NEW ISSUE—BOOK-ENTRY ONLY **RATING: S&P: "AA-"**
(See "RATING" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$46,970,000
RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, (RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A

Dated: Date of Delivery **Due: November 1, as shown on inside cover**

The Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, (Riverside County Indio Law Building), Series 2017A (the "Bonds") are payable from Revenues consisting primarily of base rental payments (the "Base Rental Payments") to be made by the County of Riverside (the "County") for the right to use certain real property consisting of the County's Law Building, located in Indio, California (the "Leased Property"), pursuant to a Facility Lease, dated as of December 1, 2017 (the "Facility Lease"), by and between the County, as lessee, and the Riverside County Infrastructure Financing Authority (the "Authority"), as lessor. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The Bonds are being issued to provide funds to (i) refund the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the "Prior Bonds"), and (ii) pay the costs incurred in connection with the issuance of the Bonds. See "THE REFUNDING PLAN." The County has covenanted under the Facility Lease to make all Base Rental Payments provided for therein, to include all such payments in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Leased Property, or any defects in title to the Leased Property, there is substantial interference with the County's right to use and occupy any portion of the Leased Property. See "RISK FACTORS—Abatement."

The Authority is neither establishing nor funding a debt service reserve with respect to the Bonds.

The Bonds will be issued pursuant to an Indenture, dated as of December 1, 2017 (the "Indenture") by and among the County, the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2018. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption."

The Bonds are limited obligations of the Authority, payable solely from Base Rental Payments paid by the County pursuant to the Facility Lease and the other assets pledged therefor under the Indenture. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority has no taxing power.

The obligation of the County to make Base Rental Payments and to pay Additional Rent does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation to make Rental Payments and to pay Additional Rent constitutes an indebtedness of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is acting as Disclosure Counsel to the County. Certain legal matters will be passed upon for the County and the Authority by the County Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about December 14, 2017.

RAYMOND JAMES®

Dated: November 21, 2017

MATURITY SCHEDULE

$46,970,000
RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS,
(RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A

Maturity Date (November 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP*** [†]
2018	$1,265,000	3.00%	1.20%	101.571	76913DBP1
2019	1,050,000	4.00	1.35	104.903	76913DBQ9
2020	1,095,000	4.00	1.44	107.196	76913DBR7
2021	1,135,000	4.00	1.54	109.230	76913DBS5
2022	1,180,000	4.00	1.68	110.826	76913DBT3
2023	1,225,000	4.00	1.80	112.222	76913DBU0
2024	1,280,000	4.00	1.91	113.413	76913DBV8
2025	1,330,000	4.00	2.03	114.278	76913DBW6
2026	1,380,000	4.00	2.15	114.881	76913DBX4
2027	1,435,000	4.00	2.26	115.328	76913DBY2
2028	1,490,000	4.00	2.45	113.526 [c]	76913DBZ9
2029	1,550,000	4.00	2.62	111.942 [c]	76913DCA3
2030	1,615,000	4.00	2.75	110.748 [c]	76913DCB1
2031	1,680,000	4.00	2.85	109.839 [c]	76913DCC9
2032	1,750,000	4.00	2.95	108.940 [c]	76913DCD7
2033	1,820,000	3.00	3.21	97.401	76913DCE5
2034	1,875,000	3.00	3.28	96.390	76913DCF2
2035	1,930,000	4.00	3.21	106.640 [c]	76913DCG0
2036	2,010,000	4.00	3.25	106.292 [c]	76913DCH8
2037	1,000,000	4.00	3.28	106.031 [c]	76913DCJ4
2037	1,085,000	3.25	3.40	97.842	76913DCM7

$6,700,000 3.25% Term Bonds Due November 1, 2040, Yield 3.48% Price 96.389 CUSIP [†] No. 76913DCK1
$10,090,000 4.00% Term Bonds Due November 1, 2044, Yield 3.42% Price 104.825 [c] CUSIP [†] No. 76913DCL9

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[c] *Priced to first optional call date of November 1, 2027, at par.*

[†] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the County, the Underwriter or the Municipal Advisor guarantee the accuracy of the CUSIP data.*

COUNTY OF RIVERSIDE

County Executive Office
4th Floor
4080 Lemon Street
Riverside, California 92501

Board of Supervisors and Authority Board

John F. Tavaglione, Second District, Chairman
Chuck Washington, Third District, Vice Chairman
Kevin Jeffries, First District
V. Manuel Perez, Fourth District
Marion Ashley, Fifth District

County Officials

George Johnson, County Executive Officer
Jon Christensen, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Peter Aldana, Assessor-County Clerk-Recorder
Gregory P. Priamos, County Counsel
Don Kent, Finance Director

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

C.M. de Crinis & Co., Inc.
Glendale, California

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the County or the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “RISK FACTORS” and in APPENDIX A – “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The County maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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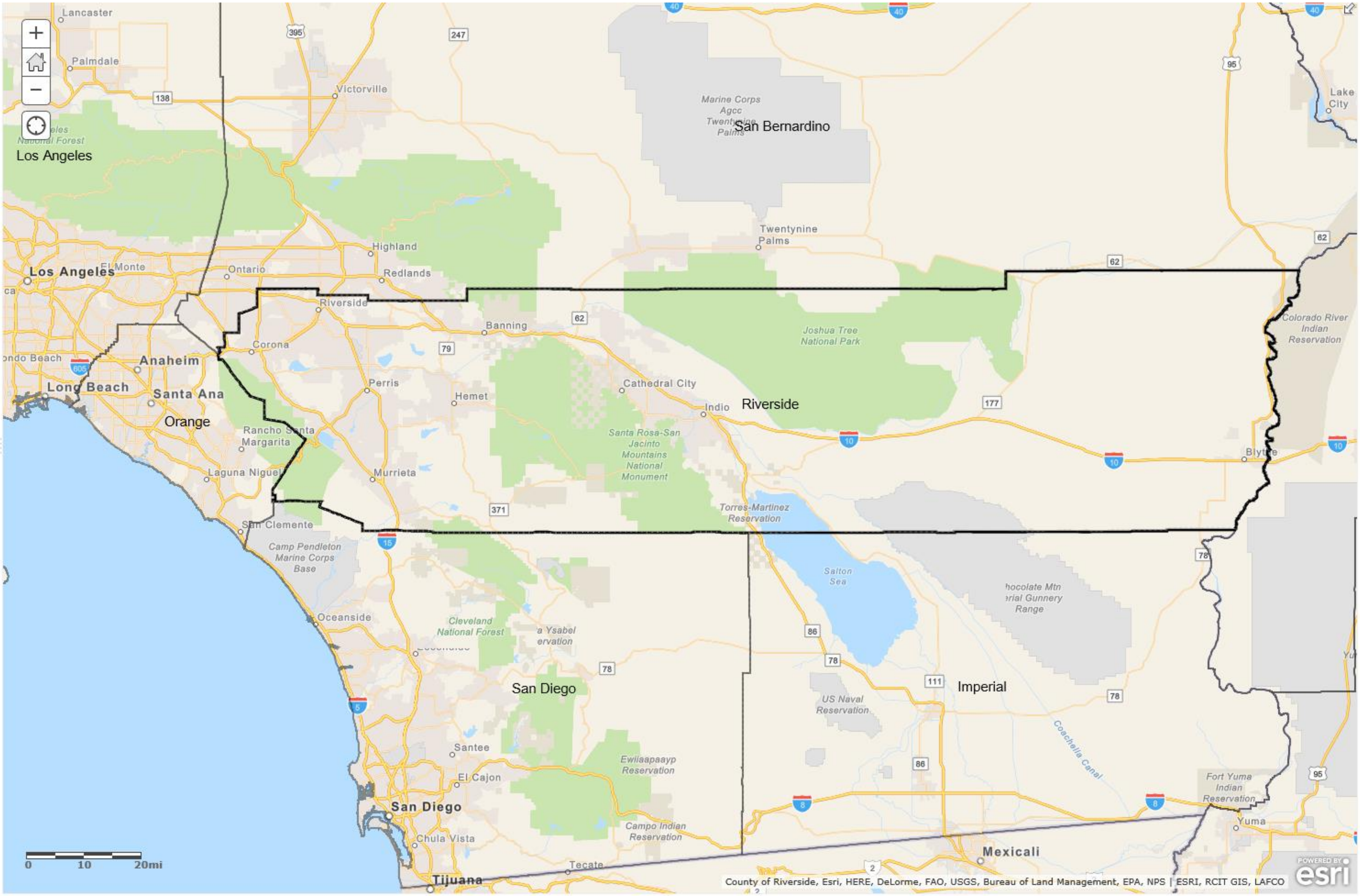

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OFFICIAL STATEMENT

$46,970,000
RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS,
(RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A

INTRODUCTION

General. This Official Statement (which includes the cover page and the appendices hereto) (the "Official Statement"), provides certain information concerning the sale and delivery of the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Bonds").

The net proceeds of the sale of the Bonds will be used to (i) refund the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the "Prior Bonds") currently outstanding in the aggregate principal amount of $42,980,000, and (ii) pay the costs incurred in connection with the issuance of the Bonds.

The Bonds will be issued pursuant to an Indenture, dated as of December 1, 2017 (the "Indenture"), by and among the Riverside County Infrastructure Financing Authority (the "Authority"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). Under the Indenture, the Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments (the "Base Rental Payments") to be made by the County for the right to use certain real property including the County's Law Building located in Indio, California (the "Leased Property") pursuant to a Facility Lease, dated as of December 1, 2017 (the "Facility Lease"), by and between the County, as lessee, and the Authority, as lessor. See "THE LEASED PROPERTY."

Pursuant to the Indenture, the Authority may not issue additional bonds payable from amounts due under the Facility Lease except as described under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds."

Pursuant to a Site Lease, dated as of December 1, 2017 (the "Site Lease"), by and between the County and the Authority, the County has leased the Leased Property to the Authority. The Authority has subleased the Leased Property to the County under the Facility Lease. The Facility Lease obligates the County to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of December 1, 2017, pursuant to which the Authority has assigned to the Trustee for the benefit of the Owners substantially all of the Authority's right, title and interest in and to the Site Lease and the Facility Lease, including its right to receive the Base Rental Payments due under the Facility Lease and to enforce any remedies in the event of a default by the County.

The County will covenant under the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments (which include taxes and assessments affecting the Leased Property, administrative costs of the Authority relating to the Leased Property, fees and expenses of the Trustee and other amounts payable under the Facility Lease) due under the Facility Lease in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the County's right to use and occupy the Leased Property or any portion thereof. See "RISK FACTORS — Abatement." Abatement of Base Rental Payments under the Facility Lease, to the extent that payment is not made from alternative sources as set forth below, would result in all

Owners receiving less than the full amount of principal of and interest on the Bonds. The Base Rental Payments (or a portion thereof) are not subject to abatement if and to the extent that net proceeds of rental interruption insurance are available therefor.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS PAID BY THE COUNTY PURSUANT TO THE FACILITY LEASE AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES AND OTHER MONEYS AND ASSETS RECEIVED BY THE TRUSTEE PURSUANT TO THE FACILITY LEASE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE COUNTY), NOR THE FAITH AND CREDIT OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR INTEREST ON THE BONDS. THE AUTHORITY SHALL NOT BE LIABLE FOR ANY COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, OF ANY CONCEIVABLE KIND ON ANY CONCEIVABLE THEORY, UNDER OR BY REASON OF OR IN CONNECTION WITH THE SITE LEASE, THE FACILITY LEASE, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE COUNTY UNDER THE FACILITY LEASE. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The Authority is neither establishing nor funding a debt service reserve for the Bonds.

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the continuing disclosure certificate pursuant to which such reports are to be made.

U.S. Bank National Association will act as Trustee with respect to the Bonds. The Bonds will be issued subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County and the Authority by the County Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. The County's financial statements for the fiscal year ended June 30, 2016 included as Appendix C hereto have been audited by Brown Armstrong Accountancy Corporation, Bakersfield, California (the "Auditor"). See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016" herein. The County's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the County.

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2017-18, is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See Appendix A for financial and operating information related to the County.

The summaries or references to the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Facility Lease shall have the meanings set forth therein, some of which are summarized in APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE BONDS

General

The Bonds shall be issued in fully registered form without coupons (but for the split maturities with separate interest rates) in denominations of $5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Bonds will be paid semiannually on May 1 and November 1 (each, an "Interest Payment Date") of each year, commencing May 1, 2018.

Each Bond will bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication is (i) prior to the close of business on April 15, 2018, in which case such Bond will bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Bond will bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Bond will bear interest from such date of authentication; *provided, however,* that if, as shown by the records of the Trustee, interest is in default, each Bond will bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. Interest will be paid in lawful money of the United States on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. The Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS — Book-Entry Only System."

Redemption

Optional Redemption. The Bonds maturing on November 1, 2033, 2034 and 2040, and the Bonds maturing on November 1, 2037 and bearing interest at 3.25% per annum, are subject to optional redemption prior to maturity on or after November 1, 2025 at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

The Bonds maturing on November 1, 2028 through and including November 1, 2032, the Bonds maturing on November 1, 2035, 2036 and 2044, and the Bonds maturing on November 1, 2037 and bearing interest at 4.00% per annum, are subject to optional redemption prior to maturity on or after November 1, 2027 at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of such Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption. The Bonds maturing on November 1, 2040 (the "2040 Term Bonds") are subject to mandatory redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor shall be as follows:

Redemption Date (November 1)	Redemption Amount
2038	$2,165,000
2039	2,230,000
2040*	2,305,000

* maturity date

The Bonds maturing on November 1, 2044 (the "2044 Term Bonds") are subject to mandatory redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor shall be as follows:

Redemption Date (November 1)	Redemption Amount
2041	$2,375,000
2042	2,470,000
2043	2,570,000
2044*	2,675,000

* maturity date

Extraordinary Redemption. The Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Bonds plus accrued interest thereon to the date fixed for redemption, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Application of Insurance Proceeds and Condemnation Awards Fund."

Notice of Redemption. So long as DTC is acting as securities depository for the Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners, as defined in the Indenture, of any Bonds designated for redemption) at least 30 but not more than 60 days prior to the date fixed for redemption. The Trustee will also provide such additional notice of redemption of Bonds at the time and as may be required by the MSRB. Each notice of redemption will state the date of such notice, the Bonds to be redeemed, the Series and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive interest rate and/or certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that optional redemption may be rescinded by the County and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice described above to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed will not affect the sufficiency of the proceedings for redemption.

With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed will be deemed to have been paid within the meaning and with the effect of the Indenture, such notice may state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys will not have been so received said notice will be of no force and effect and the County will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made.

The County will have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee will authenticate and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as aforesaid and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption will become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Bonds so called for redemption will cease to accrue, such Bonds will cease to be entitled to any benefit or security under the Indenture and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee will, upon surrender for payment of any of the Bonds to be redeemed, pay such Bonds at the redemption price thereof.

All Bonds redeemed as provided in the Indenture will be canceled by the Trustee and will not be redelivered.

Book-Entry Only System

General. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity (and related interest rate in the case of split maturities) of the Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F — "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book- entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Designated Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond is overdue, and the Trustee will not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability evidenced by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds is surrendered for transfer, the Trustee will execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Designated Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor will the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" is defined in the Indenture to mean:

(a) all Base Rental Payments pursuant to the Facility Lease, and

(b) all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Facility Lease, including its right to receive Base Rental Payments for the purpose of securing the payment of debt service on the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS PAID BY THE COUNTY PURSUANT TO THE FACILITY LEASE AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES AND OTHER MONEYS AND ASSETS RECEIVED BY THE TRUSTEE PURSUANT TO THE FACILITY LEASE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE COUNTY), NOR THE FAITH AND CREDIT OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR INTEREST ON THE BONDS. THE AUTHORITY SHALL NOT BE LIABLE FOR ANY COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, OF ANY CONCEIVABLE KIND ON ANY CONCEIVABLE THEORY, UNDER OR BY REASON OF OR IN CONNECTION WITH THE SITE LEASE, THE FACILITY LEASE, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE COUNTY UNDER THE FACILITY LEASE. THE AUTHORITY HAS NO TAXING POWER.

Base Rental Payments; Covenant to Appropriate

The County covenants under the Facility Lease to make Base Rental Payments as rental for the right to use and occupy the Leased Property under the Facility Lease. Amounts of the scheduled Base Rental Payments are calculated to be sufficient to pay debt service on the Bonds when due. Base Rental Payments will be paid by the County semiannually to the Trustee by the fifteenth day of the month preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Base Rental Payments in the Revenue Fund for the purposes of paying principal of and interest on the Bonds.

The County covenants under the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments.

Under certain circumstances described in the Facility Lease, however, Base Rental Payments are subject to abatement during periods of substantial interference with the County's use and occupancy of all or a portion of the Leased Property, as described in "— Abatement" below.

Scheduled Base Rental Payments relating to the Bonds are set forth below under the heading "BASE RENTAL PAYMENT SCHEDULE."

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Payments

For the right to use and occupy the Leased Property, the Facility Lease requires the County to pay in each year, as Additional Payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated thereby but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County's expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee,

(b) all reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in the Indenture, as and when the same become due and payable,

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Facility Lease, the Site Lease or the Indenture, and

(d) the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of the Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted therein, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein. Any abatement of rental payments pursuant to the Facility Lease shall not be considered an Event of Default as defined therein. The County will waive the right to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Substitution or Removal of Leased Property

The Authority and the County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

The Facility Lease provides that no Substitution or Removal thereunder shall take place until the County delivers the following to the Authority and the Trustee:

(a) a Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(b) a Certificate of the County: (i) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; (ii) stating with respect to any substitution of property only that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Leased Property for which it is being substituted; and (iii) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(c) an Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(d) (i) in the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds and any Additional Bonds, and (ii) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(e) in the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (d) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(f) an Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(g) evidence that the County has complied with the covenants contained in the Facility Lease with respect to the Substituted Property.

Action on Default

If the County fails to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required under the Facility Lease (subject to abatement thereunder) or upon the happening of any other of the Events of Default specified in the Facility Lease, the Authority at its option may terminate the Facility Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Facility Lease by the Authority at its option and in the manner provided in the Facility Lease on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees under the Facility Lease to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Authority from the Leased Property.

Under the terms of the Facility Lease, if the Authority does not elect to terminate the Facility Lease in the manner described above, the County will remain liable for the payment of all Base Rental Payments and the performance of all conditions under the Facility Lease and will reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of the Facility Lease, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided for the payment of Base Rental Payments under the Facility Lease, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of obtaining possession of the Leased Property or exercise of any other remedy by the Authority. The County will irrevocably appoint the Authority as the agent and attorney-in-fact of the County to obtain possession and re-lease the Leased Property in the event of default by the County in the performance of any covenants contained in the Facility Lease to be performed by the County and to remove all personal property whatsoever situated upon the Leased Property and to place such property in storage or other suitable place in the County, for the account of and at the expense of the County, and the County will exempt and agree to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. The County further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and will convey and release such excess to the Authority as compensation to the Authority for its service in re-leasing the Leased Property.

Additionally, the Trustee may pursue remedies at law or in equity to enforce the Facility Lease.

In the event of a default, notwithstanding anything in the Facility Lease or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable.

See "RISK FACTORS — Limited Recourse on Default; No Acceleration of Lease" and APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — FACILITY LEASE — Default."

Although the Facility Lease and Indenture provide that the Trustee, as assignee of the Authority, may take possession of the Leased Property if there is a default by the County, and the Facility Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and, even if recovered, could be of little value to others. There can be no assurance that the Leased Property can be re-let for an amount equal to all outstanding Base Rental Payments. Due to the essential nature of the governmental functions of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting. In addition, the remedy of repossession and re-letting may prove to be unavailable or not economically viable with respect to all or portions of the Leased Property because the Authority has only a leasehold or other possessory right to some of the Lease Property. Therefore, repossession of the Leased Property in such instances may not be an available remedy. In addition, assuming the Leased Property could be repossessed, it may prove functionally impossible to re-lease.

Additional Bonds

The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from a portion of the Revenues and/or additional Revenues subject to the terms below. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of the Indenture and subject to the following specific conditions, which are conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; provided that (i) each maturity date shall fall upon November 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(c) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(d) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(e) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds. For additional information regarding the requirements for the issuance of Additional Bonds, see APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — INDENTURE — Proceedings for Authorization of Additional Bonds."

No Reserve Fund

The Authority has not established nor funded a debt service reserve fund in connection with the issuance of the Bonds.

Insurance

The Facility Lease requires the County to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility the coverage on the Leased Property set forth below:

(a) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which will be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, any other property that is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations will have been issued or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease; *provided* that the amount of coverage required may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County that may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (a) and that may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (a) may provide that amounts payable as coverage for rental interruption under this paragraph (a) may be reduced by amounts payable under paragraph (c) below for the same occurrence, and vice versa. The County currently holds a blanket earthquake insurance policy covering, subject to policy limits and insured amounts, all County-owned buildings, including the Leased Property; however, the County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. See “RISK FACTORS - Seismic Events; Force Majeure.” The County’s obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease.

(b) In the event that such coverage is not included in paragraph (a) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County’s maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County that may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County that may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (b) may provide that amounts payable as coverage for rental interruption under this paragraph (b) may be reduced by amounts payable under paragraph (c) below for the same occurrence, and vice versa. The County’s obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease.

(c) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (a) or (b) above, as the case may be, in an amount sufficient at all times to pay the maximum total rent payable under the Facility Lease for a period of not less than two consecutive years’ Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (a) or (b) above without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (c) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (a) or (b) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (c) may provide that amounts payable as coverage under this paragraph (c) may be reduced by amounts payable for rental interruption under paragraph (a) or (b) above, as the case may be, for the same occurrence, and vice versa. The County’s obligations under this paragraph may NOT be satisfied by self-insurance.

The County will collect, adjust and receive all moneys that may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and will transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture.

Any insurance policy issued pursuant to paragraph (a) or (b) above will be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear, and the net proceeds of such insurance applied as provided in the Facility Lease including by deposit to the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (c) above will be payable to the Trustee and deposited into the Revenue Fund. Each insurance policy described above will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

See APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — FACILITY LEASE — Insurance."

The County is required under the Facility Lease to provide a CLTA title insurance policy for the Leased Property, in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease, insuring the County's leasehold estate in the Leased Property under the Facility Lease, subject only to Permitted Encumbrances.

Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property will be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, upon written request of the County such proceeds shall be deposited first in the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee will, upon written request of the County, immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Facility Lease.

Application of Insurance Proceeds and Condemnation Awards Fund

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in the Insurance Proceeds and Condemnation Awards Fund. The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; provided, that if the County elects to so redeem the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision of the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

See the caption "THE BONDS-Redemption—Extraordinary Redemption" for a description of the redemption provisions applicable in the event that such insurance and condemnation proceeds are used to redeem the Bonds.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Bonds are shown below.

Sources		
Principal Amount of Bonds	$	46,970,000.00
Net Original Issue Premium		2,622,672.95
Prior Bonds Capital Repair Fund		155,000.00
Prior Bonds Revenue Fund		1,404,654.16
Prior Bonds Principal Fund		347,404.06
Total Sources	$	51,499,731.17
Uses		
Escrow Fund for Prior Bonds	$	50,759,574.51
Capital Repair Fund[(1)]		155,000.00
Cost of Issuance Fund[(2)]		585,156.66
Total Uses	$	51,499,731.17

(1) Includes funds transferred from Capital Repair Fund held with respect to the Prior Bonds. Pursuant to the Indenture, such funds will be used for capital facilities costs of the County. See APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — THE INDENTURE — Proceeds of Bonds — Capital Repair Fund."

(2) Includes legal, municipal advisory, rating agency, Underwriter's Discount, Verification Agent, printing fees and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

The following is the schedule of Base Rental Payments due with respect to the Bonds:

Interest Payment Date	*Principal*	*Interest*	*Total Base Rental Payment*[(1)]
5/1/2018	$ --	$ 673,892.53	$ 673,892.53
11/1/2018	1,265,000.00	885,406.25	2,150,406.25
5/1/2019	--	866,431.25	866,431.25
11/1/2019	1,050,000.00	866,431.25	1,916,431.25
5/1/2020	--	845,431.25	845,431.25
11/1/2020	1,095,000.00	845,431.25	1,940,431.25
5/1/2021	--	823,531.25	823,531.25
11/1/2021	1,135,000.00	823,531.25	1,958,531.25
5/1/2022	--	800,831.25	800,831.25
11/1/2022	1,180,000.00	800,831.25	1,980,831.25
5/1/2023	--	777,231.25	777,231.25
11/1/2023	1,225,000.00	777,231.25	2,002,231.25
5/1/2024	--	752,731.25	752,731.25
11/1/2024	1,280,000.00	752,731.25	2,032,731.25
5/1/2025	--	727,131.25	727,131.25
11/1/2025	1,330,000.00	727,131.25	2,057,131.25
5/1/2026	--	700,531.25	700,531.25
11/1/2026	1,380,000.00	700,531.25	2,080,531.25
5/1/2027	--	672,931.25	672,931.25
11/1/2027	1,435,000.00	672,931.25	2,107,931.25
5/1/2028	--	644,231.25	644,231.25
11/1/2028	1,490,000.00	644,231.25	2,134,231.25
5/1/2029	--	614,431.25	614,431.25
11/1/2029	1,550,000.00	614,431.25	2,164,431.25
5/1/2030	--	583,431.25	583,431.25
11/1/2030	1,615,000.00	583,431.25	2,198,431.25
5/1/2031	--	551,131.25	551,131.25
11/1/2031	1,680,000.00	551,131.25	2,231,131.25
5/1/2032	--	517,531.25	517,531.25
11/1/2032	1,750,000.00	517,531.25	2,267,531.25
5/1/2033	--	482,531.25	482,531.25
11/1/2033	1,820,000.00	482,531.25	2,302,531.25
5/1/2034	--	455,231.25	455,231.25
11/1/2034	1,875,000.00	455,231.25	2,330,231.25
5/1/2035	--	427,106.25	427,106.25
11/1/2035	1,930,000.00	427,106.25	2,357,106.25
5/1/2036	--	388,506.25	388,506.25
11/1/2036	2,010,000.00	388,506.25	2,398,506.25
5/1/2037	--	348,306.25	348,306.25
11/1/2037	2,085,000.00	348,306.25	2,433,306.25
5/1/2038	--	310,675.00	310,675.00
11/1/2038	2,165,000.00	310,675.00	2,475,675.00
5/1/2039	--	275,493.75	275,493.75
11/1/2039	2,230,000.00	275,493.75	2,505,493.75
5/1/2040	--	239,256.25	239,256.25
11/1/2040	2,305,000.00	239,256.25	2,544,256.25
5/1/2041	--	201,800.00	201,800.00
11/1/2041	2,375,000.00	201,800.00	2,576,800.00
5/1/2042	--	154,300.00	154,300.00
11/1/2042	2,470,000.00	154,300.00	2,624,300.00
5/1/2043	--	104,900.00	104,900.00
11/1/2043	2,570,000.00	104,900.00	2,674,900.00
5/1/2044	--	53,500.00	53,500.00
11/1/2044	2,675,000.00	53,500.00	2,728,500.00
Total	$ 46,970,000.00	$ 28,197,586.28	$ 75,167,586.28

(1) Due on the 15th day of the month preceding each Interest Payment Date.

THE REFUNDING PLAN

General

Pursuant to the Indenture, the Authority will deliver a portion of the proceeds of the Bonds to the Trustee to be applied to exercise the County's purchase option with respect to the County Law Building and related facilities which were financed with net proceeds of the Prior Bonds with the transfer of such proceeds to The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the "Escrow Agent"), for deposit in an escrow fund (the "Escrow Fund") established under the Escrow Agreement, dated as of December 1, 2017, by and between the County and the Escrow Agent (the "Escrow Agreement"). Proceeds of the Bonds and other moneys held in the Escrow Fund to redeem the Prior Bonds will be invested, in substantial part, in United States Treasury Obligations or other non-prepayable obligations fully and unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America and used to: (i) make the payments of principal of and interest on the Prior Bonds due on and prior to October 15, 2023, and (ii) redeem the then outstanding Prior Bonds on October 15, 2023 at a redemption price equal to the principal amount of the Prior Bonds being redeemed, together with accrued interest to the redemption date, without premium. Amounts in the Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal of, and the interest and premium due on, the Prior Bonds, and will not be available for payment on the Bonds.

A list of the Prior Bonds is set forth below set forth below:

PRIOR BONDS
Riverside Community Properties Development, Inc.
Lease Revenue Bonds, 2013
(Riverside County Law Building Project)

Principal Payment Date (October 15)	***CUSIP†***	***Principal Amount***	***Redemption Date***	***Redemption Price (% of Par Amount)***
2018	768870AC1	$ 740,000	N/A	N/A
2019	768870AD9	780,000	N/A	N/A
2020	768870AE7	820,000	N/A	N/A
2021	768870AF4	860,000	N/A	N/A
2022	768870AG2	900,000	N/A	N/A
2023	768870AH0	945,000	N/A	N/A
2024	768870AJ6	995,000	October 15, 2023	100%
2025	768870AK3	1,050,000	October 15, 2023	100
2026	768870AL1	1,105,000	October 15, 2023	100
2027	768870AM9	1,170,000	October 15, 2023	100
2032	768870AQ0	6,865,000	October 15, 2023	100
2038	768870AN7	11,150,000	October 15, 2023	100
2044	768870AP2	15,600,000	October 15, 2023	100

Verification

Upon issuance of the Bonds, Causey Demgen & Moore P.C., as verification agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to: (a) the adequacy of amounts in the Escrow Fund to pay when due

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all debt service on the Prior Bonds on and prior to the redemption thereof and to pay the redemption price of the Prior Bonds on October 15, 2023; and (b) the computations of yield of the Bonds which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

THE LEASED PROPERTY

The Leased Property consists of the County-owned site located at the southwest corner of Highway 111 and Jackson Street in the central business district of the City of Indio, Riverside County, including the County Law Building, located at 82-995 Hwy 111 in Indio, California 92201, related improvements and the parking lot located on the site. The County Law Building currently provides offices of the District Attorney, Public Defender, and County Counsel. Staff members of such offices also work within the County's East County Detention Center in Indio (which is not part of the Leased Property). The County Law Building also includes a law library. The Leased Property includes the following:

County Law Building. A three-story, 90,000-square-foot facility providing offices for the District Attorney, Public Defender, County Counsel and the Indio branch of the Riverside County Law Library including a main lobby, conference rooms, training rooms, offices, office services facilities, sally port, and elevators for the three stories. The County Law Building was completed in 2015. Costs of construction were approximately $30,971,415.

Parking Lot. A surface parking lot with approximately 369 parking stalls will provide parking for occupants of the County Law Building as well as the general public. The parking lot was completed in 2015. Costs of construction were approximately $4,306,401.

The County Law Building is the first County facility to receive a Leadership in Energy and Environmental Design ("LEED") Platinum certification.

The County Law Building is part of a larger criminal justice complex including the new East County Detention Center expansion, which is not part of the Leased Property.

The County will certify that the annual fair rental value of the Leased Property exceeds the Lease Payments due under the Lease.

The County has the right to substitute or release all or portion of the Leased Property subject to certain conditions precedent. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Substitution or Removal of Leased Property."

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Joint Exercise of Powers Agreement, dated as of September 15, 2015 (the "JPA Agreement"), by and between the County and the Riverside County Flood Control and Water Conservation District, to assist in financing public capital improvements undertaken by either member. The Board of Supervisors of the County serves as the Board of Directors of the Authority.

THE COUNTY

General

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,384,783 as of January 1, 2017, reflecting an approximately 1.6% increase over January 1, 2016. The County's adopted Fiscal Year 2017-18 budget for the General Fund totals approximately $3.2 billion.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five member Board of Supervisors (the "Board"), elected by district to serve staggered four year terms. The Chair of the Board is elected annually by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the desert areas. The western portion of the County, which includes the San Jacinto Mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" for a more detailed description of the County.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks. Additionally, potential investors should be aware of the possibility that other considerations could materialize in the future.

General Considerations – Security for the Bonds

The Bonds are special obligations of the Authority, payable solely from Revenues and other funds pledged under the Indenture. Revenues consist primarily of Base Rental Payments to be made by the County under the Facility Lease. If, for any reason, the Revenues collected under the Indenture are, for any reason, insufficient to pay debt service on the Bonds, neither the Authority nor the County will be obligated to utilize any of their funds, other than amounts available under the Indenture, to pay debt service on the Bonds.

Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority has no taxing power.

The obligation of the County to make the Base Rental Payments does not constitute a debt of the County or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay the Base Rental Payments and Additional Payments from any source of legally available funds, and the County has covenanted in the Facility Lease that it will take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The County is currently liable and may become liable on other obligations payable from general revenues.

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Base Rental Payments and other payments due under the Facility Lease. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. However, the County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIIIB of the State Constitution."

Abatement

In the event of substantial interference with the County's right to use and occupy any portion of the Leased Property by reason of damage to, or destruction or condemnation of the Leased Property, or any defects in title to the Leased Property, Base Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Abatement." In the event that such portion of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that title and casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not established nor funded a debt service reserve fund for the Bonds.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Facility Lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of the issuance and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Leased Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds and title insurance, if any, are insufficient to make all payments of principal and interest on the Bonds during the period that the Leased Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facility Lease and the Indenture, no remedy is available to the Owners for nonpayment under such circumstances.

No Reserve Fund

The Authority has neither established nor funded a debt service reserve fund for the Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefor property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the County. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the County be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. The County is not aware of any hazardous substances located on the Leased Property.

Substitution or Removal of Leased Property

The Authority and the County may amend the Facility Lease to substitute alternate real property for any portion of or to release a portion of the Leased Property from the Facility Lease, upon compliance with all of the conditions set forth in the Facility Lease. After a substitution or release, the portion of the Leased Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Substitution or Removal of Leased Property."

The Facility Lease requires, among other things, that the Leased Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum annual Base Rental Payments payable under the Facility Lease and attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal. Thus, a portion of the Leased Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Substitution or Removal of Leased Property."

Limited Recourse on Default; No Acceleration of Lease

Failure by the County to make Base Rental Payments or other payments required to be made under the Facility Lease, failure to observe and perform certain other terms, covenants or conditions contained in the Facility Lease or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the County by the Authority or the Trustee, or the filing of a bankruptcy or similar action by the County, constitute events of default under the Facility Lease and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Facility Lease or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Leased Property except as described in the Facility Lease.

The enforcement of any remedies provided in the Facility Lease and the Indenture could prove both expensive and time consuming. If the County defaults on its obligation to make Base Rental Payments with respect to the Leased Property, the Trustee, as assignee of the Authority, may retain the Facility Lease and hold the County liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Facility Lease to be kept or performed by the County.

Alternatively, the Authority or the Trustee may terminate the Facility Lease, retake possession of the Leased Property and proceed against the County to recover damages pursuant to the Facility Lease. Due to the specialized nature of the Leased Property or any property substituted therefor pursuant to the Facility Lease and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Bonds when due, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Bonds. Any suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on the enforcement of judgment against funds of a fiscal year other than the fiscal year in which Base Rental Payments were due and a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — FACILITY LEASE —Default."

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the County may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the County is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

Recent bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds in the event the County files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners will not recover their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Possible Insufficiency of Insurance Proceeds

The Facility Lease obligates the County to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Leased Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the County make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Facility Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Bonds when due. In addition, insurance coverage for certain risks, such as earthquakes, is not required under the Facility Lease, and therefore, may not carried by the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Insurance."

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds will be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations).

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Authority or the County in violation of its covenants in the Indenture and the Facility Lease. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Seismic Events; Force Majeure

The areas in and surrounding the Leased Property, like those in much of California, are subject to unpredictable seismic activity. The County has numerous seismically active faults, several of which are in relatively close proximity to the Leased Property, including the San Andreas and San Jacinto Faults. While the County is not aware of the Leased Property having sustained material damage from earthquakes since its construction was completed, a major earthquake could cause significant damage to the Leased Property.

Further, the County is under no obligation under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property. The County currently holds a blanket earthquake insurance policy covering, subject to policy limits and insured amounts, all County-owned buildings, including the Leased Property; however, there can be no assurance that such earthquake insurance will be maintained by the County or provide funds sufficient to repair or replace portions of the Leased

Property so damaged or destroyed as a result of an insured event. If there is no earthquake insurance on the Leased Property, but the Leased Property is damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement." No rental interruption insurance will be available in the event of abatement of Base Rental Payments due to loss or damage caused by earthquake.

The County's use and possession of the Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods and fires, among other events. See the caption "— Wildfires and Flooding." The County cannot predict what force majeure events may occur in the future.

Wildfires and Flooding

The County is exposed to a variety of wildfire hazard conditions ranging from low levels of risk along the eastern portions of the County, which is primarily desert and sparsely populated, to higher hazards in the western portion of the County, which is more urban and densely populated. Fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated mainly as having a ''Very High Hazard" and "High Hazard." The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is fewer.

The State, particularly Southern California, is periodically subject to wildfires. As a result of climate change, some reports have forecast an increase in the risk of large, damaging wildfires over the next several decades. Further, the impact of recent wildfires have been more extreme as a result of a fuel mix that has resulted from years of drought yielding dry mature vegetation and more recent regular rainfall yielding increased grasses and the like. When wildfires scorch Southern California hillside areas, there is the potential to destroy all or nearly all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there may be little or nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rainwater from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (a "NSFHA"). A NSFHA is an area that is in a low- to moderate-risk flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year. While the County is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Leased Property and the abatement of the Base Rental Payments.

State's Greenhouse Gas Regulation Could Affect County's General Fund

The Governor of the State signed Assembly Bill 32, the Global Warming Solutions Act of 2006 ("AB 32"), into law on September 27, 2006. AB 32 established a comprehensive program of regulatory and market mechanisms to achieve reductions in greenhouse gas emissions, including a 2020 greenhouse emissions reduction goal. The rules established by AB 32 became effective on January 1, 2012.

Manufacturing is a significant industry within the County (see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE — Demographic and Economic Information — Industry and Employment"). AB 32 could have an adverse impact on that industry, resulting in a strain on the County's General Fund.

The State could enact additional laws having an adverse effect on the County's economy.

Change in Law

No assurance can be given that the State electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, in a manner that could result in a reduction of the County's revenues and, therefore, a reduction of the funds legally available to the County to make Base Rental Payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIIIC and Article XIIID of the State Constitution."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the County to make Base Rental Payments may be affected if the County should exceed its appropriations limit. The County does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIIIB of the State Constitution."

Limitations on Remedies Available to Bond Owners

The ability of the County to comply with its covenants under the Facility Lease may be adversely affected by actions and events outside of the control of the County, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Facility Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Facility Lease and the Indenture, the rights and obligations under the Bonds, the Facility Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Additional Facilities Lease Obligations

As described in Appendix A, the County has entered into three facilities lease obligations related to two health clinics and a large medical office building (the "Medical Facilities Leases") to be operated by the Riverside University Health System ("RUHS"). While RUHS management presently expects that the Medical Facilities Leases will be self-supporting from anticipated federal grant funding or a more favorable payor mix, as applicable, the aggregate lease obligations are substantial. Based on the operating results of RUHS as of the end of the first quarter of Fiscal Year 2017-18, RUHS will likely be unable to make payments under the Medical Facilities Leases without advances from the General Fund in the event that such leases are not self-supporting as currently anticipated. As lessee and obligor under each of the Medical Facilities Leases, the County is ultimately responsible for such payments.

For purposes of making an investment decision with respect to the Bonds, prospective investors should assume that the General Fund will be responsible for making the entirety of the payments associated with the Medical Facilities Leases. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE —Fiscal Year 2017-18 Budget — First Quarter Budget Report" and "— Facilities Lease Agreements" for more information regarding the Medical Facilities Leases and the current financial outlook of RUHS.

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest due on the Bonds is payable from any funds of the State.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2016-17, approximately 40.2% of the County's General Fund budget revenues consisted of payments from the State and 18.3% consisted of payments from the Federal government. For Fiscal Year 2017-18, the County projects that approximately 43.0% of its General Fund budget revenues will consist of payments from the State and 21.6% will consist of payments from the Federal government.

The following information concerning the State's budgets has been obtained from publicly available information which the Authority and the County each believe to be reliable; however, the neither the Authority nor the County can take any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the Authority, the County or the Underwriter, and none of the Authority, the County or the Underwriter can take any responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

For a description of certain potential impacts of the State budget on the finances and operations of the County, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—FINANCIAL INFORMATION—Impacts of State Budget" attached hereto.

State Budget for Fiscal Year 2017-18. In a typical year, the Governor releases two primary proposed budget documents: (i) the Governor's Proposed Budget required to be submitted in January, and (ii) the "May Revision" to the Governors Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. On January 10, 2017, the Governor released the Fiscal Year 2017-18 Proposed State Budget. On May 11, 2017 the Governor released the May Revision to the Fiscal Year 2017-18 Proposed State Budget. On June 27, 2017, the Governor signed the adopted Fiscal Year 2017-18 State Budget (the "Fiscal Year 2017-18 Budget").

The Fiscal Year 2017-18 Budget projects Fiscal Year 2016-17 General Fund revenues and transfers of $118.5 billion and total expenditures of $121.4 billion. The State is projected to end Fiscal Year 2016-17 with total available reserves of $7.9 billion, including $1.6 billion in the traditional General Fund reserve and $6.3 billion in the State's Budget Stabilization Account. The County is currently evaluating the impact of the Fiscal Year 2017-18 Budget on the County's finances. The County expects that the increase in the share of costs associated with the In-Home Supportive Services ("IHSS") program attributable to counties represents the most significant element of the State Budget, as the State Budget indicates that State funds provided to mitigate the costs attributable to counties will be phased down from the $400 million allocated in Fiscal Year 2017-18, decreasing to $330 million in Fiscal Year 2018-19, $200 million in Fiscal Year 2019-20 and $150 million annually thereafter.

Information about the State budget and State spending is available at various State maintained websites. Text of the Fiscal Year 2017-18 Budget and other documents related to the State budget may be found at the website of the State Department of Finance, *www.dof.ca.gov*. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at *www.lao.ca.gov*. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, *www.treasurer.ca.gov*.

Future State Budgets. No prediction can be made by the County as to whether the State will encounter budgetary problems in future fiscal years, and if this occurs, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, over which the County has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from Base Rental Payments made from the County's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

In addition to the limits that Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each local government's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the State Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the County is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the County's General Fund might have to be used to support them. The County is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the County's General Fund to continue to support such activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The County has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State's fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the County.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State on November 2, 2010. Proposition 22 eliminates or reduces the State's authority: (i) to temporarily shift property taxes from cities, counties and special districts to schools; (ii) to use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments); (iii) to redirect property tax increment from redevelopment agencies to any other local government; (iv) to use State fuel tax revenues to pay debt service on State transportation bonds; or (v) to borrow or change the distribution of State fuel tax revenues. In the California Supreme Court case affirming the dissolution of redevelopment agencies discussed in Appendix A, the Court determined that Proposition 22 did not prevent the State Legislature from terminating redevelopment agencies.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not believe that Proposition 26 will adversely affect its General Fund revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 218, 111, 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. As discussed further below, legislation has been introduced which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislation has been introduced in Congress which, if enacted, would significantly change the income tax rates for individuals and corporations and would repeal the alternative minimum tax for tax years beginning after December 31, 2017. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense. The form of Bond Counsel's proposed opinion with respect to the Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe, LLP, Los Angeles, California, as Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is acting as Disclosure Counsel for the County. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel and Disclosure Counsel will receive compensation from the County contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel each represent the Underwriter on matters unrelated to the Bonds. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Bonds.

MUNICIPAL ADVISOR

C.M. de Crinis & Co., Inc., Glendale, California (the "Municipal Advisor"), has acted as municipal advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor provides financial advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

ABSENCE OF LITIGATION

To the best knowledge of the County and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Bonds, the Facility Lease or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the County taken with respect to any of the foregoing.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). Subject to certain conditions set forth in the purchase contract for the Bonds, the Underwriter will purchase all of the Bonds, but not less than all, from the Authority at an aggregate purchase price of $49,358,628.60 (representing the principal amount of the Bonds, plus $2,622,672.95 of net original issue premium and less $234,044.35 of Underwriter's discount).

The Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA-" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that the rating will continue for any given time or that the rating will not be revised downward or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the County which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The County has covenanted in the Continuing Disclosure Certificate for the Bonds to file on the Electronic Municipal Market Access ("EMMA") system, notices of any rating changes on the Bonds. See the caption "CONTINUING DISCLOSURE" below and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the County and prior to the date the County is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to S&P and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners of the Bonds to provide annually certain financial information and operating data relating to the Bonds and the County (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the County's undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Annual Report is to be provided by the County not later than February 15 after the end of the County's fiscal year, commencing with the report for the 2016-17 fiscal year. The Annual Report will be filed by the County with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

Within the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; and (ii) missing, incomplete or late filing of annual or quarterly reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County; and in all of the cases where a notice of failure to file was required to be filed, no notice of failure to file such information was provided.

The County and its related entities have reviewed their previous filings and have made corrective filings, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County's General Fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports. The County continues to review its procedures to ensure continued compliance with the Rule.

The County was advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's (the "SEC") Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over thirty bond issues of the County and related issuers. In connection with such self-reporting, on March 3, 2017, the SEC notified the County that, as of the date of such notice, the SEC did not intend to recommend any enforcement action by the SEC against the County.

FINANCIAL STATEMENTS OF THE COUNTY

Included herein as Appendix C is the County's Comprehensive Annual Financial Report including the audited financial statements of the County as of and for the year ended June 30, 2016, together with the report thereon dated December 15, 2016 of Brown Armstrong Accountancy Corporation, Bakersfield, California, certified public accountants (the "Auditor"). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the County or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 15, 2016.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relating to the sufficiency of the anticipated receipts from the moneys deposited in the Escrow Fund to (i) make the payments of principal and interest due on the Prior Bonds through and including October 15, 2023, and (ii) redeem the then outstanding Prior Bonds on October 15, 2023.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Facility Lease, the Site Lease and other documents are available, upon request, and upon payment to the County of a charge for copying, mailing and handling, from the County Clerk at the County of Riverside, 4080 Lemon Street, Riverside, California 92501.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the County and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the County.

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY

By: /s/ George Johnson
Executive Director

COUNTY OF RIVERSIDE

By: /s/ George Johnson
County Executive Officer

APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

GENERAL INFORMATION

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,384,783 as of January 1, 2017, representing an approximately 1.6% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.9% for the same period. For the ten year period of January 1, 2007 to January 1, 2017, the County's population grew by approximately 16.3%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.3% of the County as of January 1, 2017.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)

CITY	***2013***	***2014***	***2015***	***2016***	***2017***
Banning	30,177	30,306	30,659	30,834	31,068
Beaumont	39,787	40,853	43,601	45,118	46,179
Blythe	19,609	18,982	19,254	19,813	19,660
Calimesa	8,096	8,225	8,138	8,289	8,637
Canyon Lake	10,771	10,817	10,608	10,681	10,891
Cathedral City	52,350	52,571	53,859	54,261	54,557
Coachella	42,795	43,601	45,001	45,407	45,551
Corona	156,864	159,109	163,317	164,659	167,759
Desert Hot Springs	27,835	27,986	28,794	29,048	29,111
Eastvale	57,266	59,151	60,825	63,162	64,613
Hemet	80,899	81,520	79,548	80,070	81,868
Indian Wells	5,083	5,133	5,336	5,412	5,450
Indio	81,415	82,375	86,683	88,058	88,718
Jurupa Valley	97,272	97,738	96,898	98,177	101,315
Lake Elsinore	55,444	56,688	59,142	61,006	62,092
La Quinta	38,412	39,023	39,311	39,977	40,677
Menifee	82,314	83,686	87,286	89,004	90,660
Moreno Valley	198,183	199,257	203,696	205,383	206,750
Murrieta	105,860	106,393	112,576	113,795	114,914
Norco	26,632	26,566	26,392	26,896	26,882
Palm Desert	49,962	50,424	48,835	49,335	50,740
Palm Springs	45,724	46,135	46,204	46,654	47,379
Perris	70,983	72,063	72,476	73,722	75,739
Rancho Mirage	17,643	17,739	17,920	18,070	18,295
Riverside	312,035	314,221	321,655	324,696	326,792
San Jacinto	45,229	45,537	47,087	47,656	47,925
Temecula	104,907	106,256	107,794	109,064	111,024
Wildomar	33,182	33,696	34,758	35,168	35,782
TOTALS					
Incorporated	1,896,729	1,916,051	1,957,653	1,983,415	2,011,028
Unincorporated	358,924	364,140	360,271	364,413	373,755
County-Wide	2,255,653	2,280,191	2,317,924	2,347,828	2,384,783
California	37,984,138	38,357,121	38,907,642	39,255,883	39,523,613

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County and the State for the period 2013 through 2017:

RIVERSIDE COUNTY AND CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME,
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND
PERCENT OF HOUSEHOLDS WITH INCOMES OVER $50,000[(1)]

	Total Effective Buying Income[(2)]	***Median Household Effective Buying Income***	***Percent of Households with Income over $50,000***
2013			
Riverside County	$ 40,157,310	$43,860	42.39%
California	864,088,828	47,307	46.90
2014			
Riverside County	$ 40,293,518	$44,784	43.84%
California	858,676,636	48,340	48.17
2015			
Riverside County	$ 41,199,300	$45,576	44.79%
California	901,189,699	50,072	50.05
2016			
Riverside County	$ 45,407,058	$48,674	48.50%
California	981,231,666	53,589	52.74
2017			
Riverside County	$ 47,509,909	$50,287	50.23%
California	1,036,142,723	55,681	54.27

(1) Estimated, as of January 1 of each year.
(2) Dollars in thousands.
Source: Nielsen Solution Center.

Industry And Employment

The County is a part of the Riverside-San Bernardino-Ontario Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment. The number of employed persons in the PMSA by industry is set forth in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY[(1)]
(In Thousands)

INDUSTRY	*2012*	*2013*	*2014*	*2015*	*2016*
Agriculture	15.0	14.5	14.4	15.1	14.7
Construction	62.6	70.0	77.6	85.2	92.5
Finance Activities	40.2	41.3	42.3	43.2	45.3
Government	224.6	225.2	228.8	233.4	240.5
Manufacturing:	86.7	87.3	91.3	95.6	98.9
Nondurables	29.8	30.1	31.1	32.8	34.1
Durables	56.9	57.3	60.2	62.8	64.8
Mining & Logging	1.2	1.2	1.3	1.3	0.9
Retail Trade	162.4	164.8	169.4	173.5	179.0
Professional and Business Services	127.5	132.4	139.3	144.4	145.8
Education and Health Services	173.6	187.6	194.8	205.0	214.3
Leisure & Hospitality	129.4	135.9	144.8	151.5	159.7
Other Services	40.1	41.1	43.0	44.0	45.1
Transportation, Warehousing and Utilities	73.0	78.4	86.6	97.3	104.4
Wholesale Trade	52.2	56.4	58.9	61.7	62.9
Information	11.7	11.5	11.3	11.3	11.6
Total, All Industries	1,200.2	1,247.8	1,303.7	1,362.4	1,415.4

(1) The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers in the County as of June 30, 2016 and their respective product or service and number of employees as of June 30, 2016.

