected during fiscal year 2004-05 are expected to be sufficient to cover all fiscal year 2004-05 payments. The carrying amount of unpaid claim liabilities is \$117,258,000. The liabilities are discounted at 5%.

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, 2003</u>	<u>June 30, 2004</u>
Unpaid claims, beginning of year:	\$ 77,610	\$ 87,007
Increase (decrease) in provision for insured events of prior years:	6,857	17,184
Incurred claims for current year:	51,349	92,171
Claim payments:	(48,809)	(79,054)
Unpaid claims, end of year	<u>\$ 87,007</u>	<u>\$ 117,258</u>

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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 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 Diem 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. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2002.

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 \$21,037,000 from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2004.

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

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, 2004 are as follows:

1. 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.
2. 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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 Bureau is to encourage and promote all aspects of the hospitality, convention and tourism industry in the Coachella Valley.
12. Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan was formed in January 2004 with the responsibility of issuing the permits required to implement the Multi-Species Habitat Conservation Plan, which will ultimately create a 500,000-acre reserve system in the County. The conservation plan's proposed reserve system protects habitat for 146 different species of wildlife.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 18 – RETIREMENT PLAN

Plan Description

The County, Riverside 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 2003-04, the contribution rates were:

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
Miscellaneous	9.786%	-	11.063%	14.962%
Safety	17.014%	-	-	-

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

Annual Pension Cost

For fiscal year 2003-04, 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	\$ 52,100	-	\$ 302	\$ 824
Safety	\$ 26,076	-	-	-

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 18 – RETIREMENT PLAN (CONTINUED)

The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2002 actuarial valuation for the Park District and the June 30, 2003 actuarial valuations for County, Flood Control, and Waste Management using the entry age normal actuarial cost method with the contributions determined as a percent of pay. In addition, the Park District is in its first year as part of a pool and does not have a 3-year pool trend to report. 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. CalPERS has notified the County that the actuarial assumptions regarding the investment and inflation rates will be revised for the next evaluation period. The remaining amortization periods in years at June 30, 2004 are:

	<u>County</u>	<u>Flood Control</u>	<u>Parks 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, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -
June 30, 2004	\$ 52,100	100%	\$ -

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, 2002	\$ 15,968	100%	\$ -
June 30, 2003	\$ 18,483	100%	\$ -
June 30, 2004	\$ 26,076	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, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -
June 30, 2004	\$ -	-	\$ -

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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, 2002	\$ -	-	\$ -
June 30, 2003	\$ -	-	\$ -
June 30, 2004	\$ 302	100%	\$ -

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, 2002	\$ 877	100%	\$ -
June 30, 2003	\$ 859	100%	\$ -
June 30, 2004	\$ 824	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%. An additional contribution of \$237,950 (0.75%) was made in 2003-04 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
2002	\$ 680	100%	\$ -
2003	\$ 921	100%	\$ -
2004	\$ 813	100%	\$ -

As of June 30, 2004, the Fund has a cash balance of \$7,212,000. 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 \$340,069, payments over time (promissory notes) have been arranged for \$278,147, and the \$104,787 not collected from payees has been replaced through the additional contribution of \$237,950 as referenced above.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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 carryover 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	\$ 5,206
Total payroll subject to CalPERS	\$ 4,286
Employer contribution required and paid	\$ 644

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 collective bargaining agreements and Board resolutions. Employees with a minimum service of five years who are at least 50 years of age at retirement qualify to receive the post-retirement benefits. Approximately 1,728 retirees meet these requirements and are covered under the eligibility requirements. CalPERS is responsible for administering the benefits for some retirees. Waste Management, Flood Control, and Park Districts have not been a part of CalPERS administered Health Plans since December 31, 2002. In addition, most of the County's employee bargaining units have withdrawn from the CalPERS-administered health plans and are now enrolled with County-administered health plans.

The contributions for retirees and beneficiaries are funded on a pay-as-you-go basis, which are allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2004, CalPERS-administered health plan expenditures amounted to approximately \$291,879 and County-administered health plan expenditures amounted to approximately \$5,446,899, 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.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 21 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2004, 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.

Commitments

At June 30, 2004, 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 \$143,119,000 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 17 landfills, 10 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 \$15,914,284. At June 30, 2004, Waste Management has accrued \$15,914,284 for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2004 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 as they are require to be performed. Investments of \$16,494,550 and \$10,146,991 are held for these purposes at June 30, 2004 and 2003, respectively, and are classified as restricted cash and investments in the accompanying statements of net assets.

County of Orange v. Assessment Appeal Board

The Orange County Superior Court ruled that an illegal assessment method was used in determining Proposition 13's limit on assessment increases. The decision was reversed by the Fourth District Court of Appeals. Class-action status was granted by the Superior Court on December 12, 2002, for the purpose of challenging the reversal in the California State Supreme Court. On July 22, 2004, the California State Supreme Court declined to review the ruling, in effect upholding the decision in favor of county assessors.

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 Riverside County Regional Medical Center (RCRMC) received a \$1,200,000 award in connection with this settlement. The amount has been accrued and accounted for in the RCRMC financial statements as of June 30, 2004.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 2004, the County as a participant in the California Statewide Communities Development Authority Pool issued \$210,000,000 of Tax and Revenue Anticipation Notes in the form of Series B-2 Bonds due June 30, 2005. The stated interest rate for the B-2 Bonds is set at 3.50% per annum with a yield of 1.67%. The County also issued \$102,785,000 of Tax and Revenue Anticipation Notes in the form of Series C-2 Taxable Bonds due June 30, 2005. The stated interest rate for the C-2 Bonds is 3.00% per annum with a yield of 2.55%. In accordance with California law, the Bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2004-05 and legally available for payment thereof. Proceeds from the Bonds will be used for fiscal year 2004-05 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

State of California Fiscal Outlook

On November 14, 2003, the California Legislative Analyst's Office (LAO) issued its "California's Fiscal Outlook, LAO Projections, 2003-04 through 2008-09". The report indicated that policymakers in structuring the 2003-04 budget were challenged with a shortfall estimated to be as high as \$38 billion. Budgetary plans and other one-time solutions projected a reduced shortfall to roughly \$2 billion for 2003-2004. According to the California Spending Plan 2004-2005, issued in September 2004, heavy reliance on deficit borrowing and other one-time solutions meant that the structural operating shortfall of 2003-2004 would be destined to return in 2004-2005. The LAO estimates the operating shortfall will be over \$10 billion per year even if revenues grow at a moderate pace. Furthermore, the cumulative shortfall facing policymakers in 2004-2005 climbed to about \$17 billion by the time the budget was introduced in January 2004. This gap consisted of a \$ 2 billion year-end shortfall in the 2003-2004 budget and a \$15 billion on-going shortfall in 2004-2005. Revenue improvements narrowed the gap to a projected shortfall of roughly \$15 billion. On July 31, 2004 the Governor signed a budget that contained \$16.1 billion in combined two-year solutions. These solutions enable the State to eliminate the budget shortfall projected for 2004-2005 and build up a year-end reserve of \$768 million.

Vehicle License Fee "Backfill" Gap Loan

Beginning June 20, 2003, the State withheld VLF backfill payments to local governments per the "trigger" provisions in the State code. The "trigger" was pulled as the State was operating in a deficit position. These withholdings are expected to be returned to local governments in 2006. The backfill payments had represented 67.5% of the total payments to local governments. The State has recently acknowledged the amount due to Riverside County as \$34,985,432.

Educational Revenue Augmentation Fund (ERAF)

To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The state did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. For 2004-2005, the State has directed the following ERAF tax shifts: First, a transfer of \$160,560,222 to the Vehicle License Fee Property Tax Compensation Fund for distribution of 50% in January and 50% in May. Secondly, the State has directed a transfer of \$59,224,050 to the Sales and Use Tax Compensation Fund for distribution of 50% in January and 50% in May. The total ERAF transfer for 2004-2005 is \$219,784,272.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

NOTE 22 – SUBSEQUENT EVENTS (CONTINUED)

The Effects of the Economy on CalPERS

Based on past negative performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2004-05 will increase to 16.274% and 21.122%, respectively. Fiscal year 2005-06 contribution rates are projected at 16.274% (Miscellaneous) and 21.122% (Safety). They will be accounted for in fiscal year 2004-05 and future budget years.

Trial Court Facilities Act of 2002 (SB 1732)

The bill provides for the transfer of the responsibility of a county to provide necessary and suitable court facilities by authorizing the transfer of that responsibility from a county to the Judicial Council pursuant to an agreement to be negotiated between a county and the Judicial Council, as specified, between July 1, 2003, and June 30, 2007. Transfer of responsibility may occur not earlier than July 1, 2004, and not later than June 30, 2007. The bill further imposes a state-mandated local program by expanding various duties of a county with respect to court facilities. This bill would establish the Court Facilities Trust Fund to be financed by specified payments by each county. In general, the County is held responsible for maintenance-of-effort contributions.

The County is in the process of transferring responsibility of the Larson Justice Center. Twenty (20) buildings are subject to the Trial Court Facilities Act of 2002.

CalPERS Rate Increase

Due to lackluster CalPERS investment performance, the County Miscellaneous pension fund received its first rate increase since 1999. For FY 2003-2004, County Miscellaneous annual pension cost estimate is 9.786% and is estimated to increase to 16.274% for FY 2004-2005. In the same 5-year period, the County Safety pension fund received its third rate increase, which is estimated at 17.014% and is expected to increase to 21.122% for FY 2004-2005. CalPERS has notified the County that the actuarial assumptions regarding the investment and inflation rates will be revised for the next evaluation period. The Board of Supervisors has approved additional research into the issuance of pension obligation bonds to fund unfunded liabilities.

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, 2003. (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, 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%)
June 30, 2003	\$ 1,669,502	\$ 1,998,882	\$ (329,380)	.835	\$ 542,056	(60.8%)

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, 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%)
June 30, 2003	\$ 814,074	\$ 907,018	\$ (92,944)	.898	\$ 147,519	(63.0%)

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, 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%
June 30, 2003	\$ 59,490	\$ 65,332	\$ (5,841)	.911	\$ 10,019	(58.3%)

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, 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%)
June 30, 2003	--	--	--	--	--	--

Parks is in it's first year pooled fund and therefore does not have 3-year trend data to report.

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, 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%)
June 30, 2003	\$11,390	\$ 15,624	\$ (4,234)	.729	\$ 5,339	(78.4%)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES



COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
License, permits and franchise fees	\$ 1,600	\$ 5,792	\$ 6,302	\$ 510
Use of money and property:				
Interest	-	22	1,417	1,395
Rents and concessions	-	-	258	258
Charges for services	38,645	52,274	58,697	6,423
Other revenue	23,977	34,928	16,356	(18,572)
Total revenues	<u>64,222</u>	<u>93,016</u>	<u>83,030</u>	<u>(9,986)</u>
EXPENDITURES:				
Current:				
General government	49,295	72,885	46,637	(26,248)
Public ways and facilities	14,927	4,817	686	(4,131)
Total expenditures	<u>64,222</u>	<u>77,702</u>	<u>47,323</u>	<u>(30,379)</u>
Excess (deficiency) of revenues over (under) expenditures	-	15,314	35,707	20,393
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,878	5,878	-
Transfers out	-	(36,743)	(36,743)	-
Total other financing sources and (uses)	<u>-</u>	<u>(30,865)</u>	<u>(30,865)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(15,551)	4,842	20,393
Fund balance, beginning of year, as previously reported	146,588	146,588	146,588	-
Adjustments to beginning fund balance	-	-	1,596	1,596
Fund balance, beginning of year, as restated	<u>146,588</u>	<u>146,588</u>	<u>148,184</u>	<u>1,596</u>
FUND BALANCE, END OF YEAR	<u>\$ 146,588</u>	<u>\$ 131,037</u>	<u>\$ 153,026</u>	<u>\$ 21,989</u>



(This Page Intentionally Left Blank)