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(AS OF JUNE 30, 2016)

Company Name	***Product/Service***	***No. of Local Employees***
County of Riverside	County Government	22,538
University of California-Riverside	University	8,686
March Air Reserve Base	Military Reserve Base	8,500
Amazon	Electronic Retailer	7,500
Kaiser Permanente Riverside Medical Center	Hospital	5,739
Corona-Norco Unified School District	School District	5,399
Riverside Unified School District	School District	4,236
Pechanga Resort & Casino	Resort Casino	4,000
Riverside University Health System – Medical Center	Hospital	3,876
Eisenhower Medical Center	Hospital	3,665

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.
Source: County Economic Development Agency.

Unemployment data for the County, the State and the United States for the years 2012 through 2016 and partial data for 2017 (as indicated) are set forth in the following table.

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2012	***2013***	***2014***	***2015***	***2016***	***2017[2]***
County[1]	12.1%	10.3%	8.2%	6.7%	6.1%	5.6%
California[1]	10.4	8.9	7.5	6.2	5.4	5.3
United States[3]	8.1	7.4	6.2	5.3	4.9	4.2

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) For September 2017.
(3) Data is seasonally adjusted.
Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also three factory outlet malls (Desert Hills Factory Stores, Cabazon Outlets and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable sale transactions in the County for the years 2011 through 2015[1], the last year being the most recent full year of which annual data is currently available. Industry-level data for 2015 are not comparable to that of prior years due to the change in format of reporting the data, but taxable sale transactions in Riverside County overall totaled $32,910,909,794 in 2015, representing a 2.7% increase over the prior year.

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2011	***2012***	***2013***	***2014***	***2015[(1)]***
Motor Vehicles and Parts Dealers	$ 3,010,487	$ 3,493,098	$ 3,965,201	$ 4,417,943	$ 4,841,614
Furniture and Home Furnishings	436,482	441,649	486,061	520,393	1,135,234
Electronics and Appliances Stores	478,406	488,419	510,423	510,061	--
Building Materials, Garden Equipment and Supplies	1,303,073	1,365,513	1,535,178	1,706,183	1,826,293
Food and Beverage Stores	1,304,731	1,356,148	1,421,590	1,509,403	1,727,517
Health and Personal Care Stores	454,268	490,238	523,724	544,958	--
Gasoline Stations	3,300,785	3,516,040	3,456,322	3,426,830	2,851,558
Clothing and Clothing Accessories Stores	1,505,821	1,672,482	1,771,603	1,989,623	2,136,727
Sporting Goods, Hobby, Book and Music Stores	454,971	467,536	499,366	519,188	--
General Merchandise Stores	3,051,709	3,174,022	3,298,920	3,289,057	3,040,243
Miscellaneous Store Retailers	700,338	742,118	758,664	809,032	2,2338,039
Nonstore Retailers	101,876	142,081	243,334	309,809	--
Food Services and Drinking Places	2,473,339	2,668,324	2,836,388	3,093,862	3,384,494
Total Retail and Food Services	$ 18,576,285	$ 20,016,668	$ 21,306,774	$ 22,646,343	$ 23,281,724
All Other Outlets	7,065,212	8,079,341	8,758,693	9,389,345	9,629,185
Total All Outlets	$ 25,641,497	$ 28,096,009	$ 30,065,467	$ 32,035,687	$ 32,910,909

(1) Industry-level data are not comparable to that of prior years.
Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) for the years 2012 through 2016, and partial data for 2017 (as indicated).

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS[(1)]
(IN THOUSANDS)

	2012	*2013*	*2014*	*2015*	*2016*	*2017[(2)]*
RESIDENTIAL						
New Single-Family	$ 854,814	$ 1,134,158	$ 1,296,553	$ 1,267,593	$ 1,526,767	$ 1,292,586
New Multi-Family	99,578	136,501	178,117	110,458	106,291	43,255
Alterations and Adjustments	84,517	94,422	147,081	113,615	126,474	98,835
Total Residential	$ 1,038,963	$ 1,365,081	$ 1,621,751	$ 1,491,666	$ 1,759,534	$ 1,434,676
NON-RESIDENTIAL						
New Commercial	$ 346,865	$ 80,510	$ 184,138	$ 182,089	$ 540,447	$ 326,733
New Industry	3,767	140,972	161,321	111,070	59,439	245,520
New Other[(1)]	78,602	184,500	142,204	215,914	371,216	113,870
Alterations & Adjustments	154,325	364,616	327,327	299,882	374,916	263,493
Total Nonresidential	$ 583,559	$ 770,598	$ 814,990	$ 808,956	$ 1,346,019	$ 949,616
TOTAL ALL BUILDING	$ 1,602,522	$ 2,135,679	$ 2,436,741	$ 2,300,622	$ 3,105,554	$ 2,384,292

(1) Includes churches and religious buildings, medical and institutional buildings, school and educational buildings, agricultural buildings, residential garages, public works and utility buildings. Hospital construction permits issued by the California Office of Statewide Health Planning are not included in the private, nonresidential building data, except where the project may also be permitted by the local jurisdiction.
(2) Through September 2017
Source: Construction Industry Research Board.

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2012	*2013*	*2014*	*2015*	*2016*	*2017[(1)]*
Single Family	3,455	4,671	5,007	4,833	5,662	4,851
Multi-Family	829	1,415	1,931	1,189	1,039	438
TOTAL	4,284	6,086	6,938	6,022	6,701	5,289

(1) Through September 2017
Source: Construction Industry Research Board.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2012 through 2016.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA MEDIAN HOUSING PRICES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[1]
2012	$330,000	$210,000	$163,000	$300,000
2013	411,000	259,000	205,000	370,000
2014	455,000	293,000	240,000	410,000
2015	487,500	310,000	262,000	431,000
2016	520,000	332,000	284,000	457,500

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: CoreLogic; DQNews.

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2012 through 2016.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA COMPARISON OF HOME FORECLOSURES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[1]
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470
2014	4,566	2,912	2,984	13,787
2015	3,970	2,463	2,616	11,959
2016	3,191	2,045	1,954	9,354

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: CoreLogic; DQNews.

Agriculture

Agriculture is a source of income in the County. In 2016, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The County, and all of Southern California, experienced a severe drought between 2011 and 2015. See "—Environmental Control Services" below. The County cannot predict the impact that a future prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2012 through 2016.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2012	*2013*	*2014*	*2015*	*2016*
Citrus Fruits	$ 125,711,000	$ 142,404,000	$ 170,891,000	$ 199,772,000	$ 200,101,000
Trees and Vines	217,214,000	232,536,000	223,593,000	234,928,000	227,444,000
Vegetables, Melons, Misc.	286,234,000	340,407,000	337,404,000	327,199,000	365,157,000
Field and Seed Crops	147,352,000	154,582,000	156,575,000	122,794,000	97,184,000
Nursery	190,878,100	191,215,000	172,910,000	158,648,000	150,426,000
Apiculture	4,983,400	4,715,000	4,819,000	4,897,000	5,082,000
Aquaculture	4,205,000	2,262,000	5,078,000	5,397,000	4,624,000
Livestock and Poultry	276,553,000	259,683,000	290,746,000	260,015,000	225,758,000
Grand Total	$ 1,253,130,000	$ 1,327,804,000	$ 1,362,016,000	$ 1,313,650,000	$ 1,275,776,000

Source: Riverside County Agricultural Commissioner.

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest from Riverside through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange opened in March 2017. When travelling along State Route 91 through Corona, vehicles will be able to use either the tolled express lanes or the general purpose lanes, which are free.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from nine stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Palm Springs. Freight service to major west coast and national markets is provided by two transcontinental railroads–Union Pacific Railroad and the BNSF Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, servicing the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Ontario International Airport Authority and was transferred by the City of Los Angeles to the joint powers authority in October 2016. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers

Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Approximately ninety percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside — the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand, and the County's water supply is supplemented by imported water. At the present time, imported water is provided by the Metropolitan Water District of Southern California from the Colorado River via the Colorado River Aqueduct and from the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, approximately 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Gorgonio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The governor and the State Legislature have been continuously engaged in discussions on potential strategies to help mitigate the effects of the drought. On April 1, 2015, California's governor issued the fourth in a series of executive orders extending the measures necessary to address California's severe drought conditions which occurred between 2011 and 2015. On May 9, 2016, as a result of persistent severe drought conditions in many areas of California, the governor issued an additional executive order that, among other things, made permanent many of the conservation measures set in the governor's previous executive orders. On April 1, 2017, as a result of the recent record rain and snowfall that have occurred in California, the governor declared an end to the drought emergency in California (except with respect to four counties mostly located in California's agricultural Central Valley). However, the conservation measures put in place by the governor's 2016 executive order will remain in place. Such conservation measures prohibit wasteful practices such as: (i) hosing off sidewalks, driveways and other hardscapes, (ii) washing automobiles with hoses not equipped with a shut-off nozzle, (iii) using non-recirculated water in a fountain or other decorative water feature, (iv) water laws in a manner that causes runoff, or within forty-eight hours of measurable precipitation, and (v) irrigating ornamental turf on public street medians.

During a workshop in May of 2015 to discuss the drought, the Board of Supervisors directed staff to revise County Ordinance 859.3 *Water Efficient Landscape Requirements*. On July 21, 2015 the Board of Supervisors adopted, via an urgency ordinance, updated water efficient landscape requirements Ordinance 859. A key highlight of this revised ordinance is that it "*prohibits the use of natural turf grass lawns within the* *front yards of new homes and promoting low water use plants and inert materials for a sustainable and marketable landscape design*."

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. The County of Riverside does not own or operate a Publicly Owned Treatment Works (POTW), or sewage plant. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal only if a POTW does not service the area with sewer infrastructure.

FINANCIAL INFORMATION

Budgetary Process and Budget

Under the California Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. An adopted budget reflecting any revisions to the recommended budget must be approved by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

Five-Year Forecast. To ensure prudent financial management, the County maintains a five-year budget forecast (the "County Budget Forecast") based on conservative revenue assumptions derived from information provided by external consultants. The current County Budget Forecast reflects a continuing trend of cost increases outpacing revenue growth, such that the 25% reserve target implemented by the Board of Supervisors is unlikely to be met for the next several years. Consistent with the County Budget Forecast projections, the County was required to use reserves and fund transfers to balance the Fiscal Year 2017-18 budget, adopted by the Board of Supervisors on September 26, 2017 (the "Adopted Budget"). Factors driving cost increases include labor concessions, increasing pension costs and inmate health care expenses. See "— Retirement Program" and "— Labor Relations." The County has a number of strategies to address these challenges, such as the deferral of staffing for the new John J. Benoit Detention Center, which is scheduled to be completed in 2018, and closing out vacant full-time positions. With the County actively pursuing such cost mitigation strategies, the County Budget Forecast projects a return to structural balance in Fiscal Year 2019-20, a rebuilding of reserves beginning in Fiscal Year 2020-21 and a restoration of such reserves in Fiscal Year 2021-22 to the target level of 25% of revenues set by the Board of Supervisors.

Fiscal Year 2017-18 Budget

The Adopted Budget includes total general fund appropriations of approximately $3.2 billion. For Fiscal Year 2017-18, approximately 63% of the County's General Fund budget revenues in the Adopted Budget consists of payments from the State and Federal government. Discretionary revenue is budgeted at approximately $752.5 million for Fiscal Year 2017-18, a decrease of approximately 1% from the Fiscal Year 2016-17 adopted budget estimates. The decrease was primarily attributable to an expected reduction in revenues from fines, forfeitures and penalties as compared to the Fiscal Year 2016-17 adopted budget. The Adopted Budget includes discretionary spending of approximately $756 million, a decrease of approximately

8% from the Fiscal Year 2016-17 adopted budget. The $3.5 million gap between discretionary revenue and discretionary spending is covered by the use of reserves. Property tax revenue is budgeted at approximately $351 million (including $101 million in redevelopment tax increment pass-through funds) for Fiscal Year 2017-18, and represents approximately 47% of the County's discretionary revenue. Property tax revenues reflected in the Adopted Budget assume an increase in assessed valuation in Fiscal Year 2017-18 of 5% from Fiscal Year 2016-17.

First Quarter Budget Report. On November 14, 2017, the County released its Fiscal Year 2017-18 First Quarter Budget Report (the "First Quarter Budget Report"), which identifies projected cost overruns in certain public safety departments, as well as in the Riverside University Health System ("RUHS"). Specifically, the Sheriff projects a potential $9.3 million annualized cost overrun as compared to the Adopted Budget, while the Public Defender and District Attorney project $2.2 million and $5 million annualized cost overruns, respectively. In addition, RUHS projects a potential annualized expenditure overage of $15 million for the Medical Center, $1.1 million for Correctional Health and $300,000 for Detention Behavioral Health. On the revenue side, the First Quarter Budget Report shows a modest reduction in projected annualized General Fund discretionary revenue of $1.7 million, primarily related to a smaller distribution to the County of residual assets by the former redevelopment agencies.

The Executive Office intends to work with these departments to identify and implement steps necessary to align their spending with their allocated net County cost. The Executive Office anticipates returning to the Board prior to the release of the County's Mid-Year Budget Report (currently scheduled for release in early February 2018) with recommendations on a corrective action plan to bring their overall performance in line with the Adopted Budget.

Impacts of State Budget

The County continuously monitors developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

Realignment of Certain Services to Local Governments

As part of the State's 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). Beginning in Fiscal Year 2011-12, the realignment provides funds to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs. This realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) redirection of the revenue generated by Proposition 63 (the "millionaire tax" that supports mental health programs statewide); and 3) redirection of a portion of vehicle license fee revenues.

Realignment is comprised of two distinct components: Health and Human Services and Public Safety. With respect to the former, the State replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change resulting from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on various additional responsibilities related to inmates released from state prison; newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual; and parole violators. In Fiscal Year 2016-17, the County received a $68.32 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2017-18, the County expects to receive an appropriation of approximately $69.55 million from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, and the shortfall continues to strain the County's justice system, the affected County departments have been able to continue providing identified services.

Final Budget Comparison

The Adopted Budget describes substantial cost increases affecting the County's finances, which include costs shifted back to counties by the State relating to the In-Home Supportive Services program, costs related to the County's pension obligations and labor agreements, costs associated with necessary increases in insurance coverage, and higher costs to certain County departments resulting from the restructured distribution of internal services charges (to more accurately reflect actual usage of services). Additionally, the County has incurred certain costs in connection with the settlement of a lawsuit filed on behalf of inmates in the County's jails, including the hiring of additional health and mental health professionals, costs for office and treatment space, and related costs associated with providing security for the additional health care workers and their patients.

The following table sets forth the General Fund budgets for the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS[1]
FISCAL YEARS 2013-14 THROUGH 2017-18
(IN MILLIONS)

	2013-14 Budget	***2014-15 Budget***	***2015-16 Budget***	***2016-17 Budget***	***2017-18 Budget***
REQUIREMENTS					
General Government	$ 179.5	$ 178.0	$ 216.1	$ 209.1	$ 220.4
Public Protection	1,132.4	1,190.6	1,276.2	1,345.7	1,379.1
Health and Sanitation	485.9	481.4	562.5	534.9	601.1
Public Assistance	835.7	902.7	1,004.8	1,003.8	996.0
Education	0.6	0.6	0.7	0.7	0.7
Recreation and Cultural	0.4	0.3	0.3	0.5	0.5
Debt Retirement-Capital Leases	4.9	4.9	4.7	5.1	10.6
Contingencies	20.0	23.2	35.5	20.0	20.0
Increase to Reserves	2.3	2.0	0.0	0.0	0.0
Total Requirements[2]	$ 2,661.7	$ 2,783.7	$ 3,100.8	$ 3,119.8	$ 3,228.4
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 78.3	$ 48.5	$ 76.8	$ 67.7	$ 84.9
Estimated Revenues:					
Taxes	229.9	256.6	280.2	301.0	303.0
Other Taxes	31.0	27.0	25.0	24.0	21.0
Licenses, Permits and Franchises	17.6	18.2	17.5	18.3	18.1
Fines, Forfeitures and Penalties	49.3	45.3	44.4	39.5	38.4
Use of Money and Properties	6.3	10.7	16.6	10.5	11.4
Aid from Other Governmental Agencies:					
State	1,097.4	1,194.0	1,356.1	1,357.4	1,407.1
Federal	544.9	551.8	615.3	634.1	627.5
Charges for Current Services	469.1	496.7	528.9	523.3	562.7
Other Revenues	137.9	134.9	139.9	144.0	154.3
Total Available Funds[2]	$ 2,661.7	$ 2,783.7	$ 3,100.8	$ 3,119.8	$ 3,228.4

(1) Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.
(2) Column numbers may not add up to totals due to rounding.
Source: County Auditor-Controller.

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of September 30, 2017, the portfolio assets comprising the PIF had a market value of $6,238,559,720.97.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2016, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The Auditor-Controller reports that collectively, mandatory deposits constituted approximately 77.87% of the funds on deposit in the County Treasury, while approximately 22.13% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the County desires to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2017 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer-Tax Collector to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the PIF as of September 30, 2017, were as follows:

	% of Pool
Federal Agency Securities	48.98%
Commercial Paper	18.36
Cash Equivalent & Money Market Funds	13.02
U.S. Treasury Securities	7.67
Municipal Notes	7.50
NCD	2.88
Medium Term Notes	1.58
Local Agency Obligations[(1)]	0.00
Total[(2)]	100.00%
Book Yield:	1.25%
Weighted Average Maturity:	1.23 Years

(1) Represents County obligations issued by Riverside District Court Financing Corporation.
(2) Total may not add due to rounding.
Source: County Treasurer-Tax Collector.

As of September 30, 2017, the market value of the PIF was 99.83% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The Committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

General. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county wide or less than city wide special districts and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a $38.63 administrative cost, a $36.77 per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2005-06 through Fiscal Year 2016-17.

COUNTY OF RIVERSIDE
***AD VALOREM* PROPERTY TAXES - LEVIES AND COLLECTIONS**
FISCAL YEARS 2005-06 THROUGH 2016-17
SECURED PROPERTY TAX ROLL[(1)]

Fiscal Year	*Secured Property Tax Levy*	*Current Levy Delinquent June 30*	*Percentage of Current Taxes Delinquent June 30*[(2)]	*Total Collections*[(3)]	*Percentage of Total Collections to Current Levy*[(3)]
2005-06	$2,094,068,686	$88,930,195	4.25%	$2,122,973,130	101.38%
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64
2014-15	3,014,259,026	46,145,916	1.53	3,152,661,477	104.59
2015-16	3,205,453,157	45,956,538	1.43	3,318,638,318	103.53
2016-17	3,368,109,165	45,522,477	1.35	3,486,155,109	103.50

(1) The Levy and Collection data reflect the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund. See the caption "Teeter Plan."
(3) Includes current and prior years' redemptions, penalties and interest in current secured taxes.
Source: County Auditor-Controller.

UNSECURED PROPERTY TAX ROLL[(1)]

Fiscal Year	*Unsecured Property Tax Levy*	*Total Collections*[(2)]	*Percentage of Total Collections to Original Levy*[(2)]
2005-06	$67,010,790	$65,220,783	97.33%
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.35
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	93.84
2013-14	83,522,992	86,835,311	103.97
2014-15	84,869,586	89,749,581	105.75
2015-16	84,381,854	88,526,356	104.91
2016-17	91,527,259	97,904,720	106.97

(1) The Levy and Collection data reflect the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest in current unsecured taxes.
Source: County Auditor-Controller.

State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following table sets forth the supplemental tax roll of the County for Fiscal Year 2005-06 through Fiscal Year 2016-17:

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
***AD VALOREM* PROPERTY TAXATION**
FISCAL YEARS 2005-06 THROUGH 2016-17

Fiscal Year	*Tax Levy for Increased Assessments*[1],[2],[3]	*Refunds for Decreased Assessments*[1],[3]	*Net Supplemental Tax Levy*[2]	*Collections*[1],[2]
2005-06	$334,571,225	$1,818,236	$332,752,989	$248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09[4]	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)[5]	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	52,907,916	8,982,077	43,925,839	41,498,433
2014-15	68,579,326	7,954,074	60,625,253	56,319,752
2015-16	70,084,954	6,399,454	63,685,501	60,101,066
2016-17	85,097,029	7,733,087	77,363,942	70,527,505

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.
(3) Tax levy amounts are shown net of minimum tax less than $10 and refunds are shown net of refunds of negative supplemental taxes less than $10.
(4) Changes from prior years were due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.

Source: County Auditor-Controller/County Treasurer and Tax Collector.

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2012-13 through Fiscal Year 2017-18:

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[(1)]
FISCAL YEARS 2013-14 THROUGH 2017-18
(IN MILLIONS)

Category	*2013-14*	*2014-15*	*2015-16*	*2016-17*	*2017-18*[(3)]
SECURED PROPERTY:					
Land	$ 65,635	$ 69,805	$ 73,305	$ 76,443	$ 79,668
Structures	138,000	150,275	160,030	169,097	179,595
Personal Property	878	919	875	829	789
Utilities	3,618	4,630	4,768	5,350	5,327
Total Secured	$ 208,131	$ 225,629	$ 238,978	$ 251,719	$ 265,379
UNSECURED PROPERTY:					
Land	$ 13	$ 5	$ 9	$ 3	$ 1
Structures	227	203	193	134	113
Improvements	3,683	3,519	3,543	3,738	3,814
Fixtures	3,691	3,700	3,736	4,083	4,195
Total Unsecured[(2)]	$ 7,614	$ 7,427	$ 7,481	7,958	8,123
GRAND TOTAL	$ 215,745	$ 233,056	$ 246,459	$ 259,677	$ 273,502

(1) Assessed valuation is reported as of the Equalized Roll on or before August 20 of each year. Pursuant to Article XIIIA of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975-76 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.
(2) Represents total of categories set forth above; does not represent total tax roll values.
(3) Assessed valuation for Fiscal Year 2017-18 is based on Preliminary Roll by the County and by the State BOE.
Source: County Auditor-Controller/County Assessor.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in market values call for such reductions. Following the decline in housing prices in the County during the most recent recession, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, in each year from Fiscal Year 2010-11 to Fiscal Year 2013-14, which resulted in a net decline in assessed valuation in each of those years. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional proactive Proposition 8 reductions. Housing prices in the County have been showing increases in recent years. Assessed valuation in the County increased from Fiscal Year 2013-14 to Fiscal Year 2014-15 by approximately 8.02%, from Fiscal Year 2014-15 to 2015-16 by approximately 5.75%, from Fiscal Year 2015-16 to 2016-17 by approximately 5.36% and from Fiscal Year 2016-17 to 2017-18 by approximately 5.53%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2016-17 totaling approximately $11.097 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of $369 million of assessed value was reduced from the County tax roll in Fiscal Year 2014-15 and Fiscal Year 2015-16 due to appeals, representing $3.69 million in general purpose taxes over the two-fiscal year period. Twenty-eight percent of the Fiscal Year 2016-17 assessment appeals have been completed. The majority of the remaining Fiscal Year 2016-17 assessment appeals are expected to be completed by June 2018.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the Fiscal Year 2017-18 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2016-17 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2016-17 assessment appeals being completed during Fiscal Year 2017-18.

Teeter Plan

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies 95% of the then-accumulated secured roll property tax delinquencies and place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2016-17, taxing agencies representing approximately 56.03% of the secured roll participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the issue, in October 2017, of County of Riverside 2017 Series A Teeter Obligation Notes (Tax-Exempt) (the "2017 Notes") in the amount of $78.735 million. The proceeds of the 2017 Notes refunded the outstanding County of Riverside 2016 Series A Teeter Obligation Notes originally issued in the amount of $81.77 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and paid costs of issuance related to the 2017 Notes. The 2017 Notes funded approximately $36.4 million representing Fiscal Year 2016-17 delinquent property taxes and approximately $84.2 million representing prior years' delinquent property taxes. The 2017 Notes mature on October 25, 2018. The County's General Fund is pledged to the repayment of the 2017 Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the 2017 Notes.

Largest Taxpayers

The following table shows the 25 largest property taxpayers by individual tax levied in the County for Fiscal Year 2017-18:

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2017-18
BY TAX LEVIED[(1)]

TAXPAYER	***TOTAL TAXES LEVIED***	***PERCENTAGE OF TOTAL TAX CHARGE***
Southern California Edison Company	$ 50,542,476.60	1.34%
Southern California Gas Company	11,815,628.42	0.31
Verizon California, Inc.	11,022,921.16	0.29
CPV Sentinel, LLC	7,449,223.76	0.20
Lennar Homes of California Inc.	3,986,149.40	0.11
Chelsea GCA Realty Partnership	3,389,020.58	0.09
Costco Wholesale Corp.	3,378,200.88	0.09
Tyler Mall Limited Partnership	3,195,011.96	0.09
Riverside Healthcare System	3,071,695.94	0.08
Roripaugh Valley Restoration	2,994,500.88	0.08
Garden of Champions	2,809,013.04	0.07
KB Home Coastal Inc.	2,738,223.28	0.07
Target Corp.	2,694,427.48	0.07
Castle & Cooke Corona Crossings	2,689,847.50	0.07
Wal-Mart Real Estate Business Trust	2,572,728.08	0.07
Ross Dress for Less Inc.	2,475,569.14	0.07
Lowe's HIW Inc.	2,413,831.90	0.06
Time Warner Cable Pacific West LLC	2,322,633.26	0.06
Blythe Energy LLC	2,290,413.48	0.06
Tarpon Prop Ownership 2	2,253,343.82	0.06
Los Angeles SMSA Ltd. dba Verizon Wireless	2,197,264.16	0.06
AT&T Mobility LLC	2,045,901.64	0.05
Kaiser Foundation Health Plan Inc.	2,031,005.48	0.05
Temecula Towne Center Assoc.	2,023,155.22	0.05
Walgreen Co.	1,974,187.48	0.05
Total	**$ 136,376,374.54**	**3.63%**
Total Tax Charge for 2017-18	**$ 3,757,905,290.12**	

[(1)] Includes secured, unsecured and State-assessed property.
Source: County Treasurer and Tax Collector.

The 10 largest property owners in the County by assessed value for all properties, for the Fiscal Year 2017-18, are shown below:

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2017-18
BY ASSESSED VALUE

ASSESSEE	***ASSESSED VALUE***
Eisenhower Memorial Hospital	$ 384,288,819
Costco Wholesale Corp.	267,330,106
Chelsea GCA Realty Partnership	236,115,094
Riverside Healthcare System	235,483,134
Walmart Real Estate Business Trust	225,750,899
La Sierra University	224,734,072
Garden of Champions	224,524,752
Target Corp.	214,977,998
California Baptist University	212,376,907
Loma Linda University Medical Center	207,417,253
Subtotal	$ 2,432,999,034
All Others	266,714,339,631
Total	$ 269,147,338,665[1]

(1) Excludes State assessed property. Does not reflect any applicable exemptions.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2016-17, the County retained approximately 18% of the total amount collected (and is budgeted to retain 18% in Fiscal Year 2017-18). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See "—Redevelopment Agencies" below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are applied to pay such obligations, less any allowable collection charges.

Redevelopment Agencies

The California Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq*.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations for Fiscal Years 2005-06 through 2017-18.

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2005-06 THROUGH 2017-18

Fiscal Year	*Frozen Base Value*	*Full Cash Value Increments*[1]	*Total Tax Allocations*[2] [3]
2005-06	$14,682,893,563	$42,414,898,724	$427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14	16,352,697,201	58,479,843,303	688,683,052
2014-15	16,352,691,201	62,266,158,988	729,793,564
2015-16	16,352,657,201	65,770,021,482	772,866,457
2016-17	16,352,657,201	69,510,642,793	816,260,103
2017-18	16,352,657,201	72,438,057,285[3]	841,472,466[4]

(1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies and includes State assessed properties; has not been adjusted for negative project area increment.
(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Full cash value increment including State Assessed properties; has not been adjusted for negative project area increment.
(4) Includes general purpose and debt; excludes negative increment and is based on preliminary roll and estimate using prior year's debt service.

Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of $3,971,824,734, and a Fiscal Year 2011-12 assessed value of $8,266,787,927. In Fiscal Year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled $1,600,443, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. As the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. Through June 2017, the County received approximately $9.3 million in residual funds for Fiscal Year 2016-17.

In Fiscal Years 2014-15 and 2015-16, the County received approximately $94 million and $97 million, respectively, in pass-through payments pursuant to agreements with various city redevelopment agencies. The County received approximately $102 million in Fiscal Year 2016-17 and is projected to receive

$106 million in Fiscal Year 2017-18. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

Financial Statements and Related Issues

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for Fiscal Year 2015-16 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

The County adopted the provisions of GASB Statement No. 34 during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2016, which are included in APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2011-12 through 2015-16.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2011-12 THROUGH 2015-16
(In Thousands)

	2011-12	***2012-13***	***2013-14***	***2014-15***	***2015-16***
BEGINNING FUND BALANCE	$ 343,562	$ 336,598	$ 357,249	$ 364,676[1]	$ 395,389
REVENUES					
Taxes	216,746	246,144	256,746	267,708	279,945
Licenses, permits and franchises	17,648	16,442	16,588	17,829	19,100
Fines, forfeiture sand penalties	88,979	85,241	81,037	77,770	73,198
Use of money and property–Interest	4,740	1,676	4,629	4,372	6,728
Use of money and property–Rents and concessions	3,798	3,670	12,269	7,758	10,491
Government Aid–State	931,652	1,000,545	1,107,878	1,224,095	1,238,292
Government Aid–Federal	475,221	478,791	462,291	542,934	572,267
Governmental Aid-Other	80,332	81,169	83,169	94,217	97,888
Charges for current services	354,451	374,750	396,904	431,323	465,333
Other revenues	40,852	26,253	41,248	34,851	20,069
TOTAL REVENUES	$ 2,214,419	$ 2,315,681	$ 2,462,759	$ 2,702,857	$ 2,783,311
EXPENDITURES					
General government	$ 127,195	$ 103,895	$ 106,045	$ 109,900	$ 113,779
Public protection	1,010,999	1,043,017	1,116,621	1,189,466	1,256,765
Public ways and facilities	-	-	-	8	-
Health and sanitation	369,165	388,325	416,005	478,047	468,272
Public assistance	719,670	735,057	795,309	865,309	918,963
Education	579	564	586	590	669
Recreation and cultural	324	346	287	317	325
Capital Outlay	2,671	1,721	2,965	54,529[2]	11,829
Debt service	21,426	19,576	15,475	12,877	20,755
TOTAL EXPENDITURES	$ 2,252,029	$ 2,292,501	$ 2,453,293	$ 2,711,043	$ 2,791,357
Excess (deficit) of revenues over (under) expenditures	(37,610)	23,180	9,466	(8,186)	(8,046)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 123,587	$ 92,297	$ 95,017	$ 87,924	$ 114,185
Transfer to other funds	(98,045)	(96,547)	(101,021)	(103,554)	(141,847)
Capital Leases	2,671	1,721	2,965	54,529[2]	11,829
Total other Financing Sources (Uses)	$ 28,213	$ (2,529)	$ (3,039)	$ 38,899	$ (15,833)
NET CHANGE IN FUND BALANCES	$ (9,397)	$ 20,651	$ 6,427	$ 30,713	$ (23,879)
FUND BALANCE, END OF YEAR[1]	$ 336,598	$ 357,249	$ 363,676	$ 395,389	$ 371,510

(1) Restated.
(2) Increase in capital outlay and capital leases expenditures in Fiscal Year 2014-15 primarily reflects costs related to a capital lease for the County Sheriff and the construction of the Riverside County Law Building for the Riverside Economic Development Agency.

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2011-12 through 2015-16.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2012 THROUGH JUNE 30, 2016
(In Thousands)

	2011-12	*2012-13*	*2013-14*	*2014-15*	*2015-16*
ASSETS:					
Cash & Marketable Securities	$ 151,845	$ 128,655	$ 129,305	$ 133,487	$ 135,255
Taxes Receivable	14,046	10,931	9,849	9,243	9,772
Accounts Receivable	9,196	9,167	11,281	10,846	14,674
Interest Receivable	643	687	650	785	2,002
Advances to Other Funds	3,342	3,342	5,842	7,442	7,369
Due from Other Funds	14,227	9,071	11,157	11,854	9,355
Due from Other Governments	328,817	308,532	333,728	317,901	345,183
Inventories	1,187	2,059	1,682	1,638	2,006
Prepaid items	298	818	--	--	--
Restricted Assets	299,673	307,452	350,158	358,985	332,543
Total Assets	$ 823,274	$ 780,714	$ 853,652	$ 852,181	$ 858,159
LIABILITIES:					
Accounts Payable	$ 75,996	$ 24,234	$ 61,288	$ 24,756	$ 28,234
Salaries & Benefits Payable	57,391	57,519	68,156	79,116	99,724
Due To Other Funds	1,466	9,190	248	2,172	3,247
Due to Other Governments	40,804	23,377	20,395	32,894	51,497
Deferred Revenue	311,003	66,855	65,929	48,535	50,155
Deposits Payable	16	19	61	43	52
Advances from other funds	--	--	5,000	--	--
Advances from grantors and third parties	--	242,271	268,899	269,276	253,740
Total Liabilities	$ 486,676	$ 423,465	$ 489,976	$ 456,792	$ 486,649
FUND BALANCE:(1)					
Nonspendable	$ 1,834	$ 3,247	$ 2,045	$ 2,001	$ 2,369
Restricted	101,651	101,440	117,595	122,967	99,639
Committed	52,439	42,183	32,820	39,422	40,310
Assigned	8,674	10,460	7,772	5,144	11,870
Unassigned	171,910	199,919	203,444	225,855	217,322
Fund Balance	$ 336,598	$ 357,249	$ 363,676	$ 395,389	$ 371,510
Total Liabilities and Fund Balance	$ 823,274	$ 780,714	$ 853,652	$ 852,181	$ 858,159

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2008 THROUGH JUNE 30, 2016
(In Thousands)

	Reserved	*Unreserved*				*Total*
2008	$84,466	394,302				$478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	Nonspendable	***Restricted***	***Committed***	***Assigned***	***Unassigned***	***Total***
2011[(1)]	$2,214	$ 98,552	$50,097	$ 3,463	$189,236	$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598
2013	3,247	101,440	42,183	10,460	199,919	357,249
2014	2,045	117,595	32,820	7,772	203,444	363,676
2015	2,001	122,967	39,422	5,144	225,855	395,389
2016	2,369	99,639	40,310	11,870	217,322	371,510

(1) As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

Short-Term Obligations of County

On July 1, 2017, the County issued its 2017 Tax and Revenue Anticipation Note (the "2017 TRAN") in the principal amount of $340,000,000 to provide funds to meet the County's Fiscal Year 2017-18 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2017 TRAN is due on June 29, 2018. The 2017 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2017-18 Fiscal Year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

As described under the caption "—Teeter Plan," the County issued its 2017 Notes in the original aggregate principal amount of $78,735,000 on October 10, 2017. The 2017 Notes mature on October 25, 2018 and are payable from delinquent property taxes. It is expected that the 2017 Notes will be paid from the proceeds of similar notes that the County plans to issue in 2018, together with delinquent taxes received through June 30, 2018.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of September 1, 2017, the County had $849,035,207 in direct publicly offered general fund obligations and $286,535,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. See the caption "Retirement Program—Funding Status." Set forth below is an estimated direct and overlapping debt report as of September 1, 2017.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF SEPTEMBER 1, 2017)

2017-18 Assessed Valuation: $ 268,996,541,058 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/17
Metropolitan Water District	6.309%	$ 4,725,607
Community College Districts	1.220-100.	642,073,716
Unified School Districts	1.246-100.	2,715,407,413
Perris Union High School District	100.	106,622,301
Elementary School Districts	100.	102,401,699
City of Riverside	100.	10,280,000
Eastern Municipal Water District Improvement Districts	100.	32,505,000
Riverside County Flood Control, Zone 4 Benefit Assessment District	100.	16,750,000
San Gorgonio Memorial Hospital District	100.	110,540,000
Community Facilities Districts	50.225-100.	2,802,133,258
Riverside County 1915 Act Bonds	100.	1,355,000
City and Special District 1915 Act Bonds (Estimated)	100.	193,771,820
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 6,738,605,814
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	**100.%**	**$ 849,035,207**[(1)]
Riverside County Pension Obligations	**100.**	**286,535,000**
School Districts General Fund and Lease Tax Obligations	1.246-100.	494,663,584
City of Corona General Fund Obligations	100.	41,770,458
City of Moreno Valley General Fund Obligations	100.	69,750,000
City of Indio General Fund and Pension Obligation Bonds	100.	35,585,000
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	132,885,512
City of Riverside Certificates of Participation	100.	218,704,544
City of Riverside Pension Obligation Bonds	100.	92,935,000
Other City General Fund Obligations	100.	88,431,102
Other Special District Certificates of Participation	100.	1,344,646
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,311,640,053
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**4,847,240**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,306,792,813
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 2,369,872,154
GROSS COMBINED TOTAL DEBT		$ 11,420,118,021[(2)]
NET COMBINED TOTAL DEBT		$ 11,415,270,781

Ratios to 2017-18 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.51%
Combined Gross Direct Debt ($1,135,570,207)	**0.42%**
Combined Net Direct Debt ($1,130,722,967)	**0.42%**
Gross Combined Total Debt	4.25%
Net Combined Total Debt	4.24%

Ratios to Successor Agency Redevelopment Incremental Valuation ($72,438,057,285):

Total Overlapping Tax Increment Debt	3.27%

(1) Excludes the 2017 Notes and the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Lease Obligations

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations, which are then leased to the County; the lease obligations are payable from the General Fund. Upon expiration of the lease, title to the facilities vests in the County.

As of November 1, 2017, the total principal amount of the County's current outstanding publicly offered lease obligations is $823,218,008. The County's annual publicly offered lease obligation, including interest, is approximately $78,811,704, and the maximum annual lease payment is approximately $128,713,733.

In addition to the Bonds, the County currently plans to issue approximately $20 million in lease revenue bonds in December 2017 (the "2017B Bonds"), with approximately $11.1 million of such amount expected to be used to refund the 2008A Lease Revenue Bonds issued by the Southwest Community Financing Authority, and approximately $8.9 million expected to be used to fund the expansion of the County's Public Health Laboratory and other capital improvements. The annual lease payments for the Public Health Laboratory are expected to be $572,000.

The table on the following page sets forth the County's outstanding publicly offered lease obligations and the respective annual lease requirements as of November 1, 2017. In addition, as discussed below under "—Facilities Lease Agreements," the County has other substantial lease obligations payable from the General Fund.

COUNTY OF RIVERSIDE
SUMMARY OF PUBLICLY OFFERED LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF NOVEMBER 1, 2017)

	Final Maturity Year	*Original Lease Amount*	*Obligations Outstanding*	*Annual Base Rental*
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	$ 41,170,073	$ 31,350,767	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[(1)]	2019	90,530,000	54,475,000	$ 19,514,247[(1)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	2,200,000	825,000[(2)]
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding)[(3)]	2021	36,100,000	13,330,000	2,552,563
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	4,617,241	
Series 2002	2020	925,000	230,000	1,827,764[(4)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A[(5)]	2032	78,895,000	68,245,000	6,487,648
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A[(6)]	2038	15,105,000	13,165,000	1,156,494
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects)[(7)]	2040	45,685,000	44,905,000	1,918,600
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	2,205,000	677,836
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[(8)]	2031	33,360,000	25,800,000	2,508,788
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[(9)]	2033	17,640,000	14,005,000	1,385,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	61,665,000	4,278,488
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)[(10)]	2044	44,380,000	42,980,000	3,112,250
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable) [(11)]	2033	18,495,000	11,055,000	2,350,687
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2046	325,000,000	319,655,000	20,855,000
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds) [(12)]	2037	72,825,000	70,085,000	5,874,706
County of Riverside Infrastructure Financing Authority (2016 A & 2016 A-T Lease Revenue Refunding Bonds) [(13)]	2031	39,985,000	37,930,000	3,486,608
TOTAL		$ 968,545,073	$ 823,218,008	$ 78,811,704

(1) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds were used to pay for improvements of the Medical Center Campus.
(2) Annual base rental estimated at assumed interest rate of 9.00%. The average interest rate for the twelve-month period ending August 29, 2017 was approximately 0.92%.
(3) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
(4) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(5) The 2008 Series A refunded the 2000 Series B SWJC Project.
(6) Expected to be refunded with the proceeds of the 2017B Bonds.
(7) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.
(8) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.
(9) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.
(10) Expected to be refunded with the proceeds of the Bonds.
(11) The 2014 Series A & B (Taxable) County of Riverside Lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).
(12) The 2015 Series A Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2005 Series A, County of Riverside Certificates of Participation (Historic Courthouse Refunding Project) 2005 Series B and the County of Riverside Certificates of Participation (Capital Facilities Projects) 2006 A.
(13) The 2016 A & A-T Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A.

Source: County Executive Office.

Lease Lines of Credits

On December 15, 2015, the County entered into a $40 million multi-year lease line of credit with Banc of America Public Capital Corp., to finance various capital equipment needs of County departments. The initial line of credit is $20 million with an option for an additional $20 million after the initial funds are exhausted. The County started using the initial line of credit on December 16, 2015, and there is an available balance of approximately $6,331,974 of unused credit as of November 1, 2017. The County expects to pay for existing capital equipment purchase commitments of approximately $1.7 million from the remaining balance of the initial line of credit and funds from the additional line of credit.

Facilities Lease Agreements

The County and Corona Medical Arts Plaza, LLC entered into a Lease dated as of September 13, 2016, as supplemented by the First Amendment to Lease (as supplemented, the "Corona Clinic Lease"), dated as of June 20, 2017, in order to fund the construction, operation and maintenance of an approximately 45,000 square-foot medical clinic (the "Corona Care Clinic") for RUHS located in the City of Corona. See "Riverside University Health System – Medical Center." Presently, the lease obligation is estimated at $42,573,904. Pursuant to the terms of the Corona Clinic Lease, it is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Corona Care Clinic, currently scheduled for the first quarter of 2018, and that the County will continue to pay rental payments for approximately 15 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2018-19) is projected to be approximately $2.6 million, escalating at 2.75% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Corona Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Corona Clinic Lease, the County is responsible for lease payments thereunder.

On July 11, 2017, the County and Jurupa Valley Medical Partners, LLC entered into a Lease (the "Jurupa Valley Clinic Lease") in order to fund the proposed construction, operation and maintenance of an approximately 40,000 square-foot medical clinic for RUHS located in the City of Jurupa Valley (the "Jurupa Valley Care Clinic"). Presently, the lease obligation is estimated at $47,575,096. Pursuant to the terms of the Jurupa Valley Clinic Lease, it is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Jurupa Valley Care Clinic, currently scheduled for late 2018, and that the County will continue to pay rental payments for approximately 20 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2019-20) is projected to be approximately $2.4 million, escalating at 2% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Jurupa Valley Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Jurupa Valley Clinic Lease, the County is responsible for lease payments thereunder.

On April 18, 2017, the County entered into a Facilities Lease Agreement with TC Riverside MOB, LLC to fund the proposed construction, operation, and maintenance of an approximately 200,000 square foot surgery center and medical office building complex (the "Medical Office Building") next to the RUHS Medical Center. Presently, the lease obligation is estimated at $195,313,951. The County has the right to terminate the Facilities Lease Agreement if it does not approve the final project budget, the final rent schedule or the final construction schedule. The final project budget and final rent schedule were approved by the County on November 14, 2017. It is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Medical Office Building, currently anticipated to be April 2020, and that the County will continue to pay rental payments for approximately 25 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2020-21) is projected to be approximately $9.4 million, escalating at 3% annually thereafter. While RUHS management presently expects that the Medical Office Building will attract a more favorable payor mix that will enable RUHS to make Facilities Lease Agreement payments from its operating revenues, the County may be required to advance monies from its General Fund. Ultimately, as the Tenant and obligor under the Facilities Lease Agreement, the County is responsible for Facilities Lease Agreement payments.

The First Quarter Budget Report indicates that RUHS is requesting an additional $16.4 million in appropriations for the current Fiscal Year. RUHS management believes the Medical Office Building project will, upon the commencement of operations in mid-2020, result in a more favorable payor mix, with an attendant improvement in RUHS' financial results and a reduced need for General Fund support. However, based on its current operating performance, absent a material improvement in its finances, it is unlikely that RUHS will be able to afford the Facilities Lease Agreement payments due on the Medical Office Building without continued, significant General Fund support. See "Fiscal Year 2017-18 Budget—First Quarter Budget Report."

For purposes of making an investment decision with respect to the Bonds, prospective investors should assume that the General Fund will be responsible for making the entirety of the lease payments associated with the Corona Care Clinic, the Jurupa Valley Care Clinic and the Medical Office Building discussed above.

Capital Lease Purchase Agreements

On January 29, 2013, the County entered into a Master Equipment Lease Purchase Agreement with Banc of America Capital Corp. in the amount of $16,000,000 to finance the purchase and installation of Cisco voice, video, wireless and data converged network equipment to replace all of the County's phones, auto attendants, Interactive Voice Response System, call centers, voicemail and wireless networks. On June 25, 2013, the County entered into an amendment to the Master Equipment Lease Purchase Agreement to provide for an additional $3,250,000 in lease financing for additional equipment. As of November 1, 2017, approximately $5,000,000 principal amount remained outstanding under the original lease and $1,500,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of $6,368,180 and which is scheduled to be repaid in full by 2022. As of November 1, 2017, approximately $3,663,189.58 principal amount of this Master Equipment Lease Purchase Agreement remained outstanding.

On October 30, 2014, the County entered into a Lease Purchase Agreement with Banc of America Public Capital Corp. in the amount of $54,573,300 to finance the purchase and installation of certain solar equipment for the purpose of reducing County energy costs. As of March 31, 2017, the financing was restructured to a principal balance of $57,977,325. As of November 1, 2017, approximately $57,745,413.94 principal amount remained outstanding, which is scheduled to be repaid in full by August 30, 2035.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is reviewed annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of $76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated "Aa2" by Moody's, "AA-" by Standard & Poor's and "AA" by Fitch as of September 1, 2017. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below "BBB" (in the case of S&P) or "Baa2" (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement is negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of October 31, 2017, the swap agreement had a negative fair market value of approximately $20,661,418 (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of "Baa2" from Moody's and "BBB" from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "AA-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of November 1, 2017, Assured Guaranty Corp. had a rating of "AA" by S&P and "A2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

In July 2017, the United Kingdom's Financial Conduct Authority announced that it may discontinue the use of LIBOR by 2021. The County is unable to predict what benchmark rate will replace LIBOR for purposes of the swap agreement or the effect such replacement will have on the value of the swap agreement.

Employees

The following table sets forth the number of County employees for calendar years 2007 through 2017.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2007 THROUGH 2017

Year	*Regular Employees*[(1)]
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014	18,620
2015	19,244
2016	19,404
2017[(2)]	19,558

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of August 1, 2017.
Source: County Human Resources Department.

Labor Relations

County employees comprise 13 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service

Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 72% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance which contain provisions for these personnel related matters.

The County's non-management law enforcement employees (non-management), are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit ("LEMU"). The Public Defenders, County Counsel and Prosecuting Attorneys of the District Attorney's Office are represented by the Riverside County Deputy District Attorneys Association ("RCDDAA").

In Fiscal Year 2011-12, the County entered into collective bargaining agreements with all of its bargaining units. Most of the agreements covered a four to five year period, with the longest agreement extending to June 2017. As part of these agreements, the parties agreed to a phase out of the County's obligation to pay the employee's required member contributions towards retirement ("EPMC"). The elimination of the County's retirement obligation to pay employee's required member contributions produced significant annual savings. Member retirement contributions and County offsets of employee contributions are not included in the required employer contribution rates prepared by PERS.

The County's collective bargaining agreements with SEIU, LIUNA and RSA expired in 2016. The County is currently in negotiations with such labor organizations for new labor contracts and will continue operating under the terms of the expired contracts for SEIU and LIUNA until new contracts are in place. Ongoing labor contract negotiations have been challenging, as LIUNA and SEIU implemented a 2-day strike in early September 2017 and a tentative agreement reached with RSA was subsequently rejected by RSA. The primary negotiation issues relate to certain merit increases sought by such labor organizations. Other than the 2-day strike by LIUNA and SEIU, there has been no major County employee work stoppage during the past 20 years. On October 17, 2017, following the rejection by the RSA of the tentative agreement that had been reached with the County, the Board of Supervisors voted to resolve the impasse with the RSA by imposing the terms of the County's last, best and final offer to RSA pursuant to Government Code Section 3505.7, which will govern the County's relations with the RSA in place of a memorandum of understanding.

COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS[1]

Bargaining Units or Employee Group	***Number of Employees***[2]	***Expiration Date of Contract***
Management, Confidential, and Other Unrepresented	1,412	N/A
Law Enforcement Management Unit (LEMU)	440	June 30, 2017[3]
Riverside County Deputy District Attorneys' Association (RCDDAA)	379	June 30, 2017[3]
Riverside Sheriffs' Association (RSA)	3,078	June 30, 2016[4]
Service Employees International Union (SEIU)	6,948	November 30, 2016[3]
Laborers' International Union of North America (LIUNA)	7,301	June 30, 2016[3]
Total	19,558	

(1) Includes all County districts.
(2) As of August 1, 2017. Excludes Temporary, Per Diem, and Seasonal Employees.
(3) The County is currently in negotiations with such labor organization for a new labor contract and will continue operating under the terms of the expired contract until a new contract is in place.
(4) As described herein, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to the RSA pursuant to Government Code Section 3505.7 on October 17, 2017. Such terms will govern the County's relations with the RSA in place of a memorandum of understanding.

Source: County Human Resources Department.

Retirement Program

General. The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides pension benefits for eligible employees in the Miscellaneous and Safety Plans (herein defined), with PERS. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, benefit factor (determined by age at retirement), and final compensation which is the highest average pay rate and special compensation during any consecutive one-year period of employment (for Tier 1 employees) or three-year period of employment (for Tier 2 and Tier 3 employees). The benefit calculation for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent pension reform, the County's retirement plan currently includes three tier levels of benefits.

COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER[1]
(As of August 1, 2017)

Tier Level	*Number of Employees in Tier Level*
Tier 1	12,956
Tier 2	739
Tier 3	5,863
Total	19,558

(1) Excludes Temporary, Per Diem, and Seasonal Employees.
Source: County Human Resources Department.

Miscellaneous members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 60), Tier II (2% at 60), or Tier III (2% at 62). Safety members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 50), Tier II (2% at 50), or Tier III (2.7% at 57). The three tiers of retirement benefits all provide for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 20 of the Notes to Basic Financial Statements, June 30, 2016, which are included in APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plan (the "Plan"), currently managed by PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan. As part of such activities, PARC annually receives an independent, third party report on the County's pension cost projections from Bartel Associates, LLC in order to ensure that the County has adequate information concerning its long-term pension obligations. In addition to PARC's advisory role with respect to the Plan, PARC has been formally tasked with reviewing the County's other post-employment benefit ("OPEB") plans and advising the Board of Supervisors with respect thereto.

The Board of Supervisors approved a second tier ("Tier II") level of retirement benefits for new Miscellaneous and Safety employees and on August 23, 2012, the County implemented a Tier II retirement benefit applicable to employees first employed by the County after August 23, 2012. The Tier II retirement benefit calculation is based on years of service, age, and the average monthly eligible wages earned during the highest three consecutive years of employment. The Tier II retirement benefit factor for Miscellaneous Plan members ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety Plan members, the Tier II retirement benefit factor ranges from 2% at age 50 to 2.7% at 55 and beyond. The plans also provide for cost-of-living adjustments of up to 2% per year after retirement.

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Law of 1937 (the "1937 Act"). The majority of the PEPRA changes first impacted the rates and benefit provisions on the June 30, 2013 valuation for Fiscal Year 2015-16 rates. Among other things, PEPRA created a new retirement benefit tier ("Tier III") for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013.