NONMAJOR GOVERNMENTAL FUNDS



COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	\$ 108,066	\$ 34,627	\$ 33,289	\$ 175,982
Accounts receivable	6,910	277	-	7,187
Interest receivable	216	1,060	60	1,336
Taxes receivable	1,544	35,132	19	36,695
Due from other governments	13,231	-	357	13,588
Inventories	829	-	-	829
Due from other funds	450	-	175	625
Restricted cash and investments	353	38,171	17,889	56,413
Advances to other funds	106	-	-	106
Notes receivable	13,349	-	1,426	14,775
Land held for resale	677	-	12,802	13,479
Total assets	<u>145,731</u>	<u>109,267</u>	<u>66,017</u>	<u>321,015</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	9,747	1,859	1,573	13,179
Salaries and benefits payable	3,581	-	-	3,581
Due to other governments	2,825	8,838	-	11,663
Due to other funds	60	8,654	625	9,339
Interest payable	-	87	-	87
Deposits payable	35	-	-	35
Teeter notes payable	-	23,967	-	23,967
Advance from other funds	106	-	-	106
Deferred revenue	11,436	-	19	11,455
Total liabilities	<u>27,790</u>	<u>43,405</u>	<u>2,217</u>	<u>73,412</u>
Fund balances:				
Reserved	22,812	65,862	51,688	140,362
Unreserved-designated, reported in:				
Special revenue funds	13,041	-	-	13,041
Capital projects funds	-	-	20,353	20,353
Unreserved undesignated, reported in:				
Special revenue funds	82,088	-	-	82,088
Capital projects funds	-	-	(8,241)	(8,241)
Total fund balances	<u>117,941</u>	<u>65,862</u>	<u>63,800</u>	<u>247,603</u>
Total liabilities and fund balances	<u>\$ 145,731</u>	<u>\$ 109,267</u>	<u>\$ 66,017</u>	<u>\$ 321,015</u>

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 56,563	\$ 26,620	\$ -	\$ 83,183
Licenses, permits and franchise fees	152	-	-	152
Fines, forfeitures and penalties	392	-	-	392
Use of money and property:				
Interest	649	3,814	630	5,093
Rents and concessions	5,820	23,844	-	29,664
Aid from other governmental agencies:				
Federal	57,824	-	-	57,824
State	39,109	-	634	39,743
Charges for services	39,203	-	1	39,204
Other revenue	18,750	51	496	19,297
Total revenues	<u>218,462</u>	<u>54,329</u>	<u>1,761</u>	<u>274,552</u>
EXPENDITURES:				
Current:				
General government	27,575	16,791	18,191	62,557
Public protection	3,409	-	-	3,409
Public ways and facilities	97,002	-	-	97,002
Health and sanitation	3,717	-	-	3,717
Public assistance	39,992	-	-	39,992
Education	9,904	-	-	9,904
Recreation and culture	8,466	-	595	9,061
Debt service:				
Principal	913	24,226	-	25,139
Interest	2,125	14,923	-	17,048
Cost of issuance	-	504	-	504
Capital outlay	-	-	121	121
Total expenditures	<u>193,103</u>	<u>56,444</u>	<u>18,907</u>	<u>268,454</u>
Excess (deficiency) of revenues Over (under) expenditures	25,359	(2,115)	(17,146)	6,098
OTHER FINANCING SOURCES (USES):				
Transfers in	38,566	11,170	46,730	96,466
Transfers out	(57,853)	(52,519)	(11,153)	(121,525)
Bond proceeds	-	21,645	-	21,645
Gain (loss) on sale of assets	-	-	494	494
Total other financing sources (uses)	<u>(19,287)</u>	<u>(19,704)</u>	<u>36,071</u>	<u>(2,920)</u>
NET CHANGE IN FUND BALANCES	6,072	(21,819)	18,925	3,178
Fund balances, beginning of year, as previously reported	106,044	87,260	47,785	241,089
Adjustments to beginning fund balances	5,825	421	(2,910)	3,336
Fund balances, beginning of year, as restated	<u>111,869</u>	<u>87,681</u>	<u>44,875</u>	<u>244,425</u>
FUND BALANCES, END OF YEAR	<u>\$ 117,941</u>	<u>\$ 65,862</u>	<u>\$ 63,800</u>	<u>\$ 247,603</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 On Aging, USEDA Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief Fund, Home Program Fund, EDA US Department of Agriculture Rural Development, Workforce Development, and Healthy Kids. 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-three 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 account 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, IHSS Public Authority, and Bio-terrorism Preparedness.

Regional Park and Open-Space	Air Quality Improvement	Other Special Revenue	Total	
\$ 11,668	\$ 896	\$ 19,224	\$ 108,066	ASSETS:
-	-	8	6,910	Cash and investments
31	2	45	216	Accounts receivable
95	-	14	1,544	Interest receivable
168	147	919	13,231	Taxes receivable
-	-	-	829	Due from other governments
450	-	-	450	Inventories
-	-	-	353	Due from other funds
-	-	106	106	Restricted cash and investments
-	-	-	13,349	Advances to other funds
-	-	-	677	Notes receivable
-	-	-	-	Land held for resale
<u>12,412</u>	<u>1,045</u>	<u>20,316</u>	<u>145,731</u>	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
83	107	-	9,747	Accounts payable
268	-	205	3,581	Salaries and benefits payable
4	-	42	2,825	Due to other governments
-	-	-	60	Due to other funds
-	-	-	35	Deposits payable
-	-	106	106	Advances from other funds
24	147	952	11,436	Deferred revenue
<u>379</u>	<u>254</u>	<u>1,305</u>	<u>27,790</u>	Total liabilities
				Fund balances (Note 14):
287	-	214	22,812	Reserved:
				Unreserved:
11,746	-	123	13,041	Designated
-	791	18,674	82,088	Undesignated
<u>12,033</u>	<u>791</u>	<u>19,011</u>	<u>117,941</u>	Total fund balances
<u>\$ 12,412</u>	<u>\$ 1,045</u>	<u>\$ 20,316</u>	<u>\$ 145,731</u>	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, 2004
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas
REVENUES:				
Taxes	\$ 9,697	\$ 35,914	\$ 6,655	\$ 895
Licenses, permits and franchise fees	152	-	-	-
Fines, forfeitures and penalties	-	392	-	-
Use of money and property:				
Interest	266	-	28	80
Rents and concessions	-	1,619	-	19
Aid from other governmental agencies:				
Federal	10,883	43,392	-	-
State	28,786	4,871	-	17
Charges for services	17,152	1,535	-	5,698
Other revenue	6,786	9,160	98	56
Total revenues	<u>73,722</u>	<u>96,883</u>	<u>6,781</u>	<u>6,765</u>
EXPENDITURES:				
Current:				
General government	-	16,018	6,271	-
Public protection	411	-	-	87
Public ways and facilities	86,882	-	-	3,214
Health and sanitation	-	-	-	529
Public assistance	-	39,992	-	-
Education	-	9,904	-	-
Recreation and culture	-	-	-	772
Debt service:				
Principal	-	575	338	-
Interest	-	-	1,335	-
Total expenditures	<u>87,293</u>	<u>66,489</u>	<u>7,944</u>	<u>4,602</u>
Excess (deficiency) of revenues over (under) expenditures	(13,571)	30,394	(1,163)	2,163
OTHER FINANCING SOURCES (USES):				
Transfers in	25,381	9,632	-	75
Transfers out	(6,999)	(45,452)	(1,267)	(1,614)
Total other financing sources (uses)	<u>18,382</u>	<u>(35,820)</u>	<u>(1,267)</u>	<u>(1,539)</u>
NET CHANGE IN FUND BALANCES	4,811	(5,426)	(2,430)	624
Fund balances, beginning of year, as previously reported	29,698	24,074	20,568	11,257
Adjustments to beginning fund balances	2,865	806	(370)	(371)
Fund balances, beginning of year, as restated	<u>32,563</u>	<u>24,880</u>	<u>20,198</u>	<u>10,886</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,374</u>	<u>\$ 19,454</u>	<u>\$ 17,768</u>	<u>\$ 11,510</u>

Regional Park and Open-Space	Air Quality Improvement	Other Special Revenue	Total	
\$ 2,837	\$ -	\$ 565	\$ 56,563	REVENUES:
-	-	-	152	Taxes
-	-	-	392	Licenses, permits and franchise fees
102	6	167	649	Fines, forfeitures and penalties
-	-	4,182	5,820	Use of money and property:
-	-	3,549	57,824	Interest
1,911	370	3,154	39,109	Rents and concessions
6,947	-	7,871	39,203	Aid from other governmental agencies:
4	-	2,646	18,750	Federal
11,801	376	22,134	218,462	State
				Charges for services
				Other revenue
				Total revenues
				EXPENDITURES:
				Current:
-	216	5,070	27,575	General government
42	-	2,869	3,409	Public protection
-	-	6,906	97,002	Public ways and facilities
-	-	3,188	3,717	Health and sanitation
-	-	-	39,992	Public assistance
-	-	-	9,904	Education
7,632	-	62	8,466	Recreation and culture
-	-	-	913	Debt service:
-	-	790	2,125	Principal
7,674	216	18,885	193,103	Interest
				Total expenditures
				Excess (deficiency) of revenues over (under) expenditures
4,127	160	3,249	25,359	
				OTHER FINANCING SOURCES (USES):
1,757	-	1,721	38,566	Transfers in
(948)	(228)	(1,345)	(57,853)	Transfers out
809	(228)	376	(19,287)	Total other financing sources (uses)
4,936	(68)	3,625	6,072	NET CHANGE IN FUND BALANCES
4,158	859	15,430	106,044	Fund balances, beginning of year, as previously reported
2,939	-	(44)	5,825	Adjustments to beginning fund balances
7,097	859	15,386	111,869	Fund balances, beginning of year, as restated
\$ 12,033	\$ 791	\$ 19,011	\$ 117,941	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Transportation Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 18,683	\$ 13,831	\$ 9,697	\$ (4,134)
License, permits and franchise fees	94	94	152	58
Use of money and property:				
Interest	24	24	266	242
Aid from other governmental agencies:				
Federal	32,408	26,502	10,883	(15,619)
State	26,653	30,448	28,786	(1,662)
Charges for current services	29,616	23,518	17,152	(6,366)
Other revenue	12,156	11,715	6,786	(4,929)
Total revenues	<u>119,634</u>	<u>106,132</u>	<u>73,722</u>	<u>(32,410)</u>
EXPENDITURES:				
Current:				
Public protection	500	484	411	(73)
Public ways and facilities	121,123	126,444	86,882	(39,562)
Total expenditures	<u>121,623</u>	<u>126,928</u>	<u>87,293</u>	<u>(39,635)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,989)	(20,796)	(13,571)	7,225
OTHER FINANCING SOURCES (USES):				
Transfers in	-	25,381	25,381	-
Transfers out	-	(6,999)	(6,999)	-
Total other financing sources and (uses)	<u>-</u>	<u>18,382</u>	<u>18,382</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,989)	(2,414)	4,811	7,225
Fund balance, beginning of year, as previously reported	29,699	29,699	29,698	(1)
Adjustments to beginning fund balance	-	-	2,865	2,865
Fund balance, beginning of year, as restated	<u>29,699</u>	<u>29,699</u>	<u>32,563</u>	<u>2,864</u>
FUND BALANCE, END OF YEAR	\$ 27,710	\$ 27,285	\$ 37,374	\$ 10,089

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Community Services Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 32,229	\$ 33,067	\$ 35,914	\$ 2,847
Fines, forfeitures and penalties	400	400	392	(8)
Use of money and property:				
Interest	25	25	-	(25)
Rents and concessions	1,371	1,371	1,619	248
Aid from other governmental agencies:				
Federal	54,244	59,859	43,392	(16,467)
State	4,837	5,663	4,871	(792)
Charges for current services	4,774	2,682	1,535	(1,147)
Other revenue	18,484	14,656	9,160	(5,496)
Total revenues	<u>116,364</u>	<u>117,723</u>	<u>96,883</u>	<u>(20,840)</u>
EXPENDITURES:				
Current:				
General government	13,017	22,142	16,018	(6,124)
Public protection	36,000	25	-	(25)
Public assistance	61,991	55,530	39,992	(15,538)
Education	9,778	9,914	9,904	(10)
Debt service:				
Principal	835	619	575	(44)
Total expenditures	<u>121,621</u>	<u>88,230</u>	<u>66,489</u>	<u>(21,741)</u>
Excess (deficiency) of revenues over (under) expenditures	(5,257)	29,493	30,394	901
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,632	9,632	-
Transfers out	-	(45,452)	(45,452)	-
Total other financing sources and (uses)	<u>-</u>	<u>(35,820)</u>	<u>(35,820)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,257)	(6,327)	(5,426)	901
Fund balance, beginning of year, as previously reported	24,074	24,074	24,074	-
Adjustments to beginning fund balance	-	-	806	806
Fund balance, beginning of year	<u>24,074</u>	<u>24,074</u>	<u>24,880</u>	<u>806</u>
FUND BALANCE, END OF YEAR	\$ 18,817	\$ 17,747	\$ 19,454	\$ 1,707

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Redevelopment Agency Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 8,890	\$ 8,890	\$ 6,655	\$ (2,235)
Use of money and property:				
Interest	300	300	28	(272)
Other revenue	2,503	4,503	98	(4,405)
Total revenues	11,693	13,693	6,781	(6,912)
EXPENDITURES:				
Current:				
General government	11,693	10,753	6,271	(4,482)
Debt service:				
Principal	-	338	338	-
Interest	-	1,335	1,335	-
Total expenditures	11,693	12,426	7,944	(4,482)
Excess (deficiency) of revenues over (under) expenditures	-	1,267	(1,163)	(2,430)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,267)	(1,267)	-
Total other financing sources and (uses)	-	(1,267)	(1,267)	-
NET CHANGE IN FUND BALANCE	-	-	(2,430)	(2,430)
Fund balance, beginning of year, as previously reported	20,568	20,568	20,568	-
Adjustments to beginning fund balance	-	-	(370)	(370)
Fund balance, beginning of year, as restated	20,568	20,568	20,198	(370)
FUND BALANCE, END OF YEAR	\$ 20,568	\$ 20,568	\$ 17,768	\$ (2,800)

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 County Service Areas Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 826	\$ 822	\$ 895	\$ 73
Use of money and property:				
Interest	124	124	80	(44)
Rents and concessions	12	12	19	7
Aid from other governmental agencies:				
State	15	15	17	2
Charges for current services	5,623	5,548	5,698	150
Other revenue	100	104	56	(48)
Total revenues	<u>6,700</u>	<u>6,625</u>	<u>6,765</u>	<u>140</u>
EXPENDITURES:				
Current:				
Public protection	238	298	87	(211)
Public ways and facilities	6,130	5,298	3,214	(2,084)
Health and sanitation	850	850	529	(321)
Recreation and cultural services	1,289	954	772	(182)
Debt service:				
Total expenditures	<u>8,507</u>	<u>7,400</u>	<u>4,602</u>	<u>(2,798)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,807)	(775)	2,163	2,938
OTHER FINANCING SOURCES (USES):				
Transfers in	-	75	75	-
Transfers out	-	(1,614)	(1,614)	-
Total other financing sources and (uses)	<u>-</u>	<u>(1,539)</u>	<u>(1,539)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,807)	(2,314)	624	2,938
Fund balance, beginning of year, as previously reported	11,257	11,257	11,257	-
Adjustments to beginning fund balance	-	-	(371)	(371)
Fund balance, beginning of year, as restated	<u>11,257</u>	<u>11,257</u>	<u>10,886</u>	<u>(371)</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,450</u>	<u>\$ 8,943</u>	<u>\$ 11,510</u>	<u>\$ 2,567</u>

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Regional Park and Open-Space Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 2,525	\$ 2,525	\$ 2,837	\$ 312
Use of money and property:				
Interest	127	127	102	(25)
Rents and concessions	433	524	-	(524)
Aid from other governmental agencies:				
State	1,726	1,726	1,911	185
Charges for current services	4,192	9,448	6,947	(2,501)
Other revenue	1,155	963	4	(959)
Total revenues	<u>10,158</u>	<u>15,313</u>	<u>11,801</u>	<u>(3,512)</u>
EXPENDITURES:				
Current:				
Public protection	10	47	42	(5)
Recreation and cultural services	9,915	9,579	7,632	(1,947)
Total expenditures	<u>9,925</u>	<u>9,626</u>	<u>7,674</u>	<u>(1,952)</u>
Excess (deficiency) of revenues over (under) expenditures	233	5,687	4,127	(1,560)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,757	1,757	-
Transfers out	-	(948)	(948)	-
Total other financing sources and (uses)	<u>-</u>	<u>809</u>	<u>809</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	233	6,496	4,936	(1,560)
Fund balance, beginning of year, as previously reported	7,097	7,097	4,158	(2,939)
Adjustments to beginning fund balance	-	-	2,939	2,939
Fund balance, beginning of year, as restated	<u>7,097</u>	<u>7,097</u>	<u>7,097</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,330</u>	<u>\$ 13,593</u>	<u>\$ 12,033</u>	<u>\$ (1,560)</u>

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Air Quality Improvement Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 3	\$ 3	\$ 6	\$ 3
Aid from other governmental agencies:				
State	456	456	370	(86)
Total revenues	<u>459</u>	<u>459</u>	<u>376</u>	<u>(83)</u>
EXPENDITURES:				
Current:				
General government	750	522	216	(306)
Total expenditures	<u>750</u>	<u>522</u>	<u>216</u>	<u>(306)</u>
Excess (deficiency) of revenues over (under) expenditures	(291)	(63)	160	223
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(228)	(228)	-
Total other financing sources and (uses)	<u>-</u>	<u>(228)</u>	<u>(228)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(291)	(291)	(68)	223
 Fund balance, beginning of year	 859	 859	 859	 -
FUND BALANCE, END OF YEAR	<u><u>\$ 568</u></u>	<u><u>\$ 568</u></u>	<u><u>\$ 791</u></u>	<u><u>\$ 223</u></u>

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Other Special Revenue Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 402	\$ 501	\$ 565	\$ 64
Use of money and property:				
Interest	70	72	167	95
Rents and concessions	3,612	4,152	4,182	30
Aid from other governmental agencies:				
Federal	7,973	8,953	3,549	(5,404)
State	1,310	4,901	3,154	(1,747)
Charges for current services	7,755	6,811	7,871	1,060
Other revenue	718	877	2,646	1,769
Total revenues	<u>21,840</u>	<u>26,267</u>	<u>22,134</u>	<u>(4,133)</u>
EXPENDITURES:				
Current:				
General government	3,689	5,167	5,070	(97)
Public protection	3,670	3,588	2,869	(719)
Public ways and facilities	13,064	12,381	6,906	(5,475)
Health and sanitation	112	5,304	3,188	(2,116)
Recreation and cultural services	100	74	62	(12)
Debt service:				
Interest	-	790	790	-
Total expenditures	<u>20,635</u>	<u>27,304</u>	<u>18,885</u>	<u>(8,419)</u>
Excess (deficiency) of revenues over (under) expenditures	1,205	(1,037)	3,249	4,286
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,721	1,721	-
Transfers out	-	(1,345)	(1,345)	-
Total other financing sources and (uses)	<u>-</u>	<u>376</u>	<u>376</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,205	(661)	3,625	4,286
Fund balance, beginning of year, as previously reported	15,430	15,430	15,430	-
Adjustments to beginning fund balance	-	-	(44)	(44)
Fund balance, beginning of year, as restated	<u>15,430</u>	<u>15,430</u>	<u>15,386</u>	<u>(44)</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,635</u>	<u>\$ 14,769</u>	<u>\$ 19,011</u>	<u>\$ 4,242</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 BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

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

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2004
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
ASSETS:				
Cash and investments	\$ -	\$ -	\$ 34,627	\$ -
Accounts receivable	-	-	277	-
Interest receivable	155	-	788	-
Taxes receivable	-	-	-	-
Restricted cash and investments	26,580	-	-	127
Total assets	<u>26,735</u>	<u>-</u>	<u>35,692</u>	<u>127</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	753	-	1,099	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Interest payable	-	-	87	-
Teeter notes payable	-	-	-	-
Total liabilities	<u>753</u>	<u>-</u>	<u>1,186</u>	<u>-</u>
Fund balances (Note 14):				
Reserved	25,982	-	34,506	127
Total fund balances	<u>25,982</u>	<u>-</u>	<u>34,506</u>	<u>127</u>
Total liabilities and fund balances	<u>\$ 26,735</u>	<u>\$ -</u>	<u>\$ 35,692</u>	<u>\$ 127</u>

Teeter	District Court Project	Bankruptcy Court	Total	
\$ -	\$ -	\$ -	\$ 34,627	ASSETS:
-	-	-	277	Cash and investments
115	1	1	1,060	Accounts receivable
35,132	-	-	35,132	Interest receivable
9,578	694	1,192	38,171	Taxes receivable
<u>44,825</u>	<u>695</u>	<u>1,193</u>	<u>109,267</u>	Restricted cash and investments
				Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
7	-	-	1,859	Accounts payable
8,838	-	-	8,838	Due to other governments
8,654	-	-	8,654	Due to other funds
-	-	-	87	Interest payable
23,967	-	-	23,967	Teeter notes payable
<u>41,466</u>	<u>-</u>	<u>-</u>	<u>43,405</u>	Total liabilities
				Fund balances (Note 14):
3,359	695	1,193	65,862	Reserved
<u>3,359</u>	<u>695</u>	<u>1,193</u>	<u>65,862</u>	Total fund balances
<u>\$ 44,825</u>	<u>\$ 695</u>	<u>\$ 1,193</u>	<u>\$ 109,267</u>	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, 2004
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
REVENUES:				
Taxes	\$ -	\$ -	\$ 26,620	\$ -
Use of money and property:				
Interest	1,437	-	2,172	1
Rents and concessions	19,260	-	-	92
Other revenue	-	-	-	-
Total revenues	<u>20,697</u>	<u>-</u>	<u>28,792</u>	<u>93</u>
EXPENDITURES:				
Current:				
General government	1,285	-	15,506	-
Debt service:				
Principal	19,465	295	1,208	289
Interest	13,423	39	-	-
Cost of issuance	504	-	-	-
Total expenditures	<u>34,677</u>	<u>334</u>	<u>16,714</u>	<u>289</u>
Excess (deficiency) of revenues over (under) expenditures	(13,980)	(334)	12,078	(196)
OTHER FINANCING SOURCES (USES):				
Transfers in	10,325	334	-	-
Transfers out	(18,966)	-	(33,553)	-
Bond proceeds	21,645	-	-	-
Total other financing sources (uses)	<u>13,004</u>	<u>334</u>	<u>(33,553)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(976)	-	(21,475)	(196)
Fund balances, beginning of year, as previously reported	26,958	-	56,426	123
Adjustments to beginning fund balances	-	-	(445)	200
Fund balances, beginning of year, as restated	<u>26,958</u>	<u>-</u>	<u>55,981</u>	<u>323</u>
FUND BALANCES, END OF YEAR	<u>25,982</u>	<u>\$ -</u>	<u>\$ 34,506</u>	<u>\$ 127</u>