The new Tier III formulas for both Miscellaneous and Safety provide for a reduced benefit and was required to be implemented by all public agency employers unless the retirement formula in existence on December 31, 2012 had both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and 2.7% at 57 for Safety members. PEPRA mandated all new members be subject to a pensionable compensation cap, which limits the annual salary that can be used to calculate final compensation for all new members. Adjustments to the limits are permitted annually based on changes to the Consumer Price Index (CPI) for all urban consumers.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee and employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Miscellaneous Plan (the "Miscellaneous Plan") and a Safety Plan (the "Safety Plan" and, together with the Miscellaneous Plan, the "PERS Plans"). The County contributes to PERS based on the annual actuarial valuation rates recommended by PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2016 covered PERS' Fiscal Year 2014-15). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County's contribution rates derived from the actuarial valuation as of June 30, 2015, which was prepared in October 2016, is effective for the County's Fiscal Year 2017-18). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of the benefits that PERS will pay under the PERS Plans, which includes two components, the Normal Cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. In prior years PERS converted past service cost to a percent of payroll and expressed the total required employer contribution as a single rate. Going forward the past service cost will no longer be converted to a percent of payroll and this cost will be invoiced to the employer as a monthly dollar contribution amount with the option to prepay the annual amount at the beginning of the fiscal year. See the caption "—Historical Funding Status." The normal cost will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the payroll reporting process. It is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

In March 2012, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3% to 2.75%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 7.75% to 7.50%; and (ii) reducing payroll growth from 3.25% to 3%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved the amortization of gains and losses from Fiscal Years 2008-09 through 2010-11 over a fixed and declining 30-year period (rather than a rolling 30-year amortization).

In June 2012, the GASB issued Statement No. 68, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. GASB 68 became effective for fiscal years beginning after June 15, 2014. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by PERS did not need any additional information beyond what was included in CalPERS' audited financial statements. Similarly, employers participating in an agent multiple-employer defined benefit pension plan (agent plan) administered by PERS used information from the PERS funding actuarial valuation reports for accounting and financial reporting purposes. With the implementation of GASB 68, employers will be required to recognize a liability as employees accrue pension benefits. For the first time, employers will recognize their net pension liability, deferred outflows of resources, deferred inflows of resources and pension expenses.

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period with experience gains and losses amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. For complete additional information, please contact PERS at California Public Employees Retirement System, Lincoln Plaza, 400 Q Street, Sacramento, CA 95811, Telephone: (888) 225-7377.

On February 19, 2014, the PERS Board of Administration adopted new demographic assumptions reflecting the (i) expected longer life spans of public agency employees and related increases in costs for the PERS system, and (ii) trend of higher rates of retirement for certain public agency employee classes, including police officers and fire fighters. The new actuarial assumptions were used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions was calculated in the 2014 actuarial valuation and amortized over a 20-year period including a 5-year ramp-up and a 5-year ramp-down.

In addition to required County contributions, members are also obligated to make certain payments. For the Miscellaneous Plan, Tier I members' contribution rates are fixed at 8% of salaries. The Tier II and Tier III member contribution rates for the Miscellaneous Plan are 7% and 6.5%, respectively. For the Safety Plan, the Tier I and Tier II member contribution rate is 9%, and the Tier III member contribution rate is 10.75%. Member contribution rates vary based on the terms of the collective bargaining agreements in effect. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2015, the PERS actuary recommended an employer contribution rate of 10.192% be implemented as the required rate for Fiscal Year 2017-18, and an employer unfunded liability payment of approximately $70.9 million, which the County anticipates will result in a contribution to PERS of approximately $182.3 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $315,000 in County Offsets of Employee Contributions for Fiscal Year 2017-18, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2017-18 of approximately $185.3 million. In the actuarial valuation for the Safety Plan as of June 30, 2015, the PERS actuary recommended an employer contribution rate of 17.912% be implemented as the required rate for Fiscal Year 2017-18, and an employer unfunded liability payment of $34.5 million, which the County anticipates will result in a contribution to PERS of approximately $97.0 million for that fiscal year.

In the actuarial valuation for the Miscellaneous Plan as of June 30, 2016, the PERS actuary recommended an employer contribution rate of 10.458% be implemented as the required rate for Fiscal Year 2018-19, and an employer unfunded liability payment of approximately $100.3 million, which the County anticipates will result in a contribution to PERS of approximately $224.9 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $324,450 in County Offsets of Employee Contributions for Fiscal Year 2018-19, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2018-19 of approximately $225.2 million. In the actuarial valuation for the Safety Plan as of June 30, 2016, the PERS actuary recommended an employer contribution rate of 18.464% be implemented as the required rate for Fiscal Year 2018-19, and an employer unfunded liability payment of approximately $48.8 million, which the County anticipates will result in a contribution to PERS of approximately $117.1 million for that fiscal year. As of August 2016, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plans.

On November 18, 2015, the PERS Board adopted a Funding Risk Mitigation Policy. The Policy seeks to reduce PERS funding risk over time. A mechanism will be established to reduce the discount rate, or assumed rate of return, by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate by at least four percentage points. The policy will incrementally lower the discount rate in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the PERS Board approved lowering the PERS discount rate assumption, the long-term rate of return, from 7.50% to 7.00% over the next three years. Lowering the discount rate will increase both the normal costs and the accrued liabilities. Starting in Fiscal Year 2018-19, such increases will result in higher required employer contributions. The reduction in the discount rate will result in additional County contributions of approximately $40 million in Fiscal Year 2018-19 and totaling approximately $148 million when fully phased in. The benefits of reducing the discount rate strengthen long-term sustainability, reduce negative cash flows, reduce the long-term probability of funded ratios falling below undesirable levels, improve likelihood of PERS investments earning the assumed rate of return, and reduce the risk of contribution increases in the future from volatile investment markets.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds") in the original principal amount of $400,000,000, the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The 2005 Pension Obligations Bonds remain outstanding in the principal amount of $304,520,000, with annual debt service payments of approximately $31,639,000. The payment to PERS resulted in a net pension asset of $396.9 million, $311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and $85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel Associates, LLC, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of approximately $72 million as of February 15, 2017. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year in its annual report, PARC recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS unfunded liability. In 2016, PARC recommended to transfer the excess liability management funds to the Section 115 Supplemental Pension Trust. In the current year, the excess is recommended to be sent to the Section 115 Supplemental Pension Trust and in future years to be considered an administrative process.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2011 through June 30, 2016 and the total employer contributions of the County for Fiscal Year 2013-14 through Fiscal Year 2018-19. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30	*Unfunded Accrued Actuarial Liability*	*Funded Status (Actuarial Value)*	*Affects County Contribution for Fiscal Year*	*County Contribution Amount*[(1)]	*County Offsets of Employee Contributions*[(2)]
2011	$286,064,497	85.9%	2013-14	$71,724,520	$2,843,364
2012	225,792,281	89.2	2014-15	70,139,838	605,908
2013[(3)]	509,464,128	77.7	2015-16	80,459,918	698,338
2014	517,389,969	80.2	2016-17	90,515,002[(4)]	31,077[(4)]
2015	705,377,373	75.2	2017-18	97,043,553[(4)]	0
2016	958,272,557	69.2	2018-19	117,148,524[(4)]	0

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.

(2) Reductions from prior years are due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The increase for Fiscal Year 2015-16 contributions is due to increased payroll of the plan's membership. Beginning Fiscal Year 2014-15, the County stopped paying towards the employee contribution rate to PERS for the Safety Plans for Tier I and Tier II employees. As of August 2016, the County also stopped paying towards the Classic employee contribution rate to PERS for Safety Plans for Tier III employees.

(3) Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

(4) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2016-17 through 2018-19.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30	*Unfunded Accrued Actuarial Liability*	*Funded Status (Actuarial Value)*	*Affects County Contribution for Fiscal Year*	*County Contribution Amount*[1]	*County Offsets of Employee Contributions*[2]
2011	$ 538,055,042	87.9%	2013-14	$125,248,122	$7,319,320
2012	536,480,531	88.6	2014-15	127,786,977	292,784
2013[3]	1,034,364,773	79.3	2015-16	151,557,834	292,900
2014	973,226,141	82.8	2016-17	178,554,572[4]	290,401[4]
2015	1,399,399,333	77.3	2017-18	183,911,209[4]	315,000[4]
2016	2,050,567,259	70.1	2018-19	224,862,038[4]	324,450[4]

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.

(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to pay 8% of the 8% required contributions for Miscellaneous Tier 1 Plan members who are covered by Riverside County Deputy District Attorney Association bargaining unit.

(3) Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

(4) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2016-17 through 2018-19.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

SCHEDULE OF FUNDING PROGRESS
(Safety Plan)

Valuation Date June 30	*Accrued Liability (a)*	*Actuarial Value of Assets (b)*	*Unfunded Liability (a-b)*	*Funded Status (Actuarial Value) (b/a)*	*Annual Covered Payroll (c)*	*UAAL as a Percentage of Payroll ((a-b)/c)*	*Market Value of Assets (MVA)*	*Funded Ratio MVA*
2011	$2,032,001,280	$1,745,936,783	$286,064,497	85.9%	$273,169,605	104.7%	$1,565,799,198	77.1%
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369[1]	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7
2014	2,615,686,777	2,098,296,808	517,389,969	80.2	295,171,068	175.2	2,098,296,808	80.2
2015	2,846,014,858	2,140,637,485	705,377,373	75.2	319,499,129	220.8	2,140,637,485	75.2
2016	3,110,254,402	2,151,981,845	958,272,557	69.2	338,809,025	282.8	2,151,981,845	69.2

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30	*Accrued Liability (a)*	*Actuarial Value of Assets (b)*	*Unfunded Liability (a-b)*	*Funded Status (Actuarial Value) (b/a)*	*Annual Covered Payroll (c)*	*UAAL as a Percentage of Payroll ((a-b)/c)*	*Market Value of Assets (MVA)*	*Funded Ratio MVA*
2011	$4,461,553,672	$3,923,498,630	$ 538,055,042	87.9%	$ 812,362,628	66.2%	$3,525,640,733	79.0%
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195[1]	1,034,364,773	79.3	856,593,282	120.8	3,974,442,195	79.3
2014	5,656,121,103	4,682,894,962	973,226,141	82.8	897,506,714	108.4	4,682,894,962	82.8
2015	6,174,498,346	4,775,099,013	1,399,399,333	77.3	1,000,223,148	139.9	4,775,099,013	77.3
2016	6,850,143,825	4,799,576,566	2,050,567,259	70.1	1,090,295,411	188.1	4,799,576,566	70.1

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2013-14 through Fiscal Year 2018-19 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	***Affects Contribution Rate for Fiscal Year:***	***Safety Plan***	***Employer Payment of Unfunded Liability***	***Miscellaneous Plan***	***Employer Payment of Unfunded Liability***
2011	2013-14	23.368%	N/A	15.001%	N/A
2012	2014-15	21.899	N/A	14.527	N/A
2013	2015-16	23.585	N/A	15.429	N/A
2014	2016-17	26.570	N/A	16.476	N/A
2015	2017-18	17.912*	$35,778,888	10.192*	$73,598,564
2016	2018-19	18.464	48,790,038	10.458	100,265,926

* Beginning in Fiscal Year 2017-18, PERS will collect employer contributions toward the plan's unfunded liability as dollar amounts rather than contribution rate, which was the prior method of collection. The County pays at the beginning of each fiscal year for its unfunded liability payment. The plan's normal cost contribution will continue to be collected as a percentage of payroll. See the caption "—The County's PERS Contract."

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

Projected County Contributions. As described above under "—General," in 2003 the County established the PARC, which annually prepares a report for the Board. PARC's 2017 Annual Report projects the following contribution to PERS:

PROJECTED COUNTY CONTRIBUTIONS
(Miscellaneous Plan)

Fiscal Year	***County Rate***	***County Payment***[(1)]
2019-20	24.3%	$282,262
2020-21	26.3	314,374
2021-22	27.9	342,915
2022-23	29.0	367,516
2023-24	29.6	386,617

(1) In thousands.

Source: PARC 2017 Annual Report.

PROJECTED COUNTY CONTRIBUTIONS
(Safety Plan)

Fiscal Year	***County Rate***	***County Payment***[(1)]
2019-20	38.2%	$141,451
2020-21	41.6	158,815
2021-22	44.1	173,419
2022-23	46.1	186,547
2023-24	47.3	197,058

(1) In thousands.

Source: PARC 2017 Annual Report.

The County's projections with respect to the County contributions reflect certain significant assumptions concerning future events and circumstances. The information and the related assumptions are future projections and are not to be construed as representations of fact or representation that in fact the information shown will be the correct amounts for the years indicated. Rather, these amounts reflect good faith estimates by the County taking into account a variety of assumptions. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material. Accordingly, prospective investors are cautioned to view these estimates as general indications of trends and orders of magnitude and not as precise amounts.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans and other changes that may be adopted by PERS from time to time, see "— The County's PERS Contract" above.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or PERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. The County has set a goal of ensuring that the Plan is at least 80% funded. Participants in the Plan are required to contribute 3.75% of their eligible compensation to the Plan in lieu of Social Security tax. Based on the actuarial valuation of June 30, 2016, the County's current required contribution level is 1.87% to maintain a funded ratio of 80%. As of June 30, 2016, the plan was funded at 80%. The County's contribution to the Plan was $667,952 for Fiscal Year 2015-16, $1.34 million for Fiscal Year 2016-17 and is estimated to be approximately $700,000 for Fiscal Year 2017-18. The actuarial valuation projects the Plan to be approximately 80% funded as of June 30, 2017. The Plan's unfunded liabilities as of June 30, 2016 were approximately $6.6 million. Overall, the plan's unfunded actuarial accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a reduction in liabilities; 2) updates to the assumed mortality improvement scale resulted in a liability loss; 3) lower discount rate resulted in an increase in liabilities; 4) assets were lower than expected due to unfavorable investment return on plan assets (-0.36 percent compared to 6.0 percent assumed).

Other Post-Employment Benefits. The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least age 50, or age 52 if they became a CalPERS member on or after January 1, 2013, at retirement qualify to receive the post-retirement benefits.

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated as of July 1, 2016 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 7.28%, the present value of benefits was estimated to be $47.4 million, the accrued actuarial liability was estimated to be $42.0 million and the annual normal cost was $0.70 million. If the accrued actuarial liability of $42.0 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $1.1 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to the California Employers' Retiree Benefit Trust (the "OPEB Trust"). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of $10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional $2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, the overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $47.4 million most recently. According to the Health Benefits Valuation, as of July 1, 2016, the County's OPEB funded ratio was 81.1%.

In May 2014, GASB issued an exposure draft of a statement that will change employer accounting and financial reporting for post-employment benefits other than pensions (OPEB). The impact is expected to be similar to that of GASB 67/68 for pension plans, which must be adopted for the Fiscal Year ending June 30, 2015. It is anticipated this new statement for OPEB would be effective for Fiscal Years beginning after December 15, 2016. The changes include moving unfunded liabilities from footnotes to the balance sheet and create the potential for more volatile periodic expense and a change in the discount rate basis.

Riverside University Health System - Medical Center

RUHS is an approximately 520,000 square foot tertiary care and Level II trauma facility, licensed for 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RUHS is serviced by nearly 3,500 healthcare professionals and support staff, and provides training to 1,000 medical residents and students and 2,500 nursing students annually. RUHS has 12 operating rooms including one with a da Vinci Xi surgical robot, a helipad located directly adjacent to the trauma center, and digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT), and all single-bed rooms, and provides support to numerous hospital-based clinics. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services, including hyperbaric oxygen treatments, and one of only ten emergency psychiatric hospitals in the State.

The County has the legal responsibility to provide health care to all individuals, regardless of their ability to pay or insurance status, and provides these services by operating RUHS. RUHS provides services to patients covered by various reimbursement programs, principally Medi-Cal and Medicare, and some commercial insurance, while also providing services to the uninsured.

In response to several years of declining profitability and losses, in 2013, the County's Board of Supervisors retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The engagement is complete and suggested changes were implemented. Toward the end of the Huron engagement, the County completed restructuring efforts at RUHS through permanent hires for the positions of the Chief Executive Officer and Chief Operating Officer of RUHS. Additionally, RUHS contracted to hire a new Chief Financial Officer. The new leadership team developed and deployed a strategy to lock in recent fiscal improvement, improve operational efficiency and prepare for anticipated challenges. In each of the two years following the completion of Huron's engagement, RUHS experienced net surpluses ($59.5 million and $43.6 million in Fiscal Years 2014-15 and Fiscal Year 2015-16, respectively), including an improvement in excess of $120 million in the first year compared to the prior year (RUHS experienced a loss of $62.3 million in Fiscal Year 2013-14), and is projected to be near break-even (hit its budget target) in Fiscal Year 2017-18.

The original Huron engagement cost $26 million and was paid for with proceeds of a temporary transfer from the County's Waste Management Enterprise Fund. RUHS is required to repay the remaining balance due on the original $26 million cost, with interest calculated at the County's pool investment fund rate, in five annual installments which are to be paid over the five year period beginning June 2023 and ending in June 2027, reflecting a deferment for cash flow purposes of the original payment schedule that began in 2016 and ended in 2022. If RUHS is unable to repay this loan, any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund. Prior to the deferment of remaining loan payments until June 2023, RUHS made scheduled payments on the loan in the amount of $3,693,711 in both Fiscal Years 2015-16 and 2016-17.

RUHS relies on a significant amount of governmental Medicaid waiver revenue including Disproportionate Share Hospitals (DSH) funding, Delivery System Reform Incentive Payments (DISRIP) and Realignment. In December 2015, several changes were adopted with respect to the Medicaid waiver to shift the focus of care away from hospital-based and inpatient care and instead towards outpatient, primary, and preventive care. RUHS organized to ensure a pay-for-performance transformation that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care for the County. Fiscal Year 2016-17 represents the first year of operations that the renewed focus was implemented, and while efforts to date have been positive and are expected to yield revenues in excess of budget by 7%, the County cannot predict the long-term impact of the funding changes.

For Fiscal Year 2016-17, consistent with its past practice, the County contributed approximately $10 million to RUHS from its tobacco settlement revenue receipts and $5 million in redevelopment pass through funds to pay for operating expenses and debt service on the main RUHS facility. Additionally, the County committed $11 million in Fiscal Year 2016-17 toward capital investment at RUHS and to partially compensate RUHS for the cost of providing care to beneficiaries enrolled in the County's medical insurance program, inpatient mental health services and hospital-based medical care for inmates. The County has budgeted to reduce its general fund contribution made to RUHS by approximately 6% in Fiscal Year 2017-18.

Insurance

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to $3.5 million for each occurrence with a $2 million corridor and the balance (to $25 million for each occurrence) is insured through CSAC Excess Insurance Authority ("CSAC EIA"), a joint powers authority and insurance risk sharing pool consisting of 55 counties in the State, as well as other non-county public entities. Medical malpractice is self-insured for the first $1.1 million for each claim with a $1.5 million limit on a claims-made basis in excess of the County's self-insured retention, followed by a $20 million limit on an occurrence basis through CSAC EIA, for a total limit of $21.5 million in excess of the County's self-insured retention. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance of statutory limits (unlimited) is insured through CSAC EIA. Long-term disability income claims are fully insured by an independent carrier.

The CSA EIA property insurance program provides all-risk insurance coverage subject to a $50,000 per occurrence deductible; flood coverage is subject to a $100,000 per occurrence deductible within a 100-year flood zone and a $50,000 deductible outside of a 100-year flood zone. Property exposure amongst all members within the program is distributed among eight "Towers," arranged based on classifications including geography and building type in order to diversify risk. The County participates in four of the eight Towers, each of which provides $300 million in limits. In addition, there is a $300 million excess all-risk and flood rooftop layer above the Towers for a total of $600 million per Tower in all-risk per occurrence limits. With respect to earthquake coverage, each of the four Towers in which the County participates has a sub-limit of $100 million, with a $440 million excess rooftop layer shared by the four Towers that is triggered by the depletion of the initial limit for one or more of the Towers in a policy year. Earthquake coverage includes scheduled locations and buildings equal to or greater than $1 million in value and lesser-valued locations where such coverage is required by contract. Earthquake coverage is subject to a deductible equal to 5% of total value per occurrence, subject to a $100,000 minimum. Boiler and Machinery provides up to $100 million in limits, subject to a $5,000 deductible per event. Property insurance limits in each Tower are shared with other counties within that Tower on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2017 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2017 was approximately $142 million.

Litigation

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the Bonds or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2017-18, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately $33,200,000, of which $3,770,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately $16 million, plus accrued interest. The County denied the allegations of the complaint and defended the action. Finding that the County's imposition of the possessory interest tax was lawful, the U.S. District Court entered judgment in favor of the County on June 15, 2017. Agua Caliente has filed an appeal to the 9th Circuit Court of Appeal. Briefing of the matter is expected to be completed in early March 2018.

Approximately 410 taxpayers have filed two different lawsuits in Superior Court seeking refunds for such possessory interest taxes paid. The total amount of the claims is approximately $10,895,104, of which the County's share is approximately $1,961,119 plus interest. It is likely that if the taxpayers' suits are successful, others will also litigate similar claims. However, the County is defending the actions and expects to prevail.

In December 2014, a putative class action complaint was filed in federal court against the County. The complaint alleges that the County Department of Public Social Services violated the civil rights of the plaintiff and a class of similarly situated individuals by removing minor children from parental custody without a warrant and in the absence of exigent circumstances. The County has filed an answer denying all allegations and is defending the litigation. On November 8, 2017 a decision was issued denying plaintiff's motion for class certification. The County expects the plaintiff to appeal. If a class is certified and the suit succeeds on the merits, the County's exposure could be substantial.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Additional Bonds" means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

"Additional Payments" means the additional payments payable by the County under and pursuant to the Facility Lease as summarized herein in paragraph (b) under the caption "THE FACILITY LEASE – Rental Payments – Base Rental Payments and Additional Payments."

"Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

"Annual Debt Service" means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year (together with the redemption premiums, if any, thereon).

"Assignment Agreement" means that certain Assignment Agreement, dated as of December 1, 2017, by and between the Authority and the Trustee, as originally executed and as it may be amended from time to time.

"Authority" means the Riverside County Infrastructure Financing Authority, or its successors and assigns.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Payment Date" means 15th day of the month preceding each Interest Payment Date.

"Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to the Facility Lease, as summarized herein in paragraph (a) under the caption "THE FACILITY LEASE – Rental Payments – Base Rental Payments and Additional Payments," and at the times set forth in the Facility Lease.

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due. There is no Bond Insurance Policy with respect to the Series 2017 Bonds.

"Bonds" means the Series 2017 Bonds and all Additional Bonds.

"Bond Year" means the period from each November 1 to and including the following October 31 during the term of the Indenture, except for that the first Bond Year shall begin on the Closing Date and shall end on October 31, 2018.

"Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the Designated Corporate Trust Office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

"Capitalized Interest Account" means the account by that name established pursuant to the Indenture with respect to the payment of interest on a Series of Bonds when due. There is no establishment of or deposit to a Capitalized Interest Account with respect to the Series 2017 Bonds.

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of a Project has been substantially completed and that all Construction Costs have been paid or provided for.

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chairman, Vice Chairman, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the County Executive Officer, the Deputy County Executive Officer, the County Finance Director, or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture as summarized under the caption "THE INDENTURE – Miscellaneous – Content of Certificates."

"Closing Date" means the date on which the Bonds are initially delivered to the Underwriter.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Costs" means all costs of constructing a Project, including, but not limited to:

(1) all costs which the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of a Project;

(2) obligations of the County or others incurred for labor and materials (including obligations payable to the County or others for actual out-of-pocket expenses of the County or

others) in connection with the construction, installation or improvements of a Project, including reimbursement to the County or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of a Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of a Project; and

(5) any sums required to reimburse the County for advances made by the County for any of the above items or for any other costs incurred and for work done by the County which are properly chargeable to the construction, installation or improvement of a Project.

"Construction Fund" means the fund by that name established pursuant to the Indenture. There is no establishment of or deposit to a Construction Fund with respect to the Series 2017 Bonds.

"Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at the time of the initial issuance of the Series 2017 Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the fund by that name established in accordance with the Indenture.

"Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the issuance and sale of the Bonds and the lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

"County" means the County of Riverside, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

"Defeasance Securities" means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series; and

(3) Obligations described in paragraph (7) of the definition of Permitted Investments.

"Designated Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in the Indenture, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office specified by the Trustee.

"DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to the Indenture.

"Environmental Regulations" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

"Event of Default" means any occurrence or event specified in and defined by the Indenture.

"Expiry Date" means November 1, 2044.

"Facility Lease" means that certain Facility Lease, dated as of December 1, 2017, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

"Fiscal Year" means the fiscal year of the County which, as of the date of the Facility Lease, is the period from July 1 to and including the following June 30.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Leased Property or to persons on or about the Leased Property or (ii) cause the Leased Property to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Leased Property or the owners and/or occupants of property adjacent to or surrounding the Leased Property, or any other person coming upon the Leased Property or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of December 1, 2017, as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

"Insurance Consultant" means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with the Indenture.

"Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Authority to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2017 Bonds.

"Interest Fund" means the fund by that name established in accordance with the Indenture.

"Interest Payment Date" means May 1, 2018 and each May 1, and November 1, thereafter.

"Interest Period" means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2017 Bonds to but excluding May 1, 2018.

"Joint Powers Agreement" means that certain Joint Exercise of Powers Agreement, dated September 15, 2015, by and between the County and the Riverside County Flood Control and Water Conservation District as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

"Leased Property" means the real property and all the improvements thereon or to be located thereon described in the Indenture, and in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease), together with the improvements thereon or to be located thereon, subject to the following: The County shall have the right during term of the Site Lease and the Facility Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair market value of each Leased Property is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County on the Leased Property shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Property by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Site Lease and the Facility Lease.

"Lease Year" means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; *provided* that the initial Lease Year shall commence on the Closing Date and the final Lease Year shall terminate on the Expiry Date.

"Mandatory Sinking Account Payment" means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Indenture or any Supplemental Indenture.

"Mandatory Sinking Account Payment Date," if applicable, means November 1 of each year set forth in the Indenture and in any Supplemental Indenture.

"Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Bond Years beginning in the Bond Year in which the calculation is made.

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in the Indenture, except:

(1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds which pursuant to the Indenture are not deemed outstanding;

(3) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Indenture.

"Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Riverside; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank;
- Rural Economic Community Development Administration;
- U.S. Maritime Administration;
- Small Business Administration;
- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration; and
- Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- Obligations of the Resolution Funding Corporation (REFCORP);
- Senior debt obligations of the Federal Home Loan Bank System; and
- Senior debt obligations of other Government Sponsored Agencies approved by the Insurer, if any.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by Moody's or S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53601;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(12) The Riverside County Treasurer's Pooled Investment Fund; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"Principal Fund" means the fund by that name established in accordance with the Indenture.

"Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

"Principal Payment Date" means November 1 of each year, commencing November 1, 2018.

"Prior Bonds" means the Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project).

"Project" means, as appropriate, the 2013 Project and/or any Additional Project.

"Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

"Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established in accordance with the Indenture.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease as provided in the Facility Lease.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

"Representation Letter" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

"Revenue Fund" shall have the meaning given to such term in the Indenture.

"Revenues" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture.

"S&P" means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Series" when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2017 Bonds" means the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"Site Lease" means that certain Site Lease, dated as of December 1, 2017, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"Supplemental Indenture" means an agreement amending or supplementing the terms of the Indenture entered into pursuant to the terms of the Indenture.

"Surplus Subaccount" means the account by that name established in accordance with the Indenture.

"Tax Certificate" means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, and its successors and assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture.

"2013 Project" means the public facilities described in the Indenture.

"Underwriter" means Raymond James & Associates, Inc.

THE INDENTURE

The Bonds

Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Designated Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Designated Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Book-Entry Bonds. Notwithstanding any provision of the Indenture to the contrary, the transfer provisions of the Indenture do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in subparagraph (d) of this section, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under the Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to Record Dates, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this section or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of the Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges provided in this section and the provisions of the Indenture as summarized herein under the heading "THE INDENTURE – The Bonds – Transfer and Payment of Bonds; Exchange of Bonds" and "THE INDENTURE – The Bonds – Bonds Mutilated, Lost, Destroyed or Stolen." All such Bonds shall be in fully registered form in denominations authorized by the Indenture.

(e) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions upon reasonable prior notice; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as provided in the Indenture. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Designated Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds executed and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, interest rate and payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this section and of the expenses which may be incurred by it under this section. Any Bond authenticated and delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Bonds. The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of the Indenture and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon November 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(c) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(d) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(e) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, if any, notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the Indenture and such other opinions and certificates as may be appropriate) to the effect that (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by the Indenture; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of the Indenture have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by the Indenture;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by the Indenture;

(e) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

Proceeds of Bonds

Construction Fund.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(ii) specifies in reasonable detail the nature of the obligation; and

(iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with the Indenture, the Trustee shall disburse from the Construction Fund, subject to this section, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and second, the remainder to a separate subaccount within the Principal Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount," and the Trustee shall close the Construction Fund. The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. Notwithstanding the provisions of the Indenture, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Cost of Issuance Fund. There is established in trust under the Indenture a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund to the Construction Fund if such fund is then funded, and otherwise to the Interest Fund, and the Cost of Issuance Fund shall be closed.

Revenues

Pledge of Revenues; Revenue Fund.

(a) There is established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth in the Indenture, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties to the Indenture that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established under the Indenture and the Revenues in accordance with the terms of the Indenture subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to the Indenture which shall be on a parity with the Bonds Outstanding.

(b) All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee, pursuant to the Indenture, agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, and if there exists no Event of Default under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County for any lawful purpose.

Deposit of Revenues. Except as otherwise provided in this section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective funds, each of which the Trustee, pursuant to the Indenture, agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses authorized in the Indenture. If an amount representing capitalized interest is deposited pursuant to the Indenture and held under the Indenture, the Trustee shall establish and maintain a Capitalized Interest Account within the Interest Fund until the date all amounts are transferred therefrom in accordance with subsection (a) of this section.

(a) **Interest Fund and Capitalized Interest Account.** The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the interest coming due on such Interest Payment Date; *provided*, *however*, that on each Interest Payment Date occurring on or before the delivery to the Trustee of a Certificate of Completion in connection with an Additional Project, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Fund, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Fund to the Interest Fund. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest on the Bonds when due and payable.

(b) **Principal Fund.** The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the principal coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal of the Bonds when due and payable at maturity or upon earlier redemption from Mandatory Sinking Account Payments.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and

(D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the extraordinary redemption provisions of the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the extraordinary redemption provisions of the Indenture; *provided*, that if the County elects to so redeem the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the extraordinary redemption provisions of the Indenture.

Title Insurance. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, upon written request of the County, such proceeds shall be deposited first in the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall, upon written request of the County, immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the extraordinary redemption provisions of the Indenture.

Particular Covenants

Compliance with Indenture. The Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and neither of the County or the Authority will suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Facility Lease and Site Lease. Subject to the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability – No Liability by the Authority to the Owners," the County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however*, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under the Indenture.

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and the Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and the Indenture.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Assignment Agreement, Facility Lease or Site Lease.

Rebate Fund; Tax Covenants.

(a) In addition to the other funds and accounts created pursuant to the Indenture, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts requested by the County to comply with the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the County. Except as provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the County, the Authority, the Trustee nor the Owner of any Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The County shall provide written directions to the Trustee, including supplying all necessary information that is available to it in the manner provided in the Tax Certificate, and except as otherwise expressly provided in the Indenture, the Trustee shall not be required to take any actions under the Indenture in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate or this section. The Trustee agrees to comply with all Written Requests of the County given in accordance with the Tax Certificate. The County shall provide the Trustee with written evidence that the computation of the Rebate Requirement has been made. Any funds remaining in the Rebate Fund after payment or redemption of all of the Bonds and payment and satisfaction of any Rebate Requirement, shall, after payment of all fees and expenses of the Trustee, be withdrawn and remitted to the County.

(b) Notwithstanding any other provision of the Indenture, including, in particular, as summarized herein under the heading "THE INDENTURE – Defeasance," the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this section and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(c) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this

Section, and, notwithstanding the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability," the covenants under the Indenture shall be deemed to be modified to that extent.

(d) The provisions of this section shall not apply to any Series of Bonds which the Authority shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

Continuing Disclosure. The County, pursuant to the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this section; *provided*, that the Trustee shall only be required to take an action under this section to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

Default and Limitations of Liability

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part contained in the Indenture, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of the Indenture) shall be entitled, upon notice in writing to the County and the Authority to exercise any of the remedies granted to the County under the Facility Lease and to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the

Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture and the Assignment Agreement) under the Indenture or the Facility Lease, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the County under the Facility Lease.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the County and the Authority to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Site Lease, the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The Trustee hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption or otherwise), then the Trustee shall give notice to the County in accordance with Section 7.02 of the Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Except as expressly provided in the Indenture, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Indenture, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in the Indenture.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Indenture, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Indenture as summarized herein under the heading "THE INDENTURE – The Trustee – Compensation and Indemnification of the Trustee"; and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

The Trustee

Employment of the Trustee. The County and the Authority appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a designated corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County, the Authority and the Insurer, if any, and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Indenture. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its advances and expenditures under the Indenture, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the Trustee to the extent provided in the Indenture). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority. The rights of the Trustee under the Indenture are in addition to the rights granted to the Trustee pursuant to the Facility Lease.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

The County, pursuant to the Indenture, covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Indenture or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Indenture or an Event of Default under the provisions of the Indenture summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability – Events of Default," except failure of any of the payments to be made to the Trustee required to be made under the Indenture unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Indenture.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Indenture for the existence, furnishing or use of the Property.

Every provision of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Indenture, including without limitation, those summarized herein under the heading "THE INDENTURE – The Trustee."

In acting as Trustee under the Indenture, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except as otherwise specifically provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements in the Indenture and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Amendment or Supplement to the Indenture

<u>Amendment or Supplement</u>. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Indenture or supplement to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer, if any, in any manner which affects the rights of the Insurer, if any, under the Indenture without its prior written assent thereto, or (5) amend this section without the prior written consent of the Insurer, if any, and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Indenture by the County or the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the County or the Authority may deem desirable or necessary and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with the Indenture; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, if any, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer, if any, may not be amended in any manner which affects the rights of the Insurer, if any, under the Indenture without the prior written consent of the Insurer, if any.

Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Indenture shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this section.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture as summarized herein under the heading "THE INDENTURE – Amendment or Supplement to the Indenture," the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Designated Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Designated Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Opinion of Counsel. In executing any amendment or supplement to the Indenture, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Indenture have been satisfied.

Defeasance

Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated in the Indenture and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided in the Indenture, and all agreements and covenants of the County, the Authority and the Trustee to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this subsection (b) if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this subsection (b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this subsection (b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this subsection (b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments not needed to pay when due the principal or redemption price (if applicable) of and interest to become due with respect to said Bonds on or prior to such redemption date or maturity date thereof shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this subsection (b) shall preclude redemptions pursuant to the Indenture.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Indenture as summarized herein under the heading "THE INDENTURE – Defeasance."

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to subsection (a) above and from no other source.

(d) Notwithstanding anything in this section to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer, if any, pursuant to the Bond Insurance Policy, if any, the Bonds shall not be considered paid by the County or the Authority under the Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer, if any, and the Insurer, if any, shall be subrogated to the rights of the Owners.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer, if any, and the Owners, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements contained in the Indenture by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer, if any, and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Indenture.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained in the Indenture shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or the Indenture.

Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Funds. Any fund required to be established and maintained under the Indenture by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture. The County and the Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

Investments. Any moneys held by the Trustee in the funds and accounts established under the Indenture shall be invested by the Trustee upon the written request of the County only in Permitted Investments. In the absence of such direction, moneys shall be invested in a money market fund in accordance with subsection (6) of Permitted Investments. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Rebate Fund) shall be retained therein. For purposes of determining the amount on deposit in any fund or account under the Indenture, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee hereunder.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County will not receive such confirmations to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the County, the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity of the Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

California Law. The Indenture shall be construed and governed in accordance with the laws of the State of California.

Effective Date. The Indenture shall become effective upon its execution and delivery.

THE FACILITY LEASE

The Leased Property

Lease of the Leased Property. The Authority leases to the County, and the County rents and hires from the Authority, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Authority to carry out its agreements and covenants contained in the Facility Lease and in the Indenture, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by the Facility Lease. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Authority and the Trustee the following:

(i) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) A Certificate of the County: (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; (B) stating with respect to any substitution of property only that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Leased Property for which it is being substituted; and (C) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(iii) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2017 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants contained in clauses (a), (b) and (c) of the provision of the Facility Lease summarized herein under the heading "THE FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance" with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond November 1, 2054. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable under the Facility Lease shall be fully paid and all Bonds have been fully paid, whichever is earlier, and the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Series 2017 Bonds will be used by the Authority to refinance the Leased Property by refunding the Prior Bonds and to pay Costs of Issuance and incidental and related expenses.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(ii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

(c) The provisions of this section shall not apply to any Series of Bonds which the County shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

Rental Payments

Base Rental Payments and Additional Payments. The County, pursuant to the Facility Lease, agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental under the Facility Lease as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, on each Base Rental Payment Date in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease. The County represents that the annual Base Rental Payments set forth in the Lease Agreement do not exceed the annual fair rental value of the Leased Property.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated by the Facility Lease but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the

Authority or the Trustee, at the County's expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(ii) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Facility Lease, the Site Lease or the Indenture; and

(iv) The reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of the Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) Payment; Credit. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the designated corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "Rental Abatement" below, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this section on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each Fiscal Year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein and summarized herein under the caption "THE FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale." Any abatement of rental payments pursuant to this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code

Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County, pursuant to the Facility Lease, agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2017 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2017 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2017 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF

CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds. In addition to the Series 2017 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2017 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this section. Such insurance shall consist of:

(a) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease; *provided* that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (a) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (a) may provide that amounts payable as coverage for rental interruption under this paragraph (a) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. The County's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease summarized herein under the heading "THE FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Self-Insurance."

(b) In the event that such coverage is not included in paragraph (a) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (b) may provide that amounts payable as coverage for rental interruption under this paragraph (b) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa. The County's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease summarized herein under the heading "THE FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Self-Insurance."

(c) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (a) or (b) above, as the case may be, in an amount sufficient at all times to pay the maximum total rent payable under the Facility Lease for a period of not less than two consecutive years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (a) or (b) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (c) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (a) or (b) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (c) may provide that amounts payable as coverage under this paragraph (c) may be reduced by amounts payable for rental interruption under paragraph (a) or (b), as the case may be, for the same occurrence, and vice versa. The County's obligations under this subsection may not be satisfied by self-insurance.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (a) or (b) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (a) or (b) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (a) and (b) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (c) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer, if any, not later than January 31 of each year, in substantially the form provided in the Facility Lease, with necessary or appropriate insertions, omissions and variations as permitted or required by the Facility Lease certifying that the insurance policies required by this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The County will provide the Insurer, if any, with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County, pursuant to the Facility Lease, agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

<u>Self-Insurance</u>. Any self-insurance maintained by the County pursuant to this section shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the County's professionally certified risk manager or by an independent insurance consultant;

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on a bi-annual basis by the County's professionally certified risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the County's professionally certified risk manager or such independent insurance consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the County's professionally certified risk manager or by an independent insurance consultant, shall be maintained.

Damage, Destruction, Title Defect and Condemnation

<u>Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds</u>. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of the Indenture related to extraordinary redemption. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or redemption; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment; Indemnification; Non-Liability

Assignment by Authority. The parties understand that certain of the rights of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County, pursuant to the Facility Lease, agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Authority. The County, pursuant to the Facility Lease, agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease.

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of the Facility Lease, the use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim arising out of the use, presence, storage, disposal or release of any

Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

Non-Liability of the Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The County acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption or otherwise), then upon notice from the Trustee, the County shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum under the Facility Lease or be subject to any personal liability or accountability by reason of the execution and delivery of the Facility Lease; but nothing contained in the Facility Lease shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Facility Lease.

Default

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, *provided*, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in subsections (a) or (e) under this caption, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) If the Authority does not elect to terminate the Facility Lease in the manner provided for in subparagraph (d) under this caption, the County, pursuant to the Facility Lease, agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions therein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of the Facility Lease, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided in the Facility Lease for the payment of Base Rental Payments thereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of obtaining possession of the Leased Property or exercise of any other remedy by the Authority. The County, pursuant to the Facility Lease, irrevocably appoints the Authority as the agent and attorney-in-fact of the County to obtain possession and re-lease the Leased Property in the event of default by the County in the performance of any covenants contained in the Facility Lease to be performed by the County and to remove all personal property whatsoever situated upon the Leased Property and to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the County, and the County, pursuant to the Facility Lease, exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. The County, pursuant to the Facility Lease, waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as therein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Property. The County, pursuant to the Facility Lease, agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of the Facility Lease, and further agrees, pursuant to the Facility Lease, that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Facility Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Facility Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Facility Lease as summarized in subparagraph (d) under this caption. The County, pursuant to the Facility Lease, further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and conveys and releases such excess to the Authority as compensation to the Authority for its service in re-leasing the Leased Property.

(d) In any Event of Default under the Facility Lease, the Authority at its option may terminate the Facility Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Facility Lease by the Authority at its option and in the manner provided in the Facility Lease on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees, pursuant to the Facility Lease, to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Facility Lease in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Authority from the Leased Property. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Authority shall of itself operate to terminate the Facility Lease, and shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Facility Lease. The County covenants and agrees, pursuant to the Facility Lease, that no surrender of the Leased Property or of the remainder of the term of the Facility Lease or any termination of the Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(f) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(g) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the provisions of the Facility Lease summarized herein under the heading "THE FACILITY LEASE – Rental Payments – Base Rental Payments and Additional Payments") unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

<u>Net Lease</u>. It is the purpose and intent of the Authority and the County that lease payments under the Facility Lease shall be absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

<u>Amendments</u>. The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Authority and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Authority or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease;

(d) to facilitate the issuance of Additional Bonds as provided in the Facility Lease; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

<u>Discharge of County</u>. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Indenture, then the obligation of the County under the Facility

Lease to make Base Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Authority and the Trustee specified in the Facility Lease shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with the defeasance provisions of the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Facility Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Facility Lease shall be affected thereby, and each provision of the Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Authority and the Authority rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon, subject to the following: The County shall have the right during term of the Site Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair market value of each Leased Property is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County on the Leased Property shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Property by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Site Lease. Capitalized terms used in the Site Lease and not otherwise defined shall have the meanings given such terms in the Facility Lease.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Authority, pursuant to the Site Lease, agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely corporate liabilities of the Authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease, and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Site Lease shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

ASSIGNMENT AGREEMENT

Assignment. The Authority, for good and valuable consideration unconditionally grants, transfers and assigns to the Trustee without recourse (i) all its rights to receive Revenues (as defined in the Indenture) under and pursuant to the Facility Lease, (ii) the right to take all actions under the Site Lease and the Facility Lease, (iii) the right of access more particularly described in the Site Lease and the Facility Lease, and (iv) any and all other rights and remedies of the Authority in the Site Lease, as lessee thereunder, and in the Facility Lease as lessor thereunder; provided, such assignment shall not include any of the Authority's rights to indemnification and payment or reimbursement for any costs or expenses under the Facility Lease, including without limitation, those rights specified in the Facility Lease as summarized herein under the headings "THE FACILITY LEASE – Rental Payments – Base Rental Payments and Additional Payments" and "THE FACILITY LEASE – Assignment, Indemnification; Non-liability – Indemnification"; and provided further, that so long as no default in payment of Base Rental Payments under the Facility Lease shall have occurred or be continuing, the Authority shall have and may exercise all rights of the Authority under the Site Lease and the Facility Lease other than the right to receive the Base Rental Payments.

Acceptance. The Trustee accepts the foregoing assignment for the benefit of the Owners of the Bonds, subject to the conditions and terms of the Indenture, and all such Base Rental Payments shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Indenture.

Conditions. The Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

Severability. If any agreement, condition, covenant or term of the Assignment Agreement or any application thereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms thereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

California Law. The Assignment Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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County of Riverside, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

SUNNYLANDS CENTER & GARDENS, RANCHO MIRAGE

Paul Angulo, CPA, MA
County Auditor-Controller

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County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

Prepared by the Office of:

Paul Angulo, CPA, MA

County Auditor-Controller

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COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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COUNTY OF RIVERSIDE
OFFICE OF THE
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

Paul Angulo, CPA, MA
Auditor-Controller

December 15, 2016

The Honorable Board of Supervisors
Citizens of the County of Riverside
4080 Lemon Street, 5th Floor
Riverside, California 92501

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside (the County) for the fiscal year ended June 30, 2016, is hereby submitted in accordance with the provisions of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data, the completeness, and fairness of the presentation, including all disclosures, rests with the management of the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The management's discussion and analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

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

The County has twelve independent fiscal entities that are considered blended component units and two discretely presented component units. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the notes to the basic financial statements.

PROFILE OF THE GOVERNMENT

The County is the fourth largest county by area in the State. It encompasses 7,295 square miles and extends nearly 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. It is situated east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties.

There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are Riverside (the County seat) with a population of 324,696, Moreno Valley 205,383, Corona 164,659, Temecula 109,064, and Murrieta 113,795. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. The total County population as of January 1, 2016, was reported as 2,347,828, an increase of 1.3 percent as compared to the revised estimate for January 1, 2015. Approximately 15.5 percent of the residents live in unincorporated areas.

All legislative and policy making powers are vested in the County Board of Supervisors (the Board), which consists of an elected supervisor from each of the five districts. The Board Supervisors serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Board is responsible for, among other duties, passing ordinances; adopting budgets; and appointing committees, the County Executive Officer (CEO), and non-elected department directors. The County has five elected department heads responsible for the offices of the Treasurer-Tax Collector, Auditor-Controller, District Attorney, Sheriff, and Assessor-County Clerk-Recorder.

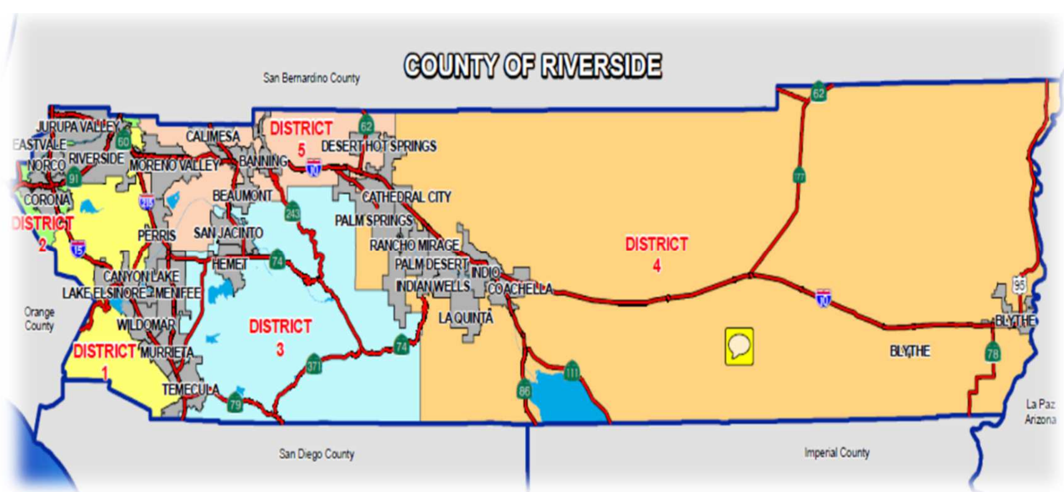
The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of DeLuz, Gavilan Hills, Good Hope, Lake Hills, Lake Mathews, LaCresta, Mead Valley, Meadowbrook, Spring Hills, Temescal Valley, Tenaja, Warm Springs, and Woodcrest.

The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley. The unincorporated communities consist of Home Gardens, El Cerrito, Coronita, and Highgrove.

District Three includes the cities of Hemet, Murrieta, San Jacinto, and Temecula. Major unincorporated areas in the District include Aguanga, Anza, Idyllwild, Valle Vista, Winchester, Wine Country, and Pinyon Pines.

District Four is the largest district, covering the eastern two-thirds of the County. Within this District are the cities of Palm Springs (except the northern portion, which resides in District 5), Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Desert Hot Springs, and Blythe. Major unincorporated areas include Bermuda Dunes, Thousand Palms, Sky Valley, Indio Hills, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Eagle Mountain, Mesa Verde, Colorado River Communities, and Ripley.

The Fifth District includes the cities of Banning, Beaumont, Calimesa, Menifee, Moreno Valley, Perris, and the northern portion of Palm Springs. The unincorporated areas include Banning Bench, Cabazon, Cherry Valley, Desert Hills, Desert Hot Springs, El Nido area, Juniper Flats, Lake Perris, Lakeview, Lakeview Mountains, Mission Lakes, Mission Springs, Morongo Badlands, Nuevo, Painted Hills, Quail Lake, Reche Canyon, San Jacinto Wildlife Reserve, San Timoteo Canyon, Snow Creek, The Sovereign Nation of the Morongo Band of Mission Indians, Twin Pines, West Garnet, Whitewater and Windy Point.



Source: Riverside County GIS

The County has over 21,000 employees, and provides a variety of services and programs to its residences as the table below depicts.

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

Certificates, Licenses and Permits	**Human Services**
Birth, marriage, and death certificates; animal licensing; and building permits.	Assistance for families, custody issues, and veterans' services.
Children’s Services	**Libraries and Museums**
Child Support Services, Mentor programs, Children Medical Services, CalWORKS, Child Health and Disability Prevention.	Edward Dean Museum and Riverside County Law Library.
Criminal Justice	**Parks and Recreation**
Departments dealing with criminal justice. District Attorney, Probation, Public Defender, and Sheriff. Legal resources, and Online Crime Report Form.	Park & Open Space District, Golf Courses in Riverside County, and Riverside Bicycle Cub.
Education	**Pets and Animal Services**
Office of Education.	Animal Control, Animal Shelters, Animal License Inspection, Animal Rescue, Report Animal-Control Violations, and Dog License Fee.
Emergency Services	**Property Information**
Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless programs.	Assessment appeals, building permit report, obtain property information via GIS, pay property taxes online, track your property taxes online, record map inquiry, information for new homeowners, and Riverside County land information.
Environment	**Public and Official Records**
Solid waste, liquid waste, medical waste, sewage disposal, water systems, wells, backflow devices, food services, public pools and mobile home parks, vector control, hazardous materials services, fire protection services, waste reduction, and recycling.	Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search.
Flood Control	**Roads and Highways**
Flood Control and water conservation.	Road maintenance, land development, engineering services, and survey.
Health	**Taxes**
Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, and medical marijuana identification cards.	Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, and Auditor-Controller.

Housing	Voting
First time home buyer programs, low income housing, rental assistance program, homeless shelter, and neighborhood stabilization program.	Polling locations, vote by mail.
Senior and Retirement	
Aging & disability resource connection program, community outreach, community elderly abuse education, legal assistance, and senior employment.	