Teeter	District Court Project	Bankruptcy Court	Total	
\$ -	\$ -	\$ -	\$ 26,620	REVENUES:
				Taxes
169	28	7	3,814	Use of money and property:
-	2,298	2,194	23,844	Interest
46	-	5	51	Rents and concessions
215	2,326	2,206	54,329	Other revenue
				Total revenues
				EXPENDITURES:
				Current:
-	-	-	16,791	General government
-	1,290	1,679	24,226	Debt service:
518	943	-	14,923	Principal
-	-	-	504	Interest
518	2,233	1,679	56,444	Cost of issuance
				Total expenditures
(303)	93	527	(2,115)	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
511	-	-	11,170	Transfers in
-	-	-	(52,519)	Transfers out
-	-	-	21,645	Bond proceeds
511	-	-	(19,704)	Total other financing sources (uses)
208	93	527	(21,819)	NET CHANGE IN FUND BALANCES
3,151	602	-	87,260	Fund balances, beginning of year, as previously reported
-	-	666	421	Adjustments to beginning fund balances
3,151	602	666	87,681	Fund balances, beginning of year, as restated
\$ 3,359	\$ 695	\$ 1,193	\$ 65,862	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Flood Control Debt Service Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
EXPENDITURES:				
Current:				
Debt service:				
Principal	\$ 334	\$ 295	\$ 295	\$ -
Interest	-	39	39	-
Total expenditures	<u>334</u>	<u>334</u>	<u>334</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(334)	(334)	(334)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	334	334	-
Total other financing sources and (uses)	<u>-</u>	<u>334</u>	<u>334</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(334)	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ (334)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Debt Service Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 26,896	\$ 27,696	\$ 26,620	\$ (1,076)
Use of money and property:				
Interest	1,775	1,775	2,172	397
Other revenue	11,200	11,200	-	(11,200)
Total revenues	39,871	40,671	28,792	(11,879)
EXPENDITURES:				
Current:				
General government	39,872	19,118	15,506	(3,612)
Debt service:				
Principal	-	-	1,208	1,208
Total expenditures	39,872	19,118	16,714	(2,404)
Excess (deficiency) of revenues over (under) expenditures	(1)	21,553	12,078	(9,475)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(33,553)	(33,553)	-
Total other financing sources and (uses)	-	(33,553)	(33,553)	-
NET CHANGE IN FUND BALANCE	(1)	(12,000)	(21,475)	(9,475)
Fund balance, beginning of year, as previously reported	56,426	56,426	56,426	-
Adjustments to beginning fund balance	-	-	(445)	(445)
Fund balance, beginning of year, as restated	56,426	56,426	55,981	(445)
FUND BALANCE, END OF YEAR	\$ 56,425	\$ 44,426	\$ 34,506	\$ (9,920)

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Teeter Debt Service Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Use of money and property:				
Interest	-	200	169	(31)
Other revenue	42,883	42,172	46	(42,126)
Total revenues	<u>82,883</u>	<u>82,372</u>	<u>215</u>	<u>(82,157)</u>
EXPENDITURES:				
Current:				
Debt service:				
Principal	82,883	82,365	-	(82,365)
Interest	-	518	518	-
Total expenditures	<u>82,883</u>	<u>82,883</u>	<u>518</u>	<u>(82,365)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(511)	(303)	208
OTHER FINANCING SOURCES (USES):				
Transfers in	-	511	511	-
Total other financing sources and (uses)	<u>-</u>	<u>511</u>	<u>511</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	208	208
Fund balance, beginning of year	3,151	3,151	3,151	-
FUND BALANCE, END OF YEAR	<u>\$ 3,151</u>	<u>\$ 3,151</u>	<u>\$ 3,359</u>	<u>\$ 208</u>

CAPITAL PROJECTS FUNDS



COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

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. Remaining balances in these funds represent projects completed in prior years. Residual amounts were transferred to the General Fund during this fiscal year.

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. The District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Capital Projects Funds
June 30, 2004
(Dollars in Thousands)

	Correctional Facilities	CORAL	Flood Control
ASSETS:			
Cash and investments	\$ -	\$ -	\$ 105
Interest receivable	-	-	-
Taxes receivable	-	19	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Restricted cash and investments	-	17,744	-
Notes receivable	-	-	-
Land held for sale	-	-	-
Total assets	-	17,763	105
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	-	208	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	208	-
Fund balances (Note 14):			
Reserved	-	17,555	-
Unreserved:			
Designated	-	-	-
Undesignated	-	-	105
Total fund balances	-	17,555	105
Total liabilities and fund balances	\$ -	\$ 17,763	\$ 105

Redevelopment Agency	District Court Project	Regional Park and Open-Space	Total	
\$ 30,943	\$ -	\$ 2,241	\$ 33,289	ASSETS:
55	-	5	60	Cash and investments
-	-	-	19	Interest receivable
-	-	357	357	Taxes receivable
-	-	175	175	Due from other governments
-	145	-	17,889	Due from other funds
1,426	-	-	1,426	Restricted cash and investments
12,802	-	-	12,802	Notes receivable
				Land held for sale
<u>45,226</u>	<u>145</u>	<u>2,778</u>	<u>66,017</u>	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
1,254	-	111	1,573	Accounts payable
-	-	625	625	Due to other funds
-	-	19	19	Deferred revenue
<u>1,254</u>	<u>-</u>	<u>755</u>	<u>2,217</u>	Total liabilities
				Fund balances (Note 14):
33,915	145	73	51,688	Reserved
18,393	-	1,960	20,353	Unreserved:
(8,336)	-	(10)	(8,241)	Designated
				Undesignated
<u>43,972</u>	<u>145</u>	<u>2,023</u>	<u>63,800</u>	Total fund balances
<u>\$ 45,226</u>	<u>\$ 145</u>	<u>\$ 2,778</u>	<u>\$ 66,017</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, 2004
(Dollars in Thousands)

	Correctional Facilities	CORAL	Flood Control
REVENUES:			
Use of money and property:			
Interest	\$ -	\$ 139	\$ 2
Aid from other governmental agencies:			
State	-	-	-
Charges for services	-	-	-
Other revenue	-	-	-
Total revenues	<u>-</u>	<u>139</u>	<u>2</u>
EXPENDITURES:			
Current:			
General government	-	11	-
Recreation and culture	-	-	-
Debt service:	-	-	-
Capital outlay	-	-	121
Total expenditures	<u>-</u>	<u>11</u>	<u>121</u>
Excess (deficiency) of revenues over (under) expenditures	-	128	(119)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	13,177	-
Transfers out	(981)	(6,387)	-
Gain (loss) on sale of assets	-	-	-
Total other financing sources (uses)	<u>(981)</u>	<u>6,790</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(981)	6,918	(119)
Fund balances beginning of year, as previously reported	981	10,637	224
Adjustments to beginning fund balances	-	-	-
Fund balances, beginning of year, as restated	<u>981</u>	<u>10,637</u>	<u>224</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 17,555</u>	<u>\$ 105</u>

Redevelopment Agency	District Court Project	Regional Park and Open-Space	Total	
				REVENUES:
\$ 464	\$ 1	\$ 24	\$ 630	Use of money and property:
-	-	634	634	Interest
-	-	1	1	Aid from other governmental agencies:
496	-	-	496	State
960	1	659	1,761	Charges for services
				Other revenue
				Total revenues
				EXPENDITURES:
				Current:
18,179	1	-	18,191	General government
-	-	595	595	Recreation and culture
-	-	-	-	Debt service:
-	-	-	121	Capital outlay
18,179	1	595	18,907	Total expenditures
(17,219)	-	64	(17,146)	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
33,553	-	-	46,730	Transfers in
(3,598)	-	(187)	(11,153)	Transfers out
494	-	-	494	Gain (loss) on sale of assets
30,449	-	(187)	36,071	Total other financing sources (uses)
13,230	-	(123)	18,925	NET CHANGE IN FUND BALANCES
30,742	145	5,056	47,785	Fund balances beginning of year, as previously reported
-	-	(2,910)	(2,910)	Adjustments to beginning fund balances
30,742	145	2,146	44,875	Fund balances, beginning of year, as restated
\$ 43,972	\$ 145	\$ 2,023	\$ 63,800	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Flood Control Capital Projects Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 2	\$ 2	\$ 2	\$ -
Other revenue	440	440	-	(440)
Total revenues	<u>442</u>	<u>442</u>	<u>2</u>	<u>(440)</u>
EXPENDITURES:				
Current:				
Capital outlay	575	575	121	(454)
Total expenditures	<u>575</u>	<u>575</u>	<u>121</u>	<u>(454)</u>
 NET CHANGE IN FUND BALANCE	 (133)	 (133)	 (119)	 14
 Fund balance, beginning of year	 224	 224	 224	 -
FUND BALANCE, END OF YEAR	<u><u>\$ 91</u></u>	<u><u>\$ 91</u></u>	<u><u>\$ 105</u></u>	<u><u>\$ 14</u></u>

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Redevelopment Agency Capital Projects Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Interest	\$ 505	\$ 505	\$ 464	\$ (41)
Other revenue	40,399	18,845	496	(18,349)
Total revenues	<u>40,904</u>	<u>19,350</u>	<u>960</u>	<u>(18,390)</u>
EXPENDITURES:				
Current:				
General government	40,903	37,306	18,179	(19,127)
Total expenditures	<u>40,903</u>	<u>37,306</u>	<u>18,179</u>	<u>(19,127)</u>
Excess (deficiency) of revenues over (under) expenditures	1	(17,956)	(17,219)	737
OTHER FINANCING SOURCES (USES):				
Transfers in	-	33,553	33,553	-
Transfers out	-	(3,598)	(3,598)	-
Other long term obligations	-	-	494	494
Total other financing sources and (uses)	<u>-</u>	<u>29,955</u>	<u>30,449</u>	<u>494</u>
NET CHANGE IN FUND BALANCE	1	11,999	13,230	1,231
Fund balance, beginning of year	30,742	30,742	30,742	-
FUND BALANCE, END OF YEAR	<u>\$ 30,743</u>	<u>\$ 42,741</u>	<u>\$ 43,972</u>	<u>\$ 1,231</u>

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 Regional Park and Open-Space District Capital Projects Fund
 For the Fiscal Year Ended June 30, 2004
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Use of money and property:				
Interest	\$ 45	\$ 45	\$ 24	\$ (21)
Aid from other governmental agencies:				
State	1,877	2,218	634	(1,584)
Charges for current services	-	-	1	1
Total revenues	<u>1,922</u>	<u>2,263</u>	<u>659</u>	<u>(1,604)</u>
EXPENDITURES:				
Current:				
Recreation and cultural services	<u>3,281</u>	<u>3,365</u>	<u>595</u>	<u>(2,770)</u>
Total expenditures	<u>3,281</u>	<u>3,365</u>	<u>595</u>	<u>(2,770)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,359)	(1,102)	64	1,166
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(187)	(187)	-
Total other financing sources and (uses)	<u>-</u>	<u>(187)</u>	<u>(187)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,359)</u>	<u>(1,289)</u>	<u>(123)</u>	<u>1,166</u>
Fund balance, beginning of year, as previously reported	5,056	5,056	5,056	-
Adjustments to beginning fund balance	-	-	(2,910)	(2,910)
Fund balance, beginning of year, as restated	<u>5,056</u>	<u>5,056</u>	<u>2,146</u>	<u>(2,910)</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,697</u>	<u>\$ 3,767</u>	<u>\$ 2,023</u>	<u>\$ (1,744)</u>