FACTORS AFFECTING ECONOMIC CONDITION

State Economy

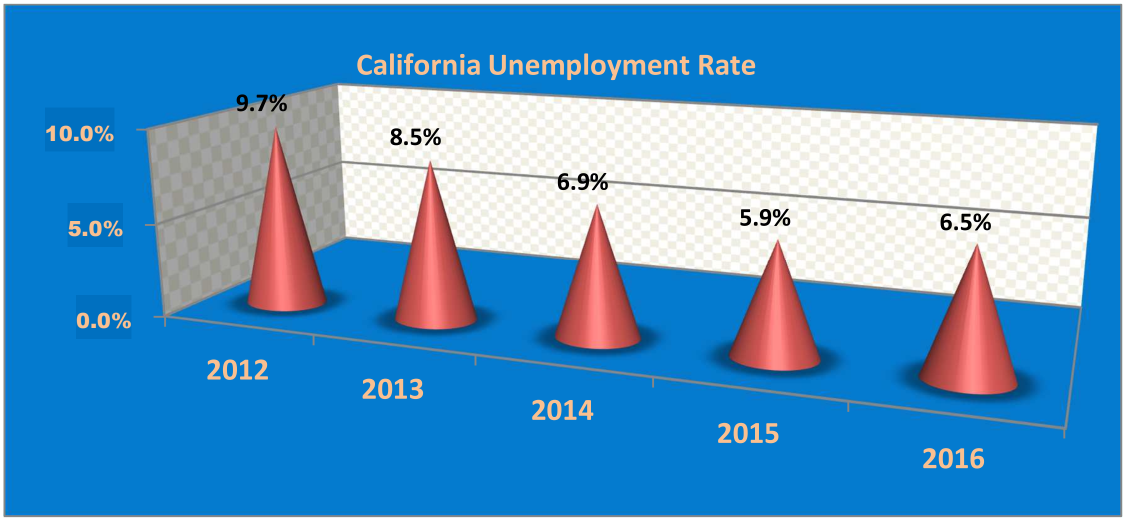
Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations. The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

The Governor's Budget Revision was issued in May 2016. The May Revision estimates that tax revenues will be $1.9 billion lower than estimated in the 2016-17 Proposed Budget Act, and as a result of the reduced tax estimates, the requirement for diverting funds to the Rainy Day Fund has also declined. May Revision projects sales and use tax receipts to the General Fund will decrease by $218 million in fiscal year 2015-16 and $215 million in 2016-17, due to the Proposition 30 sales tax sunset that occurs in fiscal year 2016-17. However, the May Revision estimates that statewide property tax revenue will increase by 5.9 percent and 6.2 percent in fiscal years 2015-16 and 2016-17, respectively.

The May Revision includes an additional $45.4 million to provide full-scope Medi-Cal benefits to undocumented children (bringing the total to $188.2 million in General Fund moneys). The May Revision provides that the Governor will reimburse $177.4 million to counties that chose the formula option under the Affordable Care Act Assembly Bill (AB) 85. The May Revision includes a few additional funding proposals for drought and water related issues, which include: additional funding to help state and local governments deal with the tree mortality crisis and an additional $11.4 million (for a total of $334.5 million) in drought response funding.

March 2016 marked the 48th consecutive month that California outpaced the United States overall in terms of nonfarm job growth.

Nonfarm employment is projected to grow by more than 2% per year in the near term, home sales should gain momentum, and job growth will likely occur in both low- and high-skilled industries.



Local Economy

Beacon Economics' latest revenue forecast for Riverside County maintains an optimistic tone, and for good reason. The underlying fundamentals of the local real estate market are strong and are expected to maintain an upward trajectory for the life of the forecast. Price growth is expected to accelerate, and sales volumes are finally turning around. Overall economic activity is also heading in the right direction as businesses continue to hire, which will help boost future spending. Over the next five fiscal years, with nothing in the latest data that points to trouble on the immediate horizon, expect positive revenue growth in Riverside County.

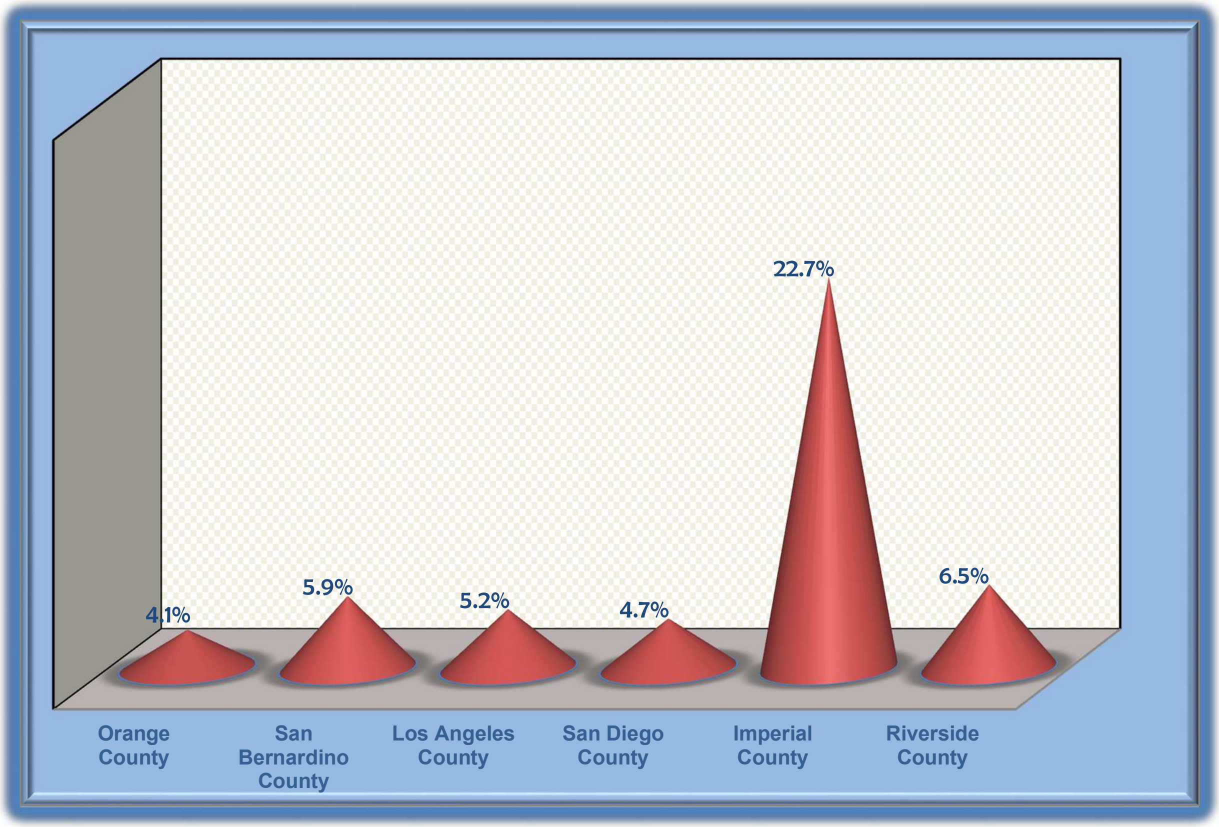
Over the last year, the local real estate market has moved forward much in line with expectations. Beacon Economics' prior forecast for Assessed Value (AV) in the County was very close to the latest data released by the County Assessor for the 2015–16 fiscal year, 6.3% forecasted compared to 5.8% actual. Prices are rising and sales volumes are beginning to trend higher as well.

Spending activity in the broader Riverside County region has continued to move forward at healthy pace, and County revenues that are tied to consumer and business spending are expected to enjoy positive growth over the next five fiscal years. Sales tax revenues for the unincorporated portion of the County have been disappointing, but this is due primarily to a pullback in overall spending tied to solar power projects that have been underway for the last few years. In the coming years, expect these revenues to resume positive growth as the local economy moves forward.

The Inland Empire labor market remains on an upward trajectory, setting new record highs virtually each month and indicating that businesses in the area are confident enough about the current economic climate to continue adding to their payrolls. In March 2016, total nonfarm employment in the Inland Empire stood at 1.37 million, a 3.3% increase over March 2015 levels. This growth stands in contrast to the state overall, which saw 2.6% year-over-year growth.

The fiscal year 2015-16 County budget includes $3.1 billion in general fund appropriations, comprising 58 percent of the overall budget. General fund discretionary revenue continues to show modest growth. Estimated discretionary revenue is projected to increase from $678.8 million in fiscal year 2014-15 to $735.2 million in fiscal year 2015-16, an increase of $56.4 million, or 8.3 percent. Discretionary spending is $785.9 million, with the balance assuming $50.7 million in available fund balance.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, Labor Market Division, September 2016

Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective public services, the County of Riverside applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association and recognized as best practices that promotes financial soundness, efficiency in government and solvency in public finance. The following committees have been established to aid in the implementation of oversight and transparency of such relevant financial policies:

Debt Advisory Committee provides advice to the Board on debt issuance and management.

Pension Advisory Committee provides an institutional framework to help guide policy decisions about retirement benefits.

Deferred Compensation Advisory Committee provides assurance of the financial stability of the deferred compensation plan through prudent monitoring of investments and costs.

Investment Oversight Committee reviews the County's investment policies.

Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County for its CAFR for the fiscal year ended June 30, 2015. This was the twenty-eighth consecutive year the County has achieved this prestigious award. In order to be awarded a *Certificate of Achievement*, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The County has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 30, 2015. This was the tenth consecutive year the County has achieved this award. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR and PAFR continue to meet the Certificate of Achievement Program's requirements and we are submitting both reports to the GFOA to determine the eligibility for new certificates.

Acknowledgments

The preparation of this CAFR could not have been accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office, especially the staff members of the General Accounting Division who consistently produce award winning financial reports. Special recognition goes to the staff members of the contributing component units and the County departments for their participation in the preparation of this report.

Additionally, I would like to extend my gratitude to the Board of Supervisors and County Executive Office for their leadership in making the County a great place to live, work, and to conduct business. Finally, I would like to thank our independent auditors, Brown Armstrong Accountancy Corporation, for their efforts throughout this audit engagement.

Respectfully,

PAUL ANGULO, CPA, MA
RIVERSIDE COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2016

ELECTED OFFICIALS

Board of Supervisors

KEVIN JEFFRIES
First District

JOHN F. TAVAGLIONE
Second District

CHUCK WASHINGTON
Third District

JOHN BENOIT
Chairman
Fourth District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

MICHAEL HESTRIN
District Attorney

STANLEY SNIFF
Sheriff
Coroner
Public Administrator

PAUL ANGULO
Auditor
Controller

PETER ALDANA
Assessor
Clerk
Recorder

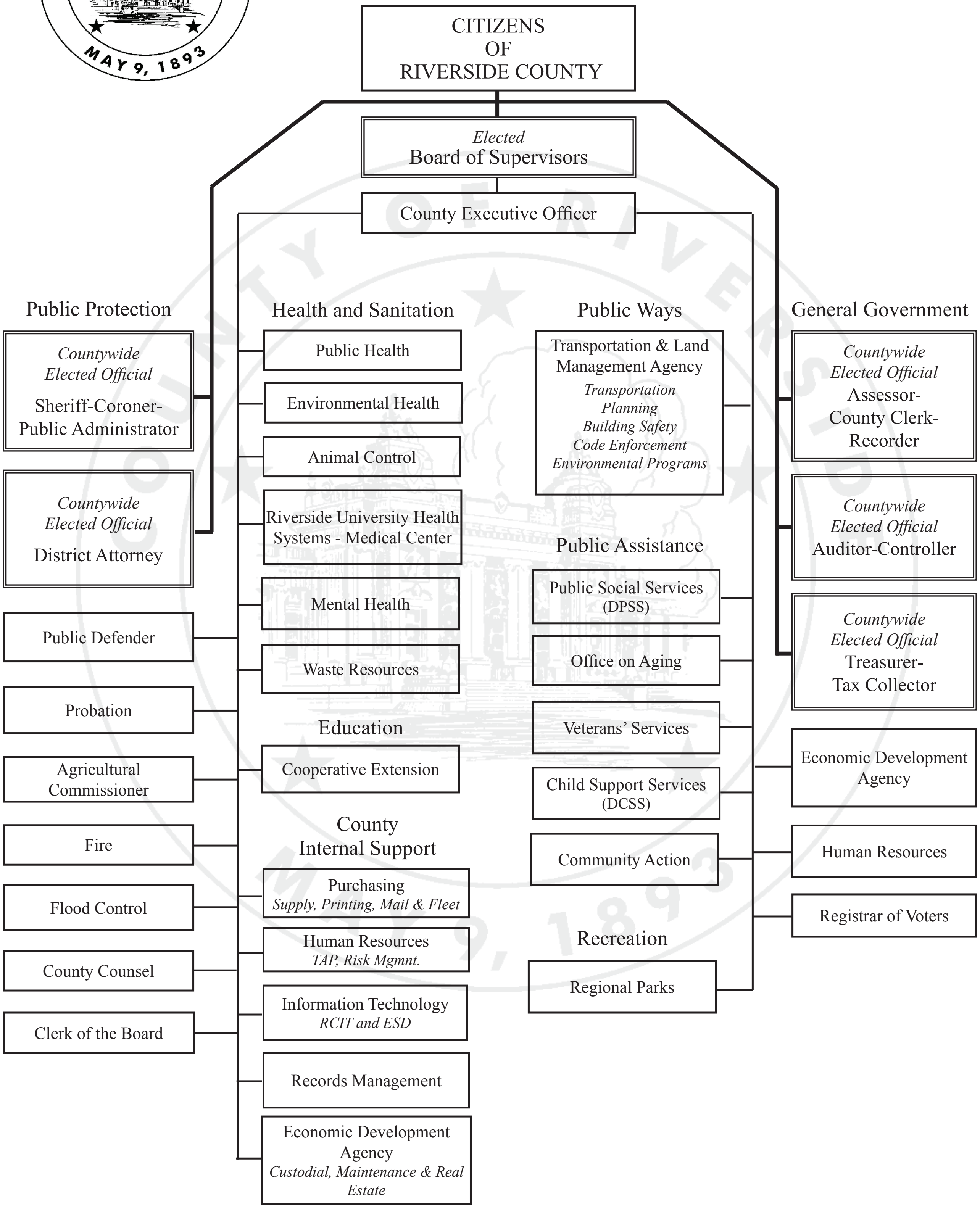
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

JAY ORR
County Executive Officer

GREGORY P. PRIAMOS
County Counsel

COUNTY OF RIVERSIDE ORGANIZATION CHART



Government Finance Officers Association

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, 2015

Executive Director/CEO

FINANCIAL SECTION

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BROWN ARMSTRONG
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FAX 661.324.4997
EMAIL info@bacpas.com

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FRESNO, CA 93711
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FAX 559.476.3593

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SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE
5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 (the Flood Control), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), Perris Valley Cemetery District (the Cemetery District), Riverside County Redevelopment Successor Agency (the Successor Agency), 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:

Opinion Unit	Assets	Revenues
Governmental Activities	19%	3%
Business-Type Activities	20%	13%
Aggregate Remaining Fund Information	2%	0%
Discretely Presented Component Units	47%	72%

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, the Housing Authority, the Park District, the Cemetery District, the Successor Agency, and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Flood Control Special Revenue Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in the Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,* GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* during the fiscal year ended June 30, 2016. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-25; the County's Retirement Plans schedules relating to net pension liabilities, changes in net pension liabilities, and pension contributions on pages 127-132; and the schedule of funding progress for the County's Other Post-Employment Benefit (OPEB) plans on pages 132-133 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 and individual nonmajor fund financial statements and respective budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S

DISCUSSION AND ANALYSIS

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 (the County) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal beginning on page v and the County's basic financial statements which begin on page 27.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2015-16, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $2.7 billion (*net position*). The net position included $3.4 billion of net investment in capital assets, $716.9 million of restricted resources for the County's ongoing obligations related to programs with external restrictions, and $1.4 billion deficit of unrestricted resources.

- As of June 30, 2016, the County's governmental funds reported combined fund balances of $1.2 billion, a decrease of $124.8 million in comparison with the prior year. Approximately 17.6% of this amount ($217.3 million) is available for spending at the County's discretion *(unassigned fund balance).*

- At the end of the fiscal year, unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance*) for the general fund was $269.5 million, or approximately 9.7% of total general fund expenditures.

- The significant change in capital assets net of accumulated depreciation resulted from acquisition of building and land, building improvement, equipment and leased vehicle purchases and completion of various projects related to roads, storm water drains, and other infrastructures.

- The decrease in outstanding long-term debt resulted mainly from three outstanding certificates of participation that were refunded by the Lease Revenue Refunding Bond and scheduled retirement payments.

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 which are comprised of the following three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

In addition to the basic financial statements, *Required Supplementary Information* is included to provide additional detail to support the basic financial statements.

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

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining. The statement of net position in summary can be found on page 7, and in more detail on page 27.

The *statement of activities,* presented on page 9 in summary and on pages 28-29 in detail, provides information showing how the County's net position changed during the most recent fiscal year. All changes in net position 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. For example, property tax revenues are recorded when accrued but not yet collected, and when expenditures for compensated absences are accrued, but not yet paid.

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 cultural services. Governmental activities include six major funds, nineteen nonmajor funds, and a representative allocation of the County's internal service funds. The six major governmental funds are the general fund, flood control special revenue fund, transportation special revenue fund, teeter debt service fund, public facilities improvements capital projects fund, and public financing authority capital projects fund. The business-type activities of the County include three major enterprise funds, and two nonmajor funds. The major enterprise funds are the Riverside University Health Systems-Medical Center (RUHS-MC), Waste Resources, and the Housing Authority.

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

The financial information for the Palm Desert Financing Authority (PDFA) and the Children and Families Commission (the Commission), both legally separate component units whose governing bodies are appointed by and serve at the will of the County, are presented separately from the financial information of the primary government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- County of Riverside Bankruptcy Court Corporation
- Housing Authority of the County of Riverside
- In-Home Supportive Services Public Authority
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Infrastructure Financing Authority (IFA)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery District

Fund Financial Statements, illustrated on pages 32-49, 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 Government Accounting Standard Board (GASB) Statement No. 34, as amended. 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. Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year unlike government-wide financial statements. Such information may be useful in assessing a government's near-term financing requirements.

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 County's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures, and changes in fund balances provided are accompanied by reconciliations to the 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, capital projects, and permanent funds). The governmental fund financial statements present the financial information of each major fund (the general fund, transportation special revenue fund, flood control special revenue fund, teeter debt service fund, public facilities improvements capital projects fund, and public financing authority capital projects fund) in separate columns.

Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the supplementary information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental fund budgets except for CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority, Public Financing Authority, and Perris Valley Cemetery Endowment Fund. The budgetary comparison statements have been provided to demonstrate compliance with their respective budgets.

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, found on pages 44-47, provide the same type of information as shown in the government-wide financial statements with 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 RUHS-MC, Waste Resources, Housing Authority, County Service Areas, and Flood Control. RUHS-MC, Waste Resources, and Housing Authority financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Financial information for the remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas 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 records and archive management, fleet services, information services, printing and mail services, supply services, enterprise solution division (accounting and human resources information technology system), risk management, temporary assistance pool, economic development agency (facilities management), 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 cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements, on pages 48-49, 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. The notes can be found on pages 51-125 of this report.

Required Supplementary Information provides changes in net pension liability and related ratios, employer contributions to the pension plan, and funding progress in post employment benefits other than pensions. Required supplementary information can be found on pages 127-133 of this report.

Combining and individual fund statements and budgetary schedules provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds, and are presented immediately following the required supplementary information. Combining and individual fund statements and budgetary schedules can be found on pages 135-184 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The table below focuses on the net position and changes in net position in the County's governmental and business-type activities. It presents an analysis of the County's net position as of June 30, 2016, in comparison to the prior fiscal year 2014-15. At the end of current fiscal year, the County reported positive net position in two of the three categories: net investment in capital assets and restricted net position. Total assets and deferred outflows of resources, as indicated below, exceeded liabilities and deferred inflows of resources by $2.7 billion, representing an increase of $158.9 million ($205.2 million changes in net position and a restatement of $46.3 million, see Note 3), or 6.2%. A more detailed statement can be found on page 27 in the government-wide financial statements.

STATEMENT OF NET POSITION
June 30, 2016 and 2015
(In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2016	2015	2016	2015	2016	2015	%
Assets:							
Current and other assets	$ 2,307,959	$ 2,366,793	$ 541,301	$ 458,916	$ 2,849,260	$ 2,825,709	0.8%
Capital assets	4,568,518	4,355,657	302,735	293,375	4,871,253	4,649,032	4.8%
Total assets	6,876,477	6,722,450	844,036	752,291	7,720,513	7,474,741	3.3%
Deferred outflows of resources:	545,416	209,599	68,035	25,452	613,451	235,051	161.0%
Total deferred outflows of resources	545,416	209,599	68,035	25,452	613,451	235,051	161.0%
Liabilities:							
Current liabilities	713,844	689,679	234,400	156,747	948,244	846,426	12.0%
Long-term liabilities	3,594,751	3,292,882	559,148	524,317	4,153,899	3,817,199	8.8%
Total liabilities	4,308,595	3,982,561	793,548	681,064	5,102,143	4,663,625	9.4%
Deferred inflows of resources:	447,619	423,050	69,500	67,291	517,119	490,341	5.5%
Total deferred inflows of resources	447,619	423,050	69,500	67,291	517,119	490,341	5.5%
Net position:							
Net investment in capital assets	3,240,888	3,009,048	112,906	95,160	3,353,794	3,104,208	8.0%
Restricted	667,696	489,359	49,241	56,569	716,937	545,928	31.3%
Unrestricted	(1,242,905)	(971,969)	(113,124)	(122,341)	(1,356,029)	(1,094,310)	23.9%
Total net position	$ 2,665,679	$ 2,526,438	$ 49,023	$ 29,388	$ 2,714,702	$ 2,555,826	6.2%

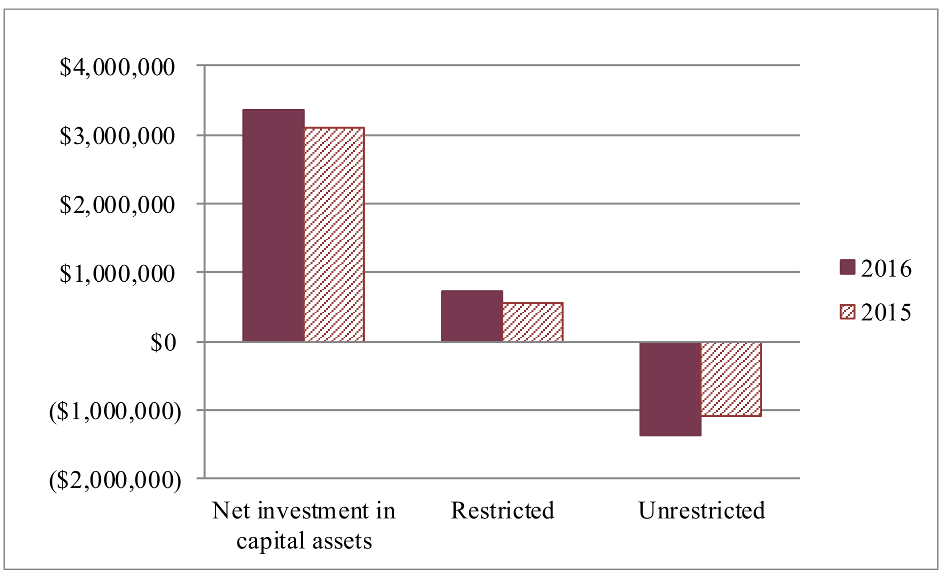
Below are the three components of net position and their respective balances as of June 30, 2016:

- Net investment in capital assets was $3.4 billion, or 123.6%, of the County's total net position compared to $3.1 billion, or 121.5%, for fiscal year 2014-15. This component consists of capital assets such as land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation. The amount is further 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.

- $716.9 million, or 26.4%, of the County's total restricted net position compared to $545.9 million, or 21.4%, for fiscal year 2014-15. This component represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- $1.4 billion deficit, or 50.0%, of the County's total net position is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors. Of this amount, $1.2 billion deficit is from governmental activities and $113.1 million deficit is from business-type activities, compared to prior year when $972.0 million deficit was from governmental activities and a $122.3 million deficit was from business-type activities.

Statement of Net Position
June 30, 2016 and 2015
(In thousands)



The following table provides information from the Statement of Activities of the County as of June 30, 2016 as compared to the prior year:

STATEMENT OF ACTIVITIES
For the fiscal years ended June 30, 2016 and 2015
(In thousands)

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total 2016	Total 2015	Increase/ (Decrease) %
Revenues:							
Program revenues:							
Charges for services	$ 734,769	$ 645,840	$ 676,526	$ 665,819	$ 1,411,295	$ 1,311,659	7.6%
Operating grants and contributions	1,907,919	1,800,158	-	-	1,907,919	1,800,158	6.0%
Capital grants and contributions	54,134	31,579	2,234	536	56,368	32,115	75.5%
General revenues:							
Property taxes	346,851	327,504	-	-	346,851	327,504	5.9%
Sales and use taxes	29,573	32,851	-	-	29,573	32,851	-10.0%
Unrestricted intergovernmental revenue	232,453	244,003	-	-	232,453	244,003	-4.7%
Investment earnings	12,948	8,700	2,720	895	15,668	9,595	63.3%
Other	182,526	182,809	-	-	182,526	182,809	-0.2%
Total revenues	3,501,173	3,273,444	681,480	667,250	4,182,653	3,940,694	6.1%
Expenses:							
General government	283,081	179,575	-	-	283,081	179,575	57.6%
Public protection	1,328,608	1,217,731	-	-	1,328,608	1,217,731	9.1%
Public ways and facilities	149,768	177,870	-	-	149,768	177,870	-15.8%
Health and sanitation	468,382	499,669	-	-	468,382	499,669	-6.3%
Public assistance	980,550	970,415	-	-	980,550	970,415	1.0%
Education	23,283	23,409	-	-	23,283	23,409	-0.5%
Recreation and cultural services	20,758	18,335	-	-	20,758	18,335	13.2%
Interest on long-term debt	46,306	45,904	-	-	46,306	45,904	0.9%
Riverside University Health Systems - Medical Center	-	-	506,338	468,562	506,338	468,562	8.1%
Waste Resources	-	-	75,358	56,299	75,358	56,299	33.9%
Housing Authority	-	-	88,166	90,903	88,166	90,903	-3.0%
Flood Control	-	-	3,591	3,056	3,591	3,056	17.5%
County Service Areas	-	-	413	390	413	390	5.9%
Total expenses	3,300,736	3,132,908	673,866	619,210	3,974,602	3,752,118	5.9%
Excess (deficiency) before transfers	200,437	140,536	7,614	48,040	208,051	188,576	10.3%
Transfer in (out)	(22,478)	(11,250)	22,478	11,250	-	-	0.0%
Change in net position, before special items	177,959	129,286	30,092	59,290	208,051	188,576	10.3%
Special items	-	-	(2,803)	(905)	(2,803)	(905)	209.7%
Change in net position	177,959	129,286	27,289	58,385	205,248	187,671	9.4%
Net position, beginning of year, as restated	2,487,720	2,397,152	21,734	(28,997)	2,509,454	2,368,155	6.0%
Net position, end of year	$ 2,665,679	$ 2,526,438	$ 49,023	$ 29,388	$ 2,714,702	$ 2,555,826	6.2%

The following are specific major factors that resulted in the net position changes in governmental activities between fiscal years 2014-15 and 2015-16 as shown in the table on page 9.

Revenues for governmental activities

Revenues from *Charges for services* increased by $88.9 million, or 13.8%. 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. Contractual Law Enforcement revenue increased due to additional patrolling services in the unincorporated areas of Riverside County. In addition, health service fees increased due to the growth of Capitated Medi-Cal and Medi-Cal patients as a result of the new health care reform act.

Revenues from *Operating grants and contributions* increased by $107.8 million, or 6.0%, due to significant changes in the following state and federal sources:

- There was an increase of $86.7 million in federal and state funds for major public assistance programs including Medi-Cal, adult protective services, in-home support services, child welfare services, CalFresh, CalWorks, adoptions, and foster care programs due to ongoing program growth. $40.3 million contribution from federal and state funds for several large highway inter-change improvement and grade separation projects. $32.6 million was recognized as revenue from Behavioral Health Funds distributed by Local Revenue Fund 2011 for supporting the Early and Periodic Screening, Diagnosis, and Treatment (EPDST) program. $11.8 million was recognized as revenue from Local Revenue Funds Sales and Use Tax Growth Fund for supporting mental health treatment, detention health, and juvenile justice programs. $5.7 million received from community corrections performance incentive fund for implementing an enhanced aftercare program for juveniles with intensive supervision following release from treatment. The overall increase was offset by $69.5 million in State reimbursements and Mental Health Service Act funds received in the prior year for previously implemented Senate Bill (SB) 90 Mandated Programs and building purchase.

Revenues from *Capital grants and contributions* increased by $22.6 million, or 71.4%. $24.7 million was awarded from SB81 State Financing Program for the new East County Detention Center and Van Horn Youth Treatment and Education Center.

Revenues from *Property taxes* increased by $19.3 million, or 5.9%. The fiscal year 2015-16 assessment roll value increased by 5.8%. The contributing factors to the assessment roll value increase were year-over-year growth in sales price, increased new construction, and additional properties climbing out of reduced or "decline-in-value" assessment, also called Proposition 8.

Revenues from *Sales and use taxes* decreased by $3.3 million, or 10.0%. The decrease was due to the decline of solar power plant construction and falling gasoline prices.

Revenues from *Unrestricted intergovernmental revenue* decreased by $11.6 million, or 4.7%, in the vehicle license fee realignment fund due to a portion of the fund being redirect to family support service programs.

The increase in *Investment earnings* was due to higher interests earned in the County Treasurer's pooled investment fund from economic growth. The earnings fluctuate according to several factors including cash balances in the Treasurer's pooled investment fund, current interest rates, and the continuation of accommodative U.S. Federal Reserve monetary policy.

Expenses for governmental activities

Total expenses for governmental activities were $3.3 billion for the current fiscal year, an increase of $167.8 million, or 5.4%, as compared to prior fiscal year. The following are the key components accounting for the variances:

- *General government* represents $283.1 million, or 8.6%, of the total governmental activities expenses and increased by $103.5 million, or 57.6%, from prior year due to contributions made to support several building construction projects.

- *Public protection* represents $1.3 billion, or 40.3%, of the total governmental activities expenses and increased by $110.9 million, or 9.1%. The majority of the increase is caused by negotiated labor increases, raising liability coverage, correction health increases, and the ongoing impact of Assembly Bill (AB) 109 public safety realignment and Proposition 47 re-sentencing cases. The new Emergency Management department was established to consolidate the Office of Emergency Services (OES) division, Public Health Emergency Preparedness and Response (PHEPR) and Riverside County Emergency Medical Services Agency (REMSA) into a single entity.

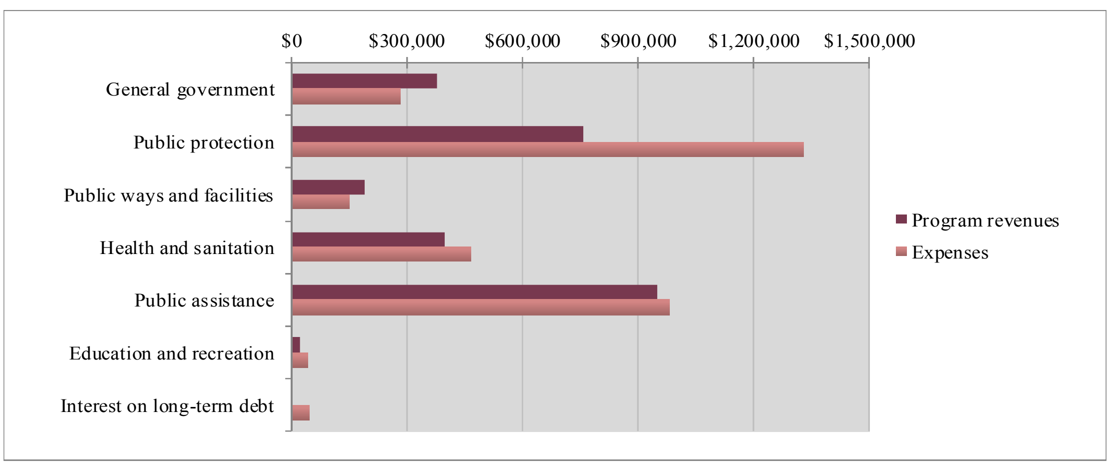
- *Public ways and facilities* represents $149.8 million, or 4.5%, of the total governmental activities expenses and decreased by $28.1 million, or 15.8%, due to several large inter-change improvement and grade separation projects costs incurred in prior year for eliminating conflicts between railroad operations and vehicular traffic.

- *Health and sanitation* represents $468.4 million, or 14.2%, of the total expenses and decreased by $31.3 million, or 6.3%, from prior year due to the Riverside University Health Systems – Behavioral Health expansion of its clinics and services throughout the County with funding received from the Mental Health Services Act (MHSA). As a result, health care and treatment services are offered at the joint location.

- *Public assistance* represents $980.6 million, or 29.7%, of the total expenses and increased by $10.1 million, or 1.0%, from prior year. In fiscal year 2015-16, In-Home Supportive Services (IHSS) individual provider (IP) service hours were increased by approximately 13.0% from prior year due to ongoing program growth with a small percentage increase associated with the transition of IHSS contract cases to IHSS IP cases.

- The remaining 2.7% represents *education* for $23.3 million, or 0.7%; *recreation and culture* for $20.8 million, or 0.6%, *and interest on long-term debt* for $46.3 million, or 1.4%.

Program Revenues and Expenses - Governmental Activities
For the fiscal year ended June 30, 2016
(In thousands)



Management’s Discussion & Analysis *(Unaudited)*

Business-type Activities

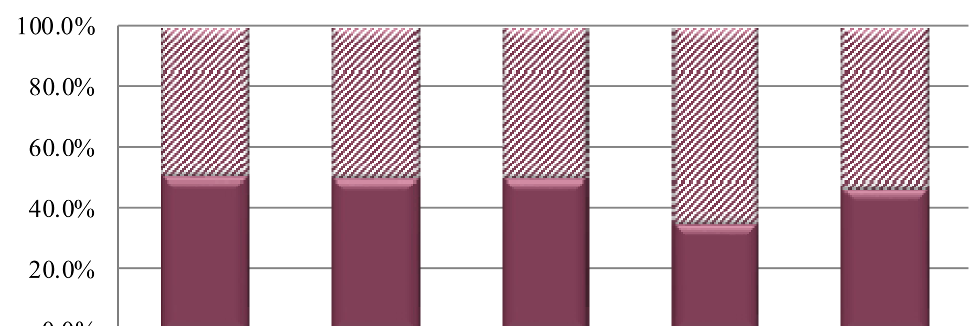
The following are specific major factors that resulted in the net position changes in business-type activities between fiscal years 2014-15 and 2015-16 as shown in the previous table of page 9.

Revenues: The County has three major business-type activity funds: RUHS-MC, Waste Resources, and Housing Authority. In addition, Flood Control and County Service Areas are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities.

For the current year, $676.5 million, or 99.3%, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, $511.7 million, was received by RUHS-MC as compared to $504.8 million for the prior fiscal year. The increase was mainly attributed to improvements in patient care service delivery through new technologies and premium revenue earned from Medi-Cal Managed Care Plans according to number of participants who are entitled to health care services.

Expenses: Total expenses for business-type activities were $673.9 million for the fiscal year compared to $619.2 million for the prior fiscal year. This represents an increase of $54.7 million, or 8.8%. Expenses of $506.3 million, or 75.1%, were incurred by RUHS-MC in the current fiscal year, as compared to $468.6 million, or 75.7%, for the prior fiscal year. In addition, expenses for Waste Resources were $75.4 million, or 11.2%, compared to $56.3 million, or 9.1%, from prior fiscal year; Housing Authority expenses were $88.2 million, or 13.1%, of total expenses for business-type activities, compared to prior fiscal year’s expenses of $90.9 million, or 14.7%; Flood Control and County Service Areas account for the remaining 0.6% of expenses consistent with the prior fiscal year.

Revenues and Expenses - Business Type Activities
For the fiscal year ended June 30, 2016
(In thousands)



	RUHS - Medical Center	Waste Resources	Housing Authority	Flood Control	County Service Areas
Expenses	$506,338	$75,358	$88,166	$3,591	$413
Revenues	$513,533	$75,436	$87,486	$1,945	$360

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 spendable resources. Such information is useful in assessing the County's short-term financial requirements. In particular, the total fund balance less the nonspendable amount 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 projects funds, debt service funds, and the permanent fund.

As of June 30, 2016, the County's governmental funds reported combined fund balances of $1.2 billion, a decrease of $124.8 million in comparison with the prior year. The components of total fund balance are as follows (See Note 16 - Fund Balances for additional information):

- Nonspendable fund balance – $7.6 million, amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance – $893.3 million, amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – $50.9 million, amounts that are committed for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- Assigned fund balance – $63.0 million, amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – $217.3 million, funds that are not reported in any other category and are available for any purpose within the general fund.

Total governmental fund revenue increased by $145.0 million, or 4.5%, from the prior fiscal year with $3.4 billion being recognized for the fiscal year ended June 30, 2016. Expenditures increased by $122.5 million, or 3.6%, from the prior fiscal year with $3.5 billion being expended for governmental functions during fiscal year 2015-16. Overall, governmental fund balance decreased by $124.8 million, or 9.2%. In comparison, fiscal year 2014-15 had an increase in governmental fund balance of $294.4 million, or 27.6%, over fiscal year 2013-14.

The general fund is the primary operating fund of the County. At the end of fiscal year 2015-16, the general fund's total fund balance was $371.5 million, as compared to $395.4 million in fiscal year 2014-15. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The nonspendable portion of fund balance was $2.4 million, and the spendable portion was $369.1 million. The current year unassigned fund balance is 7.8% of the total general fund expenditures of $2.8 billion, as compared to 8.3% of the prior year expenditures total of $2.7 billion. The total fund balance of the general fund for the current year is 13.3% of the total general fund expenditures as compared to 14.6% for the prior year.

Transportation fund balance increased by $16.1 million, or 22.7%, due to an increase in federal and state aid for financing several large highway inter-change improvement and grade separation projects.

Flood control fund balance decreased by $34.3 million, or 14.3%, due to the planning, design and maintenance costs of flood control and drainage infrastructure projects incurred in current year for the Riverside County Flood Control and Water Conservation District's Zone 4 financed by property tax, developer fees, and the promissory note proceeds issued in prior year.

Public facilities improvements capital projects fund balance decreased from $138.6 million to $133.6 million, 3.6% or $5.0 million. The decrease was caused by several major capital projects in progress during fiscal year 2015-16. The projects were financed by bond proceeds and state aid.

Public financing authority fund balance decreased by $71.3 million, or 23.6%. The decrease was primarily due to the construction costs incurred in several major capital projects including the new detention center, parking structures, and courtrooms.

Other Governmental Funds

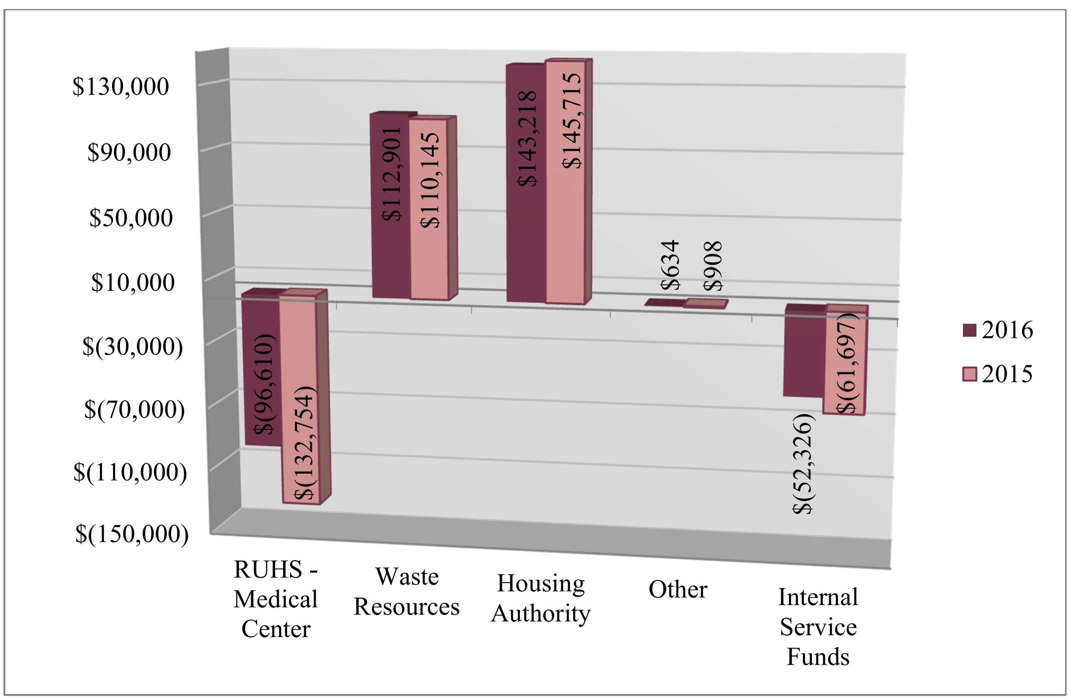
The $7.0 million, or 3.1%, decrease in nonmajor governmental funds fund balance was essentially from the scheduled annual principal payments of outstanding debts in debt service funds and the new integrated property tax management system that required additional testing prior to the implementation.

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 RUHS-MC, Waste Resources, and Housing Authority are shown in separate columns of the fund statements due to materiality criteria as defined by GASB Statement No. 34. 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, which can be found in the supplemental information section.

At the end of the fiscal year, total proprietary fund net position was $107.8 million, compared to $62.3 million for prior fiscal year; this represents an increase of $45.5 million, or 73.0%. The significant change was RUHS-MC's improved efficiencies and better revenue cycle management with the assistance of a consulting company Huron Consulting Group Inc.

Proprietary Funds Net Position
For the fiscal year ended June 30, 2016
(In thousands)



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:

General Fund - Revenues by Source
For the fiscal years ended June 30, 2016 and 2015
(In thousands)

	2016		2015		Increase / (Decrease)	
Revenues by Sources	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
Taxes	$ 279,945	9.6%	$ 267,708	9.4%	$ 12,237	4.6%
Intergovernmental revenues	1,908,447	65.6%	1,861,246	65.4%	47,201	2.5%
Charges for services	465,333	16.0%	431,323	15.2%	34,010	7.9%
Other revenue	129,586	4.5%	142,580	5.0%	(12,994)	-9.1%
Other financing sources	126,014	4.3%	142,453	5.0%	(16,439)	-11.5%
Total	$ 2,909,325	100.0%	$ 2,845,310	100%	$ 64,015	2.2%

General fund revenues had an overall increase of $64.0 million, or 2.2%, from the prior year. The increase was due primarily to the changes in the following:

- The changes in *Taxes* during the current fiscal year were due to the 5.8% increase in assessment roll value, yielding a total property tax roll of $242.7 billion, compared to $229.4 billion in fiscal year 2014-15. The main factors of the roll increase were the year-over-year growth in sales prices in all sectors of the real estate market and increased new construction.

- The increase in *Intergovernmental revenues* was primarily attributed to allocation and realignment revenue from the state and federal aid. See explanation previously discussed on page 10.

- *Charges for services* increased by $34.0 million, or 7.9%, primarily due to additional patrolling services, increased rates approved for contract city law enforcement services, and increased Capitated Medi-Cal and Medi-Cal patients in health clinics run by Riverside University Health Systems – Public Health resulting from the new health reform act.

- The significant change in *Other revenue* was due to a decrease in court fines and penalties revenue. Senate Bill 85 established an 18-month amnesty program effective on October 1, 2015 to allow individuals with past-due court-ordered debt to receive a reduction in the amount owed if they meet certain eligibility criteria and insurance proceeds received in fiscal year 2014-15 for the loss of a helicopter.

- The decrease in *Other financing sources* was due to capital leases that were issued in fiscal year 2014-15 for office building and equipment purchases.

Expenditures and other financing uses for the general fund, including comparative amounts from the preceding year, are shown in the following tabulation:

General Fund - Expenditures by Function
For the fiscal years ended June 30, 2016 and 2015
(In thousands)

	2016		2015		Increase / (Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
General government	$ 113,779	3.9%	$ 109,900	3.9%	$ 3,879	3.5%
Public protection	1,256,765	42.8%	1,189,466	42.3%	67,299	5.7%
Public ways and facilities	-	0.0%	8	0.0%	(8)	-100.0%
Health and sanitation	468,272	16.0%	478,047	17.0%	(9,775)	-2.0%
Public assistance	918,963	31.3%	865,309	30.7%	53,654	6.2%
Other expenditures	33,578	1.1%	68,313	2.4%	(34,735)	-50.8%
Other financing uses	141,847	4.8%	103,554	3.7%	38,293	37.0%
Total	$ 2,933,204	100.0%	$ 2,814,597	100.0%	$ 118,607	4.2%

Total expenditures for the general fund were $2.9 billion, an increase of $118.6 million, or 4.2%, from the prior year. Significant changes are as follows:

- In *General government*, the main factors to the increase in fiscal year 2015-16 were a comprehensive review of practices within the criminal justice departments that was conducted for a cost saving plan and printing costs related to local government official members and presidential elections.

- The increase in *Public protection* was mainly caused by returning public safety staffing to previous levels for patrolling services according to the Board of Supervisor's direction, and additional costs in addressing caseloads resulting from Proposition 47 that voters approved in November 2014 for reducing most non-serious and non-violent property and drug crimes from felonies to misdemeanors.

- The decrease in *Health and sanitation* was mainly due to the reduction in contribution to health and mental health service programs funded by the State Health Realignment Fund. The funding was modified significantly by Assembly Bill (AB) 85 which redirected a portion of the funding to social service programs as a result of the implementation of federal health care reform.

- The increase in *Public assistance* was due to a growth in Adult Service Division caseloads as the County's elderly population increased significantly, continued caseload growth in CalFresh and Medi-Cal programs as expanded under the Affordable Care Act, and foster care cases increased as Assembly Bill (AB) 12 California Fostering Connections to Success Act was signed into law for the extension of federal funding for foster care services for eligible non-minors from ages 18 to 21.

- The significant decrease in *Other expenditures* was mainly due to office building and equipment purchases that were made in fiscal year 2014-15 and financed by capital lease obligations.

- The main factors to the increase in *Other financing uses* were contributions to other County funds for financing debt service payments according to the debt service schedule, construction costs of capital projects, and County program activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors contributing to the General Fund variances between 1) the original adopted 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 financial statements section.

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variances

The original adopted General Fund estimated revenue budget decreased by $76.6 million, or 2.5%, from $3.1 billion to the final amended revenue budget of $3.0 billion. The major changes in appropriations are as follows:

Interest: Decreased by $6.8 million, or 62.7%, from $10.8 million to $4.0 million. Variance of $6.8 million was the net of a $7.7 million decrease in the Auditor-Controller's budget and an increase of $0.9 million in the Treasurer's Office budget. The Auditor's Office budgeted $7.7 million for interest due on outstanding SB90 payments in two different accounts during its regular budget process. During first quarter, the error was identified and the correction was processed resulting in a decrease of appropriations. In the Treasurer's budget, revenue was increased by $0.9 million to reflect the increased of 25 basis points in the federal funds rate by the Federal Open Market Committee (FOMC).

Rents and concessions: Increased by $6.7 million, or 22.4%, from $29.8 million to $36.5 million. The general fund received $6.7 million of additional prior year revenue allocated from the landfill lease agreement with the Waste Resources department.

Charges for services: Decreased by $54.9 million, or 10.2%, from $540.1 million to $485.2 million. The majority of the variance was due to a $73.4 million decrease in appropriations due to intergovernmental activities, related to operating transfers in and out and the elimination of transfers in and out within same fund group. Decrease was offset by various increases which included a $10.2 million increase that was due to the Sheriff's department increasing its contractual revenue as the level of law enforcement services was modified for several cities and school districts. $6.2 million increase was due to changes in the Economic Development Agency - Energy Division budget to meet operational demands as annual electricity and water charges have risen significantly, additional services are being provided with new buildings: Riverside County Information Technology (RCIT) data center, Riverside County Innovation Center and the Mental Health Complex on Rustin Ave, and to administer the Opterra solar project. $1.0 million increase in the Behavioral Health Department was a result of a memorandum of understanding between the Riverside University Health Systems – Behavioral Health and Inland Empire Health Plan to provide behavioral health and primary care services. $0.8 million increase in the Planning Department budget resulted from an increase in contract amounts to provide project activities required for efficient and timely environment analysis. During this fiscal year, the Emergency Management Department was created to support the Office of Emergency Systems, Public Health Emergency Preparedness and Response, and Regional Emergency Medical Services Authority. Balances were transferred from the Fire Department, Riverside University Health Systems and Public Health but the overall budget needed additional revenues of $0.5 million in charges for current services.

Other revenue: Decreased by $36.0 million, or 36.7%, from $98.2 million to $62.1 million. $40.8 million of this variance is a result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group. Treasurer's budget increased by $2.4 million due to a recent change in Revenue and Taxation Code Section 4674 allowing unclaimed excess proceeds from sales of tax defaulted properties to be transferred into the general fund. $0.8 million increase was due the Board of Supervisors approving the transfer of property tax overpayments to the County general fund. $0.7 million increase in Tax Revenue Anticipation Notes budget was increased for additional premium on bonds issued received.

Expenditure Appropriation Variances

The original adopted General Fund appropriation budget decreased by $92.8 million, or 2.9%, from $3.2 billion to the final amended appropriation budget of $3.1 billion. The major appropriation variances are described below.

General Government: The appropriation budget decreased by $49.7 million, or 19.8%.

- Services and supplies increased by $9.8 million, or 13.1%. Variances in services and supplies were due to changes in appropriations for the Executive Office, Legislative-Administrative Support Department, Assessor, Registrar of Voters and Economic Development Agency. Economic Development Agency-Energy division appropriations increased by $6.2 million to ensure sufficient funding was available to pay electricity, sewer and water bills as charges are significantly increasing with new buildings being operated by the County and also due to the operation and monitoring of the Opterra solar project. Executive Office appropriations increased by $2.9 million due to the consulting agreement signed with KPMG to perform an organizational and operational financial review of the County's public safety departments to provide cost saving strategies. Legislative-Administrative Support Department appropriations increased by $1.3 million to allow payment of attorney fees to the Prison Law Office for the settlement of a lawsuit case with the County. Registrar of Voters appropriations increased by $0.8 million in its printing and binding costs related to the statewide initiative of signature verification and the June Presidential Primary Election. Increases were offset with a decrease of appropriations of $3.4 million in the Assessors Department. The department had to decrease its computer equipment and professional services appropriations to reallocate funds to operating transfers to facilitate a journal to demonstrate County match to state grant received for the State-County Assessors' Partnership Agreement Program (SCAPAP) and to salaries and benefits to cover structural deficit.

- Other charges decreased by $36.7 million, or 38.1%. $48.6 million decrease was mainly due to intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within same fund group. Decrease is offset by a $10.7 million increase in appropriations in departments such as Board of Supervisors, Contribution to Other Funds, Court Facilities and Assessor. Contributions to Other Funds budget was increased by a total of $6.2 million. Of this amount, $3.3 million was allocated from the passage of SB107 to reimburse non-general fund departments for their upfront costs incurred during the transition year of three cities, Jurupa Valley, Menifee and Wildomar. $2.0 million was allocated to transfer to the capital projects fund to pay worker's compensation fund loan obtained to contribute towards sewer improvements for the growth and sustainability of the Temecula Valley Wine County. $0.6 million was allocated to Economic Development Agency (EDA) to purchase equity interests in real property located in the City of Banning from the Judicial Council of California. $0.5 million was allocated to Parks to continue operating the community centers at their current levels of service to the public. Assessors' appropriations increased by $1.9 million which was a result of a transfer from professional services to facilitate a journal to demonstrate County match to state grant received for the State-County Assessor's Partnership Agreement Program (SCAPAP). Board of Supervisors Department increased its contributions to other non-County agencies by $1.6 million to assist organizations within the County with carrying out programs that benefit County residents. Court Facilities Department increase its appropriations by $1.0 million to cover invoices related to the County's court facilities.

- Appropriation for contingencies decreased by $22.1 million, or 62.1%. During the third quarter, the Executive Office worked with many departments to address expected budget shortfalls by year-end. At that time, it was decided to use monies from appropriation for contingency to assist those departments with major shortfalls. The Sheriff's department was the main department that received $25.0 million to close an ongoing structural deficit.

Debt Service: The appropriation budget decreased by $52.8 million, or 56.9%.

- Principal in long-term debt decreased by $53.4 million, or 60.8%. The variance is a result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within same fund group.

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

During the year, the General Fund had a positive budget variance of approximately $53.2 million resulting from unexpended appropriations of $304.7 million, or 9.8%, and overestimated revenue of $251.5 million, or 8.3%. The following contributed to the variance:

Revenue Variances

General Fund actual revenues of $2.8 billion were 8.3%, or $251.5 million, less than the final amended revenue budget of $3.0 billion.

Interest: Actual revenues were more than the final amended budget by $2.7 million, or 67.2%. The primary variance was due to the Treasurer-Tax Collector department optimizing the investment selections and strategies which resulted in additional interest earnings.

Rents and concessions: Actual revenues were less than the final amended budget by $26.0 million, or 71.3%. The primary variance is due to $18.7 million being transferred from the general fund to the CORAL debt service fund. $2.1 million of the variance was for landfill lease revenue from prior fiscal years budgeted by the general fund this fiscal year but recognized and accrued during fiscal year 2015.

Federal aid: Actual revenues were less than the final amended budget by $50.4 million, or 8.1%. Department of Social Services revenue from public assistance programs was $54.5 million lower than budgeted. Revenue received is driven by expenditures in the programs which were decreased for the year. Probation's federal reimbursement claims of Title IV-E Funding was $2.7 million lower than anticipated. Fire Department operating grants revenue was $2.1 million lower than budgeted as this revenue is full reimbursement for grant expenditures, lower expenditures, lower revenue received. Public Health's federal SB910 County Based Medi-Cal Administrative Activities (CMAA) revenue of $1.0 million was not received during the fiscal year as funds were being held due to state audit of the program. Mental Health actual revenue was higher than budgeted due to servicing more Medi-Cal clients.

State aid: Actual revenues were less than the final amended budget by $126.3 million, or 9.26%. Revenue received for Proposition 172 and realignment for Vehicle License Fees was $53.0 million lower than budgeted. Per information received from our HdL advisors, the Board of Equalization (BOE) has suspended all true up payments until procedures are reviewed. BOE believes counties have been getting overpaid for the last 18 months. Mental Health Department-Mental Health Service Act program revenue was $4.6 million lower than budgeted. The department gets reimbursed from the state for services provided through its Mental Health Service Act program. Revenue fluctuates with expenditures and other revenue levels. During this fiscal year, the program provided less services than projected, decreasing actual revenue by $46.4 million. Department of Public Social Services revenues from Public Assistance programs have decreased by $15.0 million. Revenue from AB118 Local Revenue was $12.0 million lower than budgeted.

Charges for services: Actual revenues were less than the final amended budget by $19.9 million, or 4.1%. Revenue budgeted for charges for current services is based on projected services that will be provided to taxpayers, clients, departments, school districts and cities. Therefore, if services are not provided at the level projected, budgeted amount will not be met. Fire Department fire protection revenue with contracted cities was $6.9 million lower than budgeted. Riverside University Health Systems-Federal Qualified Health Centers actual revenue received was $6.4 million lower than budgeted due to less Medi-Cal patients being served. Economic Development Agency-Energy division utilities reimbursements from proprietary fund departments were $5.8 million less than anticipated due to lower utility costs. Utility costs include electric, water, fuel, trash, and sewer. Fire Department weed abatement revenue was $1.1 million lower than budgeted.

Other revenue: Actual revenues were less than the final amended budget by $42.1 million, or 67.7%. $40.8 million of the variance is the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group.

Expenditure Variances

General Fund actual expenditures of $2.8 billion were 9.8%, or $304.7 million, less than the final amended appropriation budget of $3.1 billion. The major appropriation variances are described below.

General government: Actual expenditures were less than the final amended budget by $88.1 million, or 43.6%.

- Salaries and benefits were $4.9 million, or 5.0%, less than budgeted. $1.8 million of the variance was the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group. The remaining of the variance is noted in the Assessor Department by $1.0 million, Treasurer-Tax Collector by $0.8 million and Economic Development Agency-Energy division by $0.8 million.

- Services and supplies were $13.3 million, or 15.7%, less than budgeted. $5.6 million of the variance is primarily related to EDA Divisions. The EDA-Energy division electricity and water expenditures were $4.2 million lower than budgeted. Electricity costs were $3.2 million lower than budgeted due to solar savings from unforeseen delays in the installation of Opterra photovoltaic project and water costs were $1.1 million lower due to state mandated water restriction. The EDA-Project Management division expenditures were $1.4 million lower than budgeted as a result of overall projects being evaluated and reclassified resulting in a decreased in expenditures. Executive Office budgeted $3.4 million for Sales Tax Sharing Agreement Escrow to be paid out for the Vail Ranch settlement but payment was delayed until next fiscal year.

- Other charges were $51.5 million, or 86.6%, less than budgeted. $48.6 million of the variance was the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group.

- Capital assets were $3.0 million, or 82.9%, less than budgeted. $2.8 million was budgeted for Public Safety Enterprise Communication (PSEC) radio replacement expenditures but not expended by the Executive Office.

- Intrafund transfers were $1.9 million, or 3.2%, more than budgeted. Economic Development Agency-Energy division spent $0.9 million more than budgeted in intra-utilities and Human Resources spent $0.8 million more than budgeted in intra-personnel.

- Appropriations for contingencies were $13.4 million, or 100%, less than budgeted. This budget is established to assist general fund departments with unforeseen shortfalls but the transactions are recorded under the actual general fund department.

Public protection: Actual expenditures were less than the final amended budget by $48.9 million, or 3.7%.

- Salaries and employee benefits were $15.6 million, or 1.8%, less than budgeted. $12.3 million of the variance was the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group. The remaining of the variance is noted primarily in the Sheriff's Department by $7.8 million, Probation's Department by $6.9 million, District Attorney's Department by $1.9 million, and Fire Department $1.5 million.

- Services and supplies were $26.2 million, or 6.9%, less than budgeted. The variance was mainly due to $5.8 million in the Sheriff Department and $3.8 million in Fire Protection. $4.7 million of the Sheriff Department's variance is due to budgeted purchases of vehicles and helicopter engine overhaul not being completed by year-end. The remaining $1.1 million is due to Sheriff-Corrections professional services decreasing as anticipated costs for contracted bids did not materialize to the contracted level due to qualification challenge. $1.6 million of the Fire Protection variance is due to special program expenses being $1.6 million less than budgeted as, when the Office of Emergency System split off to the Emergency Management Department, the Fire Department utilized less grant expenses for the year. Fire Protection weed abatement costs were $1.1 million less than budgeted as there were no abated non-compliant properties within the unincorporated County area. Fire Protection professional services were $1.1 million less than budgeted as its fire protection agreement with CalFire is based on top step with full benefits with no salary savings component and there was a 1% salary savings due to staff not at top step.

- Other Charges were $3.6 million, or 6.6%, less than budgeted. $6.6 million of the variance was the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group. The remaining of the variance is noted primarily in the Sheriff's Department by $4.7 million and District Attorney's Department by $1.9 million.

- Capital assets were $3.3 million, or 50.6%, less than budgeted. County Clerk-Recorder $1.5 million expenditures were less than budgeted because milestone for capitalized software was not reached. Fire Protection expenditures were $0.7 million less than budgeted.

Health and sanitation: Actual expenditures were less than the final amended budget by $83.2 million, or 15.1%.

- Salaries and employee benefits were $31.3 million, or 10.6%, less than budgeted amounts. $18.6 million of the variance was in Mental Health, as with new programs and jail expansion, the department is struggling to retain qualified candidates. $8.6 million was in Riverside University Health Systems-Federally Qualified Health Centers. In order to comply with the health resources and services administration, the department was anticipating to add providers. However, it was only able to fill some of the positions but not the expected number of full time employees which were budgeted. $5.1 million of the variance is the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group. Public Health Department noted savings of $1.8 million as the department had a variety of vacancies that could not be filled during the fiscal year.

- Services and supplies were $14.1 million, or 10.8%, less than budgeted. Mental Health noted savings of $6.2 million as the program expansion is ongoing and it acquires owned properties resulting in a decrease in rent lease expenditure. $1.9 million of expenditures were less than budgeted for Public Health as administrative support expenditures were allocated to California Children Services department. Correctional Health Systems health/hospital services expenditures were $1.6 million less than budget.

- Other charges were $52.7 million, or 25.2%, less than budgeted. $23.4 million of the variance was due to expenditures for County match realignment being less as lower revenue was received from the state. $20.5 million expenditures were less than budgeted in Medical Indigent Services Program due to AB 85; the County had a portion of its 1991 health realignment funds re-directed to the state due to Affordable Care Act expansion of coverage and a corresponding reduction in uninsured individuals for which the County is responsible. $5.6 million savings in Mental Health was a result of contracted services for placement, psychological, private care and client housing being lower than expected. $3.6 million of the variance is the result of intergovernmental activities, related to operating transfers in and out and elimination of transfers in and out within the same fund group.

- Capital assets were $12.9 million, or 97.1%, less than budgeted primary due to Mental Health not performing the planned building improvements budgeted at $12.0 million as the department is focusing on program expansion.

- Intrafund Transfers were $27.8 million, or 29.2%, less than budgeted. Medical Indigent Services Program expenditures resulted in a decrease of $18.7 million due to AB 85 as the County had a portion of its 1991 health realignment funds re-directed to the state due to Affordable Care Act expansion of coverage and a corresponding reduction in uninsured individuals for which the County is responsible. $2.8 million in savings was also noted in Mental Health as contracted services with internal departments decreased resulting in lower expenditures and lower administrative costs.

Public assistance: Actual expenditures were less than the final amended budget by $77.1 million, or 7.7%.

- Salaries and employee benefits were $15.7 million, or 4.6%, less than budgeted primarily due to Department of Public Social Services not hiring to the funded full-time employee levels.

- Services and supplies were $34.1 million, or 23.1%, less than budgeted primarily due to Department of Public Social Services postponement of several new projects that had been budgeted and the cancellation of several information technology contracts.

- Other charges were $26.7 million, or 5.3%, less than budgeted mainly due to the decrease in CalWorks Federal caseload by approximately 10%, or $20 million.

Debt service: Actual expenditures were less than budgeted by $19.2 million, or 48.0%.

- Principal on long-term debt was $19.1 million, or 55.4%, less than budgeted. Primary variance is due to $18.7 million being transferred from the general fund to the CORAL debt service fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the County's capital assets for both its governmental and business-type activities amounted to $4.9 billion (net of accumulated depreciation). The capital assets include land easements, land improvements, structures and improvements, equipment, construction in progress, concession arrangements and infrastructure. The County's infrastructure is comprised of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 4.8%, or $222.2 million, from $4.6 billion in fiscal year 2014-15 to $4.9 billion in fiscal year 2015-16.

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

- Infrastructure increased approximately $179.1 million which consisted of donated roads valued at $13.1 million, $40.4 million in flood storm drains and channels, and $125.6 million in roads, traffic signals, bridges and other infrastructures transferred out of construction in progress.

- Additions of $7.9 million in land were processed this fiscal year due to the following acquisitions: the Flood Control District had land additions of $5.7 million related to the Wildomar Master Drainage Plan for $3.3 million for the preservation of the floodplain, flood and storm waters and the purchase of approximately 6.65 acres of vacant unimproved land for $1.5 million located between Glen Ivy Road and Squaw Mountain Road to protect the floodplain from development encroachment. The Economic Development Agency purchased various land parcels for approximately $2.0 million for the Perris Fire Department, Lake Riverside Fire Station #77, and the land acquired equity interests from the Judicial Council of California for the Banning County Administrative Center/Courthouse property. The major retirement of land was due to Housing Authority selling Coachella land for $3.0 million. Overall land & easement increased by $4.7 million.

- Land improvements increased approximately $7.0 million as a result of the completion of the parking lot expansion at the RUHS-MC.

- Structures and improvements increased approximately $66.8 million as a result of the completion of major projects and acquisition of properties/structures. Major projects completed were as follows: Perris Aquatic Center for $25.0 million and Jurupa Valley Aquatic Center Buildings A to D for $21.3 million. The newly acquired properties were as follows: Coachella Valley Volunteer in Medicine Clinic for $2.8 million; several housing assistance units related to the Housing Assistance Program for approximately $1.5 million;

the Banning County Administrative Center/Courthouse for $1.2 million and the Perris Fire Administrative Building for approximately $1.0 million.

- Equipment increased approximately $21.3 million. The primary increase of $11.1 million was due to the Fire and Fleet departments' acquisition of leased vehicles. The remaining balance of $10.2 million was due to increases in communication and office equipment, software, equipment vehicles and other miscellaneous equipment throughout the County.

- During the current fiscal year, construction in progress experienced additions in the amount of $319.7 million related to existing and new projects. The major increases were noted as follows: the Transportation and Land Management Agency incurred an additional $176.6 million for projects related to streets, bridges, sidewalks and signal lights; the Flood Control District incurred $49.1 million for storm drains and channels; the Economic Development Agency incurred $57.4 million in costs for projects such as the East County Detention Center, the new secured Youth Rehabilitative Facility, and the remodeling of Public Defender Building; the RUHS-MC incurred $21.9 million in cost for projects such as the new EPIC Software and the remodel of Spine Clinic Lower Level, the Nurse Education Building and the Emergency Room Expansion; the Crest project incurred an additional $6.7 million towards the new integrated property management system. During the current year approximately $376.4 million of completed projects were transferred out of construction in progress to other capital asset classifications which resulted in an overall decrease in construction in progress of approximately $56.7 million.

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

CAPITAL ASSETS (Net of Accumulated Depreciation)
(In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2016	2015	2016	2015	2016	2015	%
Infrastructure	$ 1,869,290	$ 1,686,877	$ 45,887	$ 49,162	$ 1,915,177	$ 1,736,039	10.3%
Land and easements	537,586	529,885	21,359	24,359	558,945	554,244	0.8%
Land improvements	84	85	8,905	1,916	8,989	2,001	349.2%
Structures and improvements	1,218,915	1,168,032	128,610	112,646	1,347,525	1,280,678	5.2%
Equipment	233,044	213,558	32,764	30,998	265,808	244,556	8.7%
Construction in porgress	709,599	757,220	56,380	65,464	765,979	822,684	-6.9%
Concession arrangements	-	-	8,830	8,830	8,830	8,830	0.0%
Total outstanding	$ 4,568,518	$ 4,355,657	$ 302,735	$ 293,375	$ 4,871,253	$ 4,649,032	4.8%

Additional information on the County's capital assets can be found in Note 8 on pages 76-78 of this report.

Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. Net bonded debt per capita equaled $525.0 million as of June 30, 2016. The calculated legal debt limit for the County is $3.0 billion.

The following are credit ratings maintained by the County:

	Moody's Investors Services, Inc.	Standard & Poor's Corp.	Fitch
Short-term notes	MIGl	SP-1+	F1+
Long-term general obligations	Aa3	AA	AA-

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities as of June 30, 2016.

COUNTY'S OUTSTANDING DEBT OBLIGATIONS
(In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2016	2015	2016	2015	2016	2015	%
Loan payable	$ 2,790	$ 3,350	$ -	$ -	$ 2,790	$ 3,350	-16.7%
Bonds payable	1,195,027	1,141,497	106,428	119,917	1,301,455	1,261,414	3.2%
Certificates of participation	108,937	211,688	-	-	108,937	211,688	-48.5%
Capital leases	160,110	147,278	7,438	5,878	167,548	153,156	9.4%
Total outstanding	$ 1,466,864	$ 1,503,813	$ 113,866	$ 125,795	$ 1,580,730	$ 1,629,608	-3.0%

The County's total long-term debt decreased by 3.0%, or $48.9 million, during the current fiscal year primarily due to three outstanding certificates of participation that were refunded by Lease Revenue Refunding Bond 2015 Series A. Additional information on the County's long-term debt can be found in Note 14 on pages 85-95 of this report.

ECONOMIC FACTORS AND THE FISCAL YEAR 2016-17 BUDGET OUTLOOK

Beacon Economists' forecasts for long-term growth in Riverside County remain optimistic. The residential and nonresidential property markets continue to improve while unemployment rates continue to decline.

Decisions by the state in recent years to realign criminal justice funding and responsibilities shape essential public safety services. The adopted budget continues Board-approved initiatives related to the direct impacts of these decisions, as well as the costs of labor and pension increases. These initiatives are funded by a combination of general fund discretionary revenue and Proposition 172 public safety sales tax allocations. The County continues working closely with KPMG accounting and consulting firm and California Forward (a bipartisan governance reform organization) to analyze and implement cost-saving efficiencies in the County's criminal justice system, as well as internal services and other areas.

Fiscal year 2016-17 discretionary revenue is expected to increase by approximately 3.8% ($28.0 million) when compared to the fiscal year 2015-16 adopted budget. The increase is primarily due to growth in assessed valuation for property values, which increase the amount of fiscal year 2016-17 estimated property tax revenue projection including redevelopment tax increment pass-through funds by $25.1 million over fiscal year 2015-16.

Management's Discussion & Analysis *(Unaudited)*

The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2016-17.

Source		Final Budget Estimate (In millions)
Taxes	$	343,700
Other taxes		70,264
Licenses, permits, franchise taxes		4,408
Fines, forfeitures, penalties		20,909
Use of money and property		4,089
State		271,715
Federal		3,033
Miscellaneous		45,059
Total	$	763,177

The County's employee retirement benefit contribution rate for fiscal year 2016-17 for miscellaneous members is 16.5% and the safety contribution rate is 26.6%. 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. Fiscal year 2017-18 rates are projected at 17.7% (Miscellaneous) and 28.8% (Safety). Additional information regarding the County's retirement plans is included in Notes 20, 21, and 22 of the financial statements and schedules of changes in net pension liability and related ratios, contributions, and funding progress which are included in the required supplementary information section.

Requests for Information

This financial report is designed to provide 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; website: www.auditorcontroller.org/ReportsPublications.

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BASIC FINANCIAL STATEMENTS- GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF RIVERSIDE

Statement of Net Position

June 30, 2016

(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
ASSETS:					
Cash and investments (Note 4)	$ 1,006,393	$ 180,902	$ 1,187,295	$ 42,093	$ -
Receivables, net (Notes 1 and 6)	432,053	197,611	629,664	4,041	1
Internal balances (Note 7)	109,711	(109,711)	-	-	-
Inventories	6,046	8,351	14,397	3	-
Prepaid items and deposits	4,310	4,400	8,710	3	-
Restricted cash and investments (Notes 4 and 5)	693,232	127,616	820,848	-	11,407
Other noncurrent receivables (Note 6)	23,434	-	23,434	-	31,141
Loans receivable (Note 6)	-	92,638	92,638	-	-
OPEB asset, net (Note 22)	32,780	-	32,780	-	-
Land held for resale	-	39,494	39,494	-	-
Capital assets (Note 8):					
Nondepreciable assets	1,247,185	86,569	1,333,754	373	-
Depreciable assets, net	3,321,333	216,166	3,537,499	1,834	-
Total assets	6,876,477	844,036	7,720,513	48,347	42,549
DEFERRED OUTFLOWS OF RESOURCES (Note 15)	545,416	68,035	613,451	416	-
LIABILITIES:					
Current liabilities:					
Accounts payable	136,111	24,863	160,974	2,789	84
Salaries and benefits payable	115,275	19,990	135,265	153	-
Due to other governments	53,165	157,967	211,132	-	-
Interest payable	7,762	247	8,009	-	397
Deposits payable	856	97	953	-	-
Advances from grantors and third parties (Note 12)	282,015	-	282,015	-	-
Notes payable (Note 13)	88,507	-	88,507	-	-
Other liabilities	1,062	31,236	32,298	-	-
Interest rate swap (Note 14)	29,091	-	29,091	-	-
Long-term liabilities (Note 14):					
Due within one year	289,780	35,343	325,123	74	5,880
Due beyond one year	3,304,971	523,805	3,828,776	1,819	34,521
Total liabilities	4,308,595	793,548	5,102,143	4,835	40,882
DEFERRED INFLOWS OF RESOURCES (Note 15)	447,619	69,500	517,119	194	-
NET POSITION:					
Net investment in capital assets	3,240,888	112,906	3,353,794	2,207	-
Restricted for:					
Children's programs	-	-	-	41,527	-
Community development	147,900	-	147,900	-	-
Debt service	87,678	36,220	123,898	-	-
Health and sanitation	29,125	10,969	40,094	-	-
Public protection	91,694	-	91,694	-	-
Public ways and facilities	309,773	-	309,773	-	-
Other programs	1,526	2,052	3,578	-	-
Unrestricted	(1,242,905)	(113,124)	(1,356,029)	-	1,667
Total net position	$ 2,665,679	$ 49,023	$ 2,714,702	$ 43,734	$ 1,667

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, 2016
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 283,081	$ 201,495	$ 151,956	$ 24,673
Public protection	1,328,608	398,070	358,299	-
Public ways and facilities	149,768	49,707	110,578	29,461
Health and sanitation	468,382	70,191	327,183	-
Public assistance	980,550	1,759	950,134	-
Education	23,283	1,357	8,752	-
Recreation and cultural	20,758	12,190	1,017	-
Interest on long-term debt	46,306	-	-	-
Total governmental activities	3,300,736	734,769	1,907,919	54,134
Business-type activities:				
Riverside University Health Systems - Medical Center	506,338	511,666	-	1,867
Waste Resources Department	75,358	75,436	-	-
Housing Authority	88,166	87,119	-	367
Flood Control	3,591	1,945	-	-
County Service Areas	413	360	-	-
Total business-type activities	673,866	676,526	-	2,234
Total primary government	$ 3,974,602	$ 1,411,295	$ 1,907,919	$ 56,368
Component units:				
Children and Families Commission	$ 21,101	$ -	$ 21,309	$ -
Palm Desert Financing Authority	6,972	8,239	-	-
Total component units	$ 28,073	$ 8,239	$ 21,309	$ -

General revenues:
Taxes:
Property taxes
Sales and use taxes
Other taxes
Unrestricted intergovernmental revenue
Investment earnings (loss)
Other
Transfers
Total general revenues and transfers
Changes in net position before extraordinary items
Extraordinary items
Extraordinary item
Changes in net position
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)
NET POSITION, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority	
					FUNCTION/PROGRAM ACTIVITIES:
					Primary government:
					Governmental activities:
$ 95,043	$ -	$ 95,043			General government
(572,239)	-	(572,239)			Public protection
39,978	-	39,978			Public ways and facilities
(71,008)	-	(71,008)			Health and sanitation
(28,657)	-	(28,657)			Public assistance
(13,174)	-	(13,174)			Education
(7,551)	-	(7,551)			Recreation and cultural
(46,306)	-	(46,306)			Interest on long-term debt
(603,914)	-	(603,914)			Total governmental activities
					Business-type activities:
					Riverside University Health Systems -
-	7,195	7,195			Medical Center
-	78	78			Waste Resources Department
-	(680)	(680)			Housing Authority
-	(1,646)	(1,646)			Flood Control
-	(53)	(53)			County Service Areas
-	4,894	4,894			Total business-type activities
(603,914)	4,894	(599,020)			Total primary government
					Component units:
			$ 208	$ -	Children and Families Commission
			-	1,267	Palm Desert Financing Authority
			208	1,267	Total component units
					General revenues:
					Taxes:
346,851	-	346,851	-	-	Property taxes
29,573	-	29,573	-	-	Sales and use taxes
22,005	-	22,005	-	-	Other taxes
232,453	-	232,453	-	-	Unrestricted intergovernmental revenue
12,948	2,720	15,668	268	36	Investment earnings (loss)
160,521	-	160,521	3	-	Other
(22,478)	22,478	-	-	-	Transfers
781,873	25,198	807,071	271	36	Total general revenues and transfers
177,959	30,092	208,051	479	1,303	Changes in net position before extraordinary items
					Extraordinary items
-	(2,803)	(2,803)	-	-	Extraordinary item
177,959	27,289	205,248	479	1,303	Changes in net position
2,487,720	21,734	2,509,454	43,255	364	NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)
$ 2,665,679	$ 49,023	$ 2,714,702	$ 43,734	$ 1,667	NET POSITION, END OF YEAR

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

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BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS

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COUNTY OF RIVERSIDE
Balance Sheet
Governmental Funds
June 30, 2016
(Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	General	Transportation	Flood Control	Teeter Debt Service
Assets:				
Cash and investments (Note 4)	$ 135,255	$ 134,567	$ 215,355	$ -
Accounts receivable (Notes 1 and 6)	14,674	308	196	-
Interest receivable (Note 6)	2,002	115	272	30
Taxes receivable (Note 6)	9,772	12	1,047	52,114
Due from other governments (Note 6)	345,183	6,494	1,038	-
Due from other funds (Note 7)	9,355	542	-	35
Inventories	2,006	1,041	-	-
Prepaid items and deposits	-	2,600	365	-
Restricted cash and investments (Notes 4 and 5)	332,543	-	2,174	44,255
Advances to other funds (Note 7)	7,369	-	-	-
Total assets	858,159	145,679	220,447	96,434
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 858,159	$ 145,679	$ 220,447	$ 96,434
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 28,234	$ 33,980	$ 10,380	$ -
Salaries and benefits payable	99,724	3,040	1,375	-
Due to other governments	51,497	1	754	-
Due to other funds (Note 7)	3,247	260	68	7,927
Deposits payable	52	421	-	-
Advances from grantors and third parties (Note 12)	253,740	20,707	500	-
Teeter notes payable (Note 13)	-	-	-	88,507
Advances from other funds (Note 7)	-	-	-	-
Total liabilities	436,494	58,409	13,077	96,434
Deferred inflows of resources (Note 15)	50,155	-	1,047	-
Fund balances (Note 16):				
Nonspendable	2,369	3,654	366	-
Restricted	99,639	68,191	205,957	-
Committed	40,310	2,847	-	-
Assigned	11,870	12,578	-	-
Unassigned	217,322	-	-	-
Total fund balances	371,510	87,270	206,323	-
Total liabilities, deferred inflows of resources, and fund balances	$ 858,159	$ 145,679	$ 220,447	$ 96,434

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

	Public Facilities Improvements Capital Projects	Public Financing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments (Note 4)	$ 140,970	$ -	$ 144,207	$ 770,354
Accounts receivable (Notes 1 and 6)	-	-	2,516	17,694
Interest receivable (Note 6)	132	3	121	2,675
Taxes receivable (Note 6)	-	-	1,381	64,326
Due from other governments (Note 6)	-	-	11,114	363,829
Due from other funds (Note 7)	6,634	-	667	17,233
Inventories	-	-	-	3,047
Prepaid items and deposits	-	-	1,004	3,969
Restricted cash and investments (Notes 4 and 5)	-	252,179	62,081	693,232
Advances to other funds (Note 7)	-	-	-	7,369
Total assets	147,736	252,182	223,091	1,943,728
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 147,736	$ 252,182	$ 223,091	$ 1,943,728
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 9,667	$ 19,582	$ 6,078	$ 107,921
Salaries and benefits payable	-	-	3,670	107,809
Due to other governments	-	-	856	53,108
Due to other funds (Note 7)	11	1,371	3,331	16,215
Deposits payable	-	-	383	856
Advances from grantors and third parties (Note 12)	409	-	6,659	282,015
Teeter notes payable (Note 13)	-	-	-	88,507
Advances from other funds (Note 7)	4,000	-	-	4,000
Total liabilities	14,087	20,953	20,977	660,431
Deferred inflows of resources (Note 15)	-	-	5	51,207
Fund balances (Note 16):				
Nonspendable	-	-	1,225	7,614
Restricted	119,441	231,229	168,868	893,325
Committed	4,877	-	2,830	50,864
Assigned	9,331	-	29,186	62,965
Unassigned	-	-	-	217,322
Total fund balances	133,649	231,229	202,109	1,232,090
Total liabilities, deferred inflows of resources, and fund balances	$ 147,736	$ 252,182	$ 223,091	$ 1,943,728

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

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2016
(Dollars in Thousands)

Fund balances - total governmental funds (page 33)		$ 1,232,090
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		4,482,236
Net other post employment benefits (OPEB) assets, net pension liabilities, and deferred outflows and deferred inflows of resources related to pensions are not current financial resources and, therefore, are not reported in the governmental funds.		(1,349,042)
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.		29,492
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 payable	$ 1,195,027	
Capital lease obligations	97,807	
Certificates of participation	108,937	
Loans payable	2,790	
Accrued interest payable	7,762	
Accreted interest payable	147,804	
Accrued remediation cost	1,862	
Compensated absences	225,902	(1,787,891)
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 governmental activities, the assets and liabilities of these funds are included as governmental activities in the statement of net position.		58,794
Net position of governmental activities (page 27)		$ 2,665,679

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

COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service
REVENUES:				
Taxes	$ 279,945	$ 8,100	$ 49,792	$ -
Licenses, permits, and franchise fees	19,100	2,985	-	-
Fines, forfeitures, and penalties	73,198	21	-	-
Use of money and property:				
Investment earnings	6,728	566	1,317	159
Rents and concessions	10,491	-	269	-
Aid from other governmental agencies:				
Federal	572,267	53,808	-	-
State	1,238,292	75,143	602	-
Other	97,888	10,351	-	-
Charges for services	465,333	37,648	4,869	-
Other revenue	20,069	964	11,850	295
Total revenues	2,783,311	189,586	68,699	454
EXPENDITURES:				
Current:				
General government	113,779	-	-	-
Public protection	1,256,765	5,975	-	-
Public ways and facilities	-	183,905	101,388	-
Health and sanitation	468,272	-	-	-
Public assistance	918,963	-	-	-
Education	669	-	-	-
Recreation and culture	325	-	-	-
Debt service:				
Principal	15,386	-	-	-
Interest	5,369	-	-	-
Cost of issuance	-	-	-	373
Capital outlay	11,829	-	-	-
Total expenditures	2,791,357	189,880	101,388	373
Excess (deficiency) of revenues over (under) expenditures	(8,046)	(294)	(32,689)	81
OTHER FINANCING SOURCES (USES):				
Transfers in	114,185	20,193	-	-
Transfers out	(141,847)	(3,781)	(1,299)	(81)
Issuance of refunding bonds	-	-	-	-
Premium on long-term debt	-	-	-	-
Redemption of refunded debt	-	-	-	-
Capital leases	11,829	-	-	-
Total other financing sources (uses)	(15,833)	16,412	(1,299)	(81)
NET CHANGE IN FUND BALANCES	(23,879)	16,118	(33,988)	-
Fund balances, beginning of year, as previously reported	395,389	71,152	240,654	-
Adjustments to beginning fund balances (Note 3)	-	-	(343)	-
Fund balances, beginning of year, as restated	395,389	71,152	240,311	-
FUND BALANCES, END OF YEAR	$ 371,510	$ 87,270	$ 206,323	$ -

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

	Public Facilities Improvements Capital Projects	Public Financing Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ -	$ -	$ 60,302	$ 398,139
Licenses, permits, and franchise fees	-	-	697	22,782
Fines, forfeitures, and penalties	-	-	1,130	74,349
Use of money and property:				
Investment earnings	703	676	1,587	11,736
Rents and concessions	352	-	40,583	51,695
Aid from other governmental agencies:				
Federal	-	-	60,889	686,964
State	24,673	-	6,634	1,345,344
Other	29,264	-	25,662	163,165
Charges for services	38,455	-	39,672	585,977
Other revenue	2,030	-	14,726	49,934
Total revenues	95,477	676	251,882	3,390,085
EXPENDITURES:				
Current:				
General government	78,792	-	26,762	219,333
Public protection	-	-	8,381	1,271,121
Public ways and facilities	224	-	13,914	299,431
Health and sanitation	-	-	1,750	470,022
Public assistance	-	-	65,000	983,963
Education	-	-	19,334	20,003
Recreation and culture	-	-	23,907	24,232
Debt service:				
Principal	-	-	53,565	68,951
Interest	-	-	38,722	44,091
Cost of issuance	-	-	522	895
Capital outlay	-	70,574	10,397	92,800
Total expenditures	79,016	70,574	262,254	3,494,842
Excess (deficiency) of revenues over (under) expenditures	16,461	(69,898)	(10,372)	(104,757)
OTHER FINANCING SOURCES (USES):				
Transfers in	21,052	-	194,805	350,235
Transfers out	(42,485)	(1,371)	(182,520)	(373,384)
Issuance of refunding bonds	-	-	72,825	72,825
Premium on long-term debt	-	-	7,612	7,612
Redemption of refunded debt	-	-	(89,345)	(89,345)
Capital leases	-	-	-	11,829
Total other financing sources (uses)	(21,433)	(1,371)	3,377	(20,228)
NET CHANGE IN FUND BALANCES	(4,972)	(71,269)	(6,995)	(124,985)
Fund balances, beginning of year, as previously reported	138,621	302,498	208,607	1,356,921
Adjustments to beginning fund balances (Note 3)	-	-	497	154
Fund balances, beginning of year, as restated	138,621	302,498	209,104	1,357,075
FUND BALANCES, END OF YEAR	$ 133,649	$ 231,229	$ 202,109	$ 1,232,090

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

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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, 2016
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 37)		$ (124,985)
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	$ 383,418	
Less loss on disposal of capital assets	(768)	
Less current year depreciation	(183,824)	198,826
Pension expense is not recorded on the governmental funds but is recognized on the statement of net position and Other Post Employment Benefit (OPEB) costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net position.		55,238
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Proceeds in excess of principal payments		47,809
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 revenue must be eliminated in the government-wide financial statements.		(660)
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	1,022	
Change in accreted interest	(17,970)	
Change in long-term compensated absences	(10,654)	(27,602)
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.		29,333
Change in net position of governmental activities (page 29)		$ 177,959

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, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	$ 280,250	$ 277,739	$ 279,945	$ 2,206
Licenses, permits, and fees	17,498	17,526	19,100	1,574
Fines, forfeitures, and penalties	69,429	70,348	73,198	2,850
Use of money and property:				
Investment earnings	10,794	4,024	6,728	2,704
Rents and concessions	29,817	36,507	10,491	(26,016)
Aid from other governmental agencies:				
Federal	615,195	622,645	572,267	(50,378)
State	1,356,107	1,364,597	1,238,292	(126,305)
Other	94,097	94,097	97,888	3,791
Charges for services	540,130	485,237	465,333	(19,904)
Other revenue	98,170	62,128	20,069	(42,059)
Total revenues	3,111,487	3,034,848	2,783,311	(251,537)
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	98,076	98,875	93,944	(4,931)
Services and supplies	75,150	84,961	71,662	(13,299)
Other charges	96,178	59,505	7,989	(51,516)
Capital assets	3,698	3,671	626	(3,045)
Intrafund transfers	(56,988)	(58,575)	(60,442)	(1,867)
Appropriation for contingencies	35,515	13,448	-	(13,448)
Total general government	251,629	201,885	113,779	(88,106)
Public protection:				
Salaries and employee benefits	839,256	871,279	855,692	(15,587)
Services and supplies	389,958	381,556	355,381	(26,175)
Other charges	47,861	54,903	51,295	(3,608)
Capital assets	5,423	6,605	3,263	(3,342)
Intrafund transfers	(6,303)	(8,657)	(8,866)	(209)
Total public protection	1,276,195	1,305,686	1,256,765	(48,921)
Health and sanitation:				
Salaries and employee benefits	299,942	293,711	262,448	(31,263)
Services and supplies	128,285	130,205	116,092	(14,113)
Other charges	205,550	209,469	156,737	(52,732)
Capital assets	13,748	13,228	378	(12,850)
Intrafund transfers	(85,005)	(95,150)	(67,383)	27,767
Total health and sanitation	562,520	551,463	468,272	(83,191)

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund (Continued)
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Public assistance:				
Salaries and employee benefits	$ 346,835	$ 340,558	$ 324,818	$ (15,740)
Services and supplies	150,789	148,125	113,989	(34,136)
Other charges	506,332	505,601	478,950	(26,651)
Capital assets	1,090	2,027	1,610	(417)
Intrafund transfers	(240)	(240)	(404)	(164)
Total public assistance	1,004,806	996,071	918,963	(77,108)
Education:				
Salaries and employee benefits	338	334	334	-
Services and supplies	336	335	335	-
Total education	674	669	669	-
Recreation and culture:				
Salaries and employee benefits	126	127	115	(12)
Services and supplies	192	221	208	(13)
Other charges	3	3	2	(1)
Intrafund transfers	(1)	(1)	-	1
Total recreation and culture	320	350	325	(25)
Debt service:				
Principal	87,967	34,518	15,386	(19,132)
Interest	4,704	5,396	5,369	(27)
Total debt service	92,671	39,914	20,755	(19,159)
Capital outlay	-	-	11,829	11,829
Total expenditures	3,188,815	3,096,038	2,791,357	(304,681)
Excess (deficiency) of revenues over (under) expenditures	(77,328)	(61,190)	(8,046)	53,144
OTHER FINANCING SOURCES (USES):				
Transfers in	-	114,185	114,185	-
Transfers out	-	(141,847)	(141,847)	-
Capital leases	-	-	11,829	11,829
Total other financing sources (uses)	-	(27,662)	(15,833)	11,829
NET CHANGE IN FUND BALANCE	(77,328)	(88,852)	(23,879)	64,973
Fund balance, beginning of year	395,389	395,389	395,389	-
FUND BALANCE, END OF YEAR	$ 318,061	$ 306,537	$ 371,510	$ 64,973

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	$ 7,945	$ 7,945	$ 8,100	$ 155
Licenses, permits, and franchise fees	3,025	3,175	2,985	(190)
Fines, forfeitures, and penalties	21	21	21	-
Use of money and property:				
Investment earnings	155	155	566	411
Aid from other governmental agencies:				
Federal	41,116	41,116	53,808	12,692
State	52,886	52,886	75,143	22,257
Other	15,359	15,359	10,351	(5,008)
Charges for services	80,836	65,633	37,648	(27,985)
Other revenue	12,522	11,456	964	(10,492)
Total revenues	213,865	197,746	189,586	(8,160)
EXPENDITURES:				
Current:				
Public protection	7,555	7,909	5,975	(1,934)
Public ways and facilities	210,531	207,856	183,905	(23,951)
Total expenditures	218,086	215,765	189,880	(25,885)
Excess (deficiency) of revenues over (under) expenditures	(4,221)	(18,019)	(294)	17,725
OTHER FINANCING SOURCES (USES):				
Transfers in	-	20,193	20,193	-
Transfers out	-	(3,781)	(3,781)	-
Total other financing sources (uses)	-	16,412	16,412	-
NET CHANGE IN FUND BALANCE	(4,221)	(1,607)	16,118	17,725
Fund balance, beginning of year	71,152	71,152	71,152	-
FUND BALANCE, END OF YEAR	$ 66,931	$ 69,545	$ 87,270	$ 17,725

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

COUNTY OF RIVERSIDE

Budgetary Comparison Statement

Flood Control Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Taxes	$ 47,910	$ 47,910	$ 49,792	$ 1,882
Use of money and property:				
Investment earnings	798	798	1,317	519
Rents and concessions	104	104	269	165
Aid from other governmental agencies:				
State	577	577	602	25
Charges for services	3,857	3,857	4,869	1,012
Other revenue	31,877	31,877	11,850	(20,027)
Total revenues	85,123	85,123	68,699	(16,424)
EXPENDITURES:				
Current:				
Public ways and facilities	170,042	169,753	101,388	(68,365)
Total expenditures	170,042	169,753	101,388	(68,365)
Excess (deficiency) of revenues over (under) expenditures	(84,919)	(84,630)	(32,689)	51,941
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,299)	(1,299)	-
Total other financing sources (uses)	-	(1,299)	(1,299)	-
NET CHANGE IN FUND BALANCE	(84,919)	(85,929)	(33,988)	51,941
Fund balance, beginning of year, as previously reported	240,654	240,654	240,654	-
Adjustments to beginning fund balance	-	-	(343)	(343)
Fund balance, beginning of year, as restated	240,654	240,654	240,311	(343)
FUND BALANCE, END OF YEAR	$ 155,735	$ 154,725	$ 206,323	$ 51,598

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

COUNTY OF RIVERSIDE

Statement of Net Position

Proprietary Funds

June 30, 2016

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
ASSETS:	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
Current assets:						
Cash and investments (Note 4)	$ 95,754	$ 77,735	$ 5,248	$ 2,165	$ 180,902	$ 236,039
Accounts receivable - net (Notes 1 and 6)	47,814	5,537	303	232	53,886	5,913
Interest receivable (Note 6)	-	182	-	11	193	236
Taxes receivable (Note 6)	-	-	-	12	12	-
Due from other governments (Note 6)	141,882	178	1,450	10	143,520	814
Due from other funds (Note 7)	247	-	-	2	249	276
Advances to other funds (Note 7)	-	26,163	-	-	26,163	-
Inventories	8,091	260	-	-	8,351	2,999
Land held for sale	-	-	39,494	-	39,494	-
Prepaid items and deposits	4,400	-	-	-	4,400	341
Restricted cash and investments (Notes 4 and 5)	36,414	69,538	18,555	3,109	127,616	-
Total current assets	334,602	179,593	65,050	5,541	584,786	246,618
Noncurrent assets:						
Loans receivable (Note 6)	-	5,000	87,638	-	92,638	-
Capital assets (Note 8):						
Nondepreciable assets	52,962	29,547	4,060	-	86,569	979
Depreciable assets	151,885	56,720	7,548	13	216,166	85,303
Total noncurrent assets	204,847	91,267	99,246	13	395,373	86,282
Total assets	539,449	270,860	164,296	5,554	980,159	332,900
DEFERRED OUTFLOWS OF RESOURCES (Note 15)	59,241	5,796	2,681	317	68,035	27,447
LIABILITIES:						
Current liabilities:						
Accounts payable	18,145	2,784	699	3,235	24,863	28,190
Salaries and benefits payable	18,821	1,116	-	53	19,990	7,466
Due to other governments	157,950	15	-	2	157,967	57
Due to other funds (Note 7)	1,310	-	-	3	1,313	230
Interest payable	244	-	3	-	247	-
Deposits payable	-	38	-	59	97	-
Other liabilities	28,405	636	2,074	121	31,236	1,062
Accreted interest payable (Note 14)	231	-	-	-	231	-
Accrued closure and post-closure costs (Notes 10 and 23)	-	799	-	-	799	-
Accrued remediation costs (Note 23)	-	805	-	-	805	-
Compensated absences (Notes 1 and 14)	16,516	1,186	220	13	17,935	11,509
Capital lease obligations (Note 14)	1,763	-	-	-	1,763	18,557
Bonds payable (Note 14)	13,635	-	175	-	13,810	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	43,073
Total current liabilities	257,020	7,379	3,171	3,486	271,056	110,144
Noncurrent liabilities:						
Compensated absences (Note 2)	8,135	1,779	1,976	92	11,982	3,710
Advances from other funds (Note 7)	22,163	-	1,527	-	23,690	5,842
Accreted interest payable (Note 14)	69,257	-	-	-	69,257	-
Accrued closure and post-closure care costs (Note 10)	-	79,132	-	-	79,132	-
Accrued remediation costs (Note 10 and 23)	-	39,439	-	-	39,439	-
Capital lease obligations (Notes 1 and 2)	5,675	-	-	-	5,675	43,746
Bonds payable (Note 14)	92,228	-	390	-	92,618	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	134,908
OPEB obligation, net (Notes 14 and 22)	-	116	-	-	116	-
Net pension liability (Note 20)	186,747	22,978	7,675	1,391	218,791	88,576
Other long-term liabilities (Note 14)	-	-	6,795	-	6,795	-
Total noncurrent liabilities	384,205	143,444	18,363	1,483	547,495	276,782
Total liabilities	641,225	150,823	21,534	4,969	818,551	386,926
DEFERRED INFLOWS OF RESOURCES (Note 15)	54,075	12,932	2,225	268	69,500	25,747
NET POSITION:						
Net investment in capital assets	21,814	86,267	4,812	13	112,906	23,979
Restricted for debt service	36,220	-	-	-	36,220	-
Restricted for health and sanitation	-	10,969	-	-	10,969	-
Restricted other	193	-	1,859	-	2,052	-
Unrestricted	(154,837)	15,665	136,547	621	(2,004)	(76,305)
Total net position	$ (96,610)	$ 112,901	$ 143,218	$ 634	160,143	$ (52,326)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(111,120)	
Net position of business-type activities					$ 49,023	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
OPERATING REVENUES:						
Net patient revenue (Notes 1 and 18)	$ 415,335	$ -	$ -	$ -	$ 415,335	$ -
Charges for services	42,426	73,734	1,848	2,130	120,138	315,043
Other revenue	53,905	1,702	85,271	175	141,053	42,442
Total operating revenues	511,666	75,436	87,119	2,305	676,526	357,485
OPERATING EXPENSES:						
Cost of materials used	-	213	-	-	213	1,527
Personnel services	279,010	17,910	11,515	999	309,434	112,285
Communications	2,825	248	108	2	3,183	8,874
Insurance	7,695	535	-	1	8,231	19,516
Maintenance of building and equipment	16,718	5,226	2,790	59	24,793	31,212
Insurance claims	-	41	-	-	41	156,078
Supplies	57,288	1,398	-	17	58,703	37,558
Purchased services	80,282	3,627	499	1,382	85,790	24,036
Depreciation and amortization	19,189	6,029	1,265	6	26,489	15,280
Rents and leases of equipment	3,696	2,179	-	9	5,884	53,692
Public assistance	-	5	70,179	-	70,184	-
Utilities	4,410	268	474	94	5,246	2,669
Remediation costs	-	554	-	-	554	-
Other	11,909	35,060	1,223	41	48,233	5,151
Total operating expenses	483,022	73,293	88,053	2,610	646,978	467,878
Operating income (loss)	28,644	2,143	(934)	(305)	29,548	(110,393)
NONOPERATING REVENUES (EXPENSES):						
Investment income	519	1,352	796	52	2,719	1,213
Interest expense	(10,381)	-	(113)	-	(10,494)	(3,236)
Gain (loss) on disposal of capital assets	-	101	-	-	101	1,007
Total nonoperating revenues (expenses)	(9,862)	1,453	683	52	(7,674)	(1,016)
Income (loss) before capital contributions and transfers	18,782	3,596	(251)	(253)	21,874	(111,409)
Capital contributions	1,867	-	367	-	2,234	123,577
Transfers in (Note 7)	26,500	-	-	-	26,500	4,999
Transfers out (Note 7)	(3,522)	(277)	(202)	(21)	(4,022)	(4,328)
Change in net position before extraordinary item	43,627	3,319	(86)	(274)	46,586	12,839
Extraordinary item	-	-	2,803	-	2,803	-
CHANGE IN NET POSITION	43,627	3,319	(2,889)	(274)	43,783	12,839
Net position, beginning of the year, as previously reported	(132,754)	110,145	145,715	908		(61,697)
Adjustments to beginning net position (Note 3)	(7,483)	(563)	392	-		(3,468)
Net position, beginning of the year, as restated	(140,237)	109,582	146,107	908		(65,165)
NET POSITION, END OF YEAR	$ (96,610)	$ 112,901	$ 143,218	$ 634		$ (52,326)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(16,494)
Change in net position of business-type activities	$ 27,289

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
Cash flows from operating activities						
Cash receipts from customers / other funds	$ 447,690	$ 74,734	$ 86,749	$ 2,339	$ 611,512	$ 360,518
Cash paid to suppliers for goods and services	(110,315)	(52,140)	(75,184)	(1,603)	(239,242)	(328,968)
Cash paid to employees for services	(280,189)	(18,443)	(11,047)	(1,020)	(310,699)	(114,113)
Net cash provided by (used in) operating activities	57,186	4,151	518	(284)	61,571	(82,563)
Cash flows from noncapital financing activities						
Advances to (from) other funds	(3,693)	3,693	(73)	-	(73)	2,000
Transfers received	26,500	-	-	-	26,500	4,999
Transfers paid	(3,522)	(277)	(202)	(21)	(4,022)	(4,328)
Net cash provided by (used in) noncapital financing activities	19,285	3,416	(275)	(21)	22,405	2,671
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	-	101	-	1	102	1,109
Acquisition and construction of capital assets	(28,890)	(5,550)	(1,180)	-	(35,620)	(5,142)
Principal paid on capital leases	(2,142)	-	-	-	(2,142)	(13,570)
Capital contributions	1,867	-	367	-	2,234	123,577
Principal paid on bonds payable	(9,952)	-	(165)	-	(10,117)	-
Interest paid on long-term debt	(10,378)	-	(45)	-	(10,423)	(3,236)
Net cash provided by (used in) capital and related financing activities	(49,495)	(5,449)	(1,023)	1	(55,966)	102,738
Cash flows from investing activities						
Loans made to others	-	-	(2,278)	-	(2,278)	-
Investment Income	519	1,235	796	46	2,596	1,067
Net cash provided by (used in) investing activities	519	1,235	(1,482)	46	318	1,067
Net increase (decrease) in cash and cash equivalents	27,495	3,353	(2,262)	(258)	28,328	23,913
Cash and cash equivalents, beginning of year	104,673	143,920	26,065	5,532	280,190	212,126
Cash and cash equivalents, end of year	$ 132,168	$ 147,273	$ 23,803	$ 5,274	$ 308,518	$ 236,039
Reconciliation of cash and cash equivalents to the Statement of Net Position						
Cash and investments per Statement of Net Position	$ 95,754	$ 77,735	$ 5,248	$ 2,165	$ 180,902	$ 236,039
Restricted cash and investments per Statement of Net Position	36,414	69,538	18,555	3,109	127,616	-
Total cash and cash equivalents per Statement of Net Position	$ 132,168	$ 147,273	$ 23,803	$ 5,274	$ 308,518	$ 236,039

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Riverside University Health Systems - Medical Center	Waste Resources	Housing Authority	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 28,644	$ 2,143	$ (934)	$ (305)	$ 29,548	$ (110,393)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	19,189	6,029	1,265	6	26,489	15,280
Decrease (Increase) accounts receivable	9,288	(579)	(258)	35	8,486	3,480
Decrease (Increase) taxes receivable	-	-	-	(1)	(1)	-
Decrease (Increase) due from other funds	1,646	-	-	-	1,646	(159)
Decrease (Increase) due from other governments	(74,910)	(123)	(112)	-	(75,145)	(288)
Decrease (Increase) inventories	(172)	(11)	-	-	(183)	(85)
Decrease (Increase) prepaid items and deposits	(527)	-	-	-	(527)	(8)
Increase (Decrease) accounts payable	1,164	63	(4)	52	1,275	(695)
Increase (Decrease) due to other funds	879	(2,137)	(35)	1	(1,292)	63
Increase (Decrease) due to other governments	44,896	(5)	-	2	44,893	-
Increase (Decrease) deposits payable	-	-	-	2	2	-
Increase (Decrease) accrued closure costs	-	(827)	-	-	(827)	-
Increase (Decrease) accrued remediation costs	-	554	-	-	554	-
Increase (Decrease) other liabilities	28,268	12	128	(55)	28,353	(6,959)
Increase (Decrease) estimated claims liability	-	-	-	-	-	19,029
Increase (Decrease) net pension liability	28,520	3,371	1,409	206	33,506	13,210
Increase (Decrease) deferred pensions	(36,218)	(4,087)	(1,515)	(218)	(42,038)	(16,479)
Increase (Decrease) service concession arrangement	-	(435)	-	-	(435)	-
Increase (Decrease) salaries and benefits payable	2,947	204	-	(23)	3,128	934
Increase (Decrease) compensated absences	3,572	3	574	14	4,163	507
Increase (Decrease) OPEB obligation, net	-	(24)	-	-	(24)	-
Net cash provided by (used in) operating activities	$ 57,186	$ 4,151	$ 518	$ (284)	$ 61,571	$ (82,563)
Noncash investing, capital, and financing activities:						
Capital lease obligations	$ 3,702				$ 3,702	$ 29,820

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

COUNTY OF RIVERSIDE

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 4)	$ -	$ -	$ 109,026	$ 302,921
Federal agency	-	3,264,196	-	-
Cash and cash equivalents	390	424,228	-	-
Mutual funds	31,556	-	-	-
Commercial paper	-	407,938	-	-
Municipal bonds	-	229,017	-	-
Bond - U.S. Treasury	-	303,531	-	-
Local agency obligation	-	213	-	-
Accounts receivable	177	3,861	916	388
Interest receivable	-	5,644	72	141
Taxes receivable	-	-	-	33,114
Due from other governments	-	-	2,813	-
Land held for sale	-	-	25,480	-
Total assets	32,123	4,638,628	138,307	336,564
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	-	6,457	-
LIABILITIES:				
Accounts payable	-	-	11,285	191,628
Due to other governments	-	-	3	144,936
Note payable	-	-	744,318	-
Interest payable	-	-	8,941	-
Accreted interest payable	-	-	10,261	-
Other long-term liabilities	-	-	1,039	-
Total liabilities	-	-	775,847	$ 336,564
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources	-	-	2,042	
NET POSITION:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 32,123	$ 4,638,628	$ (633,125)	

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

COUNTY OF RIVERSIDE

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 639	$ -	$ -
Employee contributions	1,514	-	-
Contributions to pooled investments	-	26,773,837	-
Contributions to private-purpose trust	-	-	44,294
Investment income	205	-	(7,871)
Total additions	2,358	26,773,837	36,423
DEDUCTIONS:			
Distributions from pooled investments	-	26,437,164	-
Distributions from private-purpose trust	-	-	48,424
Administrative and other expenses	2,028	-	-
Total deductions	2,028	26,437,164	48,424
Change in net position	330	336,673	(12,001)
Net position held in trust, beginning of the year	31,793	4,301,955	(621,124)
Net position held in trust, end of the year	$ 32,123	$ 4,638,628	$ (633,125)

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

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BASIC FINANCIAL STATEMENTS-NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Riverside (the County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a five member Board of Supervisors (the Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services.