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 three 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, 2004
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 396	\$ 8,383	\$ 671	\$ 9,450
Accounts receivable-net	-	69	471	540
Interest receivable	1	-	3	4
Taxes receivable	12	-	-	12
Due from other governments	-	57	-	57
Due from other funds	-	23	-	23
Restricted cash and investments	-	1,536	850	2,386
Prepaid items and deposits	-	33	-	33
Total current assets	<u>409</u>	<u>10,101</u>	<u>1,995</u>	<u>12,505</u>
Noncurrent Assets:				
Capital assets:				
Depreciable assets	62	10,582	126	10,770
Nondepreciable assets	-	5,121	-	5,121
Bond issuance costs	-	972	-	972
Total Noncurrent Assets	<u>62</u>	<u>16,675</u>	<u>126</u>	<u>16,863</u>
Total assets	<u>471</u>	<u>26,776</u>	<u>2,121</u>	<u>29,368</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	-	-	279	279
Salaries and benefits payable	9	366	63	438
Due to other funds	-	23	-	23
Due to other governments	-	756	-	756
Interest payable	-	11	-	11
Deposits payable	47	-	-	47
Other liabilities	-	1,507	850	2,357
Compensated absences	11	-	15	26
Bonds payable	-	80	-	80
Total current liabilities	<u>67</u>	<u>2,743</u>	<u>1,207</u>	<u>4,017</u>
Noncurrent portion of long-term liabilities:				
Compensated absences	23	641	143	807
Bonds payable	-	1,900	-	1,900
Other long- term liabilities	-	611	-	611
Total noncurrent liabilities	<u>23</u>	<u>3,152</u>	<u>143</u>	<u>3,318</u>
Total liabilities	<u>90</u>	<u>5,895</u>	<u>1,350</u>	<u>7,335</u>
NET ASSETS:				
Invested in capital assets, net of related debt	-	15,702	126	15,828
Restricted	62	157	-	219
Unrestricted	319	5,022	645	5,986
Total net assets	<u>\$ 381</u>	<u>\$ 20,881</u>	<u>\$ 771</u>	<u>\$ 22,033</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, 2004
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	\$ 250	\$ 60,631	\$ 2,656	\$ 63,537
Other	20	449	-	469
Total operating revenues	<u>270</u>	<u>61,080</u>	<u>2,656</u>	<u>64,006</u>
OPERATING EXPENSES:				
Personnel services	151	6,546	1,114	7,811
Communications	3	-	-	3
Insurance	3	-	-	3
Maintenance of building and equipment	44	1,820	-	1,864
Supplies	3	-	1,137	1,140
Purchased services	34	-	993	1,027
Depreciation and amortization	6	1,320	49	1,375
Public assistance	-	49,369	-	49,369
Utilities	63	521	-	584
Other	19	1,270	-	1,289
Total operating expenses	<u>326</u>	<u>60,846</u>	<u>3,293</u>	<u>64,465</u>
Operating income	<u>(56)</u>	<u>234</u>	<u>(637)</u>	<u>(459)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	3	121	34	158
Interest expense	(3)	(753)	-	(756)
Gain (loss) on disposal of capital assets	-	4,227	-	4,227
Total nonoperating revenues (expenses)	<u>-</u>	<u>3,595</u>	<u>34</u>	<u>3,629</u>
CHANGE IN NET ASSETS	(56)	3,829	(603)	3,170
Net assets, beginning of year, as previously reported	<u>437</u>	<u>17,052</u>	<u>1,374</u>	<u>18,863</u>
NET ASSETS, END OF YEAR	<u>\$ 381</u>	<u>\$ 20,881</u>	<u>\$ 771</u>	<u>\$ 22,033</u>

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2004
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	\$ 270	\$ 61,905	\$ 2,631	\$ 64,806
Cash paid to suppliers for goods and services	(168)	(54,826)	(1,107)	(56,101)
Cash paid to employees for services	(145)	(6,007)	(1,068)	(7,220)
Net cash provided by (used in) operating activities	<u>(43)</u>	<u>1,072</u>	<u>456</u>	<u>1,485</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	4,227	-	4,227
Acquisition and construction of capital assets	3	4,270	-	4,273
Principal paid on bonds payable	-	(9,140)	-	(9,140)
Interest paid on long-term debt	(3)	(804)	-	(807)
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,447)</u>	<u>-</u>	<u>(1,447)</u>
Cash flows from investing activities				
Interest received on investments	3	121	34	158
Net cash provided by investing activities	<u>3</u>	<u>121</u>	<u>34</u>	<u>158</u>
Net increase (decrease) in cash and cash equivalents	(40)	(254)	490	196
Cash and cash equivalents, beginning of year	436	10,173	1,031	11,640
Cash and cash equivalents, end of year	<u>\$ 396</u>	<u>\$ 9,919</u>	<u>\$ 1,521</u>	<u>\$ 11,836</u>
Reconciliation of operating income to net cash provided				
Operating income (loss)	\$ (56)	\$ 234	\$ (637)	\$ (459)
Adjustments to reconcile operating income to net cash				
Depreciation and amortization	6	1,320	49	1,375
Decrease (Increase) accounts receivable	-	378	(32)	346
Decrease (Increase) bond issuance cost	-	70	-	70
Decrease (Increase) due from other funds	-	(1)	-	(1)
Decrease (Increase) due from other governments	-	378	7	385
Decrease (Increase) prepaid items and deposits	-	54	-	54
Increase (Decrease) accounts payable	-	(3)	173	170
Increase (Decrease) due to other funds	-	1	-	1
Increase (Decrease) due to other governments	-	(875)	-	(875)
Increase (Decrease) deposits payable	1	-	-	1
Increase (Decrease) other liabilities	-	(1,023)	850	(173)
Increase (Decrease) salaries and benefits payable	1	366	25	392
Increase (Decrease) compensated absences	5	173	21	199
Net cash provided by (used in) operating activities	<u>\$ (43)</u>	<u>\$ 1,072</u>	<u>\$ 456</u>	<u>\$ 1,485</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. Beginning in the new fiscal year, Central Mail Services will be added to this fund's operations.

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 Fund Net Assets
Internal Service Funds
June 30, 2004
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
ASSETS:					
Current assets:					
Cash and investments	\$ 2,884	\$ 8,291	\$ 1,178	\$ 1,646	\$ 7,955
Accounts receivable-net	66	-	69	3	-
Interest receivable	-	-	-	-	-
Inventories	363	435	121	353	-
Prepaid items and deposits	-	94	6	8	-
Total current assets	<u>3,313</u>	<u>8,820</u>	<u>1,374</u>	<u>2,010</u>	<u>7,955</u>
Noncurrent assets:					
Capital assets:					
Depreciable assets	19,855	16,057	1,579	400	2,444
Non depreciable assets	456	-	-	-	-
Total noncurrent assets	<u>20,311</u>	<u>16,057</u>	<u>1,579</u>	<u>400</u>	<u>2,444</u>
Total assets	<u>23,624</u>	<u>24,877</u>	<u>2,953</u>	<u>2,410</u>	<u>10,399</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	381	3,759	118	326	214
Salaries and benefits payable	175	1,204	56	38	273
Due to other funds	190	-	-	-	-
Due to other governments	-	-	-	-	-
Other liabilities	4,386	-	-	-	-
Compensated absences	115	961	19	28	259
Capital lease obligation	6,057	3,971	216	-	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	<u>11,304</u>	<u>9,895</u>	<u>409</u>	<u>392</u>	<u>746</u>
Noncurrent portion of long-term liabilities:					
Compensated absences	234	1,951	39	57	526
Capital lease obligation	5,280	1,802	601	-	431
Estimated claims liabilities	-	-	-	-	-
Other long term liabilities	1,500	-	-	-	-
Total noncurrent liabilities	<u>7,014</u>	<u>3,753</u>	<u>640</u>	<u>57</u>	<u>957</u>
Total liabilities	<u>18,318</u>	<u>13,648</u>	<u>1,049</u>	<u>449</u>	<u>1,703</u>
NET ASSETS:					
Invested in capital assets, net of related debt	8,518	10,284	762	400	2,013
Unrestricted (deficit)	(3,212)	945	1,142	1,561	6,683
Total net assets	<u>\$ 5,306</u>	<u>\$ 11,229</u>	<u>\$ 1,904</u>	<u>\$ 1,961</u>	<u>\$ 8,696</u>

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
\$ 98,409	\$ 4,002	\$ 3,527	\$ 127,892
1,274	-	112	1,524
252	-	9	261
-	-	272	1,544
-	-	-	108
<u>99,935</u>	<u>4,002</u>	<u>3,920</u>	<u>131,329</u>
30	86	2,503	42,954
-	-	-	456
<u>30</u>	<u>86</u>	<u>2,503</u>	<u>43,410</u>
<u>99,965</u>	<u>4,088</u>	<u>6,423</u>	<u>174,739</u>
1,202	3	150	6,153
487	860	55	3,148
-	-	-	190
8	-	-	8
-	-	-	4,386
259	74	35	1,750
-	-	-	10,244
<u>40,152</u>	<u>-</u>	<u>-</u>	<u>40,152</u>
<u>42,108</u>	<u>937</u>	<u>240</u>	<u>66,031</u>
526	150	163	3,646
-	-	-	8,114
77,106	-	-	77,106
-	-	-	1,500
<u>77,632</u>	<u>150</u>	<u>163</u>	<u>90,366</u>
<u>119,740</u>	<u>1,087</u>	<u>403</u>	<u>156,397</u>
30	86	2,503	24,596
<u>(19,805)</u>	<u>2,915</u>	<u>3,517</u>	<u>(6,254)</u>
<u>\$ (19,775)</u>	<u>\$ 3,001</u>	<u>\$ 6,020</u>	<u>\$ 18,342</u>

ASSETS:

Current assets:

Cash and investments
Accounts receivable-net
Interest receivable
Inventories
Prepaid items and deposits
Total current assets

Noncurrent assets:

Capital assets:

Depreciable assets
Non depreciable assets
Total noncurrent assets

Total assets

LIABILITIES:

Current liabilities:

Accounts payable
Salaries and benefits payable
Due to other funds
Due to other governments
Other liabilities
Compensated absences
Capital lease obligation
Estimated claims liability
Total current liabilities

Noncurrent portion of long-term liabilities:

Compensated absences
Capital lease obligation
Estimated claims liabilities
Other long term liabilities
Total noncurrent liabilities

Total liabilities

NET ASSETS:

Invested in capital assets,
net of related debt

Unrestricted (deficit)

Total net assets

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
OPERATING REVENUES:					
Charges for services	\$ 17,796	\$ 55,378	\$ 3,715	\$ 6,995	\$ 12,304
Other revenue	140	89	1	4,340	4
Total operating revenues	<u>17,936</u>	<u>55,467</u>	<u>3,716</u>	<u>11,335</u>	<u>12,308</u>
OPERATING EXPENSES:					
Cost of materials used	1,283	-	-	-	-
Personnel services	2,928	22,020	1,031	603	3,747
Communications	78	4,788	45	25	227
Insurance	90	87	8	23	4
Maintenance of building and equipment	1,571	10,238	430	18	1,477
Insurance claims	-	-	-	-	-
Supplies	2,677	1,560	1,354	9,833	244
Purchased services	309	4,253	328	394	4,439
Depreciation and amortization	7,935	7,370	366	35	1,808
Rents and leases of equipment	1	1,339	30	-	171
Public assistance	-	-	-	-	-
Utilities	8	193	-	-	-
Other	-	1,176	10	75	23
Total operating expenses	<u>16,880</u>	<u>53,024</u>	<u>3,602</u>	<u>11,006</u>	<u>12,140</u>
Operating income (loss)	<u>1,056</u>	<u>2,443</u>	<u>114</u>	<u>329</u>	<u>168</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	(12)	(35)	(5)	(8)	(33)
Interest expense	(518)	(490)	(50)	-	-
Gain (loss) on disposal of capital assets	(167)	4	-	-	-
Other nonoperating revenues / (expenses)	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(697)</u>	<u>(521)</u>	<u>(55)</u>	<u>(8)</u>	<u>(33)</u>
Income (loss) before capital contributions and transfers	359	1,922	59	321	135
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(126)	-	-	-	-
CHANGE IN NET ASSETS	233	1,922	59	321	135
Net assets, beginning of year, as previously reported	5,039	9,708	1,777	1,680	9,120
Adjustments to beginning net assets	34	(401)	68	(40)	(559)
Net assets, beginning of year, as restated	<u>5,073</u>	<u>9,307</u>	<u>1,845</u>	<u>1,640</u>	<u>8,561</u>
NET ASSETS, END OF YEAR	<u>\$ 5,306</u>	<u>\$ 11,229</u>	<u>\$ 1,904</u>	<u>\$ 1,961</u>	<u>\$ 8,696</u>

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
				OPERATING REVENUES:
\$ 26,572	\$ 15,054	\$ 5,253	\$ 143,067	Charges for services
6,167	8	-	10,749	Other revenue
<u>32,739</u>	<u>15,062</u>	<u>5,253</u>	<u>153,816</u>	Total operating revenues
				OPERATING EXPENSES:
-	-	-	1,283	Cost of materials used
6,295	14,135	1,350	52,109	Personnel services
152	3	-	5,318	Communications
4,689	4	-	4,905	Insurance
81	41	-	13,856	Maintenance of building and equipment
79,054	-	-	79,054	Insurance claims
2,457	285	2,184	20,594	Supplies
2,605	1,019	462	13,809	Purchased services
47	16	639	18,216	Depreciation and amortization
416	12	-	1,969	Rents and leases of equipment
7	-	-	7	Public assistance
-	-	-	201	Utilities
405	351	-	2,040	Other
<u>96,208</u>	<u>15,866</u>	<u>4,635</u>	<u>213,361</u>	Total operating expenses
<u>(63,469)</u>	<u>(804)</u>	<u>618</u>	<u>(59,545)</u>	Operating income (loss)
				NONOPERATING REVENUES (EXPENSES):
781	(18)	28	698	Investment income
-	-	-	(1,058)	Interest expense
-	-	15	(148)	Gain (loss) on disposal of capital assets
-	-	7	7	Other nonoperating revenues / (expenses)
<u>781</u>	<u>(18)</u>	<u>50</u>	<u>(501)</u>	Total nonoperating revenues (expenses)
<u>(62,688)</u>	<u>(822)</u>	<u>668</u>	<u>(60,046)</u>	Income (loss) before capital contributions and transfers
17,830	-	-	17,830	Capital contributions
101	-	32	133	Transfers in
-	(480)	-	(606)	Transfers out
<u>(44,757)</u>	<u>(1,302)</u>	<u>700</u>	<u>(42,689)</u>	CHANGE IN NET ASSETS
24,982	4,303	5,320	61,929	Net assets, beginning of year, as previously reported
-	-	-	(898)	Adjustments to beginning net assets
<u>24,982</u>	<u>4,303</u>	<u>5,320</u>	<u>61,031</u>	Net assets, beginning of year, as restated
<u>\$ (19,775)</u>	<u>\$ 3,001</u>	<u>\$ 6,020</u>	<u>\$ 18,342</u>	NET ASSETS, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Service	Information Services	Printing Services	Supply Services	OASIS Project
Cash flows from operating activities					
Cash receipts from internal services provided	\$ 17,986	\$ 55,649	\$ 3,714	\$ 11,334	\$ 12,308
Cash paid to suppliers for goods and services	(4,085)	(23,796)	(2,416)	(11,950)	(7,334)
Cash paid to employees for services	(2,939)	(22,042)	(1,065)	(612)	(2,689)
Net cash provided by (used in) operating activities	<u>10,962</u>	<u>9,811</u>	<u>233</u>	<u>(1,228)</u>	<u>2,285</u>
Cash flows from noncapital financing activities					
Advances from (to) other funds	-	-	-	-	-
Transfers received	-	-	-	-	-
Transfers paid	(126)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	(167)	4	-	-	-
Acquisition and construction of capital assets	(2,370)	(2,324)	(29)	(77)	(735)
Principal paid on capital leases	(7,283)	(5,180)	(204)	-	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	(518)	(490)	(50)	-	-
Net cash used in capital and related financing activities	<u>(10,338)</u>	<u>(7,990)</u>	<u>(283)</u>	<u>(77)</u>	<u>(735)</u>
Cash flows from investing activities					
Interest received on investments	(12)	(35)	(5)	(8)	(33)
Net cash provided by investing activities	<u>(12)</u>	<u>(35)</u>	<u>(5)</u>	<u>(8)</u>	<u>(33)</u>
Net increase (decrease) in cash and cash equivalents	486	1,786	(55)	(1,313)	1,517
Cash and cash equivalents, beginning of year	2,398	6,505	1,233	2,959	6,438
Cash and cash equivalents, end of year	<u>\$ 2,884</u>	<u>\$ 8,291</u>	<u>\$ 1,178</u>	<u>\$ 1,646</u>	<u>\$ 7,955</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,056	\$ 2,443	\$ 114	\$ 329	\$ 168
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	7,935	7,370	366	35	1,808
Decrease (Increase) accounts receivable	50	-	(2)	(1)	-
Decrease (Increase) due from other funds	-	182	-	-	-
Decrease (Increase) inventories	(85)	634	8	(4)	-
Decrease (Increase) prepaid items and deposits	-	(62)	(6)	(8)	-
Increase (Decrease) accounts payable	6	(734)	(213)	(1,570)	(749)
Increase (Decrease) due to other funds	163	-	-	-	-
Increase (Decrease) due to other governments	(10)	-	-	-	-
Increase (Decrease) other liabilities	1,858	-	-	-	-
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(63)	193	(38)	(15)	273
Increase (Decrease) compensated absences	52	(215)	4	6	785
Net cash provided by operating activities	<u>\$ 10,962</u>	<u>\$ 9,811</u>	<u>\$ 233</u>	<u>\$ (1,228)</u>	<u>\$ 2,285</u>
Supplemental disclosure of noncash investing, capital, and financing activities					
	<u>\$ 2,284</u>	<u>\$ 1,105</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
\$ 32,417	\$ 15,062	\$ 5,161	\$ 153,631	Cash flows from operating activities
(59,605)	(1,714)	(2,634)	(113,534)	Cash receipts from internal services provided
(6,062)	(13,961)	(1,323)	(50,693)	Cash paid to suppliers for goods and services
(33,250)	(613)	1,204	(10,596)	Cash paid to employees for services
				Net cash provided by (used in) operating activities
				Cash flows from noncapital financing activities
-	-	7	7	Advances from (to) other funds
101	-	32	133	Transfers received
-	(480)	-	(606)	Transfers paid
				Net cash provided by (used in) noncapital financing activities
101	(480)	39	(466)	
				Cash flows from capital and related financing activities
-	-	15	(148)	Proceeds from sale of capital assets
-	(59)	(1,636)	(7,230)	Acquisition and construction of capital assets
-	-	-	(12,667)	Principal paid on capital leases
17,830	-	-	17,830	Capital contributions
-	-	-	(1,058)	Interest paid on long-term debt
				Net cash used in capital and related financing activities
17,830	(59)	(1,621)	(3,273)	
				Cash flows from investing activities
675	(18)	20	584	Interest received on investments
675	(18)	20	584	Net cash provided by investing activities
				Net increase (decrease) in cash and cash equivalents
(14,644)	(1,170)	(358)	(13,751)	
113,053	5,172	3,885	141,643	Cash and cash equivalents, beginning of year
\$ 98,409	\$ 4,002	\$ 3,527	\$ 127,892	Cash and cash equivalents, end of year
				Reconciliation of operating income to net cash provided (used) by operating activities
\$ (63,469)	\$ (804)	\$ 618	\$ (59,545)	Operating income (loss)
				Adjustments to reconcile operating income to net cash provided (used) by operating activities
47	16	639	18,216	Depreciation and amortization
(322)	-	(92)	(367)	Decrease (Increase) accounts receivable
-	-	-	182	Decrease (Increase) due from other funds
-	-	(32)	521	Decrease (Increase) inventories
-	-	-	(76)	Decrease (Increase) prepaid items and deposits
10	1	44	(3,205)	Increase (Decrease) accounts payable
-	-	-	163	Increase (Decrease) due to other funds
-	-	-	(10)	Increase (Decrease) due to other governments
-	-	-	1,858	Increase (Decrease) other liabilities
30,251	-	-	30,251	Increase (Decrease) estimated claims liability
91	172	2	615	Increase (Decrease) salaries and benefits payable
142	2	25	801	Increase (Decrease) compensated absences
\$ (33,250)	\$ (613)	\$ 1,204	\$ (10,596)	Net cash provided by operating activities
				Supplemental disclosure of noncash investing, capital, and financing activities
\$ -	\$ -	\$ -	\$ 3,416	



(This Page Intentionally Left Blank)

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 191 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, 2004
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	\$ 65,060	\$ 26,215	\$ 134,492	\$ 41,201	\$ 266,968
Accounts receivable	210	-	-	-	210
Interest receivable	72	1	-	-	73
Taxes receivable	380	7	-	-	387
Total assets	<u>65,722</u>	<u>26,223</u>	<u>134,492</u>	<u>41,201</u>	<u>267,638</u>
LIABILITIES:					
Accounts payable	54,335	26,223	143	41,201	121,902
Salaries and benefits payable	5	-	-	-	5
Due to other governments	9,091	-	134,349	-	143,440
Advance from other funds	2,291	-	-	-	2,291
Total liabilities	<u>\$ 65,722</u>	<u>\$ 26,223</u>	<u>\$ 134,492</u>	<u>\$ 41,201</u>	<u>\$ 267,638</u>

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

Other	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Assets</u>				
Cash and investments	\$ 58,052	\$ 7,521	\$ 513	\$ 65,060
Accounts receivable	-	210	-	210
Interest receivable	5	67	-	72
Taxes receivable	390	-	10	380
Due from other governments	7	-	7	-
Total Assets	58,454	7,798	530	65,722
<u>Liabilities</u>				
Accounts payable	31,354	19,022	(3,959)	54,335
Salaries and benefits payable	-	5	-	5
Due to other governments	22,279	-	13,188	9,091
Due to third party	4,821	-	4,821	-
Advance from other funds	-	2,291	-	2,291
Total Liabilities	\$ 58,454	\$ 21,318	\$ 14,050	\$ 65,722
<u>Payroll Deductions</u>				
<u>Assets</u>				
Cash and investments	\$ 22,334	\$ 3,881	\$ -	\$ 26,215
Interest receivable	7	-	6	1
Taxes receivable	9	-	2	7
Total Assets	22,350	3,881	8	26,223
<u>Liabilities</u>				
Accounts payable	9,449	23,487	6,713	26,223
Due to other governments	12,901	-	12,901	-
Total Liabilities	\$ 22,350	\$ 23,487	\$ 19,614	\$ 26,223
<u>Property Tax Assessments</u>				
<u>Assets</u>				
Cash and investments	\$ 73,628	\$ 60,864	\$ -	\$ 134,492
Total Assets	73,628	60,864	-	134,492
<u>Liabilities</u>				
Accounts payable	1,448	-	1,305	143
Due to other governments	72,180	62,486	317	134,349
Total Liabilities	\$ 73,628	\$ 62,486	\$ 1,622	\$ 134,492

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Warrants</u>				
<u>Assets</u>				
Cash and investments	\$ 42,472	\$ -	\$ 1,271	\$ 41,201
Total Assets	<u>42,472</u>	<u>-</u>	<u>1,271</u>	<u>41,201</u>
<u>Liabilities</u>				
Accounts payable	40,822	379	-	41,201
Due to other governments	1,650	-	1,650	-
Total Liabilities	<u>\$ 42,472</u>	<u>\$ 379</u>	<u>\$ 1,650</u>	<u>\$ 41,201</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 196,486	\$ 72,266	\$ 1,784	\$ 266,968
Accounts receivable	-	210	-	210
Interest receivable	12	67	6	73
Taxes receivable	399	-	12	387
Due from other governments	7	-	7	-
Total Assets	<u>196,904</u>	<u>72,543</u>	<u>1,809</u>	<u>267,638</u>
<u>Liabilities</u>				
Accounts payable	83,073	42,888	4,059	121,902
Salaries and benefits payable	-	5	-	5
Due to other funds	-	-	-	-
Due to other governments	109,010	62,486	28,056	143,440
Due to third parties	4,821	-	4,821	-
Advance from other funds	-	2,291	-	2,291
Total Liabilities	<u>\$ 196,904</u>	<u>\$ 107,670</u>	<u>\$ 36,936</u>	<u>\$ 267,638</u>

STATISTICAL SECTION



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

Table 1

Function	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
General Government	\$ 154,665	\$ 183,132	\$ 232,322
Public Protection	549,019	620,663	710,053
Public Ways and Facilities	135,183	87,092	93,529
Health and Sanitation	310,434	330,830	376,338
Public Assistance	563,273	588,502	590,719
Education	9,315	8,609	10,280
Recreation and Culture	9,332	8,842	9,666
Interest on Long-Term Debt	<u>38,945</u>	<u>33,666</u>	<u>29,890</u>
Total	<u>\$ 1,770,166</u>	<u>\$ 1,861,336</u>	<u>\$ 2,052,797</u>

Note: The Government-wide reporting requirements related to the implementation of GASB 34 were initiated during FY 2001-02. We therefore only have three years of data available to report.