Component Units

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended, with the activities of the County for purposes of reporting in the accompanying basic financial statements. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of fourteen component units have been included and combined with financial data of the County. Twelve component units have an integral relationship with and serve as an extension of the County. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, management has determined that each entity is presented as a blended component unit due to the composition of each governing board and the control of the day-to-day activities through the budget process. Two component units are presented discretely. Each blended and discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units

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

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

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

County of Riverside Asset Leasing Corporation (CORAL). The Board appoints the governing board of CORAL and CORAL provides services entirely to the County through the purchase of land and construction of facilities, which are then leased back to the County. The County is responsible for all financial debt, and management has operational responsibility. CORAL is reported as a governmental fund type.

Riverside County Service Areas (CSAs). The Board is the governing body of the CSAs. Among its duties, it approves the CSAs' budgets, approves parcel fees, and appoints the management. The County is responsible for all financial debt and management has operational responsibility. The CSAs are reported as either governmental or proprietary fund types.

Riverside County Public Financing Authority (Public Financing Authority). The Board is the governing body of the Public Financing Authority. The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the Riverside County Redevelopment Successor Agency and other local agencies. The County is responsible for all financial debt and management has operational responsibility. The Public Financing Authority is reported as a governmental fund type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

Riverside County Infrastructure Financing Authority (IFA). The Board is the governing body of the IFA and the County is responsible for all its financial debt. The Riverside County Infrastructure Financing Authority (IFA) is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated September 15, 2015 by and between the County of Riverside and the Riverside County Flood Control and Water Conservation District. The IFA is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County. The Infrastructure Financing Authority is reported as a governmental fund type.

County of Riverside District Court Financing Corporation (District Corporation). The Board is the governing body of the District Corporation. The District Corporation assists the County by providing for the acquisition, construction and renovation of U.S. District Court facilities. The County is responsible for all financial debt, and management has operational responsibility. The District Corporation is reported as a governmental fund type.

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

In-home Support Services Public Authority (IHSS PA). The Board is the governing body of the IHSS PA. The IHSS PA acts as the employer of record for purposes of collective bargaining for Riverside In-home Supportive Services providers and performs other IHSS PA functions as required and retained by the County. Management has operational responsibility. The IHSS PA is reported as a governmental fund type.

Perris Valley Cemetery District (the District). The Board is the governing body of the District. The District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was created in July 1927 for the purpose of operating a public cemetery for the residents of Perris Valley. Management has operational responsibility. The District is reported as a governmental fund type.

Inland Empire Tobacco Securitization Authority (the Authority). The Board appoints two of the three members of the governing board of the Authority. The San Bernardino County Board of Supervisors appoints the third member. The Authority was created by a Joint Exercise of Powers Agreement (the Agreement) effective as of July 18, 2007, between Riverside County and San Bernardino County. The Authority was created for the purpose of securitizing the payments to be received by the County from the nation-wide Tobacco Settlement Agreement (the Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the County. The Authority is a blended component unit of the County because the Authority is providing services solely to the County and the County's Board has the ability to impose its will by removing the Authority's governing board at will. The County is responsible for all financial debt. The Authority is reported as a governmental fund type.

Discretely Presented Component Units

Riverside County Children and Families Commission (the Commission). The County Board established First 5 Riverside, also known as Riverside County Children and Families Commission, in 1999 under the provisions of the California Children and Families Act of 1998. The Commission was formed to develop, adopt, promote, and implement early childhood development programs.

A governing board of nine members, that administers the Commission, is appointed by the County Board. The Commission includes one member of the County Board. The Commission is a component unit of the County because the County's Board has the ability to remove some of the Commission's governing board at will. It is discretely presented because its governing board is not substantially the same as the County's governing board and it does not provide services entirely or exclusively to the County.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

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

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

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

Presentation of Financial Information Related to County Fiduciary Responsibilities

The basic financial statements also include an Investment Trust fund to account for cash and investments held by the County Treasurer for numerous self-governed school and special districts. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and other assets. School and special district boards that are separately elected and that are independent of the County Board, administer activities of the school districts and special districts. The County Auditor-Controller makes disbursements upon the request of the responsible self-governed special district officers. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County. Twenty-eight cities and numerous self-governed special districts provide services to the residents of the County. The operations of these entities have been excluded from the basic financial statements since each entity conducts its own day-to-day operations and is controlled by its own governing board.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County, and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 40.07%, or $21.1 million, of the County's $52.6 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions, which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as *nonoperating* expenses.

The County reports the following major governmental funds:

General fund is the County's primary operating fund. It is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the general fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation and culture services.

Transportation fund accounts for revenue consisting primarily of the County's share of highway user taxes which are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. The fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public.

Flood Control special revenue fund accounts for revenues and expenditures related to providing flood control in various geographical zones. The fund is primarily financed by ad valorem property taxes, developer fees, and local cooperative agreements.

Teeter debt service fund accounts for revenue from the collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the teeter plan.

Public facilities improvements capital project fund accounts for revenues and expenditures related to the acquisition and construction of public buildings and park or recreational facilities. Revenues are obtained from State funding, sale of capital assets, contributions, and from other funds when allocated by the Board.

Public financing authority capital project fund accounts for revenues and expenditures related to the acquisition and construction of the East County Detention Center. Revenues are obtained from State funding, and bond proceed.

The County reports the following major enterprise funds:

Riverside University Health Systems - Medical Center (RUHS-MC) accounts for the maintenance of physical plant facilities and quality care to all patients in accordance with accreditation standards; the bylaws, rules and regulations of the medical staff; and the RUHS-MC. Revenue for this fund is primarily from charges for services, and secondarily from the County's general fund.

Waste Resources department (Waste Resources) accounts for solid waste revenues, expenses, and the allocation of net income for solid waste projects initiated for the public's benefit. The fund facilitates management and accounting of solid waste projects. Waste Resources prepares and maintains the County's solid waste management plan, provides environmental monitoring in accordance with state and federal mandates, and administers landfill closure and acquisition.

Housing Authority was established to provide affordable, decent, safe housing opportunities to low and moderated income families including elderly and handicapped persons, while supporting programs to foster economic self-sufficiency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following additional fund types:

Internal service funds account for the County's records management and archives, fleet services, central mail, printing services, supply services, purchasing, Riverside County Information Technology (RCIT) enterprise solutions division project (accounting, purchasing, and human resources information system), risk management, temporary assistance pool, custodial services, maintenance services, real estate, and flood control equipment on a cost-reimbursement basis. Internal service funds are presented in summary form as part of the proprietary fund financial statements. In the government-wide financial statements, the changes in net position at the end of the fiscal year, as presented in the statements of activities, were allocated to the functions of both the governmental and business-type activities, to reflect the entire activity for the year. Since the predominant users of the internal services are the County's governmental activities, the asset and liability balances of the internal service funds are consolidated into the governmental activities column at the government-wide level.

Pension trust fund accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or California Public Employees' Retirement System (CalPERS) participation. The County's pension trust fund uses the economic resources measurement focus and accrual basis of accounting.

Investment trust fund accounts for the external portion of the County Treasurer's investment pool. External investment pool participants include entities legally separate from the County, such as school and special districts governed by local boards, regional boards, and authorities. This fund accounts for assets, primarily cash and investments, held or invested by the County Treasurer and the related County liability to disburse these monies on demand to the related external entities. The County's investment trust fund uses the economic resources measurement focus and accrual basis of accounting.

Private-purpose trust fund accounts for resources held and administered by the County in a fiduciary capacity for individuals, private organizations, or other governments based on trust arrangements. The fund includes the Redevelopment Successor Agency, public guardian conservatorship, public social service foster care, and maintenance and children's trust. The County's private-purpose trust fund uses the economic resources measurement focus and accrual basis of accounting.

Agency funds account for assets held by the County in a custodial capacity. These funds only involve the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and include property taxes and special assessments collected on behalf of cities, special districts, and other taxing agencies. The County's agency funds have an accrual basis of accounting but no measurement focus.

The government-wide, proprietary, pension trust, investment trust, and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions occur. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources (e.g., bond issuance proceeds) are recognized when they become both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property and sales taxes are considered available for the year levied and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions, are considered available and accrued if expected to be received within twelve months after fiscal year-end. All other revenue streams are considered available and accrued if they are expected to be received within ninety days after the fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

(TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund financial statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Reconciliations are presented to explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements. These reconciliations are presented because governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities.

Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance of the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's pooled investments.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents.

Securities, including U.S. Treasury and Agency securities, are carried at fair value/cost based on current market prices on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within ninety days of June 30, 2016, which are carried at cost. Bond anticipation notes are carried at fair value/cost. Commercial paper is carried at amortized cost/cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at cost based on the value of each participating dollar.

The fair value of a participant's position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, and accrued interest of the participants' percentage participation at the date of such withdrawal.

State law requires that the County Treasurer hold all operating monies of the County, school districts, and certain special districts. Collectively, these mandatory deposits constituted approximately 77.9% of the funds on deposit in the County treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 22.1% of the total funds on deposit in the County treasury represented discretionary deposits.

Receivables

The RUHS-MC accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractuals are $44.9 million and $178.1 million, respectively. The RUHS-MC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RUHS-MC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RUHS-MC is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100.0% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total for fiscal year 2015-16 gross assessed valuation (for tax purposes) of the County was $243.0 billion.

The property tax levy to support general operations of the various local government jurisdictions is limited to 1.0% of the full cash value of taxable property and distributed in accordance with statutory formulas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 proceeding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments; the first is due November 1 and are delinquent with penalties after December 10; the second is due February 1 and are delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

Supplemental tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During fiscal year 1993-94, the County authorized an alternative property tax distribution method referred to as the "teeter plan." This method allows for a 100.0% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the general fund receiving distributions of approximately 50.0-55.0% in December, 40.0-45.0% in April and the remaining balance in the fall of each year. The teeter plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a Tax Loss Reserve Fund (TLRF). Any amounts on deposit in the TLRF greater than 1.0% of the tax levy for participating entities may flow to the County general fund. For fiscal year 2015-16, $7.0 million 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 nonspendable. The consumption method is used to account for prepaid items. Under the consumption method, prepaid items are recorded as expenditures during the period benefited by the prepayment.

Inventories, which consist of materials and supplies held for consumption, are valued at the lower of cost (on a first-in, first-out basis) or market value in the proprietary funds. Inventories for all governmental funds are valued at average cost. The consumption method is used to account for inventories. Under the consumption method of accounting, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of governmental funds are equally offset by a nonspendable fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. 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,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

storm drains, dams, and basins. The capitalization threshold for equipment is $5.0 thousand; buildings, land and land improvements are $1.0 thousand; and, infrastructure and intangibles are $150.0 thousand. Betterments result in more productive, efficient, or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of $2.5 thousand or more.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide financial statements and proprietary funds.

The estimated useful lives are as follows:

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

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

Leases

The County leases various assets under both operating and capital lease agreements. For governmental funds, assets under capital leases and the related lease obligations are reported in the government-wide financial statements. For proprietary funds, the assets and related lease obligations are recorded in the appropriate enterprise or internal service fund and the government-wide financial statements.

Restricted Assets

The County maintains various restricted asset accounts as a result of debt agreements and certain state statutes. The agreements authorizing the issuance of CORAL and Housing Authority obligations include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and bond redemption purposes. Waste Resources has restricted assets to meet requirements of state and federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The general fund has restricted assets for program money where use is legally or contractually restricted.

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2016, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was $271.0 million.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and CalPERS, unused accumulated sick leave for most employees with at least 5 but less than 15 years of service

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

shall be credited at the rate of 50.0% of current salary value thereof provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay.

Unused accumulated sick leave for employees with more than 15 or more years of service shall be credited at the rate of the current salary value provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account, which may be used for future health care costs.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the County recognizes deferred outflows of resources and inflows of resources. The deferred outflow of resources is defined as a consumption of net position by the government that is applicable to the future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 15 for a detailed listing of the deferred inflows and outflows of resources the County has recognized.

Long-term Debt

The County reports long-term debt of governmental funds in the government-wide statement of net position. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide statement of net position. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund and the government-wide statement of net position.

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, bond issuance costs, and deferred losses on refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, and deferred losses on refundings.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs are reported as debt service expenditures whether or not withheld from the actual debt proceeds received.

Pensions

For purposes of measuring the net pensions liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Landfill Closure and Post-Closure Care Costs

Waste Resources provides for closure and post-closure care costs over the life of the operating landfills as the permitted airspace of the landfill is used. Accordingly, the entire closure and post-closure care cost is recognized as expense by the time the landfills are completely filled. Waste Resources also recognizes expense closure and post-closure care costs for inactive landfills that have been closed under state and federal regulations.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate. These transactions are subject to elimination upon consolidation and are referred to as either "due to/due from other funds" (the current portion of interfund loans) or "advances to/advances from other funds" (the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are neither available for appropriation nor available as financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position, or unrestricted net position.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation.

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

Fund Balance

In the fund financial statements, fund balance may be categorized as nonspendable, restricted, committed, assigned, and unassigned. All of the County's governmental fund balances will be comprised of the following categories:

- Nonspendable fund balance – amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – amounts that are committed can only be used for specific purposes determined by formal action from the Board, the County's highest level of decision-making authority. Commitments may be changed or lifted only by the County's Board taking the same formal action that imposed the constraint originally.
- Assigned fund balance – amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. The Board delegates the County Executive Officer or an Executive Officer designee for the establishment of assignments within the general fund. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – funds that are not reported in any other category and are available for any purpose within the general fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Balance Policy

On September 13, 2011, the Board approved Policy B-30, Governmental fund balance policy to ensure fund balance is accurately classified and reported on the annual financial statements per GASB Statement No. 54. This policy applies to governmental fund types which include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

The purpose of this policy is to establish the guidelines for:

- The use of reserves with a restricted purpose versus an unrestricted purpose when both are available for expenditures.
- The establishment of stabilization arrangements for governmental funds.
- The minimum fund balance allowable for governmental funds.

The Board establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Spending Prioritization for Fund Categories

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policy for Governmental Funds

Establishing guidelines for minimum fund balance for governmental funds is essential to ensuring a prudent level of fund balance is maintained for unanticipated expenditures, delays in revenue receipt, or revenue shortfalls.

The County shall commit a portion of the general fund for disaster relief. The use of these funds will be restricted to one-time or short-term expenditures that are the result of a natural disaster or act of terrorism. The funds restricted for this purpose shall be at least 2.0% of discretionary revenue or $15.0 million, whichever is greater.

No formal action is required to remove an assignment. Assignments within the general fund must be established by the County Executive Officer or an Executive Officer designee.

Special revenue fund balances shall be kept at the higher of the minimum level dictated by the funding source or an amount that does not fall below zero. In the event that the fund balance drops below the established minimum levels, the department with primary responsibility for expending the special revenue will develop a plan to replenish the balance to established minimum levels within 2 years and submit the plan to the Board for approval.

The County shall maintain a minimum unassigned fund balance in its general fund of at least 25.0% of the fiscal year's estimated discretionary revenue. A significant portion of the minimum unassigned fund balance may be used for one-time or short-term expenditures caused by an economic crisis and should be designated within an "Economic Uncertainty" account. Use of these stabilization funds should be as the last resort in balancing the County budget. In the general fund unassigned fund balance, commitments for economic uncertainty are $124.7 million and budget stabilization of $50.6 million, which is 25.0% of discretionary revenue.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for periods reporting beginning after June 15, 2015.

Governmental Accounting Standards Board Statement No. 73

In June of 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB Statement No. 73 is effective for reporting periods beginning after June 15, 2015.

Governmental Accounting Standards Board Statement No. 76

In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify in the context of current governmental financial reporting environment the hierarchy of generally accepted accounting principles. The "generally accepted accounting principles hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with accounting principles generally accepted in the United States of America and the framework for selecting those principles. GASB Statement No. 76 is effective for reporting periods beginning after June 15, 2015.

Governmental Accounting Standards Board Statement No. 79

In December of 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* The objective of this statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statement No. 79 is effective for reporting periods beginning after December 15, 2015.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 74

In June of 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 74 is effective for reporting periods beginning after June 15, 2015. The County has elected not to early implement this statement

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 is effective for reporting periods beginning after June 15, 2015. The County has elected not to early implement this statement

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 77

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of this statement is to assure financial statements prepared by state and local governments in conformity with accounting principles generally accepted in the United States of America provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. GASB Statement No. 77 is effective for reporting periods beginning after December 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 78

In December of 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this statement is to address a practice issue regarding the scope and the applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue is associated with pensions provided through certain multiple-employers defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. GASB Statement No. 78 is effective for reporting periods beginning after December 15, 2015. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 80

In January of 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14. GASB Statement No. 80 is effective for reporting periods beginning after June 15, 2016. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 81

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split–Interest Agreements.* The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. GASB Statement No. 81 is effective for reporting periods beginning after December 15, 2016. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 82

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2 of each fiscal year, after conducting public hearings concerning the proposed budget, the County Board adopts a budget in accordance with the provisions of Sections 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Budgeted governmental funds consist of the general fund, major funds, and some nonmajor funds (all special revenue funds, certain debt service funds, and certain capital projects funds). Annual budgets are not adopted for the following funds: CORAL, District Court Financing Corporation, the CORAL Capital Projects Fund, Redevelopment Agency (RDA) Housing Successor Agency, Public Financing Authority and the Perris Valley Cemetery Permanent Fund.

As adopted by the Board, expenditures are controlled by the County at the budgetary unit level, which is the organization level, for each appropriation (object) class. The appropriation classes are salaries and benefits, services and supplies, other charges, capital assets, transfers out, and intrafund transfers. The separately prepared Expenditure by Appropriation – Budget and Actual report, showing budgetary comparisons at the object level of control, is available in the Auditor-Controller's Office.

Each year the original budget, as published in a separate report titled the "Adopted Budget," is adjusted to reflect increases or decreases in revenues and changes in fund balance. These changes are offset by an equal change in available appropriations. The County Executive Officer is authorized by the Board to transfer appropriations between appropriation classes within the same budgetary unit. Transfers of appropriations between budgetary units require approval of the Board (legal level of control). Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act. All annual appropriations lapse at year-end.

Budgetary comparison statements are prepared for the general fund, special revenue funds, certain debt service funds, and certain capital projects funds. The budgetary comparison statements are a part of the basic financial statements. Each budgetary comparison statement provides three separate types of information: (1) the original budget; (2) the final amended budget, which included legally authorized changes regardless of when they occurred; and (3) the actual amount of inflows and outflows in the budget-to-actual comparison.

Individual Fund Deficits

For the year ended June 30, 2016, Enterprise funds (EF) and Internal Service Funds (ISF) individual Fund Deficits are as follows (In thousands):

Proprietary Funds:		
EF - Riverside University Health Systems - Medical Center	$	96,610
ISF - Information Services	$	41,841
ISF - Risk Management	$	30,807
ISF - EDA Facilities Management	$	20,501

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

Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations in capital outlay by $11.8 million in the general fund. This excess of expenditures resulted from the acquisition of $11.8 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION

The County's beginning net position has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatements as of June 30, 2016 is as follows (In thousands):

Government-wide:

Description	Primary Government: Governmental Activities	Primary Government: Business-type Activities
Government-wide net position as of June 30, 2015, as previously reported	$ 2,526,438	$ 29,388
Fund financial statements:		
Prior period adjustments:		
Lease revenue adjustment (1)	(343)	-
Prepaid item adjustment (2)	497	-
Correction of notes receivable (3)	-	392
Deferred inflows of resources adjustment (4)	(876)	(2,029)
Net pension liability adjustment (4)	(2,592)	(6,017)
Government-wide financial statements:		
Prior period adjustments:		
Deferred inflows of resources adjustment (4)	(8,931)	-
Net pension liability adjustment (4)	(26,473)	-
Net position as of June 30, 2015, as restated	$ 2,487,720	$ 21,734

Fund Financials:

Description	Governmental Funds: Major Funds: Flood Control Special Revenue	Governmental Funds: Nonmajor Fund: Regional Park and Open-Space Capital Projects	Proprietary Funds: Enterprise Funds: Riversity University Health Systems - Medical Center	Proprietary Funds: Enterprise Funds: Waste Resources	Proprietary Funds: Enterprise Funds: Housing Authority	Proprietary Funds: Internal Service Funds: Internal Service Funds
Fund balances as of June 30, 2015, as previously reported	$ 240,654	$ 6,966	$ (132,754)	$ 110,145	$ 145,715	$ (61,697)
Prior Period Adjustments:						
Lease revenue adjustment (1)	(343)	-	-	-	-	-
Prepaid item adjustment (2)	-	497	-	-	-	-
Correction of notes receivable (3)	-	-	-	-	392	-
Deferred inflows of resources (4)	-	-	(1,887)	(142)	-	(875)
Net pension liability adjustment (4)	-	-	(5,596)	(421)	-	(2,593)
Fund balances as of June 30, 2015, as restated	$ 240,311	$ 7,463	$ (140,237)	$ 109,582	$ 146,107	$ (65,165)

(1) The adjustment was made due to the current year lease revenue being recorded in the prior fiscal year.
(2) The adjustment was made to reflect various department numbers were linked to the incorrect fund.
(3) The adjustment was made due to notes receivable not recording interest receivable in prior years.
(4) The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2016, cash and investments are classified in the accompanying financial statements as follows (In thousands):

	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Fiduciary Funds	Total
Cash and investments	$ 1,006,393	$ 180,902	$ 42,093	$ 5,073,016	$ 6,302,404
Restricted cash and investments	693,232	127,616	11,407	-	832,255
Total cash and investments	$ 1,699,625	$ 308,518	$ 53,500	$ 5,073,016	$ 7,134,659

As of June 30, 2016, cash and investments consist of the following (In thousands):

Deposits	$ 416,739
Investments	6,717,920
Total cash and investments	$ 7,134,659

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorated share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30 2016, CORAL has $2.5 million, Housing Authority has $3.2 million and RUHS-MC has $0.7 million in LAIF.

Statement No. 79 establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The statement also establishes additional note disclosures for qualifying external investment pools. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79.

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates is its fair value. One of the ways the County Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity required for operations.

NOTE 4 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table on page 66.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount of $265.0 million. Investment securities are registered and held in the name of the County.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions that address interest rate, credit risk, and concentration of credit risk. A copy of the County's investment policy can be found at www.treasurer-tax.co.riverside.ca.us.

Authorized investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal bonds (MUNI)	3 Years	15%	5% **
U.S. treasuries	5 Years	100%	N/A
Local agency obligations (LAO)	3 Years	2.5%	2.5%
Federal agencies	5 Years	100%	N/A
Commercial paper (CP)	270 Days	40%	5% *
Certificate & time deposits (NCD & TCD)	1 Year	25%	5% *
Repurchase agreements (REPO)	45 Days	40% / 25%	20%
Reverse REPOS	60 Days	10%	10%
Medium term notes (MTNO)	3 Years	20%	5% *
CalTRUST short term fund	Daily Liquidity	1%	1%
Money market mutual funds (MMF)	Daily Liquidity	20%	None
Local agency investment fund (LAIF)	Daily Liquidity	Max $50M	N/A
Cash/deposit account	N/A	N/A	N/A

* Maximum of 5% per issuer in combined commercial paper, certificate & time deposits, and medium term notes.

** For credit rated below AA-/Aa3, 2% maximum in one issuer only for State of California debt.

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2016, the County and Component Units had the following investments (In thousands):

	Fair Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating
County treasurer investments					
Investments by fair value level					
Federal home loan bank	$ 1,191,539	0.200 - 1.750%	07/16 - 04/21	0.65	N/A
Federal national mortgage association	653,011	0.145 - 1.800%	07/16 - 06/21	1.70	N/A
Federal home loan mortgage corp.	1,262,591	0.170 - 1.900%	07/16 - 06/21	2.57	N/A
U.S. treasuries	427,149	0.250 - 1.625%	07/16 - 10/19	1.13	N/A
Federal farm credit bonds	1,247,769	0.200 - 1.110%	07/16 - 05/21	1.03	N/A
Commercial paper	574,077	0.180 - 0.570%	07/16 - 11/16	0.16	A1/P1
Municipal bonds zero coupon	72,937	0.180 - 0.260%	07/16 - 09/16	0.17	AA- (2)
Municipal bonds	249,350	0.300 - 2.250%	07/16 - 05/20	1.19	AA- (2)
Farmer mac	238,673	0.321- 1.700%	07/16 - 07/19	0.65	N/A
Total county treasurer investments by fair value level	5,917,096				
Investments measured at amortized cost					
UB Managed Rate	70,000	0.093%	07/16	0.00	N/A
Money market mutual funds (3)	473,000	0.183 - 0.267%	07/16	0.00	AAA/Aaa
CalTRUST short term fund	54,000	0.552%	07/16	0.00	N/A
Local agency obligations	300	0.975%	06/20	3.96	N/A
Total investments measured at amortized cost	597,300				
Total county treasurer investments	6,514,396				
Investments outside the county treasury					
Blended component unit investments					
Investments by fair value level					
Money market funds	9,443	0.000%	N/A	0.00	Aaa
Money market funds	16,578	0.000%	N/A	0.00	AAA/Aaa
Money market funds	21,931	0.000%	N/A	0.00	N/A
U.S. treasury bond	894	0.000%	N/A	0.00	N/A
Total blended component unit investments by fair value level	48,846				
Investments measured at the net asset value (NAV)					
Trustee indenture funds	15,724	0.000%	N/A	0.00	N/A
Mutual funds	31,546	0.000%	N/A	0.00	N/A
Total blended component unit investments measured at the net asset value (NAV)	47,270				
Investments measured at amortized cost					
Money market funds	70,327	0.000%	N/A	0.00	AAA
Money market funds	583	0.000%	N/A	0.00	N/A
Cash held in trust	19	0.000%	N/A	0.00	N/A
Local agency investment funds	6,405	0.000%	N/A	0.00	N/A
Investment agreements	18,667	0.000%	N/A	0.00	N/A
Total blended component unit investments measured at amortized cost	96,001				
Total blended component unit investments	192,117				
Discretely presented component unit investments					
Palm desert financing authority					
Investments by amortized costs					
Money market funds	11,407	0.000%	N/A	0.45	AAA
Total discretely presented component unit investments by amortized cost	11,407				
Total investments outside the county treasury	203,524				
Total investments	$ 6,717,920				

(1) Investment ratings are from Standard and Poor's Corporation (S&P) and Moody's Investors Services, Inc. (Moody's)
(2) A rating permitted for the State of California securities.
(3) Government Code requires money market mutual funds to be rated.

NOTE 4 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The County has the following recurring fair value measurements as of June 30, 2016 (In thousands):

		Fair Value Measurements Using				
Rating (1) June 30, 2016	% of Portfolio	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2016	Investments at by fair value level
						County treasurer investments
						Investments by fair value level
AA+/Aaa	18.29%	$ 397,802	$ 793,737	$ -	$ 1,191,539	Federal home loan bank
AA+/Aaa	10.02%	653,011			653,011	Federal national mortgage association
AA+/Aaa	19.38%	1,262,591			1,262,591	Federal home loan mortgage corp.
AA+/Aaa	6.56%	427,149			427,149	U.S. treasuries
AA+/Aaa	19.15%	1,247,769			1,247,769	Federal farm credit bonds
A1/P1	8.81%		574,077		574,077	Commercial paper
AA/Aa2	1.12%		72,937		72,937	Municipal bonds zero coupon
AAA/Aaa	3.83%		249,350		249,350	Municipal bonds
N/R	3.66%	238,673			238,673	Farmer mac
	90.83%	4,226,995	1,690,101	-	5,917,096	Total county treasurer investments by fair value level
						Investments measured at amortized cost
N/R	1.07%				70,000	UB Managed Rate
AAA/Aaa	7.26%				473,000	Money market mutual funds (3)
AAA/Aaa	0.83%				54,000	CalTRUST short term fund
N/R	0.00%				300	Local agency obligations
	9.17%				597,300	Total investments measured at amortized cost
	100.00%				6,514,396	Total county treasurer investments
						Investments outside the county treasury
						Blended component unit investments
						Investments by fair value level
Aaa	4.92%		9,443		9,443	Money market funds
AAA/Aaa	8.63%	16,578			16,578	Money market funds
N/R	11.42%	21,931			21,931	Money market funds
N/R	0.47%	894			894	U.S. treasury bond
	25.43%	39,403	9,443	-	48,846	Total blended component unit investments by fair value level
						Investments measured at the net asset value (NAV)
N/R	8.18%				15,724	Trustee indenture funds
N/R	16.42%				31,546	Mutual funds
	24.60%				47,270	Total blended component unit investments measured at the net asset value (NAV)
						Investments measured at amortized cost
AAA	36.61%				70,327	Money market funds
N/R	0.30%				583	Money market funds
N/R	0.01%				19	Cash held in trust
N/R	3.33%				6,405	Local agency investment funds
AAA	9.72%				18,667	Investment agreements
	49.97%				96,001	Total blended component unit investments measured at amortized cost
	100.00%				192,117	Total blended component unit investments
						Discretely presented component unit investments
						Palm desert financing authority
						Investments by amortized costs
AAA	100.00%				11,407	Money market funds
	100.00%				11,407	Total discretely presented component unit investments by amortized cost
		39,403	9,443	-	203,524	Total investments outside the county treasury
		$ 4,266,398	$ 1,699,544	$ -	$ 6,717,920	Total investments

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

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

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2016 is as follows (In thousands):

Governmental Activities		
General Fund Restricted Program Money		$ 332,543
Flood Control Restricted Program Money		2,174
Teeter Debt Service Commercial Paper Notes		44,255
Public Financing Authority		252,179
Other Governmental Funds		
1990 Monterey Avenue	117	
2006 A Capital Improvements	8	
2007 A Public Safety & Refunding	5,836	
2008 A Southwest Justice Center	2,049	
2009 Larson Justice Center	2,761	
2009 Public Safety & Woodcrest Lib Refunding	1,185	
2012 CAC Annex	2,549	
2013A PD/ Probation and Bldg & Technology	11,598	
2014 A/B Court Facilities Projects	2,455	
District Court Financing Corporation	1,964	
Infrastructure Financing Authority	94	
Inland Empire Tobacco Securitization	19,537	
Public Financing Authority	11,928	62,081
Total Governmental Activities		**693,232**
Business-type Activities		
Riverside University Health Systems - Medical Center		
Hospital Bonds	35,540	
Restricted Program Money	874	36,414
Waste Resources		
Remediation costs	30,894	
Closure and post-closure care costs	30,430	
Customer deposits	481	
Advances from grantors & 3rd parties	591	
Deposit payable	38	
Deferred inflow of resources	7,104	69,538
Housing Authority		18,555
Other Enterprise Funds Restricted Program Money - Flood		3,109
Total Business-type Activities		**127,616**
Discretely Presented Component Unit		
Palm Desert Financing Authority Investments		11,407
Total Discretely Presented Component Unit		**11,407**
Total Restricted Cash and Investments		**$ 832,255**

NOTE 6 – RECEIVABLES

Receivables at year-end of major individual funds, nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (In thousands):

Receivables **Governmental activities:**	Accounts	Interest	Taxes	Due From Other Govts	Total Governmental Activities
General fund	$ 14,674	$ 2,002	$ 9,772	$ 345,183	$ 371,631
Transportation	308	115	12	6,494	6,929
Flood Control	196	272	1,047	1,038	2,553
Teeter debt service	-	30	52,114	-	52,144
Public facilities improvements	-	132	-	-	132
Public Financing Authority	-	3	-	-	3
Nonmajor governmental funds	2,516	121	1,381	11,114	15,132
Internal service funds	5,913	236	-	814	6,963
Total receivables	$ 23,607	$ 2,911	$ 64,326	$ 364,643	$ 455,487

Receivables **Business-type activities:**	Accounts	Interest	Taxes	Loans	Due From Other Govts	Allowance for Uncollectibles	Total Business-type Activities
Riverside University Health Systems - Medical Center	$ 270,835	$ -	$ -	$ -	$ 141,882	$ (223,021)	$ 189,696
Waste Resources	5,537	182	-	5,000	178	-	10,897
Housing Authority	257,122	-	-	87,638	1,450	(256,819)	89,391
Nonmajor funds	232	11	12	-	10	-	265
Total receivables	$ 533,726	$ 193	$ 12	$ 92,638	$ 143,520	$ (479,840)	$ 290,249

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2016 is as follows (In thousands):

Due to/from other funds:

	Receivable Fund			
Payable Fund	General Fund	Transportation	Teeter Debt Service	Public Facilities Improvements Capital Projects
General Fund				
Capital projects	$ -	$ -	$ -	$ 2,846
Delinquent property tax	-	-	35	-
Interfund activity	-	3	-	-
Total General Fund	-	-	-	-
Transportation				
Interfund activity	258	-	-	-
Total Transportation	-	-	-	-
Flood Control				
Interfund activity	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service				
Interfund activity	7,927	-	-	-
Total Teeter Debt Service	-	-	-	-
Public Facilities Improvements Capital Projects				
Capital projects	11	-	-	-
Total Public Facilities Imprv Cap Proj	-	-	-	-
Public Financing Authority				
Capital projects	-	-	-	1,371
Total Public Financing Authority	-	-	-	-
Other Governmental Funds				
Capital projects	560	280	-	1,556
Interfund activity	11	259	-	-
Total Other Governmental Funds	-	-	-	-
Riverside University Health Systems-Medical Center				
Capital projects	-	-	-	860
Interfund activity	-	-	-	-
Law Enforcement	422	-	-	-
Total Riverside University Health Systems-Medical Center	-	-	-	-
Other Enterprise Funds				
Interfund activity	-	-	-	-
Total Other Enterprise Funds	-	-	-	-
Internal Service Funds				
Interfund activity	166	-	-	1
Total Internal Service Funds	-	-	-	-
Total Receivable	$ 9,355	$ 542	$ 35	$ 6,634

These interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Advances to/from other funds:

The General Fund advanced $3.4 million to the Economic Development Agency for the internal service fund start up costs. The General Fund advanced Housing Authority $1.5 million to pay off the principal and interest on predevelopment loans. The General Fund advanced $2.5 million to Riverside County Information Technology for technology intiatitive costs.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund					
Other Governmental Funds	Riverside University Health Systems-Medical Center	Other Enterprise Funds	Internal Service Funds	Total Payable	
					General Fund
$ -	$ -	$ -	$ -	$ 2,846	Capital projects
-	-	-	-	35	Delinquent property tax
-	247	-	116	366	Interfund activity
-	-	-	-	3,247	**Total General Fund**
					Transportation
2	-	-	-	260	Interfund activity
-	-	-	-	260	**Total Transportation**
					Flood Control
-	-	2	66	68	Interfund activity
-	-	-	-	68	**Total Flood Control**
					Teeter Debt Service
-	-	-	-	7,927	Interfund activity
-	-	-	-	7,927	**Total Teeter Debt Service**
					Public Facilities Improvements Capital Projects
-	-	-	-	11	Capital projects
-	-	-	-	11	**Total Public Facilities Imprv Cap Proj**
					Public Financing Authority
-	-	-	-	1,371	Capital projects
-	-	-	-	1,371	**Total Public Financing Authority**
					Other Governmental Funds
-	-		-	2,396	Capital projects
665	-	-	-	935	Interfund activity
-	-	-	-	3,331	**Total Other Governmental Funds**
					Riverside University Health Systems-Medical Center
-	-	-	-	860	Capital projects
-	-	-	28	28	Interfund activity
-	-	-	-	422	Law Enforcement
-	-	-	-	1,310	**Total Riverside University Health Systems-Medical Center**
					Other Enterprise Funds
-	-	-	3	3	Interfund activity
-	-	-	-	3	**Total Other Enterprise Funds**
					Internal Service Funds
-	-	-	63	230	Interfund activity
-	-	-	-	230	**Total Internal Service Funds**
$ 667	$ 247	$ 2	$ 276	$ 17,758	**Total Receivable**

Advances to/from other funds (Continued):

Waste Management advanced $4.0 million to Public Facilities Capital Project Improvement Fund for East County Detention Center.
Waste Management advanced $22.2 million to RUHS-MC for Huron Consulting Services.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

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

	Transfer In		
Transfer Out	General Fund	Transportation	Public Facilities Improvements Capital Projects
General Fund			
*To finance capital projects	$ -	$ -	$ 17,469
*For debt service payments	-	-	-
*Operating contribution	-	4,517	-
*For professional services	-	3,388	-
*To fund pension obligation	-	-	-
Total general fund	-	-	-
Transportation			
*To finance capital projects	-	-	177
*For professional services	2,180		
*To fund pension obligation	-	-	-
Total transportation	-	-	-
Flood Control			
*For debt service payments	-	-	-
*Operating contribution	-	-	-
Total Flood Control	-	-	-
Teeter Debt Service			
*For debt service payments	81	-	-
Total teeter debt service	-	-	-
Public Facilities Improvements Capital Projects			
*To finance capital projects	24,121	9,602	-
*For professional services	3	74	-
Total public facilities imprv cap proj	-		-
Public Financing Authority			
*For debt service payments	-	-	1,371
Total public financing authority	-	-	-
Other Governmental Funds			
*To finance capital projects	-	90	1,723
*For debt service payments	28,367	-	
*For Fire protection services	48,125	-	-
*For professional services	9,560	2,522	-
*Operating contribution	870	-	312
*To fund pension obligation	178	-	-
Total other governmental funds	-	-	-
RUHS - MC			
*To fund pension obligation	-	-	-
Total RUHS - MC	-	-	-
Waste Resources			
*To fund pension obligation	-	-	-
Total Waste Resources	-	-	-
Housing Authority			
*To fund pension obligation	-	-	-
Total Housing Authority	-	-	-
Other Enterprise Funds			
*Reimbursement	-	-	-
Total other enterprise funds	-	-	-
Internal Service Funds			
*For business services	-	-	-
*Operating contribution	700	-	-
*To fund pension obligation	-	-	-
Total internal service funds	-	-	-
Total transfers in	$ 114,185	$ 20,193	$ 21,052

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

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

Transfers In: Other Governmental Funds	Transfers In: Riverside University Health Systems-Medical Center	Transfers In: Internal Service Funds	Total Transfers Out	*Principal purpose for transfer
				General Fund
$ -	$ -	$ -	$ 17,469	*To finance capital projects
53,524	10,000	-	63,524	*For debt service payments
10,686	10,000	3,234	28,437	*Operating contribution
3,591	-	-	6,979	*For professional services
25,438	-	-	25,438	*To fund pension obligation
-	-	-	141,847	**Total general fund**
				Transportation
-	-	-	177	*To finance capital projects
482	-	-	2,662	*For professional services
942	-	-	942	*To fund pension obligation
-	-	-	3,781	**Total transportation**
				Flood Control
1,010	-	-	1,010	*For debt service payments
-	-	289	289	*Operating contribution
-	-	-	1,299	**Total Flood Control**
				Teeter Debt Service
-	-	-	81	*For debt service payments
-	-	-	81	**Total teeter debt service**
				Public Facilities Improvements Capital Projects
2,174	6,500	-	42,397	*To finance capital projects
11	-	-	88	*For professional services
-	-	-	42,485	**Total public facilities imprv cap proj**
				Public Financing Authority
-	-	-	1,371	*For debt service payments
-	-	-	1,371	**Total public financing authority**
				Other Governmental Funds
-	-	-	1,813	*To finance capital projects
79,929	-	-	108,296	*For debt service payments
-	-	-	48,125	*For Fire protection services
8,375	-	-	20,457	*For professional services
1,862	-	-	3,044	*Operating contribution
607	-	-	785	*To fund pension obligation
-	-	-	182,520	**Total other governmental funds**
				RUHS - MC
3,522	-	-	3,522	*To fund pension obligation
-	-	-	3,522	**Total RUHS - MC**
				Waste Resources
277	-	-	277	*To fund pension obligation
-	-	-	277	**Total Waste Resources**
				Housing Authority
202	-	-	202	*To fund pension obligation
-	-	-	202	**Total Housing Authority**
			-	Other Enterprise Funds
-	-	21	21	*Reimbursement
-	-	-	21	**Total other enterprise funds**
				Internal Service Funds
-	-	1,455	1,455	*For business services
-	-	-	700	*Operating contribution
2,173	-	-	2,173	*To fund pension obligation
-	-	-	4,328	**Total internal service funds**
$ 194,805	$ 26,500	$ 4,999	$ 381,734	**Total transfers in**

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2016

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows (In thousands):

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land & easements	$ 529,885	$ 7,889	$ (188)	$ -	$ 537,586
Construction in progress	757,220	295,880	(221)	(343,280)	709,599
Total capital assets, not being depreciated	1,287,105	303,769	(409)	(343,280)	1,247,185
Capital assets, being depreciated:					
Infrastructure					
Flood channels	266,840	-	-	1,656	268,496
Flood storm drains	423,741	1,094	-	27,064	451,899
Flood dams and basins	33,968	-	-	10,559	44,527
Roads	1,886,995	29,398	-	217,937	2,134,330
Traffic signals	38,113	197	-	4,496	42,806
Bridges	202,814	2,285	-	5,191	210,290
Runways	24,179	-	-	-	24,179
Sewer systems	-	-	-	2,924	2,924
Communication towers	16,146	-	-	-	16,146
Parks trails and improvements	15,562	-	-	1,578	17,140
Land improvements	110	-	-	-	110
Structures and improvements	1,592,498	22,642	(1,089)	67,735	1,681,786
Equipment	524,781	54,434	(26,963)	4,116	556,368
Total capital assets, being depreciated	5,025,747	110,050	(28,052)	343,256	5,451,001
Less accumulated depreciation for:					
Infrastructure	(1,221,481)	(121,966)	-	-	(1,343,447)
Land improvements	(25)	(1)	-	-	(26)
Structures and improvements	(424,466)	(39,587)	882	300	(462,871)
Equipment	(311,223)	(37,550)	25,725	(276)	(323,324)
Total accumulated depreciation	(1,957,195)	(199,104)	26,607	24	(2,129,668)
Total capital assets, being depreciated, net	3,068,552	(89,054)	(1,445)	343,280	3,321,333
Governmental activities capital assets, net	$ 4,355,657	$ 214,715	$ (1,854)	$ -	$ 4,568,518

NOTE 8 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2016 was as follows (In thousands):

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 24,359	$ -	$ (3,000)	$ -	$ 21,359
Construction in progress	65,464	24,124	(126)	(33,082)	56,380
Concession arrangements	8,830	-	-	-	8,830
Total capital assets, not being depreciated	98,653	24,124	(3,126)	(33,082)	86,569
Capital assets, being depreciated:					
Land improvements	11,662	-	-	9,461	21,123
Infrastructure-landfill liners	67,056	-	-	-	67,056
Infrastructure-other	24,982	45	(80)	1,012	25,959
Structures and improvements	223,598	456	(25)	21,776	245,805
Equipment	115,015	14,364	(1,125)	857	129,111
Total capital assets, being depreciated	442,313	14,865	(1,230)	33,106	489,054
Less accumulated depreciation for:					
Land improvements	(9,746)	(2,472)	-	-	(12,218)
Infrastructure-landfill liners	(32,532)	(3,081)	-	-	(35,613)
Infrastructure-other	(10,344)	(1,251)	80	-	(11,515)
Structures and improvements	(110,952)	(6,268)	25	-	(117,195)
Equipment	(84,017)	(13,417)	1,111	(24)	(96,347)
Total accumulated depreciation	(247,591)	(26,489)	1,216	(24)	(272,888)
Total capital assets, being depreciated, net	194,722	(11,624)	(14)	33,082	216,166
Business-type activities capital assets, net	$ 293,375	$ 12,500	$ (3,140)	$ -	$ 302,735

Depreciation

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

General government	$ 42,152
Public protection	11,415
Health and sanitation	1,323
Public assistance	1,097
Public ways and facilities	123,347
Recreation and cultural services	1,174
Education	3,316
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	15,280
Total depreciation expense – governmental functions	$ 199,104

NOTE 8 – CAPITAL ASSETS (Continued)

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

Riverside University Health Systems-Medical Center	$ 19,189
Waste Resources	6,029
Housing Authority	1,265
County Service Areas	3
Flood Control	3
Total depreciation expense – business-type functions	$ 26,489

Capital Leases

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

	Governmental	Business-type
Land	$ 2,223	$ -
Structures and improvements	125,576	-
Equipment	139,329	10,489
Less: Accumulated amortization	(61,660)	(4,025)
Total leased property, net	$ 205,468	$ 6,464

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2016 was as follows (In thousands):

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	$ 373	$ -	$ -	-	$ 373
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	373	-	-		373
Capital assets, being depreciated					
Building and improvements	1,898	-	-	-	1,898
Machinery and equipment	89	11	-	-	100
Total capital assets, being depreciated	1,987	11	-		1,998
Less accumulated depreciation for:					
Building and improvements	(115)	(54)	-	56	(113)
Machinery and equipment	18	(13)	-	(56)	(51)
Total accumulated depreciation	(97)	(67)	-		(164)
Total capital assets, being depreciated, net	1,890	(56)	-	-	1,834
Total capital assets, net	$ 2,263	$ (56)	$ -	$ -	$ 2,207

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

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

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

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

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

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

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

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

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

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

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Revenue Sharing	Minimum Rent Payment (per month)
McIntyre Park Campground	10/15/1985	62 years	10/15/2047	Between 10.0% and 17.0% of the revenues it earns from the operation of the campground.	$ -
Riviera RV Resort	1/1/1970	74 years	6/30/2044	Greater of $3 hundred or 7.0% of gross receipts earned from operation of the RV park.	-
Lake Skinner Recreation Area	11/1/2007	10 years	10/31/2017	Greater of the combination of 7% of all retail gross sales, 9% of all rental gross sales, and 2% of all fuel gross sales or $2.5 thousand.	-
Edom Hill Transfer Station	11/2/2002	30 years	11/2/2032	Service Fee ranging from $4.41 to $4.13 per ton, Disposal fee of $23.00 per ton, and City Mitigation Fee of $1 per ton for all incoming solid waste	-
					$ -

Capital assets balance for the SCAs for the fiscal year ended June 30, 2016, and over the terms of the agreements are as follows: (In thousands)

	Structures & Structure Improvements
McIntyre Park Campground	$ 52
Riviera RV Resort	131
Lake Skinner Recreation Area	-
Edom Hill Transfer Station	8,830
	$ 9,013

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

The deferred inflows of resources activity for the SCA for the year ended June 30, 2016 are as follows: (In thousands)

SCA Capital Assets	Balance July 1, 2015	Additions/ Restatements	Amortization[1]	Balance June 30, 2016
McIntyre Park Campground[2]	$ -	$ -	$ -	$ -
Riviera RV Resort[2]	-	-	-	-
Lake Skinner Recreation Area[2]	-	-	-	-
Edom Hill Transfer Station	7,528	-	(435)	7,093
Total Deferred inflows	$ 7,528	$ -	$ (435)	$ 7,093

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

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

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require Waste Resources to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste Resources will recognize the remaining estimated cost of $12.0 million as the remaining estimated capacity of 20.1 million tons is filled. Waste Resources expects all currently permitted landfill capacities to be filled by 2098. The total estimated closure liability of $19.4 million and post-closure care cost of $28.9 million is based on what it would cost to perform all closure and post-closure care costs at present value. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

In addition to the liability amounts calculated per CalRecycle regulations that are designated to the Escrow Funds, Waste Resources is also responsible for the post-closure care costs related to twenty-six (26) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2016 the post-closure liability is estimated at $31.6 million.