Source: Auditor-Controller, County of Riverside

Table 2

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

	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>	<u>Fiscal Year 2004</u>
Program Revenues			
Charges for Services	\$ 366,626	\$ 387,467	\$ 424,644
Operating Grants and Contributions	993,977	1,050,230	1,086,456
Capital Grants and Contributions	32,364	32,537	33,041
General Revenues			
Taxes:			
Property Taxes	\$ 179,079	\$ 209,979	242,647
Property Transfer Taxes	14,767	15,796	23,744
Sales and Use Taxes	27,168	22,444	26,633
Transient Occupancy Taxes ¹	17,267	-	-
Other	<u>16,905</u>	<u>10,377</u>	<u>12,108</u>
Subtotal:	255,186	258,596	305,132
Intergovernmental Revenue:			
Contractual Revenue - Redevelopment	55,587	6,015	11,385
Motor Vehicle In-lieu Taxes	<u>100,457</u>	<u>106,466</u>	<u>87,435</u>
Subtotal:	156,044	112,481	98,820
Investment Earnings	40,061	24,909	16,835
Miscellaneous	<u>90,226</u>	<u>156,124</u>	<u>191,227</u>
Total Program and General Revenues	<u><u>\$ 1,934,484</u></u>	<u><u>\$ 2,022,344</u></u>	<u><u>\$ 2,156,155</u></u>

¹ Transient Occupancy Taxes are included in other taxes for fiscal years 2002-03 and 2003-04

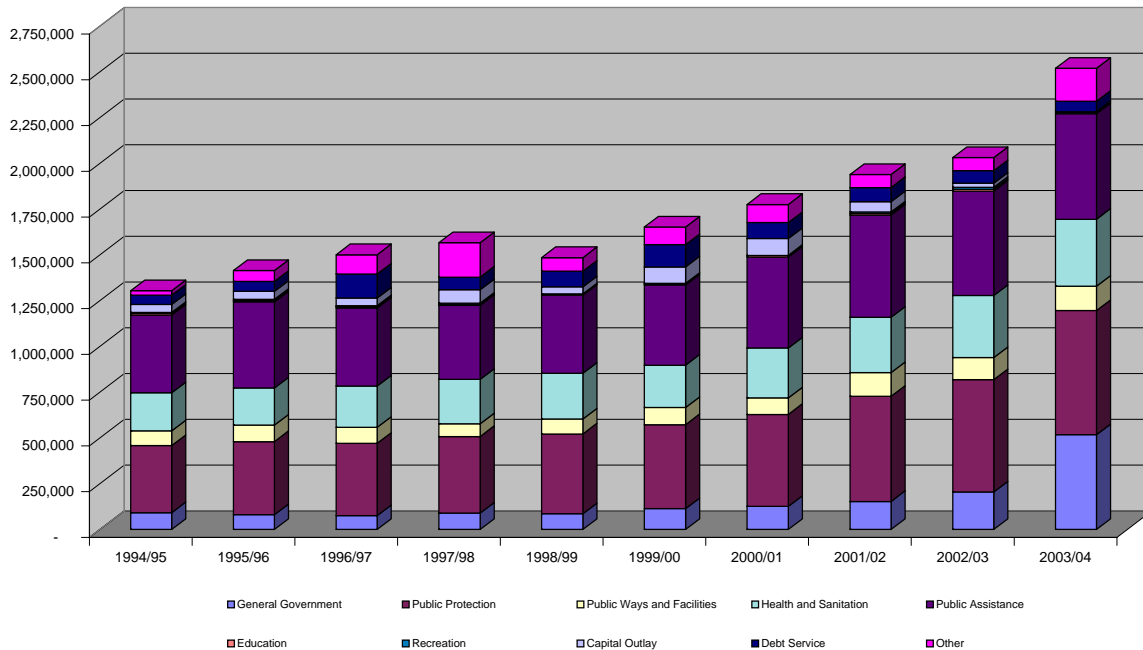
Note: The Government-wide reporting requirements related to the implementation of GASB 34 were initiated during FY 2001-02. We therefore only have three years of data available to report.

Source: Auditor-Controller, County of Riverside

Table 3

County of Riverside
General Governmental Expenditures and Transfers Out by Function
All Government 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	Capital Outlay	Debt Service	Transfers Out	Total
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
2003/04	517,416	677,798	133,973	365,727	576,267	10,241	9,242	1,604	57,145	179,701	2,529,114

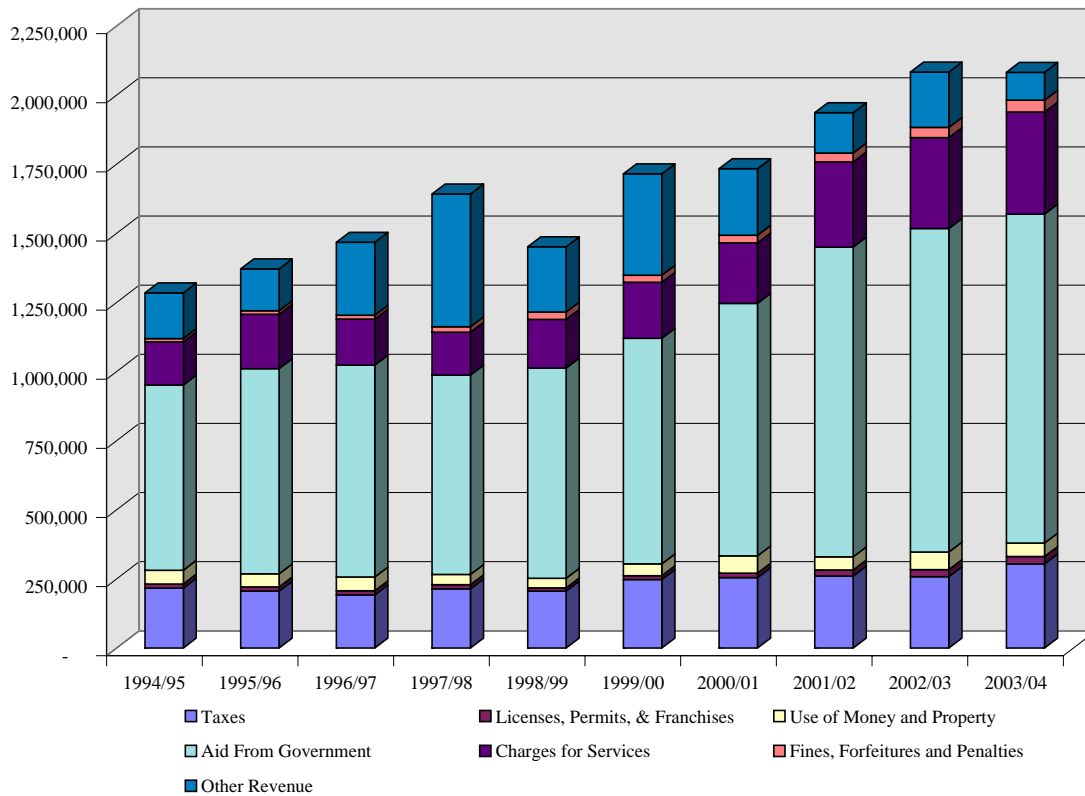


Source: Auditor-Controller, County of Riverside

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
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
2003/04	305,132	26,418	48,097	1,190,866	368,497	43,297	100,404	2,082,711

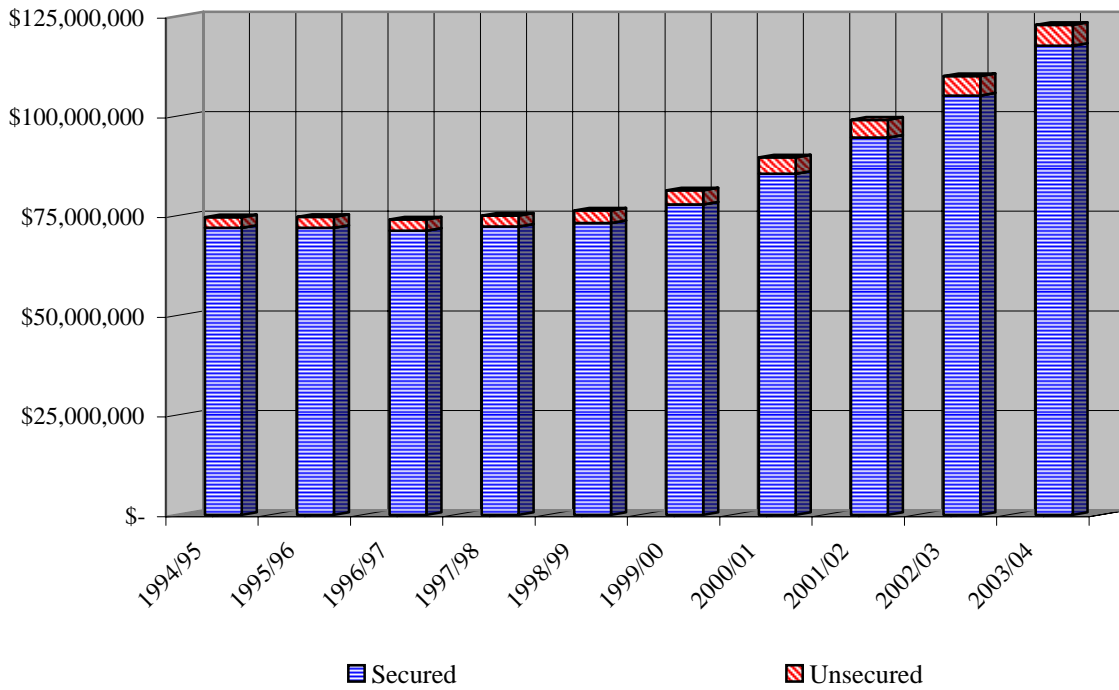


Source: Auditor-Controller, County of Riverside

**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>
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
2003/04	117,597,417	5,246,965	122,844,382



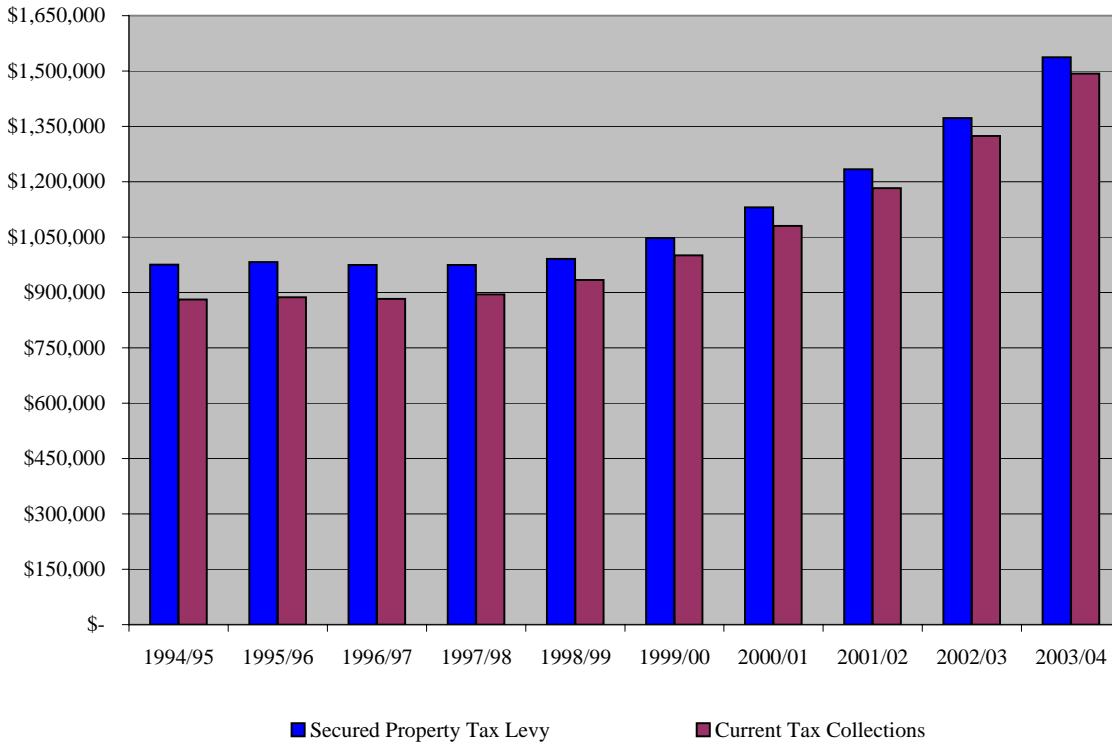
Source: Assessor-Recorder, County of Riverside

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
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
2003/04	1,536,905	1,492,922	97.14%	67,284	1,560,206	101.52%	43,983

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.