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

Closure Escrow Fund Landfill Sites

Facility Name (City)	Total Estimate	Capacity Used as of June 30, 2016 %	Outstanding Recongized Liability	Estimated Years Remaining
Badlands (Moreno Valley)	$ 10,077	60.1	$ 6,058	6
Blythe (Blythe)	6,174	38.9	2,400	31
Edom Hill (Cathedral City)	5,413	100.0	5,413	-
Lamb Canyon (Beaumont)	7,857	48.2	3,788	13
Desert Center (Desert Center)	392	69.7	273	71
Mecca II (Mecca)	857	98.8	847	82
Oasis (Oasis)	710	93.3	663	47
Total Closure Estimate	$ 31,480		$ 19,442	

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

Post-Closure Escrow Fund Landfill Sites

Facility Name (City)	Estimated Liability	
Badlands (Moreno Valley)	$	8,012
Blythe (Blythe)		2,328
Coachella (Coachella)		1,377
Double Butte (Winchester)		2,101
Edom Hill (Cathedral City)		2,581
Highgrove (Riverside)		1,720
Lamb Canyon (Beaumont)		4,096
Mead Valley (Perris)		1,338
Anza (Anza)		1,564
Desert Center (Desert Center)		1,206
Mecca II (Mecca)		1,315
Oasis (Oasis)		1,265
Total Post-Closure Estimate	$	28,903

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

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

NOTE 11 – OPERATING LEASES

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016. (In thousands):

Year Ending June 30	
2017	$ 50,694
2018	41,708
2019	29,347
2020	19,961
2021	16,102
2022-2026	44,138
2027-2031	1,469
2032-2036	1,569
2037-2041	1,032
2042-2046	721
Total Minimum Payments	$ 206,741

Total rental expenditure/expense for the year ended June 30, 2016 was $105 million, of which $5.9 million was recorded in the enterprise funds.

NOTE 12 – ADVANCES FROM GRANTORS AND THIRD PARTIES

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

The balance as of June 30, 2016 of advances from grantors and third parties are as follows (In thousands):

	Balance June 30, 2016
General Fund:	
Advances on state and federal grants for mental health services	$ 114,816
Advances on state funding for social services	80,655
Advances on state grants for probation services	30,486
Advances on state grants and other 3rd party advances for public health services	10,523
Advances on state and federal grants for sheriff services	7,535
Advances on state grants and other 3rd party advances for emergency management services	3,525
Advances on state grants for Citizen's Option for Public Safety Program	1,986
Advances on state grants and other federal grants for environmental health services	1,892
Advances on state grants for district attorney services	1,413
Advances from flood control and water conservation district for permits	451
Advances on state grants for veteran services	284
Other advances	174
Total general fund	253,740
Transportation Special Revenue Fund:	
Developer fees	10,338
Advances from developers for median projects	5,068
Federal exchange and state match	2,996
Survey fees	860
Utility relocation	800
Deposit based fees	273
Advances for community facilities districts improvement projects	215
Road deposits	99
Transportation Uniform Mitigation Fee (TUMF) credit	58
Total transportation special revenue fund	20,707
Flood Special Revenue Fund:	
Advances for flood control projects	500
Total flood special revenue fund	500
Public Facilities Improvements Capital Projects Fund:	
Advance for emergency facility repairs and maintenance	385
Advance for construction of law building	24
Total public facilities improvements capital projects fund	409
Other Governmental Funds:	
Advances on federal grants for RUHS-MC capital improvements	3,989
Camping and recreation fees	719
Advance from state for elderly citizens programs	612
Advance from state for the community recidivism reduction grant program	589
Advance from state for bio-terrorism programs	351
Advance from state for community service block grant	337
Advance for the Regional Access Project	26
Advances for aviation projects	20
Advance from 3rd parties for recreational events	16
Total other governmental funds	6,659
Grand total of advances from grantors and third parties	$ 282,015

NOTE 13 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

In July 1, 2015, the County issued $250.0 million of tax exempt TRANs, which were repaid by June 30, 2016. The notes were issued with a yield rate of 0.3 % and a stated interest rate of 2.0%. The notes were issued to provide needed cash to cover the projected intra-period cash-flow deficits of the County's general fund during the fiscal year July 1 through June 30.

Tax-Exempt Obligation Notes (Teeter)

In December 1993, the County adopted the teeter plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the teeter plan. The current financing takes place through the sale of Tax-Exempt Obligation Notes (Teeter). During fiscal year 2015-16, the County retired $101.5 million and issued $88.5 million, 2015 Series D teeter obligation notes (tax-exempt), leaving an outstanding balance of $88.5 million at June 30, 2016.

Short-term debt activity for the year ended June 30, 2016, was as follows (In thousands):

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
TRANs	$ -	$ 250,000	$ (250,000)	$ -
Teeter notes	101,520	88,507	(101,520)	88,507
Total	$ 101,520	$ 338,507	$ (351,520)	$ 88,507

NOTE 14 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities that are payable from the general, debt service, enterprise, and internal service funds. The calculated legal debt limit for the County is $3.0 billion.

Capital Leases

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

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

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2016 (In thousands):

Year Ending June 30	Palm Desert Financing Authority	Other Governmental Activities	Total Governmental Activities	Business-type Activities
2017	$ 6,323	$ 27,972	$ 34,296	$ 1,882
2018	6,321	25,449	31,770	1,617
2019	6,320	20,815	27,135	1,458
2020	6,318	15,571	21,889	1,339
2021	6,314	8,205	14,519	925
2022-2026	6,321	21,211	27,532	613
2027-2031	-	15,694	15,694	-
2032-2036	-	15,396	15,396	-
2037-2041	-	15,312	15,312	-
2042-2046	-	12,189	12,189	-
Total minimum payments	37,917	177,814	215,731	7,834
Less amount representing interest	(6,776)	(48,845)	(55,621)	(396)
Present value of net minimum lease payments	$ 31,141	$ 128,969	$ 160,110	$ 7,438

The statement of net position includes the PDFA capital lease of $31.1 million for the construction and acquisition of certain public facilities within the County, including the Palm Desert Sheriff's Station, community centers, the Blythe County Administrative Center, an animal shelter and a clinic facility.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County that are outstanding as of June 30, 2016 (In thousands):

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2016
Governmental activities:				
Certificates of Participation				
CORAL				
1990 Monterey Avenue: Serial Certificates	$ 8,800	Variable	2020	$ 3,400
2007 Series A - Public Safety Communication and Refunding Projects	73,775	4.00% - 5.00%	2017	21,280
2009 Series A - Public Safety Communication and Woodcrest Library Refunding Projects	45,685	Variable	2039	43,909
2009 Larson Justice Center Refunding: Serial Certificates	24,680	2.00% - 5.00%	2021	15,451
Total CORAL	152,940			84,040
District Court Financing Corporation				
U.S. District Court Project: Term/Series 1999	2,165	7.59%	2017	1,786
U.S. District Court Project: Term/Series 2002	925	3.00%	2020	280
Total District Court Financing Corporation	3,090			2,066
Flood Control				
Zone 4 - 2015 Negotiable Promissory Note	21,000	2.00% - 5.00%	2025	22,831
Total Flood Control	21,000			22,831
Total certificates of participations	$ 177,030			$ 108,937
Bonds payable				
CORAL				
2012 CAC Annex Refunding Project	$ 33,360	2.00% - 5.00%	2031	$ 30,571
2008 A Southwest Justice Center: Term Certificates	78,895	5.16%	2032	73,830
1997 B & C (Hospital): Term Bonds (Series C)	1,733	5.81%	2019	1,733
2013 Probation & RCIT: Term Bonds (Series A)	66,015	3.00% - 5.25%	2043	64,427
2014 Lease Refunding Court Facilities Project, Series A	10,890	2.00% - 5.00%	2033	10,170
2014 Lease Refunding Court Facilities Project, Series B	7,605	0.55% - 2.73%	2019	5,175
Total CORAL	198,498			185,906
Taxable Pension Obligation Bonds				
Pension Obligation Bonds (Series 2005-A)	400,000	4.91% - 5.04%	2035	304,520
Total Taxable Pension Obligation Bonds	400,000			304,520

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2016
Bonds payable (continued)				
Inland Empire Tobacco Securitization Authority				
Series 2007 A	$ 87,650	5.10%	2021	$ 52,550
Series 2007 B	53,758	5.75%	2026	53,758
Series 2007 C-1	53,542	6.63%	2036	53,542
Series 2007 C-2	29,653	6.75%	2045	29,653
Series 2007 D	23,457	7.00%	2057	23,457
Series 2007 E	18,948	7.63%	2057	18,948
Series 2007 F	27,076	8.00%	2057	27,076
Total Inland Empire Tobacco Securitization Authority	294,084			258,984
Riverside County Public Financing Authority				
Series 2012	17,640	3.00% - 5.00%	2021	14,780
Series 2015	325,000	2.00% - 5.00%	2046	350,400
Total Riverside County Public Financing Authority	342,640			365,180
Riverside County Infrastructure Financing Authority				
Series 2015 A	72,825	2.00% - 5.00%	2037	80,437
Total Riverside Infrastructure Financing Authority	72,825			80,437
Total bonds payable	$ 1,308,047			$ 1,195,027
Loans payable				
CORAL				
2011 Monroe Park Building Refunding	$ 5,535	3.54%	2021	$ 2,790
Total 2011 Monroe Park Building Refunding	5,535			2,790
Total loans payable	$ 5,535			$ 2,790
Total governmental activities	$ 1,490,612			$ 1,306,754
Business-Type Activities				
Bonds payable				
Riverside University Health Systems - Medical Center (RUHS-MC)				
1997 A Serial Capital Appreciation Bonds (net of future capital appreciation of $130.5 million)	$ 41,170	5.70% - 6.01%	2026	$ 32,581
1997 Term bond (Series C)	1,532	5.81%	2019	1,263
2012 Term bond (Series A)	87,510	2.00% - 5.00%	2029	69,055
2012 Term bond (Series B)	3,020	3.25%	2019	2,964
Total RUHS-MC	133,232			105,863
Housing Authority				
1998 Series A: Term Bonds	2,405	6.85%	2018	565
Total Housing Authority	2,405			565
Total bonds payable	$ 135,637			$ 106,428
Total business-type activities	$ 135,637			$ 106,428

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2016
Discretely Presented Component Unit:				
Bonds payable				
Palm Desert Financing Authority				
2008 Lease Revenue Bond Series A	$ 72,445	4.00% - 6.20%	2022	$ 40,401
Total Palm Desert Financing Authority	72,445			40,401
Total bonds payable	$ 72,445			$ 40,401
Total discretely presented component unit	$ 72,445			$ 40,401

As of June 30, 2016, annual debt service requirements of governmental activities to maturity are as follows (In thousands):

Governmental Fiscal Year Ending June 30	Loans Payable Principal	Loans Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest
2017	$ 585	$ 94	$ 15,330	$ 4,537
2018	605	73	16,022	4,304
2019	620	51	17,581	3,371
2020	650	29	18,323	2,399
2021	330	6	28,830	2,738
2022-2026	-	-	7,430	1,064
2027-2031	-	-	1,120	724
2032-2036	-	-	1,490	465
2037-2040	-	-	1,545	128
Total requirements	2,790	253	107,671	19,730
Bond discount/premium, net	-	-	2,503	-
Loss on refunding	-	-	(1,237)	-
Total	$ 2,790	$ 253	$ 108,937	$ 19,730

Governmental Fiscal Year Ending June 30	Bonds Payable Principal	Bonds Payable Interest
2017	$ 43,025	$ 48,625
2018	101,865	46,567
2019	60,183	42,703
2020	49,403	38,394
2021	44,540	36,445
2022-2026	227,330	147,561
2027-2031	145,495	101,322
2032-2036	136,810	64,130
2037-2041	147,262	40,929
2042-2046	103,685	13,497
2047-2051	29,653	1,945
2052-2056	-	-
2057-2061	69,481	4,671
Total requirements	1,158,732	586,789
Bond discount/premium, net	36,295	-
Total	$ 1,195,027	$ 586,789

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2016, annual debt service requirements of business-type activities and discretely presented component unit to maturity are as follows (In thousands):

Business-type	Bonds Payable		Other Long-term Liabilities	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2017	$ 13,810	$ 5,922	$ -	$ -
2018	15,840	5,317	-	-
2019	11,650	8,082	-	-
2020	4,981	15,769	-	-
2021	4,664	16,086	-	-
2022-2026	19,477	84,275	6,795	-
2027-2030	31,136	2,452	-	-
Total requirements	101,558	137,903	6,795	-
Bond discount/premium, net	4,870	-	-	-
Loss on defeasance, net	-	-	-	-
Total	$ 106,428	$ 137,903	$ 6,795	$ -

Discretely Presented Component Unit	Bonds Payable	
Fiscal Year Ending June 30	Principal	Interest
2017	$ 5,880	$ 2,380
2018	6,200	2,057
2019	6,540	1,716
2020	6,930	1,324
2021	7,340	908
2022	7,790	467
Total requirements	40,680	8,851
Bond discount/premium, net	(279)	-
Total	$ 40,401	$ 8,851

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2016 (In thousands):

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Governmental Activities:				
Certificates of Participation:				
Court Financing (U.S. District Court Project)	$ 5,033	$ -	$ (1,007)	$ 4,026
Bonds:				
Inland Empire Tobacco Securitization Authority	124,801	18,977	-	143,778
Total governmental-type activities	$ 129,834	$ 18,977	$ (1,007)	$ 147,804
Business-type Activities:				
Lease Revenue Bonds:				
Riverside University Health Systems - Medical Center (1997A Hosp)	$ 66,116	$ 6,053	$ (2,681)	$ 69,488
Total business-type activities	$ 66,116	$ 6,053	$ (2,681)	$ 69,488

The accreted interest payable balances at June 30, 2016 represent accreted interest on the U.S. District Court project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project, $294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $7.2 million for the U.S. District Court Project, $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds and $3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The increases of $19.0 million and $6.0 million represent current year's accretion for governmental activities and business-type activities, respectively. The accumulated accretion for business-type activities is $69.5 million at June 30, 2016. The accumulated accretion for U.S. District Court Financing and the Authority in governmental activities is $147.8 million. The un-accreted balances at June 30, 2016 are $46.4 million for the 1997-A Hospital RUHS-MC project, $3.2 million for the U.S. District Court, and $3.3 billion for the Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation / Refunding

In November 2015, the County Infrastructure Financing Authority lease revenue refunding bonds, Series 2015 A (Capital Improvement Project) issued $72.8 million in lease revenue bonds. The Series 2015 bonds are being issued for the purpose of (a) refunding a portion of the 2005 A Capital and Family Refunding Bond, and 2005 B Historic Courthouse Refunding Bond, and (b) defeased 2006 A Capital Improvement Project, in the aggregate principal of $89.3 million. The new bonds have an interest rate of 2% to 5%.

Defeasance of Debt

In April 2005, CORAL issued $22.6 million of certificates of participation, Series B (2005 Series B – Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund $21.1 million of the 1997 Historic Courthouse certificates of participation. The advance refunding resulted in a loss on refunding of $1.6 million. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates of participation have been included in the financial statements. The amount of the defeased debt outstanding at June 30, 2016, was $591.4 thousand.

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

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

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

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

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

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

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

On November 2015, CORAL paid off the 2005 A Capital and Family Refunding Bond, 2005 B Historic Refunding Bond and defeased the 2006 A Capital Improvement Project, which had outstanding principal balances of $42.0 million, $17.3 million, and $30.0 million, respectively, as a result of a refunding from a related agency in the County, the Infrastructure Financing Authority.

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 $24.0 million of Mortgage Revenue Bonds have been issued and $20.1 million is outstanding as of June 30, 2016. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling $86.8 million at June 30, 2016, 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.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Special Assessment Bonds (Continued)

The Flood Control has issued special assessment bonds, totaling $915.0 thousand as June 30, 2016, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the reserve fund into the redemption fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

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

Interest Rate Swap

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

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

CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the bonds, expressed as a decimal, equal to 64.0% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedging. CORAL's net cash outflow or payment under the interest rate swap contract was $289.3 thousand for the year ended June 30, 2016

Fair Value: As of June 30, 2016 and 2015, the swap had a negative fair value of $29.1 million and $25.7 million, respectively, a decrease in fair value of $3.7 million occurred during the fiscal year 2015-16. The fair value was recorded in the CORAL's statement of net position as interest rate swap liability and deferred outflows of resources in the assets section. Because the coupons on the Southwest Justice Center Series 2008 A Leasehold Revenue Refunding Bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June 30, 2016.

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

Basis Risks: The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2016, CORAL's rate was 64.0% of LIBOR, or 0.1%, whereas BMA or the reset rate on bonds was 0.1%. The synthetic rate on the bonds at June 30, 2016 was 5.2%.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

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

Swap Payment and Associated Debt: Using rates as of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows (In thousands):

Fiscal Year Ending June 30,	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total Interest
2017	$ 2,690	$ 1,040	$ 2,685	$ 3,725
2018	2,895	1,000	2,580	3,580
2019	3,000	958	2,470	3,428
2020	3,205	913	2,354	3,267
2021	3,410	865	2,231	3,096
2022-2026	16,440	3,503	9,038	12,541
2027-2031	21,405	1,848	4,767	6,615
2032-2034	6,410	167	426	593
	$ 59,455	$ 10,294	$ 26,551	$ 36,845

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

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2016 (In thousands):

	Balance June 30, 2015	New Additions	Payments / Reclass	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 1,141,497	$ 80,437	$ (26,907)	$ 1,195,027	$ 43,025
Capital lease obligations	147,278	41,649	(28,817)	160,110	28,659
Certificates of participation	211,688	-	(102,751)	108,937	15,330
Loans payable	3,350	-	(560)	2,790	585
Total debt long-term liabilities	1,503,813	122,086	(159,035)	1,466,864	87,599
Other long-term liabilities:					
Accreted interest payable	129,834	18,977	(1,007)	147,804	-
Compensated absences (a)	229,960	11,381	(220)	241,121	158,951
Estimated claims liabilities (b)	158,952	82,155	(63,126)	177,981	43,073
Net pension liabilites	1,268,304	290,815	-	1,559,119	-
Accrued remediation costs (c)	2,019	-	(157)	1,862	157
Total other long-term liabilities	1,789,069	403,328	(64,510)	2,127,887	202,181
Total governmental activities – long-term liabilities	$ 3,292,882	$ 525,414	$ (223,545)	$ 3,594,751	$ 289,780

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

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities (Continued)

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2016 (In thousands):

	Balance June 30, 2015	New Additions	Payments / Reclass	Balance June 30, 2016	Amounts Due Within One Year
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses	$ 119,917	$ 4,870	$(18,359)	$ 106,428	$ 13,810
Capital lease (RUHS - MC)	5,878	3,702	(2,142)	7,438	1,763
Total debt long-term liabilities	125,795	8,572	(20,501)	113,866	15,573
Other long-term liabilities:					
Accreted interest payable	66,116	6,053	(2,681)	69,488	231
Accrued closure and post-closure costs	80,758	-	(827)	79,931	799
Compensated absences	25,755	4,162	-	29,917	17,935
Accrued remediation costs	39,690	554	-	40,244	805
OPEB obligation, net	140	-	(24)	116	-
Net pension liabilites	185,286	33,505	-	218,791	-
Other long-term liabilities (a)	6,795	-	-	6,795	-
Total other long-term liabilities	404,540	44,274	(3,532)	445,282	19,770
Total business-type activities – long-term liabilities	$ 530,335	$ 52,846	$(24,033)	$ 559,148	$ 35,343
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 45,937	$ -	$ (5,536)	$ 40,401	$ 5,880
Other long-term liabilities:					
Compensated absences	178	102	(164)	116	74
Net pension liability	1,340	437	-	1,777	-
Total discretely presented component unit – long-term liabilities	$ 47,455	$ 539	$ (5,700)	$ 42,294	$ 5,954

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

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued $294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County tobacco assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County tobacco assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County tobacco assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 14.1% to the County and 85.9% to the Inland Empire Tobacco Securitization Authority for calendar year 2016. During the fiscal year ended June 30, 2016, $18.9 million was received by the Inland Empire Tobacco Securitization Authority; $10.0 million, or 53.0%, was distributed to the County per the above agreement, leaving $8.9 million, or 47.0%, of the specific tobacco settlement revenues available to be pledged (see page 155). The County is under no obligation to make payments of the principal or accreted value or redemption premiums, if any, or interest on the Series 2007 bonds in the event that revenues are insufficient for the payment thereof.

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

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

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

The Housing Authority reports the $218.0 thousand received each year as revenue. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2016, before applying the deferred charge, was $565.0 thousand.

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Deferred outflows of resources balances for the year ended June 30, 2016 were as follows (In thousands):

	Balance June 30, 2016
Government-wide deferred outflows of resources:	
Governmental activities	
Interest rate swap	$ 29,091
Pension	516,325
Total governmental activities	545,416
Business-type activities:	
Defeasance of debt	139
Pension	67,896
Total business-type activities	68,035
Total government-wide deferred outflows of resources	$ 613,451
Discretely presented component unit deferred outflows of resources:	
Pension	$ 416
Total discretely presented component unit deferred outflows of resources	$ 416

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

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

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

Deferred inflows of resources balances for the year ended June 30, 2016 were as follows (In thousands):

	Balance June 30, 2016
Government-wide deferred inflows of resources:	
Governmental activities	
Teeter tax loss reserve	$ 21,715
Pension	425,904
Total governmental activities	447,619
Business-type activities	
Service concession arrangement	7,093
Pension	62,407
Total business-type activities	69,500
Total government-wide deferred inflows of resources	$ 517,119
Governmental funds deferred inflows of resources:	
General Fund:	
SB 90	$ 23,434
Teeter tax loss reserve	21,715
Property tax	5,006
Total general fund	50,155
Flood Control Special Revenue Fund:	
Property tax	995
Special assessments	52
Total flood control special revenue fund	1,047
Other Governmental Funds:	
Property tax	5
Total other governmental funds	5
Total governmental funds deferred inflows of resources	$ 51,207
Discretely presented component unit deferred inflows of resources:	
Pension	$ 194
Total discretely presented component unit deferred inflows of resources	$ 194

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NOTE 16 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See Note 1 for a description of each category.) A detailed schedule of fund balances as of June 30, 2016 is as follows (In thousands):

	Major Funds					
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Public Financing Authority	Total Major Governmental Funds
Fund balances:						
Nonspendable						
Inventory	$ 2,005	$ 1,042	$ -	$ -	$ -	$ 3,047
Prepaid items	-	2,600	365	-	-	2,965
Imprest cash	364	12	1	-	-	377
Permanent fund	-	-	-	-	-	-
Total nonspendable	**2,369**	**3,654**	**366**	**-**	**-**	**6,389**
Restricted						
Aging	-	-	-	-	-	-
Air quality planning	120	-	-	-	-	120
Airport	-	-	-	-	-	-
Auto theft interdiction	209	-	-	-	-	209
CAP local initiative program	-	-	-	-	-	-
Construction & capital projects	12,952	-	-	83,281	231,229	327,462
Court services	9,193	-	-	-	-	9,193
Debt services	4,865	-	-	-	-	4,865
District attorney	22,664	-	-	-	-	22,664
Domestic violence	1,519	-	-	-	-	1,519
Emergency medical services	5,357	-	-	-	-	5,357
Emergency preparedness	-	-	-	-	-	-
Environmental health	321	-	-	-	-	321
Public ways and facilities	-	-	205,957	22,992	-	228,949
Fire protection	-	-	-	1,515	-	1,515
Geographical info system	-	-	-	-	-	-
Hazmat	2,741	-	-	-	-	2,741
Humane services	203	-	-	-	-	203
Landscape maintenance	-	2,958	-	-	-	2,958
Libraries	-	-	-	-	-	-
Mental health	7,593	-	-	-	-	7,593
Modernization	5,976	-	-	-	-	5,976
Other purposes	458	-	-	-	-	458
Parks and recreation	-	-	-	11,653	-	11,653
Public assistance	2,730	-	-	-	-	2,730
Public health	2,088	-	-	-	-	2,088
Public protection	2,167	-	-	-	-	2,167
Public safety revenue	1,801	-	-	-	-	1,801
Roads	-	65,233	-	-	-	65,233
Sheriff patrol	7,824	-	-	-	-	7,824
Teeter tax losses	8,858	-	-	-	-	8,858
Total restricted	**99,639**	**68,191**	**205,957**	**119,441**	**231,229**	**724,457**

Note: Encumbrances - see Note 23 – Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	**Debt Service Funds**	**Capital Projects Funds**	**Permanent Fund**	**Total Nonmajor Governmental**	**Total Governmental Funds**	
						Fund balances:
						Nonspendable
$ -	$ -	$ -	$ -	$ -	$ 3,047	Inventory
7	-	580	-	587	3,552	Prepaid items
67	-	-	-	67	444	Imprest cash
-	-	-	571	571	571	Permanent fund
74	**-**	**580**	**571**	**1,225**	**7,614**	**Total nonspendable**
						Restricted
1,318	-	-	-	1,318	1,318	Aging
333	-	-	-	333	453	Air quality planning
1,928	-	-	-	1,928	1,928	Airport
-	-	-	-	-	209	Auto theft interdiction
965	-	-	-	965	965	CAP local initiative program
-	-	18	-	18	327,480	Construction & capital projects
-	-	-	-	-	9,193	Court services
-	63,914	7,404	-	71,318	76,183	Debt services
-	-	-	-	-	22,664	District attorney
-	-	-	-	-	1,519	Domestic violence
-	-	-	-	-	5,357	Emergency medical services
3,222	-	-	-	3,222	3,222	Emergency preparedness
-	-	-	-	-	321	Environmental health
-	-	-	-	-	228,949	Public ways and facilities
12,735	-	-	-	12,735	14,250	Fire protection
815	-	-	-	815	815	Geographical info system
-	-	-	-	-	2,741	Hazmat
-	-	-	-	-	203	Humane services
22,491	-	-	-	22,491	25,449	Landscape maintenance
28,442	-	-	-	28,442	28,442	Libraries
-	-	-	-	-	7,593	Mental health
-	-	-	-	-	5,976	Modernization
267	-	-	-	267	725	Other purposes
4,274	-	4,510	-	8,784	20,437	Parks and recreation
4,418	-	-	-	4,418	7,148	Public assistance
5,211	-	-	-	5,211	7,299	Public health
17	-	-	44	61	2,228	Public protection
-	-	-	-	-	1,801	Public safety revenue
769	-	-	-	769	66,002	Roads
5,773	-	-	-	5,773	13,597	Sheriff patrol
-	-	-	-	-	8,858	Teeter tax losses
92,978	**63,914**	**11,932**	**44**	**168,868**	**893,325**	**Total restricted**

NOTE 16 – FUND BALANCES (Continued)

	Major Funds					
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Public Financing Authority	Total Major Governmental Funds
Fund balances:						
Committed						
Code enforcement	$ -	$ 2,293	$ -	$ -	$ -	$ 2,293
Community improvement	112	-	-	-	-	112
Construction & capital projects	654	202	-	4,877	-	5,733
Disaster relief	15,000	-	-	-	-	15,000
EDA special projects	-	-	-	-	-	-
Environmental programs	1,809	352	-	-	-	2,161
Legal services	1,214	-	-	-	-	1,214
Other purposes	525	-	-	-	-	525
Planning	-	-	-	-	-	-
DPSS realignment growth	4,300	-	-	-	-	4,300
SB90	1,380	-	-	-	-	1,380
Sheriff correction	14,783	-	-	-	-	14,783
Youth protection	533	-	-	-	-	533
Total committed	**40,310**	**2,847**	**-**	**4,877**	**-**	**48,034**
Assigned						
Airports	-	-	-	-	-	-
Capital improvement projects	2,535	-	-	2,576	-	5,111
Construction & capital projects	-	-	-	6,755	-	6,755
Debt service	-	-	-	-	-	-
Equipment	-	6,118	-	-	-	6,118
Other purposes	698	-	-	-	-	698
Parks acquisition & development	-	-	-	-	-	-
Probation	1,905	-	-	-	-	1,905
Professional services	1,914	-	-	-	-	1,914
Public health	944	-	-	-	-	944
Registrar of voters	-	-	-	-	-	-
Roads	-	6,460	-	-	-	6,460
Sheriff correction	3,874	-	-	-	-	3,874
Total assigned	**11,870**	**12,578**	**-**	**9,331**	**-**	**33,779**
Unassigned	**217,322**	**-**	**-**	**-**	**-**	**217,322**
Total fund balances	**$ 371,510**	**$ 87,270**	**$ 206,323**	**$ 133,649**	**$ 231,229**	**$ 1,029,981**

Note: Encumbrances - see Note 23 – Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds: Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental	Total Governmental Funds	
						Fund balances:
						Committed
$ -	$ -	$ -	$ -	$ -	$ 2,293	Code enforcement
-	-	-	-	-	112	Community improvement
-	-	-	-	-	5,733	Construction & capital projects
-	-	-	-	-	15,000	Disaster relief
504	-	-	-	504	504	EDA special projects
-	-	-	-	-	2,161	Environmental programs
-	-	-	-	-	1,214	Legal services
-	-	-	-	-	525	Other purposes
2,326	-	-	-	2,326	2,326	Planning
-	-	-	-	-	4,300	DPSS realignment growth
-	-	-	-	-	1,380	SB90
-	-	-	-	-	14,783	Sheriff correction
-	-	-	-	-	533	Youth protection
2,830	**-**	**-**	**-**	**2,830**	**50,864**	**Total committed**
						Assigned
3,061	-	-	-	3,061	3,061	Airports
-	-	-	-	-	5,111	Capital improvement projects
-	-	10,453	-	10,453	17,208	Construction & capital projects
-	3,766	-	-	3,766	3,766	Debt service
-	-	-	-	-	6,118	Equipment
3,399	-	-	-	3,399	4,097	Other purposes
5,969	-	1,975	-	7,944	7,944	Parks acquisition & development
-	-	-	-	-	1,905	Probation
-	-	-	-	-	1,914	Professional services
-	-	-	-	-	944	Public health
563	-	-	-	563	563	Registrar of voters
-	-	-	-	-	6,460	Roads
-	-	-	-	-	3,874	Sheriff correction
12,992	**3,766**	**12,428**	**-**	**29,186**	**62,965**	**Total assigned**
-	**-**	**-**	**-**	**-**	**217,322**	**Unassigned**
$ 108,874	**$ 67,680**	**$ 24,940**	**$ 615**	**$ 202,109**	**$ 1,232,090**	**Total fund balances**

NOTE 17 – RISK MANAGEMENT

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

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

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

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2016, are reported in these funds. Where certain ISF funds have an accumulated deficit or insufficient reserves, the County provides funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70.0% confidence level, an appropriate reduction in funding including a one-time holiday on department charges may be granted. For fiscal year 2015-16, the Board approved to continue reduced funding at slightly below the 55.0% confidence level for the general liability ISF and for the workers' compensation ISF. Funding for the medical malpractice ISF was at the 70.0% confidence level. Revenues for these internal service funds are primarily provided by other County departments and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and/or other uninsured liabilities. Cash available in the risk management and workers' compensation ISF at June 30, 2016, plus revenues to be collected during fiscal year 2016-17, are expected to be sufficient to cover all fiscal year 2016-2017 payments. The carrying amount of unpaid claim liabilities is $178.0 million. The liabilities are discounted at 2.0% for general liability and medical malpractice and 2.5% for workers' compensation.

	June 30, 2015	June 30, 2016
Unpaid claims, beginning of year	$ 142,459	$ 158,952
Increase (decrease) in provision for insured events of prior years	1,136	3,893
Incurred claims for current year	76,624	77,938
Claim payments	(61,267)	(62,802)
Unpaid claims, end of year	$ 158,952	$ 177,981

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS

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

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. RUHS-MC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by RUHS-MC and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited RUHS-MC's Medicare cost reports through June 30, 2014 and Medi-Cal cost reports through June 30, 2014. RUHS-MC has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2014. For Medi-Cal Fee for Service, RUHS-MC is settled through the California public hospital P-14 cost reports. Notice of final settlement has been received through June 30, 2008.

California's 1115 Waiver Renewal Medi-Cal 2020 was approved on December 30, 2015 by the Centers for Medicare and Medicaid Services. In connection with Medi-Cal 2020, the Global Payment Program (GPP) establishes a statewide pool of funding for uninsured by combining DSH and uncompensated care funding. GPP incentivizes Designated Public Hospitals (DPH) to deliver more cost-effective and higher value care for indigent, uninsured individuals. GPP combines funding into global budgets for DPHs to draw down by earning points for services provided to uninsured patients. For fiscal year ending June 30, 2016, RUHS-MC recognized $49 million of GPP revenue. The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is designed to build upon the foundational delivery system transformation work, expansion of coverage, and increased access to coordinated primary care achieved through the prior California Section 1115 Bridge to Reform demonstration. PRIME is a pay-for-performance program that uses evidence-based quality improvement methods to achieve performance targets and improve health outcomes for patients. RUHS-MC recognized $33.4 million in PRIME for fiscal year ending June 30, 2016.

Redirection of 1991 State Health Realignment

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

The redirected amount was determined according to an agreed to formula option for California's twelve public hospital system counties, thirty-four County Medical Services Program (CMSP) counties, and the remaining twelve counties (Article 13 counties). The formula options were developed in consultation with the counties and DHCS to ensure continued viability of the county safety net. For CMSP counties, AB85 outlines that 60% of health-

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

realignment that would have otherwise been received will be redirected, while the remaining two county groups had an option to either have 60% of health realignment redirected, or, to use a formula-based approach that takes into account a county's cost and revenue experience, and redirect 80% (70% in FY 13-14) of the savings realized by the county.

RUHS-MC is fully reserved for any estimated liabilities due back to the State for any State health realignment overpayments. RUHS-MC recognized $12.4 million in revenue for the fiscal year ending June 30, 2016 from state health realignment.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

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

A representation of the jointly governed organizations on which the County served at June 30, 2016 follows:

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

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

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

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

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 20 – RETIREMENT PLAN

General Information about the Pension Plans

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

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

Summary of Benefits by plan:

	Plan	Employer Paid Member Contribution (EPMC)	Earliest Retirement Age	PEPRA Compensation Limits	Final Compensation	Effective Date
Tier I						
County Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
County Safety	3.0% at 50	Yes	50	N/A	12 months	N/A
Flood Control Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Park District Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Waste Resources Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Tier II						
County Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
County Safety	2.0% at 50	No	50	N/A	36 months	8/23/2012
Flood Control Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
Park District Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
Waste Resources Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A
Tier III (PEPRA)						
County Miscellaneous	2.0% at 62	No	52	$ 117,020	36 months	1/1/2013
County Safety	2.7% at 57	No	50	$ 140,424	36 months	1/1/2013
Flood Control Miscellaneous	2.0% at 62	No	52	$ 117,020	36 months	1/1/2013
Park District Miscellaneous	2.0% at 62	No	52	$ 117,020	36 months	1/1/2013
Waste Resources Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A

NOTE 20 – RETIREMENT PLAN (Continued)

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	9,247	2,164	205	72	98
Inactive employees entitled to but yet receiving benefits	11,569	1,079	128	112	56
Active employees	15,934	3,541	230	130	25
	36,750	6,784	563	314	179

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

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

For fiscal year 2015-16, the employer and employee contribution rates were:

	County Miscellaneous	County Safety	Flood Control Miscellaneous	Park District Miscellaneous	Waste Resources Miscellaneous
County contribution rates:					
County Tier I	15.4%	23.6%	20.1%	12.8%	12.8%
County Tier II	15.4%	23.6%	20.1%	7.5%	N/A
County Tier III	15.4%	23.6%	20.1%	6.7%	N/A
Plan Members contribution rates					
County Tier I	8.0%	9.0%	8.0%	8.0%	8.0%
County Tier II	7.0%	9.0%	7.0%	7.0%	N/A
County Tier III	6.5%	10.8% *	6.5%	6.5%	N/A

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

Net Pension Liability

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

NOTE 20 – RETIREMENT PLAN (Continued)

Actuarial assumptions. For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

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

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. More details on this table are available in the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of assumptions. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction for pension plan administrative expense.

Discount rate. The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employee Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB Statement No. 68 section.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations are accounted for as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both

NOTE 20 – RETIREMENT PLAN (Continued)

short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99	2.43
Inflation Sensitive	6.0%	0.45	3.36
Private Equity	10.0%	6.83	6.95
Real Estate	10.0%	4.50	5.13
Infrastructure and Forestland	2.0%	4.50	5.09
Liquidity	2.0%	(0.55)	(1.05)

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

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

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

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

Measurement Period June 30, 2015	Governmental Activities	Business-type Activities	Discretely Presented Component Unit	Total
Total pension liability				
Service cost	$ 216,037	$ 29,026	$ 257	$ 245,320
Interest	550,000	75,089	664	625,753
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	37,333	2,864	25	40,222
Changes of assumptions	(146,003)	(19,592)	(173)	(165,768)
Benefit payments, including refunds of employee contributions	(282,903)	(39,052)	(345)	(322,300)
Net change in total pension liability	374,464	48,335	428	423,227
Total pension liability - beginning (a)	7,114,876	1,012,623	7,962	8,135,461
Total pension liability - ending (c)	$ 7,489,340	$ 1,060,958	$ 8,390	$ 8,558,688
Plan fiduciary net position				
Contributions - employer	$ 149,302	$ 17,786	$ 59	$ 167,147
Contributions - employee	93,936	13,612	121	107,669
Net investment income	134,644	18,650	165	153,459
Benefit payments, including refunds of employee contributions	(282,903)	(39,052)	(345)	(322,300)
Administrative expense	(6,909)	(959)	(9)	(7,877)
Net change in plan fiduciary net position	88,070	10,037	(9)	98,098
Plan fiduciary net position - beginning (b)	5,852,763	841,805	6,622	6,701,190
Plan fiduciary net position - ending (d)	$ 5,940,833	$ 851,842	$ 6,613	$ 6,799,288
Net pension liability - beginning (a) - (b)	1,262,113	170,818	1,340	1,434,271
Net pension liability - ending (c) - (d)	$ 1,548,507	$ 209,116	$ 1,777	$ 1,759,400

NOTE 20 – RETIREMENT PLAN (Continued)

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

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

	Governmental Activities						Business-type Activities							
	Increase (Decrease)						Increase (Decrease)							
	Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (c) = (a) - (b)		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (c) = (a) - (b)		Total Net Pension Liability	
Balance at 06/30/2014	$	34,039	$	27,850	$	6,189	$	41,748	$	33,296	$	8,452	$	14,641
Balance at 06/30/2015	$	35,493	$	28,464	$	7,029	$	42,771	$	33,096	$	9,675	$	16,704
Net changes during 2014-15	$	1,454	$	614	$	840	$	1,023	$	(200)	$	1,223	$	2,063

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

	Governmental Activities		Business-type Activities		Discretely Presented Component Unit		Total Net Pension Liability	
Agent Multiple-Employer Plan	$	1,548,507	$	209,116	$	1,777	$	1,759,400
Cost Sharing Multiple-Employer Plan		7,029		9,675		-		16,704
Total:	$	1,555,536	$	218,791	$	1,777	$	1,776,104

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

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

	Discount Rate - 1% (6.65%)		Current Discount Rate (7.65%)		Discount Rate + 1% (8.65%)	
Governmental Activities	$	2,705,388	$	1,555,536	$	632,367
Business-type Activities		367,368		218,791		80,194
Discretely Presented Component Unit		3,121		1,777		675
Total:	$	3,075,877	$	1,776,104	$	713,236

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

Subsequent Events

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

Recognition of Gains and Losses

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

NOTE 20 – RETIREMENT PLAN (Continued)

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

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

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

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

The EARSL for the plan for the 2014-15 measurement period was obtained by dividing the total service years of the sum of remaining service lifetimes of the active employees by the total number of participants (active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

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

For the measurement period ending June 30, 2015, the Park District and Waste Resources reported a liability of $7.0 million and $9.7 million, respectively, for their proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on a projection of long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Park District's and Waste Resources' proportions were 0.25620 percent and 0.35266 percent, respectively, which was an increase of 0.00579 percent and 0.01068 percent, respectively, from their proportion measured as of June 30, 2014.

For the year-ended June 30, 2016, the County recognized pension expense of $183.2 million. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

NOTE 20 – RETIREMENT PLAN (Continued)

At June 30, 2016, the deferred outflows of resources and deferred inflows of resources related to pensions are reported from the following sources (In thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 32,474	$ -
Change of assumptions	-	(131,664)
Net difference between projected and actual earnings on pension plan investments	297,771	(355,089)
Adjustment due to differences in proportions	819	(80)
Difference in employer contributions and proportionate share of contributions	-	(62)
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	247,235	-
Total	$ 578,299	$ (486,895)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities	$ 509,987	$ (424,294)
Business-type Activities	67,896	(62,407)
Discretely Presented Component Unit	416	(194)
Total	$ 578,299	$ (486,895)

$247.2 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year Ended June 30	Amount
2017	$ (71,065)
2018	(71,068)
2019	(71,010)
2020	62,861
2021	(5,048)
Thereafter	(501)
	$ (155,831)

Payable to the Pension Plan

At June 30, 2016, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2016.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	213
Inactive employees entitled to but yet receiving benefits	7,188
Active employees	1,884
	9,285

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 1, 2015 valuation, the County's current required contribution rate is 3.08%. Overall, the Plan's unfunded actuarially accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a liability loss; 2) funding interest rate assumption changed from 6.5 percent to 6.0 percent; 3) lump sum interest changed from 6.2 percent to 5 percent, which resulted in higher liabilities; and 4) assets were lower than expected due to unfavorable investment return on Plan assets (0.41 percent compared to 6.5 percent assumed). The Plan's current funded ratio is 90%. The Plan actuary calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Net Pension Liability

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

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Inflation	2.8%
Salary Increases	3.0%
Payroll Growth	3.0%
Investment Rate of Return:	6.0%

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

The actuarial assumption is used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2015.

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

Asset Class	Target Allocation	Expected Nominal Return	Expected Volatility
Cash	1.22%	3.2%	2.0%
Domestic equity	67.52%	9.7%	19.5%
Fixed income	31.26%	3.7%	5.0%

Discount rate. The discount rate used to measure the total pension liability was 6.0 percent. The projected cash flow used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Changes in the Net Pension Liability (In thousands):

	Governmental Activities Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at 06/30/14	**$ 29,744**	**$ 31,602**	**$ (1,858)**
Changes of the year:			-
Service cost	1,512	-	1,512
Interest	1,983	-	1,983
Change of assumptions	2,939	-	2,939
Differences between expected and actual experience	795	-	795
Contributions - employer	-	607	(607)
Contributions - employee	-	1,267	(1,267)
Net investment income	-	131	(131)
Benefit payments, including refunds of employee contributions	(1,511)	(1,511)	-
Administrative expense	-	(217)	217
Net changes	5,718	277	5,441
Balance at 06/30/15	**$ 35,462**	**$ 31,879**	**$ 3,583**

Changes in Assumptions and Methods since the Prior Valuation

1) Funding interest rate decreased from 6.5% to 6.0%

2) Lump sum interest rate decreased from 6.0% to 5.0%

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 6.0 percent, as well as what the County's net pension liability would be if it were using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate (In thousands):

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Governmental Activities	$ 9,650	$ 3,583	$ (1,171)

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan fiduciary net position

Statement of Fiduciary Net Position
June 30, 2016

ASSETS	Pension Trust
Cash and investments	$ 31,946
Accounts receivable	177
Total assets	32,123
LIABILITIES	
Accounts payable	-
Total liabilities	-
NET POSITION	
Held in trust for pension benefits	$ 32,123

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

ADDITIONS:	
Contribution to pension trust:	
Employer	$ 639
Employee	1,514
Total additions	2,153
DEDUCTIONS:	
Benefits paid to participants	1,823
Total deductions	1,823
Change in net position	330
Net position held in trust, beginning of the year	31,793
Net position held in trust, end of the year	$ 32,123

Subsequent Events

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

Recognition of Gains and Losses

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

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

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

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

Recognition of Gains and Losses (Continued)

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

The EARSL for the Plan for the 2014-15 measurement period is 8.53 years, which was obtained by dividing the total service years of 79,201 (the sum of remaining service lifetimes of the active employees) by 9,285 (total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving cash refund.

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2016, the County recognized pension expense of $737.0 thousand. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (In thousands):

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,563	$ -
Changes of assumptions	2,594	-
Net difference between projected and actual earnings on pension plan investments	1,542	(1,610)
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB Statement No. 71)	639	-
Total	$ 6,338	$ (1,610)

$639.0 thousand reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a deduction of the net pension liability in the year ended June 30, 2017.

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

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	$ 429
2018	429
2019	429
2020	966
2021	580
Thereafter	1,256
	$ 4,089

Payable to the Pension Plan

At June 30, 2016, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2016.

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County and its Special Districts Flood Control, Park District, and Waste Resources, offer post employment benefits to eligible County retirees. Benefit provisions are established and amended through negotiations between the County and the various bargaining units.

The post employment benefits provide:

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

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

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

Funding Policy and Annual OPEB Cost

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

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

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

	County	Flood Control	Park District	Waste Resources
Contribution rates:				
County	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$587-$1,459	$587-$1,459	$587-$1,459	$587-$1,459
Annual required contribution	$ 1,077	$ -	$ -	$ 116
Interest on net OPEB obligation	(2,177)	(39)	(21)	7
Adjustment to annual required contribution	1,749	32	17	(118)
Annual OPEB cost	649	(7)	(4)	5
Contributions made	(3,032)	(44)	-	(29)
Increase in net OPEB obligation (asset)	(2,383)	(51)	(4)	(24)
Net OPEB obligation (asset) beginning of year	(29,398)	(632)	(312)	140
Net OPEB obligation (asset) end of year	$ (31,781)	$ (683)	$ (316)	$ 116

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years for each of the plans were as follows (In thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/14	$ 1,974	118.7 %	$ (25,944)
	06/30/15	942	466.7	(29,398)
	06/30/16	649	467.2	(31,781)
Flood Control	06/30/14	12	416.7	(539)
	06/30/15	(30)	83.3	(577)
	06/30/16	(7)	628.6	(683)
Park District	06/30/14	(5)	180.0	(299)
	06/30/15	(4)	225.0	(312)
	06/30/16	(4)	0.0	(316)
Waste Resources	06/30/14	16	18.8	126
	06/30/15	17	17.7	140
	06/30/16	5	580.0	116

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

Funded Status and Funding Progress

The following is funded status information for each plan as of July 1, 2015, which is the most recent actuarial valuation date (In thousands):

	County	Flood Control	Park District	Waste Resources
Actuarial accrued liability (a)	$ 41,249	$ 395	$ 113	$ 755
Actuarial value of plan assets (b)	34,486	556	306	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 6,763	$ (161)	$ (193)	$ 755
Funded ratio (b) / (a)	83.6%	140.8%	270.8%	0.0%
Covered payroll (c)	$ 1,281,024	$ 17,194	$ 7,090	$ 2,384
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	0.5%	-0.9%	-2.7%	31.7%

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

Actuarial Methods and Assumptions

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

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

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

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

Civil Action Lawsuit Settlement

Plaintiffs on behalf of inmates incarcerated in Riverside County Jails and County of Riverside entered a lawsuit settlement on June 7, 2016 to ensure constitutional health care services are provided to all inmates and non-discrimination for inmates with disabilities in the Riverside County Jails. On March 8, 2013, the legal action was filed by Plaintiffs to against the County for failing to provide minimally adequate medical and mental health care to inmates in violation of the Eighth and Fourteenth Amendments to the United States Constitution, and discrimination against certain inmates with disabilities as prohibited by American with Disabilities Act and Section 504 of the Rehabilitation Act. The parties agreed to negotiate a Remedial Plan which requires the County to address the deficiencies of its jails' health care system and to provide at least minimally adequate medical and mental health care. Pursuant to the lawsuit settlement, the County of Riverside agrees to develop and implement appropriate and adequate plans, policies, and practices to ensure compliance with the Remedial Plan. The County agrees to pay Plaintiffs $1.3 million for reasonable fees and expenses incurred through the final approval of the settlement including approval of all Remedial Plans.

County of Riverside Redevelopment Successor Agency

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

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2015, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that could be disallowed by the granting agencies cannot be determined at this time; however, County management does not expect such amounts, if any, to be material to the basic financial statements. The fiscal year 2015-16 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 31, 2017.

Commitments

At June 30, 2016 the County had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts were financed through either the general fund or capital projects funds. $330.7 million will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Resources Department enters into various construction and consulting contracts to facilitate its landfill operations and continues the process of installing landfill liners as needed at Badlands and Lamb Canyon landfills, in accordance with state and federal laws and regulations. The Department does not anticipate a new area landfill expansion at either of these facilities in the next five years, but does plan to complete two expansion projects at Badlands landfill which will increase refuse airspace and days of site life in the current burial area. The northwestern berm construction will cost approximately $1.9 million and the 7.2 acre liner system on the north part of the site will cost about $3.6 million and both are expected to be completed in the next five years.

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Remediation Contingencies

Governmental Funds

Release of gasoline and diesel fuel has been reported at seven underground storage tanks. Orders have been issued by the California Regional Water Quality Control Board (CRWQCB) to assess and cleanup these sites by specific dates. It has determined the remediation plan and monitoring action are required. In addition to groundwater contamination, asbestos has been found in six facilities. As of June 30, 2016, the governmental activities reflect a $1.9 million accrued remediation liability (Note 14). The liability has been calculated using the expected cash flow technique. The liability is subject to change over time. Cost may vary due to price fluctuations, changes in technology, results of environmental studies, changes to statute or regulations and other factors that could result in revisions to these estimates.

Enterprise Funds

Waste Resources Department has established restricted cash funds to set aside for future remediation costs as they are required to be performed. Investments of $30.8 million are held for these purposes at June 30, 2016 and are classified as accrued remediation in the statements of net position.

The Department is aware of air/gas contamination at 17 landfills, 11 of which are closed, and required to have corrective action plans. Based on engineering studies, Waste Resources estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $36.6 million. At June 30, 2016, the Department has accrued $30.8 million for the estimated costs required by CalRecycle and the Regional Water Quality Control Board (RWQCB), related to the outstanding remediation projects as needed at these landfills.

In addition to the liability amounts calculated per CalRecycle regulations that are designated to the Escrow Funds, the Department is also responsible for the corrective action costs related to Nineteen (19) other landfill sites that have been inactive or closed since before 1988. Liability for these sites fluctuates dependent on the needs of each site and changes to or the implementation of laws and regulations. As of June 30, 2016, the corrective action is estimated at $3.7 million.

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchases orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the sources(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. As of June 30, 2016, the encumbrance balances for the governmental funds are reported as follows (In thousands):

	Restricted	Assigned	Total
Major Governmental Funds			
General Fund:			
Capital improvement projects	$ -	$ 628	$ 628
Court facilities	-	28	28
Criminal justice system review	-	995	995
Emergency medical services	-	5	5
Energy projects	-	72	72
Environmental health	-	41	41
Facilities management	-	189	189
Fire protection	-	431	431
Legal services	-	537	537
Operating contribution	-	88	88
Other purposes	-	177	177
Probation programs	-	3,849	3,849
Public health	-	944	944
Registrar of voters	-	12	12
Sheriff coroner	-	14	14
Sheriff correction	-	1,061	1,061
Sheriff court services	-	1,468	1,468
Sheriff patrol	-	1,111	1,111
Sheriff support	-	220	220
Transportation:			
Equipment	253	-	253
Roads	-	605	605
Nonmajor Governmental Funds			
Special Revenue Funds:			
CAP local initiative program	356	-	356
Parks	100	-	100
Public ways and facilities	94	-	94
Other purposes	7	-	7
Capital Projects Funds:			
Capital improvement projects	41	-	41
Total Encumbrances	**$ 851**	**$ 12,475**	**$ 13,326**

NOTE 24 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2016, the County issued $340.0 million in Tax and Revenue Anticipation Notes in the form of a 2017 Maturity bond due June 30, 2017. The stated interest rate for the bond is set at 3.0% per annum with a yield of 0.7%. In accordance with California law, the TRANs bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2017 and legally available for payment thereof. Proceeds for the bonds will be used for fiscal year 2017 general fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certificates of Participation

On September 2016, Fitch, one of the three major credit ratings, has assigned the County's bonds and certificates of participation ratings as follows:

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

Fitch's reasoning is summarized in the following paragraphs:

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

State and federal health and social services pass-through funds comprise a substantial amount of the County's budget, as is typical for California counties. The County's non-discretionary general fund revenues are primarily provided by state funds and federal funds, which account for an estimated 44% and 20% of fiscal 2016 budgeted revenues, respectivelly. General fund discretionary revenues (ie., excluding state and federal funds) are primarily generated by property taxes, which account for 43% of fiscal 2016 budgeted discretionary revenues, followed by the motor vehicle in lieu payment at 30%.