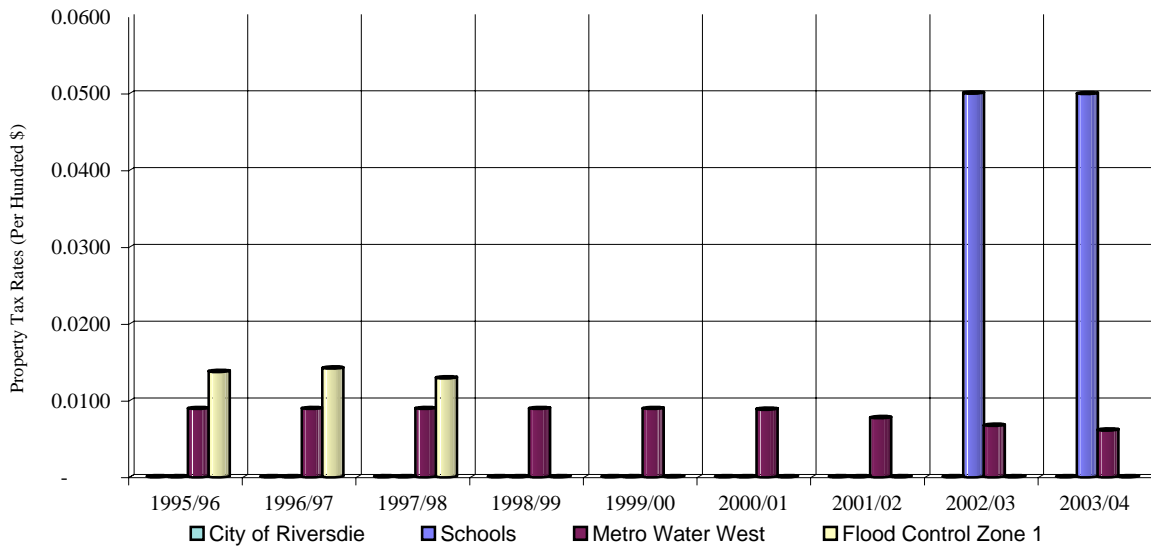


Source: Assessor-Recorder, County of Riverside

County of Riverside
Secured 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
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
2003/04	1.00000	0.00000	0.04993	0.00000	0.00610	1.05603



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
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	99,049,270	633,357	123,240 (2)	510,117	0.52%	310.04
2002/03	1,719,000 (3)	110,020,473	620,369	133,049 (2)	487,320	0.44%	283.49
2003/04	1,776,700	122,844,382	643,177	72,798 (2)	570,379	0.46%	321.03

*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, \$34,043 and \$44,323 County of Riverside Asset Leasing Corporation (CORAL) restricted assets in 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 and 2003-04 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, 2004
(Dollars In Thousands)

Table 9

Net assessed valuation, June 2003(1)	\$	120,904,584
Applicable percentage in computing capacity		1.25%
Total debt limit		1,511,307
Less indebtedness, June 30, 2004 (2)		(635,290)
Legal debt margin, June 30, 2004	\$	876,017

Notes:

- (1) Net assessed valuation does not include homeowners exemption of \$1,939,799 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.

Source: Auditor-Controller, County of Riverside

Table 10

County of Riverside
Estimated Direct and Overlapping Bonded Debt
June 30, 2004
(Dollars in Thousands)

Fiscal Year 2003-04 Assessed Valuation: \$122,844,382 (after deducting \$30,791,964 redevelopment incremental valuation; includes unitary utility valuation)

<u>DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:</u>	<u>% Applicable</u>	<u>06/30/04</u>
Riverside County	100%	\$ -
Metropolitan Water District	5.343%	23,908
Unified School Districts	2.738-100%	762,465
Perris Union High School District	100%	15,215
Other School Districts	1.497-100%	10,477
City of Corona	100%	4,705
City of Riverside	100%	20,000
Eastern Municipal Water District Improvement Districts	100%	6,990
Elsinore Valley Municipal Water District Improvement Districts No. U2	100%	2,040
Coachella County Water Districts Improvement Districts	100%	17,991
Other Special Districts	100%	14,466
Total Gross Direct And Overlapping General Obligation Bonded Debt		\$ 878,257
Less: Eastern Municipal Water District and High Valleys Water District Self-Supporting bonds		(336)
Total Net Direct And Overlapping General Obligation Bonded Debt		\$ 877,921
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	100%	\$ 643,177
Riverside County Board of Education Obligations	100%	13,160
School Districts General Fund and Lease Tax Obligations	2.738-100%	371,074
City of Corona General Fund Obligations	100%	60,985
City of Moreno Valley Certificates of Participation	100%	17,670
City of Palm Springs Certificates of Participation	100%	122,111
City of Riverside Certificates of Participation	100%	59,250
City of Riverside Pension Obligations	100%	89,540
Other City General Fund and Special Tax Obligations	100%	69,472
Rancho California Water District Financing Authority	100%	174,359
Other Water District Certificates of Participation	Various	15,969
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	10,262
Community Facilities Districts	95.313-100%	1,480,796
Riverside County 1915 Act Bonds	100%	66,335
City and Special District 1915 Act Bonds (Estimated)	100%	226,802
Total Gross Direct And Overlapping General Fund Obligation And Assessment Debt		\$ 3,420,962
Less: Riverside District Court Financing Corporation(100% self-supporting from U.S. General Services Administration)		(21,409)
Rancho California Water District Financing Authority self-supporting obligations		(135,617)
Other Special District Self-Supporting Bonds (self-supporting from enterprise revenues)		(433)
Moreno Valley Community Facilities District 87-1 (100% Self-Supporting from tax increment revenues)		(15,630)
Total Net Direct And Overlapping General Fund Obligation And Assessment Debt:		\$ 3,247,873
<u>RATIOS TO ASSESSED VALUATION:</u>		
Total Gross General Obligation Debt		0.71%
Total Net General Obligation Debt		0.71%
Combined Direct Debt (\$643,177)		0.70%
Combined Gross Debt (\$4,299,219)		4.67%
Combined Net Debt (\$4,125,795)		4.48%

(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

Table 11

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

Fiscal Year	Principal	Interest	Total Debt Service (a)	Total General Expenditures (b)	Ratio of Debt Service To General Expenditures
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%
2003/04	295	39	334	2,049,413	0.02%

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

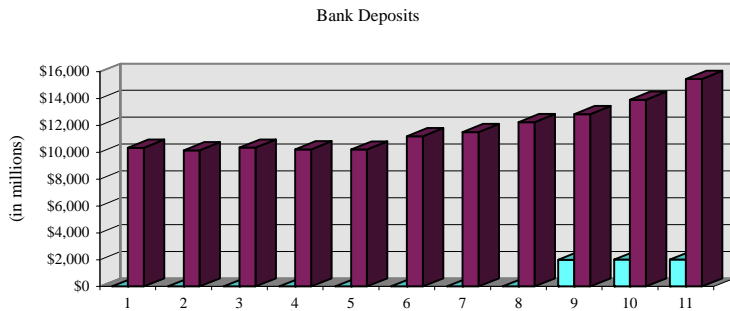
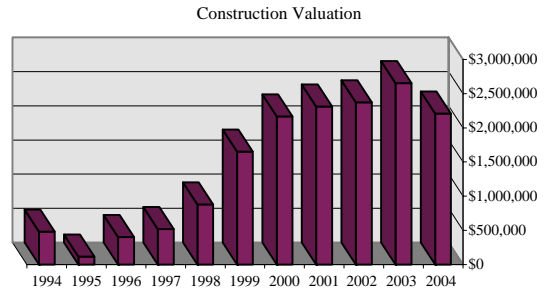
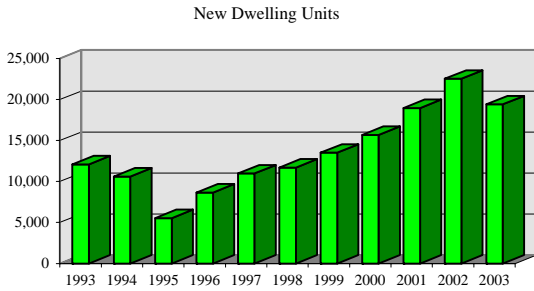
(b) Includes General, Special Revenue, Debt Service and Capital Projects funds expenditures.

Source: Auditor-Controller, County of Riverside

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
2003	17,468	1,940	1,790,731	420,048	15,459,977



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

Source: (1) Assessor-Recorder, 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)
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	24,548	333,330	5.7%
2003	1,719,000 (2)	24,814	349,607	6.2%
2004	1,776,700		(1) 364,857	5.8%

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, 2004
(Dollars in Thousands)**

Taxpayer	Type of Business	2003-04 Assessed Value	Percentage of Total Assessed Value
Southern California Edison Company	Utilities	\$ 6,911	0.45%
Verizon California Inc.	Communications	6,631	0.43%
KB Home Coastal Inc.	Real Estate Development	3,506	0.23%
Blythe Energy, LLC	Utilities	3,462	0.23%
Southern California Gas Company	Utilities	3,461	0.23%
DS Hotel	Real Estate Development	2,741	0.18%
KSL Desert Resorts, Inc.	Real Estate Development	2,554	0.17%
Pulte Home Corp	Real Estate Development	2,548	0.17%
Norco Ridge Ranch	Real Estate Development	2,391	0.16%
Tyler Mall LTD, Partnership	Retail Sales	2,185	0.14%
Centex Homes	Real Estate Development	2,169	0.14%
Starfield Sycamore Inv.	Real Estate Development	2,135	0.14%
Pacific Bell	Communications	1,987	0.13%
Starwood Mission Hills CMBS I	Real Estate Development	1,702	0.11%
Advanced Cardiovascular System Inc.	Medical Devices	1,558	0.10%
Total Assessed Valuation		<u>\$ 45,941</u>	<u>3.01%</u>

Source: Treasurer-Tax Collector, County of Riverside

County of Riverside
Miscellaneous Statistical Information
June 30, 2004

Table 15

Geographical Location: The State's fourth largest county by area. The County extends greater than 183 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: 657,836 as of August 3, 2004

Population (1):	<u>Year</u>	<u>Unincorporated</u>	<u>Incorporated</u>	<u>Total</u>
	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	458,600	1,260,400	1,719,000
	2004	477,000	1,299,700	1,776,700

Total County Employess (2):	<u>Year</u>	<u>Number of Permanent Employees</u>
	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
	2004	16,337

Sources: (1) California State Department of Finance.
(2) Auditor-Controller, County of Riverside

Table 15

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2004

Major County Employers

<u>Company</u>	<u>Location</u>	<u>Product/Service</u>	<u>Employees</u>
The County of Riverside	Countywide	Government	16,337
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: The Business Press

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2004

Table 15

County Special Districts by Type

<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

Population by City

<u>Incorporated Cities (a):</u>	<u>Population</u>	<u>Incorporated Cities (a):</u>	<u>Population</u>
Banning	27,200	Lake Elsinore	35,350
Beaumont	16,350	La Quinta	32,500
Blythe	21,950	Moreno Valley	155,100
Calimesa	7,350	Murrieta	77,700
Canyon Lake	10,650	Norco	25,500
Cathedral City	48,600	Palm Desert	44,800
Coachella	27,650	Palm Springs	44,250
Corona	141,800	Perris	41,300
Desert Hot Springs	17,700	Rancho Mirage	15,500
Hemet	63,800	Riverside	277,000
Indian Wells	4,430	San Jacinto	26,700
Indio	59,100	Temecula	77,500

Sources: (a) State Department of Finance



(This Page Intentionally Left Blank)