Historical general fund revenues have been generally above U.S. economic performance. Property tax revenue has increased each of the last four years, with assessed value increasing 5.8% in fiscal 2016. The fiscal 2017 budget assumes an additional 4.5% increase based upon projected assessed value growth of 5%.

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

Discretionary spending is focused on public safety, which accounts for 64% of the discretionary fiscal 2016 budget, health and sanitation at 13%, and public assistance at 5%.

The County's fixed-costs burden is relatively low with carrying costs for debt, pensions, and retiree healthcare accounting for 10% of fiscal 2015 governmental spending. The County has a productive relationship with bargaining units with two-year contracts for its five units expiring by June 30, 2017. The contracts are not subject to binding arbitration and strikes are not permitted. The County has demonstrated its capacity to implement layoffs and furlough in times of revenue decline.

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Riverside County Bonds and Certificates of Participation (Continued)

The County has demonstrated a high degree of financial resilience through spending restraint and financial management policies. The Board policy minimum for reserves is 25% of discretionary financial management policies. The Board policy minimum for reserves is 25% of discretionary revenues; the reserve is currently $224 million, or nearly 31%. The unrestricted general fund balance at year-end fiscal 2015 was $270 million, or 9.6% of total general fund spending. Fitch expects that the County would maintain reserves at solid levels throughout a moderate economic down turn.

The County has continued to exercise spending restraint during the economic recovery. It prepares and adopts a five-year discretionary spending plan with each budget cycle. The most recent five-year plan projects modest deficits through fiscal 2018 and includes remediation strategies.

Teeter Obligation Notes, Series D and A

On October 12, 2016, the County issued $81.8 million in 2016 Teeter Obligation Notes, Series A (Tax-Exempt) to refund a portion of the outstanding 2015 Teeter Obligation Notes, Series D, and fund an advance of unpaid property taxes for agencies participating in the County's Teeter plan, and to pay the cost of issuance related to the notes. The 2016 Notes bear an interest rate of 3.0% for 2016 Teeter Obligation Note, Series A and a maturity date of October 11, 2017, when the existing Letter of Credit will expire.

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated the County's miscellaneous and safety contribution rates for fiscal year 2016-17 will be 16.5% and 26.6%, respectively. Fiscal year 2017-18 contribution rates for miscellaneous and safety are estimated at 17.7% and 28.8%, respectively. They will be accounted for in fiscal year 2015-16 and future budget years.

Palm Desert Financing Authority

On September 8, 2016, the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, 2016 Series A and Series A-T were issued by the Riverside County Infrastructure Financing Authority to (i) refund the outstanding Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects) 2008 Series A (the "Prior Bonds"), (ii) finance the acquisition, construction and installation of certain capital improvements to be owned and operated by the County, and (iii) pay the costs incurred in connection with the issuance of the bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2016

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIOD
(Dollar amounts in thousands)

Agent Multiple Employer Plan

Measurement Period	2014-15 (1)	2013-14 (1)
Total pension liability		
Service cost	$ 245,320	$ 238,529
Interest	625,753	569,503
Changes of benefit terms	-	-
Differences between expected and actual experience	40,222	-
Changes of assumptions	(165,768)	-
Benefit payments, including refunds of employee contributions	(322,300)	(293,348)
Net change in total pension liability	423,227	514,684
Total pension liability - beginning	8,135,461	7,620,777
Total pension liability - ending (a)	$ 8,558,688	$ 8,135,461
Plan fiduciary net position		
Contributions - employer	$ 167,147	$ 210,413
Contributions - employee	107,669	99,662
Net investment income	153,459	997,083
Benefit payments, including refunds of employee contributions	(322,300)	(293,348)
Administrative expense	(7,877)	-
Net change in plan fiduciary net position	98,098	1,013,810
Plan fiduciary net position - beginning	6,701,190	5,687,380
Plan fiduciary net position - ending (b)	$ 6,799,288	$ 6,701,190
Plan's net pension liability - ending (a) - (b)	$ 1,759,400	$ 1,434,271
Plan fiduciary net position as a percentage of the total pension liability	79.4%	82.4%
Covered-employee payroll	$ 1,237,138	$ 1,137,758
Plan's net pension liability as a percentage of covered-employee payroll	142.2%	126.1%

(1) Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) as of June 30, 2014 measurement date to 7.65 percent as of June 30, 2015 measurement date.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2016
SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Agent Multiple Employer Plan

Fiscal year	2015-16*	2014-15*
Actuarially determined contribution	$ 216,678	$ 192,447
Contributions in relation to the actuarially determined contribution	(245,762)	(206,832)
Contribution deficiency (excess)	$ (29,084)	$ (14,385)
Covered-employee payroll	$ 1,369,182	$ 1,237,138
Contributions as a percentage of covered-employee payroll	17.9%	16.7%

* Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2015-16 were derived from the June 30, 2013 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Open
Asset valuation method	Actuarial Value of Assets
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.0%
Investment rate of return*	7.65%

The Retirement Age is determined by the probabilities of retirement which are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

The Mortality is based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Net of pension plan investment and administrative expenses; includes inflation.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2016

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

As of the Measurement Date
(Dollar amounts in thousands)

Cost Sharing Multiple Employer Plan

Measurement Period	**2014-15** (1)	**2013-14** (1)
Plan's proportion of the net pension liability (asset)	0.60886%	0.23529%
Plan's proportionate share of the net pension liability (asset)	$ 16,704	$ 14,641
Plan's covered-employee payroll	8,750	7,605
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.9%	192.5%
Plan's proportion of fiduciary net position as a percentage of the Plan's total pension liability	78.7%	80.7%
Plan's proportionate share of aggregate employer contributions	$ 1,473	$ 1,653

(1) Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Cost Sharing Multiple Employer Plan

Fiscal year	**2015-16***	**2014-15***
Actuarially determined contribution	$ 1,925	$ 1,573
Contributions in relation to the actuarially determined contribution	(1,473)	(1,139)
Contribution deficiency (excess)	$ 452	$ 434
Covered-employee payroll	$ 9,175	$ 8,750
Contributions as a percentage of covered-employee payroll	16.1%	13.0%

*Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which information is available.

Notes to Schedule

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2016

SCHEDULE OF PLAN CONTRIBUTIONS (Continued)

Changes of assumptions: The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIOD

(Dollar amounts in thousands)

Riverside County – Part-time and Temporary Help Retirement

Measurement Period	**2014-15**	**2013-14**
Total pension liability		
Service cost	$ 1,512	$ 1,557
Interest	1,983	1,800
Changes of benefit terms	-	-
Differences between expected and actual experience	795	1,146
Changes of assumptions	2,939	-
Benefit payments, including refunds of employee contributions	(1,511)	(1,762)
Net change in total pension liability	5,718	2,741
Total pension liability - beginning	29,744	27,003
Total pension liability - ending (a)	$ 35,462	$ 29,744
Plan fiduciary net position		
Contributions - employer	$ 607	$ 956
Contributions - employee	1,267	1,394
Net investment income	131	4,437
Benefit payments, including refunds of employee contributions	(1,511)	(1,762)
Administrative expense	(217)	(228)
Other	-	-
Net change in plan fiduciary net position	277	4,797
Plan fiduciary net position - beginning	31,602	26,805
Plan fiduciary net position - ending (b)	$ 31,879	$ 31,602
Net penion liability (asset) - ending (a) - (b)	$ 3,583	$ (1,858)
Plan fiduciary net position as a percentage of the total pension liability	89.9%	106.2%
Covered-employee payroll	$ 32,963	$ 29,517
Net pension liability (asset) as a percentage of covered-employee payroll	10.9%	6.3%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIOD (Continued)

Notes to Schedule:

Changes of assumptions:

1) Funding interest rate decreased from 6.5% as of June 30, 2014 measurement date to 6.0% as of June 30, 2015 measurement date.

2) Lump sum interest rate decreased from 6.0% as of June 30, 2014 measurement date to 5.0% as of June 30, 2015 measurement date.

SCHEDULE OF PLAN CONTRIBUTIONS
(Dollar amounts in thousands)

Riverside County – Part-time and Temporary Help Retirement

Fiscal Year	**2015-16**	**2014-15**
Actuarially determined contribution	$ 122	$ 252
Contributions in relation to the actuarially determined contribution	(639)	(529)
Contribution deficiency (excess)	$ (517)	$ (277)
Covered-employee payroll	$ 39,761	$ 32,963
Contributions as a percentage of covered-employee payroll	1.6%	1.6%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

Notes to Schedule

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level-Dollar Projected Payroll
Remaining amortization period	20 –year Amortization of Unfunded Liability, plus Normal Cost, less expected Employee Contributions
Asset valuation method	Market Value
Inflation	3.0%
Salary increases:	3.0%
Investment rate of return	6.0% (net of administrative expense)
Retirement age	65

SCHEDULE OF PLAN CONTRIBUTIONS (Continued)

Mortality

Actives
RP-2014 combined annuitant/non-annuitant mortality table with generational future improvement using scale MP-2014.

Full-time Actives (no longer accruing benefits)
Mortality rates are based on the most recent CalPERS mortality table developed in the 1997-2011 CalPERS Experience Study, with generational future improvements using scale MP-2014.

Age	Male	Female
30	0.05%	0.03%
40	0.08%	0.05%
50	0.16%	0.11%
60	0.35%	0.22%
70	1.77%	1.26%
80	5.28%	3.69%
90	16.19%	12.33%

OPEB – SCHEDULES OF FUNDING PROGRESS

(Dollars in Thousands)

County of Riverside

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	$ 26,764	$ 43,829	$ 17,065	61.06 %	$ 1,096,375	1.56 %
July 1, 2014	34,098	40,121	6,023	84.99	1,152,127	0.52
July 1, 2015	34,486	41,249	6,763	83.60	1,281,024	0.53

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	$ 321	$ 494	$ 173	64.98 %	$ 15,339	1.13 %
July 1, 2014	532	479	(53)	111.06	16,297	-0.33
July 1, 2015	556	395	(161)	140.76	17,194	-0.94

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2016

OPEB – SCHEDULES OF FUNDING PROGRESS (Continued)

(Dollars in Thousands)

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$ 232	$ 139	$ (93)	166.91 %	$ 4,871	-1.91 %
July 1, 2013	259	132	(127)	196.21	4,607	-2.76
July 1, 2015 *	306	113	(193)	270.80	7,090	-2.72

*The most recent actuarial valuation. Actuarial valuations every two years.

Waste Resources Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ -	$ 1,089	$ 1,089	0.00 %	$ 3,302	32.98 %
July 1, 2012	-	982	982	0.00	2,495	39.36
July 1, 2015 *	-	755	755	0.00	2,384	31.67

*The most recent actuarial valuation. Actuarial valuations every three years.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ -	$ -	$ 159	$ 159
Other revenue	2,832	2,832	295	(2,537)
Total revenues	2,832	2,832	454	(2,378)
EXPENDITURES:				
Current:				
General government	2,832	2,751	-	(2,751)
Debt service:				
Cost of issuance	-	-	373	373
Total expenditures	2,832	2,751	373	(2,378)
Excess (deficiency) of revenues over (under) expenditures	-	81	81	-
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(81)	(81)	-
Total other financing sources (uses)	-	(81)	(81)	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ -	$ -

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ 353	$ 353	$ 703	$ 350
Rents and concessions	360	360	352	(8)
Aid from other governmental agencies:				
State	-	-	24,673	24,673
Other	28,247	28,247	29,264	1,017
Charges for services	152,038	137,275	38,455	(98,820)
Other revenue	13,579	11,617	2,030	(9,587)
Total revenues	194,577	177,852	95,477	(82,375)
EXPENDITURES:				
Current:				
General government	220,331	189,541	78,792	(110,749)
Public ways and facilities	23,675	16,616	224	(16,392)
Total expenditures	244,006	206,157	79,016	(127,141)
Excess (deficiency) of revenues over (under) expenditures	(49,429)	(28,305)	16,461	44,766
OTHER FINANCING SOURCES (USES):				
Transfers in	-	21,052	21,052	-
Transfers out	-	(42,485)	(42,485)	-
Total other financing sources (uses)	-	(21,433)	(21,433)	-
NET CHANGE IN FUND BALANCE	(49,429)	(49,738)	(4,972)	44,766
Fund balance, beginning of year	138,621	138,621	138,621	-
FUND BALANCE, END OF YEAR	$ 89,192	$ 88,883	$ 133,649	$ 44,766

NONMAJOR GOVERNMENTAL FUNDS

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COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Cash and investments	$ 112,099	$ 13,789	$ 17,705	$ 614	$ 144,207
Accounts receivable	286	2,230	-	-	2,516
Interest receivable	72	24	24	1	121
Taxes receivable	1,381	-	-	-	1,381
Due from other governments	11,060	-	54	-	11,114
Due from other funds	667	-	-	-	667
Prepaid items and deposits	7	-	997	-	1,004
Restricted cash and investments	-	52,308	9,773	-	62,081
Total assets	125,572	68,351	28,553	615	223,091
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	$ 125,572	$ 68,351	$ 28,553	$ 615	$ 223,091
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 4,372	$ 671	$ 1,035	$ -	$ 6,078
Salaries and benefits payable	3,487	-	183	-	3,670
Due to other governments	856	-	-	-	856
Due to other funds	936	-	2,395	-	3,331
Deposits payable	383	-	-	-	383
Advances from grantors and third parties	6,659	-	-	-	6,659
Total liabilities	16,693	671	3,613	-	20,977
Deferred inflows of resources	5	-	-	-	5
Fund balances:					
Nonspendable	74	-	580	571	1,225
Restricted	92,978	63,914	11,932	44	168,868
Committed	2,830	-	-	-	2,830
Assigned	12,992	3,766	12,428	-	29,186
Total fund balances	108,874	67,680	24,940	615	202,109
Total liabilities, deferred inflows of resources, and fund balances	$ 125,572	$ 68,351	$ 28,553	$ 615	$ 223,091

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
REVENUES:					
Taxes	$ 60,302	$ -	$ -	$ -	$ 60,302
Licenses, permits and franchise fees	697	-	-	-	697
Fines, forfeitures and penalties	1,130	-	-	-	1,130
Use of money and property:					
Investment earnings	473	941	170	3	1,587
Rents and concessions	8,164	32,419	-	-	40,583
Aid from other governmental agencies:					
Federal	60,889	-	-	-	60,889
State	6,634	-	-	-	6,634
Other	25,662	-	-	-	25,662
Charges for services	33,774	3,610	2,243	45	39,672
Other revenue	5,843	8,873	10	-	14,726
Total revenues	203,568	45,843	2,423	48	251,882
EXPENDITURES:					
Current:					
General government	19,041	7,721	-	-	26,762
Public protection	8,381	-	-	-	8,381
Public ways and facilities	13,914	-	-	-	13,914
Health and sanitation	1,750	-	-	-	1,750
Public assistance	65,000	-	-	-	65,000
Education	19,334	-	-	-	19,334
Recreation and culture	21,691	-	2,216	-	23,907
Debt service:					
Principal	-	53,565	-	-	53,565
Interest	-	38,722	-	-	38,722
Cost of issuance	-	522	-	-	522
Capital outlay	-	-	10,397	-	10,397
Total expenditures	149,111	100,530	12,613	-	262,254
Excess (deficiency) of revenues over (under) expenditures	54,457	(54,687)	(10,190)	48	(10,372)
OTHER FINANCING SOURCES (USES):					
Transfers in	25,885	167,624	1,296	-	194,805
Transfers out	(72,486)	(108,296)	(1,738)	-	(182,520)
Issuance of refunding bonds	-	72,825	-	-	72,825
Premium on long-term debt	-	7,612	-	-	7,612
Redemption of refunded debt	-	(89,345)	-	-	(89,345)
Total other financing sources (uses)	(46,601)	50,420	(442)	-	3,377
NET CHANGE IN FUND BALANCES	7,856	(4,267)	(10,632)	48	(6,995)
Fund balances, beginning of year, as previously reported	101,018	71,947	35,075	567	208,607
Adjustments to beginning fund balances	-	-	497	-	497
Fund balances, beginning of year, as restated	101,018	71,947	35,572	567	209,104
FUND BALANCES, END OF YEAR	$ 108,874	$ 67,680	$ 24,940	$ 615	$ 202,109

SPECIAL REVENUE FUNDS

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COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

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

COMMUNITY SERVICES

This fund provides financing for public services. Public services provided by this fund group are: Housing and Urban Development (HUD) Community Services Grant, EDA Administration, Community Action Partnership, Job Training Partnership, Office on Aging, USEDA (United States Economic Development Administration) Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA U.S. Department of Agriculture Rural Development, Workforce Development, Healthy Kids, and Bio-terrorism Preparedness. The primary source of revenue for this fund is from State/Federal Grants.

COUNTY SERVICE AREAS

This county service area fund was 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

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

AIR QUALITY IMPROVEMENT

This fund accounts for Riverside County's portion of State of California motor vehicle fees restricted for the use of reducing air pollution.

IN-HOME SUPPORT SERVICES (IHSS)

The goal of the IHSS program is to enable elderly and/or disabled persons to remain safely in independent living as long as possible. This in-home assistance is designed to allow persons to remain in their home rather than be placed in an institutional setting. IHSS receives revenue for the following services: meal preparation and clean-up, food shopping, bathing, dressing, personal care, domestic services (cleaning), and assistance with medications.

PERRIS VALLEY CEMETERY DISTRICT

The Perris Valley Cemetery District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The Perris Valley Cemetery District was created in July 1927 for the purpose operating a public cemetery for the residents of the Perris Valley.

OTHER SPECIAL REVENUE

This fund provides financing to make services available to the public and governmental agencies. At the current time, the other special revenue fund accounts for the following services: Rideshare, AD CFD Administration, Aviation, Ladera Irrigation, National Date Festival, Cal-ID, Special Aviation, Supervisorial Road Districts, Multi-Species Habitat Conservation Agency, Riverside U.S. Grazing Fees, Mitigation Project Operations, Airport Land Use Commission, Proposition 10, and DNA Identification.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2016
(Dollars in Thousands)

	Community Services	County Service Areas	Regional Park and Open-Space	Air Quality Improvement
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	$ 55,035	$ 22,787	$ 12,151	$ 211
Accounts receivable	138	-	96	-
Interest receivable	13	26	12	-
Taxes receivable	1,055	213	95	-
Due from other governments	8,879	-	220	122
Due from other funds	-	-	665	-
Prepaid items and deposits	7	-	-	-
Total assets	65,127	23,026	13,239	333
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 65,127	$ 23,026	$ 13,239	$ 333
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 3,178	$ 251	$ 684	$ -
Salaries and benefits payable	1,639	215	933	-
Due to other governments	847	-	8	-
Due to other funds	10	1	665	-
Deposits payable	1	61	-	-
Advances from grantors and third parties	5,878	-	719	-
Total liabilities	11,553	528	3,009	-
Deferred inflows of resources	-	-	-	-
Fund balances (Note 16):				
Nonspendable	35	1	20	-
Restricted	48,778	22,491	4,241	333
Committed	2,830	-	-	-
Assigned	1,931	6	5,969	-
Total fund balances	53,574	22,498	10,230	333
Total liabilities, deferred inflows of resources, and fund balances	$ 65,127	$ 23,026	$ 13,239	$ 333

In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total	
				ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
				Assets:
$ 693	$ 618	$ 20,604	$ 112,099	Cash and investments
-	-	52	286	Accounts receivable
1	1	19	72	Interest receivable
-	5	13	1,381	Taxes receivable
1,764	-	75	11,060	Due from other governments
-	-	2	667	Due from other funds
-	-	-	7	Prepaid items and deposits
2,458	624	20,765	125,572	Total assets
-	-	-	-	Deferred outflows of resources
$ 2,458	$ 624	$ 20,765	$ 125,572	Total assets and deferred outflows of resources
				LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
				Liabilities:
$ 10	$ 31	$ 218	$ 4,372	Accounts payable
300	-	400	3,487	Salaries and benefits payable
-	-	1	856	Due to other governments
-	-	260	936	Due to other funds
-	321	-	383	Deposits payable
-	-	62	6,659	Advances from grantors and third parties
310	352	941	16,693	Total liabilities
-	5	-	5	Deferred inflows of resources
				Fund balances (Note 16):
5	-	13	74	Nonspendable
2,143	267	14,725	92,978	Restricted
-	-	-	2,830	Committed
-	-	5,086	12,992	Assigned
2,148	267	19,824	108,874	Total fund balances
$ 2,458	$ 624	$ 20,765	$ 125,572	Total liabilities, deferred inflows of resources, 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, 2016

(Dollars in Thousands)

	Community Services	County Service Areas	Regional Park and Open-Space	Air Quality Improvement
REVENUES:				
Taxes	$ 53,712	$ 732	$ 4,967	$ -
Licenses, permits, and franchise fees	-	-	-	-
Fines, forfeitures, and penalties	416	-	-	-
Use of money and property:				
Investment earnings	171	129	64	1
Rents and concessions	931	1	1,057	-
Aid from other governmental agencies:				
Federal	57,791	-	-	-
State	3,072	8	159	552
Other	22,989	149	793	-
Charges for services	1,525	10,311	10,263	-
Other revenue	5,151	34	312	-
Total revenues	145,758	11,364	17,615	553
EXPENDITURES:				
Current:				
General government	11,324	-	-	267
Public protection	2,111	92	647	-
Public ways and facilities	-	6,172	-	-
Health and sanitation	1,279	471	-	-
Public assistance	59,711	-	-	-
Education	19,334	-	-	-
Recreation and culture	-	461	21,230	-
Total expenditures	93,759	7,196	21,877	267
Excess (deficiency) of revenues over (under) expenditures	51,999	4,168	(4,262)	286
OTHER FINANCING SOURCES (USES):				
Transfers in	13,935	2,698	5,915	-
Transfers out	(58,498)	(5,459)	(1,719)	(219)
Total other financing sources (uses)	(44,563)	(2,761)	4,196	(219)
NET CHANGE IN FUND BALANCES	7,436	1,407	(66)	67
Fund balances, beginning of year	46,138	21,091	10,296	266
FUND BALANCES, END OF YEAR	$ 53,574	$ 22,498	$ 10,230	$ 333

In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total	
				REVENUES:
$ -	$ 241	$ 650	$ 60,302	Taxes
-	-	697	697	Licenses, permits, and franchise fees
-	-	714	1,130	Fines, forfeitures, and penalties
				Use of money and property:
5	4	99	473	Investment earnings
-	-	6,175	8,164	Rents and concessions
				Aid from other governmental agencies:
2,598	-	500	60,889	Federal
2,744	3	96	6,634	State
-	25	1,706	25,662	Other
-	219	11,456	33,774	Charges for services
-	-	346	5,843	Other revenue
5,347	492	22,439	203,568	Total revenues
				EXPENDITURES:
				Current:
-	-	7,450	19,041	General government
-	148	5,383	8,381	Public protection
-	-	7,742	13,914	Public ways and facilities
-	-	-	1,750	Health and sanitation
5,289	-	-	65,000	Public assistance
-	-	-	19,334	Education
-	-	-	21,691	Recreation and culture
5,289	148	20,575	149,111	Total expenditures
58	344	1,864	54,457	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
931	-	2,406	25,885	Transfers in
(701)	(393)	(5,497)	(72,486)	Transfers out
230	(393)	(3,091)	(46,601)	Total other financing sources (uses)
288	(49)	(1,227)	7,856	NET CHANGE IN FUND BALANCES
1,860	316	21,051	101,018	Fund balances, beginning of year
$ 2,148	$ 267	$ 19,824	$ 108,874	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	$ 53,281	$ 53,281	$ 53,712	$ 431
Fines, forfeitures, and penalties	400	400	416	16
Use of money and property:				
Investment earnings	5	5	171	166
Rents and concessions	967	967	931	(36)
Aid from other governmental agencies:				
Federal	68,607	73,883	57,791	(16,092)
State	2,764	2,875	3,072	197
Other	19,823	19,823	22,989	3,166
Charges for services	6,984	2,339	1,525	(814)
Other revenue	13,309	7,114	5,151	(1,963)
Total revenues	166,140	160,687	145,758	(14,929)
EXPENDITURES:				
Current:				
General government	14,093	14,883	11,324	(3,559)
Public protection	53,563	5,373	2,111	(3,262)
Health and sanitation	3,275	3,381	1,279	(2,102)
Public assistance	74,585	74,824	59,711	(15,113)
Education	24,208	22,236	19,334	(2,902)
Total expenditures	169,724	120,697	93,759	(26,938)
Excess (deficiency) of revenues over (under) expenditures	(3,584)	39,990	51,999	12,009
OTHER FINANCING SOURCES (USES):				
Transfers in	-	13,935	13,935	-
Transfers out	-	(58,498)	(58,498)	-
Total other financing sources (uses)	-	(44,563)	(44,563)	-
NET CHANGE IN FUND BALANCE	(3,584)	(4,573)	7,436	12,009
Fund balance, beginning of year	46,138	46,138	46,138	-
FUND BALANCE, END OF YEAR	$ 42,554	$ 41,565	$ 53,574	$ 12,009

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	$ 755	$ 755	$ 732	$ (23)
Use of money and property:				
Investment earnings	37	37	129	92
Rents and concessions	1	1	1	-
Aid from other governmental agencies:				
State	8	8	8	-
Other	125	125	149	24
Charges for services	11,242	8,718	10,311	1,593
Other revenue	1,598	1,586	34	(1,552)
Total revenues	13,766	11,230	11,364	134
EXPENDITURES:				
Current:				
Public protection	890	707	92	(615)
Public ways and facilities	13,831	10,138	6,172	(3,966)
Health and sanitation	800	800	471	(329)
Recreation and culture	2,512	1,547	461	(1,086)
Total expenditures	18,033	13,192	7,196	(5,996)
Excess (deficiency) of revenues over (under) expenditures	(4,267)	(1,962)	4,168	6,130
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,698	2,698	-
Transfers out	-	(5,459)	(5,459)	-
Total other financing sources (uses)	-	(2,761)	(2,761)	-
NET CHANGE IN FUND BALANCE	(4,267)	(4,723)	1,407	6,130
Fund balance, beginning of year	21,091	21,091	21,091	-
FUND BALANCE, END OF YEAR	$ 16,824	$ 16,368	$ 22,498	$ 6,130

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Taxes	$ 4,710	$ 4,710	$ 4,967	$ 257
Use of money and property:				
Investment earnings	19	19	64	45
Rents and concessions	1,155	1,155	1,057	(98)
Aid from other governmental agencies:				
State	178	210	159	(51)
Other	613	613	793	180
Charges for services	12,681	11,009	10,263	(746)
Other revenue	2,545	629	312	(317)
Total revenues	21,901	18,345	17,615	(730)
EXPENDITURES:				
Current:				
Public protection	784	829	647	(182)
Public ways and facilities	264	-	-	-
Recreation and culture	23,109	25,538	21,230	(4,308)
Total expenditures	24,157	26,367	21,877	(4,490)
Excess (deficiency) of revenues over (under) expenditures	(2,256)	(8,022)	(4,262)	3,760
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,915	5,915	-
Transfers out	-	(1,719)	(1,719)	-
Total other financing sources (uses)	-	4,196	4,196	-
NET CHANGE IN FUND BALANCE	(2,256)	(3,826)	(66)	3,760
Fund balance, beginning of year	10,296	10,296	10,296	-
FUND BALANCE, END OF YEAR	$ 8,040	$ 6,470	$ 10,230	$ 3,760

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ 1	$ 1	$ 1	$ -
Aid from other governmental agencies:				
State	486	486	552	66
Total revenues	487	487	553	66
EXPENDITURES:				
Current:				
General government	-	267	267	-
Public protection	486	-	-	-
Total expenditures	486	267	267	-
Excess (deficiency) of revenues over (under) expenditures	1	220	286	66
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(219)	(219)	-
Total other financing sources (uses)	-	(219)	(219)	-
NET CHANGE IN FUND BALANCE	1	1	67	66
Fund balance, beginning of year	266	266	266	-
FUND BALANCE, END OF YEAR	$ 267	$ 267	$ 333	$ 66

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

In-Home Support Services Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ -	$ -	$ 5	$ 5
Aid from other governmental agencies:				
Federal	3,556	3,556	2,598	(958)
State	3,531	3,470	2,744	(726)
Charges for services	870	-	-	-
Total revenues	7,957	7,026	5,347	(1,679)
EXPENDITURES:				
Current:				
Public assistance	7,957	7,256	5,289	(1,967)
Total expenditures	7,957	7,256	5,289	(1,967)
Excess (deficiency) of revenues over (under) expenditures	-	(230)	58	288
OTHER FINANCING SOURCES (USES):				
Transfers in	-	931	931	-
Transfers out	-	(701)	(701)	-
Total other financing sources (uses)	-	230	230	-
NET CHANGE IN FUND BALANCE	-	-	288	288
Fund balance, beginning of year	1,860	1,860	1,860	-
FUND BALANCE, END OF YEAR	$ 1,860	$ 1,860	$ 2,148	$ 288

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Perris Valley Cemetery District Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	$ 243	$ 243	$ 241	$ (2)
Use of money and property:				
Investment earnings	1	1	4	3
Aid from other governmental agencies:				
State	3	3	3	-
Other	24	24	25	1
Charges for services	290	290	219	(71)
Total revenues	561	561	492	(69)
EXPENDITURES:				
Current:				
Public protection	561	169	148	(21)
Total expenditures	561	169	148	(21)
Excess (deficiency) of revenues over (under) expenditures	-	392	344	(48)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(393)	(393)	-
Total other financing sources (uses)	-	(393)	(393)	-
NET CHANGE IN FUND BALANCE	-	(1)	(49)	(48)
Fund balance, beginning of year	316	316	316	-
FUND BALANCE, END OF YEAR	$ 316	$ 315	$ 267	$ (48)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Taxes	$ 608	$ 608	$ 650	$ 42
License, permits, and franchise fees	690	696	697	1
Fines, forfeitures, and penalties	-	-	714	714
Use of money and property:				
Investment earnings	49	49	99	50
Rents and concessions	5,812	6,134	6,175	41
Aid from other governmental agencies:				
Federal	3,526	3,526	500	(3,026)
State	951	981	96	(885)
Other	1,711	1,711	1,706	(5)
Charges for services	13,376	12,561	11,456	(1,105)
Other revenue	1,932	337	346	9
Total revenues	28,655	26,603	22,439	(4,164)
EXPENDITURES:				
Current:				
General government	9,885	8,931	7,450	(1,481)
Public protection	6,419	6,458	5,383	(1,075)
Public ways and facilities	13,671	12,344	7,742	(4,602)
Total expenditures	29,975	27,733	20,575	(7,158)
Excess (deficiency) of revenues over (under) expenditures	(1,320)	(1,130)	1,864	2,994
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,406	2,406	-
Transfers out	-	(5,497)	(5,497)	-
Total other financing sources (uses)	-	(3,091)	(3,091)	-
NET CHANGE IN FUND BALANCE	(1,320)	(4,221)	(1,227)	2,994
Fund balance, beginning of year	21,051	21,051	21,051	-
FUND BALANCE, END OF YEAR	$ 19,731	$ 16,830	$ 19,824	$ 2,994

DEBT SERVICE FUNDS

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COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and payment of long-term debt principal and interest.

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.

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

The District Court Financing Corporation 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 of participation.

INFRASTRUCTURE FINANCING AUTHORITY

The Infrastructure Financing Authority is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement by and between the County of Riverside and the Riverside County Flood Control and Water Conservation District. The authority is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County.

TAXABLE PENSION OBLIGATION BONDS (PENSION OBLIGATION)

This fund is used to account for Series 2005 bonds that were issued to satisfy a portion of Riverside County's unfunded accrued actuarial liability for the California Public Employees' Retirement System (CalPERS).

INLAND EMPIRE TOBACCO SECURITIZATION AUTHORITY

The Inland Empire Tobacco Securitization Authority was established to assist the County of Riverside in the construction of certain capital projects, financed from the proceeds of the tobacco settlement revenues.

PUBLIC FINANCING AUTHORITY

The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the Riverside County Redevelopment Successor Agency and other local agencies.

FLOOD CONTROL

The Flood Control debt service fund was established to service the debt incurred by Zone 4 for the construction of Zone 4 flood controls facilities. The fund receives transfers from Zone 4 revenues to pay principal and interest on promissory notes.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2016
(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Infrastructure Financing Authority	Pension Obligation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	$ -	$ -	$ -	$ 13,789
Accounts receivable	-	-	-	2,230
Interest receivable	5	1	-	12
Restricted cash and investments	18,785	1,964	94	-
Total assets	18,790	1,965	94	16,031
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 18,790	$ 1,965	94	$ 16,031
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 368	$ 303	$ -	$ -
Total liabilities	368	303	-	-
Deferred inflows of resources	-	-	-	-
Fund balances (Note 16):				
Restricted	18,422	1,662	94	12,265
Assigned	-	-	-	3,766
Total fund balances	18,422	1,662	94	16,031
Total liabilities, deferred inflows of resources, and fund balances	$ 18,790	$ 1,965	$ 94	$ 16,031

Inland Empire Tobacco Securitization Authority	Public Financing Authority	Flood Control	Total	
				ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
				Assets:
$ -	$ -	$ -	$ 13,789	Cash and investments
-	-	-	2,230	Accounts receivable
6	-	-	24	Interest receivable
19,537	11,928	-	52,308	Restricted cash and investments
19,543	11,928	-	68,351	Total assets
-	-	-	-	Deferred outflows of resources
$ 19,543	$ 11,928	$ -	$ 68,351	Total assets and deferred outflows of resources
				LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
				Liabilities:
$ -	$ -	$ -	$ 671	Accounts payable
-	-	-	671	Total liabilities
-	-	-	-	Deferred inflows of resources
				Fund balances (Note 16):
19,543	11,928	-	63,914	Restricted
-	-	-	3,766	Assigned
19,543	11,928	-	67,680	Total fund balances
$ 19,543	$ 11,928	$ -	$ 68,351	Total liabilities, deferred inflows of resources, 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, 2016

(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Infrastructure Financing Authority	Pension Obligation
REVENUES:				
Use of money and property:				
Investment earnings	$ 128	$ 5	$ -	$ 741
Rents and concessions	13,098	2,422	1,562	-
Charges for services	-	-	-	3,610
Other revenue	-	-	-	-
Total revenues	13,226	2,427	1,562	4,351
EXPENDITURES:				
Current:				
General government	4,285	-	-	3,332
Debt service:				
Principal	18,935	1,349	-	15,950
Interest	13,098	526	1,561	15,688
Cost of issuance	-	-	415	-
Total expenditures	36,318	1,875	1,976	34,970
Excess (deficiency) of revenues over (under) expenditures	(23,092)	552	(414)	(30,619)
OTHER FINANCING SOURCES (USES):				
Transfers in	133,453	-	-	33,161
Transfers out	(28,367)	-	(79,929)	-
Issuance of refunding bonds	-	-	72,825	-
Premium on long-term debt	-	-	7,612	-
Redemption of refunded debt	(89,345)	-	-	-
Total other financing sources (uses)	15,741	-	508	33,161
NET CHANGE IN FUND BALANCES	(7,351)	552	94	2,542
Fund balances, beginning of year	25,773	1,110	-	13,489
FUND BALANCES, END OF YEAR	$ 18,422	$ 1,662	$ 94	$ 16,031

Inland Empire Tobacco Securitization Authority	Public Financing Authority	Flood Control	Total	
				REVENUES:
				Use of money and property:
$ 41	$ 26	$ -	$ 941	Investment earnings
-	15,337	-	32,419	Rents and concessions
-	-	-	3,610	Charges for services
8,873	-	-	8,873	Other revenue
8,914	15,363	-	45,843	Total revenues
				EXPENDITURES:
				Current:
104	-	-	7,721	General government
			-	Debt service:
2,270	14,711	350	53,565	Principal
6,559	630	660	38,722	Interest
-	107	-	522	Cost of issuance
8,933	15,448	1,010	100,530	Total expenditures
(19)	(85)	(1,010)	(54,687)	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
-	-	1,010	167,624	Transfers in
-	-	-	(108,296)	Transfers out
-	-	-	72,825	Issuance of refunding bonds
-	-	-	7,612	Premium on long-term debt
-	-	-	(89,345)	Redemption of refunded debt
-	-	1,010	50,420	Total other financing sources (uses)
(19)	(85)	-	(4,267)	NET CHANGE IN FUND BALANCES
19,562	12,013	-	71,947	Fund balances, beginning of year
$ 19,543	$ 11,928	$ -	$ 67,680	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ -	$ -	$ 741	$ 741
Charges for services	36,639	3,478	3,610	132
Total revenues	36,639	3,478	4,351	873
EXPENDITURES:				
Current:				
General government	5,001	5,002	3,332	(1,670)
Debt service:				
Principal	15,950	15,950	15,950	-
Interest	15,688	15,688	15,688	-
Total expenditures	36,639	36,640	34,970	(1,670)
Excess (deficiency) of revenues over (under) expenditures	-	(33,162)	(30,619)	2,543
OTHER FINANCING SOURCES (USES):				
Transfers in	-	33,161	33,161	-
Total other financing sources (uses)	-	33,161	33,161	-
NET CHANGE IN FUND BALANCE	-	(1)	2,542	2,543
Fund balance, beginning of year	13,489	13,489	13,489	-
FUND BALANCE, END OF YEAR	$ 13,489	$ 13,488	$ 16,031	$ 2,543

CAPITAL PROJECTS FUNDS

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COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

PUBLIC SAFETY ENTERPRISE COMMUNICATION (PSEC)

The Public Safety Enterprise Communication fund is a multi-agency undertaking to address the County of Riverside 800 MHz public safety radio coverage and operational problems. The multi-year project will result in either a massive upgrade or a complete replacement of the existing radio system.

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.

REGIONAL PARK AND OPEN-SPACE

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 Regional Park and Open-Space District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE ENTERPRISE SOLUTIONS FOR PROPERTY TAXATION (CREST)

The Assessor, Auditor-Controller, and Tax Collector teamed up to collectively develop a new integrated property tax management system. The project begins with a business process re-engineering phase that documents the integrated roles of the three departments. This phase identifies the current system's capabilities, strengths, and weaknesses. A second phase of the project builds on this re-engineering initiative to implement a replacement property tax system based on new technology.

COUNTY OF RIVERSIDE

Combining Balance Sheet

Capital Projects Funds

June 30, 2016

(Dollars in Thousands)

	PSEC	CORAL	Flood Control
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	$ 253	$ -	$ 18
Interest receivable	-	-	-
Due from other governments	-	-	-
Prepaid items and deposits	580	-	-
Restricted cash and investments	-	9,773	-
Total assets	833	9,773	18
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 833	$ 9,773	$ 18
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:			
Liabilities:			
Accounts payable	$ -	$ 814	$ -
Salaries and benefits payable	-	-	-
Due to other funds	-	1,555	-
Total liabilities	-	2,369	-
Deferred inflows of resources	-	-	-
Fund balances (Note 16):			
Nonspendable	580	-	-
Restricted	-	7,404	18
Assigned	253	-	-
Total fund balances	833	7,404	18
Total liabilities, deferred inflows of resources, and fund balances	$ 833	$ 9,773	$ 18

Regional Park and Open-Space	CREST	Total	
			ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
			Assets:
$ 6,397	$ 11,037	$ 17,705	Cash and investments
9	15	24	Interest receivable
54	-	54	Due from other governments
417	-	997	Prepaid items and deposits
-	-	9,773	Restricted cash and investments
6,877	11,052	28,553	Total assets
-	-	-	Deferred outflows of resources
$ 6,877	$ 11,052	$ 28,553	Total assets and deferred outflows of resources
			LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
			Liabilities:
$ 112	$ 109	$ 1,035	Accounts payable
-	183	183	Salaries and benefits payable
280	560	2,395	Due to other funds
392	852	3,613	Total liabilities
-	-	-	Deferred inflows of resources
			Fund balances (Note 16):
-	-	580	Nonspendable
4,510	-	11,932	Restricted
1,975	10,200	12,428	Assigned
6,485	10,200	24,940	Total fund balances
$ 6,877	$ 11,052	$ 28,553	Total liabilities, deferred inflows of resources, and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Capital Projects Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	PSEC	CORAL	Flood Control
REVENUES:			
Use of money and property:			
Investment earnings	$ -	$ 49	$ -
Charges for services	-	-	-
Other revenue	-	-	-
Total revenues	-	49	-
EXPENDITURES:			
Current:			
Recreation and culture	-	-	-
Capital outlay	-	3,789	-
Total expenditures	-	3,789	-
Excess (deficiency) of revenues over (under) expenditures	-	(3,740)	-
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(1,555)	-
Total other financing sources (uses)	-	(1,555)	-
NET CHANGE IN FUND BALANCES	-	(5,295)	-
Fund balances, beginning of year, as previously reported	833	12,699	18
Adjustments to beginning fund balances	-	-	-
Fund balances, beginning of year, as restated	833	12,699	18
FUND BALANCES, END OF YEAR	$ 833	$ 7,404	$ 18

Regional Park and Open-Space	CREST	Total	
			REVENUES:
			Use of money and property:
$ 44	$ 77	$ 170	Investment earnings
-	2,243	2,243	Charges for services
10	-	10	Other revenue
54	2,320	2,423	Total revenues
			EXPENDITURES:
			Current:
2,216	-	2,216	Recreation and culture
-	6,608	10,397	Capital outlay
2,216	6,608	12,613	Total expenditures
(2,162)	(4,288)	(10,190)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES):
1,296	-	1,296	Transfers in
(112)	(71)	(1,738)	Transfers out
1,184	(71)	(442)	Total other financing sources (uses)
(978)	(4,359)	(10,632)	NET CHANGE IN FUND BALANCES
6,966	14,559	35,075	Fund balances, beginning of year, as previously reported
497	-	497	Adjustments to beginning fund balances
7,463	14,559	35,572	Fund balances, beginning of year, as restated
$ 6,485	$ 10,200	$ 24,940	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ 1	$ 1	$ -	$ (1)
Other revenue	1,200	1,200	-	(1,200)
Total revenues	1,201	1,201	-	(1,201)
EXPENDITURES:				
Capital outlay	1,200	1,200	-	(1,200)
Total expenditures	1,200	1,200	-	(1,200)
Excess (deficiency) of revenues over (under) expenditures	1	1	-	(1)
NET CHANGE IN FUND BALANCE	1	1	-	(1)
Fund balance, beginning of year	18	18	18	-
FUND BALANCE, END OF YEAR	$ 19	$ 19	$ 18	$ (1)

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Regional Park and Open-Space Capital Projects Fund

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ 9	$ 9	$ 44	$ 35
Aid from other governmental agencies:				
State	5,255	5,255	-	(5,255)
Other revenue	4,762	3,466	10	(3,456)
Total revenues	10,026	8,730	54	(8,676)
EXPENDITURES:				
Current:				
Recreation and culture	11,928	11,918	2,216	(9,702)
Total expenditures	11,928	11,918	2,216	(9,702)
Excess (deficiency) of revenues over (under) expenditures	(1,902)	(3,188)	(2,162)	1,026
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,296	1,296	-
Transfers out	-	(112)	(112)	-
Total other financing sources (uses)	-	1,184	1,184	-
NET CHANGE IN FUND BALANCE	(1,902)	(2,004)	(978)	1,026
Fund balance, beginning of year, as previously reported	6,966	6,966	6,966	-
Adjustments to beginning fund balance	-	-	497	497
Fund balance, beginning of year, as restated	6,966	6,966	7,463	497
FUND BALANCE, END OF YEAR	$ 5,064	$ 4,962	$ 6,485	$ 1,523

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Use of money and property:				
Investment earnings	$ 25	$ 25	$ 77	$ 52
Charges for services	3,661	3,661	2,243	(1,418)
Other revenue	1,804	1,804	-	(1,804)
Total revenues	5,490	5,490	2,320	(3,170)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Capital outlay	11,207	11,207	6,608	(4,599)
Total expenditures	11,207	11,207	6,608	(4,599)
Excess (deficiency) of revenues over (under) expenditures	(5,717)	(5,717)	(4,288)	1,429
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(71)	(71)	-
Total other financing sources (uses)	-	(71)	(71)	-
NET CHANGE IN FUND BALANCE	(5,717)	(5,788)	(4,359)	1,429
Fund balance, beginning of year	14,559	14,559	14,559	-
FUND BALANCE, END OF YEAR	$ 8,842	$ 8,771	$ 10,200	$ 1,429

PERMANENT FUND

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COUNTY OF RIVERSIDE

PERMANENT FUND

PERRIS VALLEY CEMETERY ENDOWMENT FUND

This fund is used to account for financial resources to be used for future maintenance of the Perris Valley Cemetery. The resources are derived from an endowment care fee assessed on each sale of a burial right and earnings on these resources. Only income earned on these resources may be used for services, supplies or capital asset acquisition. The principal must be preserved intact.

COUNTY OF RIVERSIDE
Balance Sheet
Permanent Fund
June 30, 2016
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Assets:	
Cash and investments	$ 614
Interest receivable	1
Total assets	615
Deferred outflows of resources	-
Total assets and deferred outflows of resources	$ 615
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities:	
Total liabilities	$ -
Deferred inflows of resources	-
Fund balances (Note 16):	
Nonspendable	571
Restricted	44
Total fund balances	615
Total liabilities, deferred inflows of resources, and fund balances	$ 615

COUNTY OF RIVERSIDE

Statement of Revenues, Expenditures, and Changes in Fund Balance

Permanent Fund

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
REVENUES:	
Use of money and property:	
Investment earnings	$ 3
Charges for services	45
Total revenues	48
EXPENDITURES:	
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	48
NET CHANGE IN FUND BALANCES	48
Fund balance, beginning of year	567
FUND BALANCE, END OF YEAR	$ 615

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NONMAJOR ENTERPRISE FUNDS

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COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds are used to account for operations providing goods or services to the general public. The accounting for these funds is similar to private enterprise accounting (accrual basis of accounting). The intent of the County's governing board is that all costs associated with providing these goods or services be financed or recovered primarily through user charges.

COUNTY SERVICE AREAS

These three funds were established to account for revenues, expenses, and the allocation of net income for County Service Areas 62 (sewer), 62 (water), and 122.

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 Position
Nonmajor Enterprise Funds
June 30, 2016
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
ASSETS:			
Current assets:			
Cash and investments	$ 62	$ 2,103	$ 2,165
Accounts receivable-net	-	232	232
Interest receivable	-	11	11
Taxes receivable	12	-	12
Due from other governments	-	10	10
Due from other funds	-	2	2
Restricted cash and investments	-	3,109	3,109
Total current assets	74	5,467	5,541
Noncurrent assets:			
Capital assets:			
Depreciable assets	11	2	13
Total noncurrent assets	11	2	13
Total assets	85	5,469	5,554
DEFERRED OUTFLOWS OF RESOURCES	-	317	317
LIABILITIES:			
Current liabilities:			
Accounts payable	5	3,230	3,235
Salaries and benefits payable	-	53	53
Due to other governments	-	2	2
Due to other funds	-	3	3
Deposits payable	59	-	59
Other liabilities	-	121	121
Compensated absences	-	13	13
Total current liabilities	64	3,422	3,486
Noncurrent liabilities:			
Compensated absences	-	92	92
Net pension liability	-	1,391	1,391
Total noncurrent liabilities	-	1,483	1,483
Total liabilities	64	4,905	4,969
DEFERRED INFLOWS OF RESOURCES	-	268	268
NET POSITION:			
Net investment in capital assets	11	2	13
Unrestricted	10	611	621
Total net position	$ 21	$ 613	$ 634

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
OPERATING REVENUES:			
Charges for services	$ 338	$ 1,792	$ 2,130
Other	22	153	175
Total operating revenues	360	1,945	2,305
OPERATING EXPENSES:			
Personnel services	-	999	999
Communications	2	-	2
Insurance	1	-	1
Maintenance of building and equipment	57	2	59
Supplies	6	11	17
Purchased services	230	1,152	1,382
Depreciation and amortization	3	3	6
Rents and leases of equipment	-	9	9
Utilities	94	-	94
Other	20	21	41
Total operating expenses	413	2,197	2,610
Operating income (loss)	(53)	(252)	(305)
NONOPERATING REVENUES (EXPENSES):			
Investment income	1	51	52
Total nonoperating revenues (expenses)	1	51	52
Income (loss) before transfers	(52)	(201)	(253)
Transfers out	-	(21)	(21)
CHANGE IN NET POSITION	(52)	(222)	(274)
Net position, beginning of year	73	835	908
NET POSITION, END OF YEAR	$ 21	$ 613	$ 634

COUNTY OF RIVERSIDE

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	County Service Areas	Flood Control	Total
Cash flows from operating activities			
Cash receipts from customers / other funds	$ 359	$ 1,980	$ 2,339
Cash paid to suppliers for goods and services	(410)	(1,193)	(1,603)
Cash paid to employees for services	-	(1,020)	(1,020)
Net cash provided by (used in) operating activities	(51)	(233)	(284)
Cash flows from noncapital financing activities			
Advances to (from) other funds	-	-	-
Transfers received	-	-	-
Transfers paid	-	(21)	(21)
Net cash provided by (used in) noncapital financing activities	-	(21)	(21)
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	1	-	1
Acquisition and construction of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	1	-	1
Cash flows from investing activities			
Investment Income	1	45	46
Net cash provided by (used in) investing activities	1	45	46
Net increase (decrease) in cash and cash equivalents	(49)	(209)	(258)
Cash and cash equivalents, beginning of year	111	5,421	5,532
Cash and cash equivalents, end of year	$ 62	$ 5,212	$ 5,274
Reconciliation of cash and cash equivalents to the Statement of Net Position			
Cash and investments per Statement of Net Position	$ 62	$ 2,103	$ 2,165
Restricted cash and investments per Statement of Net Position	-	3,109	3,109
Total cash and cash equivalents per Statement of Net Position	$ 62	$ 5,212	$ 5,274
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ (53)	$ (252)	$ (305)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	3	3	6
Decrease (Increase) accounts receivable	-	35	35
Decrease (Increase) taxes receivable	(1)	-	(1)
Increase (Decrease) accounts payable	(2)	54	52
Increase (Decrease) due to other funds	-	1	1
Increase (Decrease) due to other governments	-	2	2
Increase (Decrease) deposits payable	2	-	2
Increase (Decrease) other liabilities	-	(55)	(55)
Increase (Decrease) net pension liability	-	206	206
Increase (Decrease) deferred pensions	-	(218)	(218)
Increase (Decrease) salaries and benefits payable	-	(23)	(23)
Increase (Decrease) compensated absences	-	14	14
Net cash provided by (used in) operating activities	$ (51)	$ (233)	$ (284)

INTERNAL SERVICE FUNDS

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COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established to account for the goods and services provided by a County department to other County departments, or to other internal governments, on a cost-reimbursement basis.

RECORDS MANAGEMENT AND ARCHIVES

This fund was established to account for the operations of the Records Management and Archives Program, which is responsible for providing consistent standards and support services that promote responsible record keeping countywide. Sources of revenue include records storage, reformatting, preservation, and consulting services.

FLEET SERVICES

This fund finances the operation and maintenance of County vehicles, including the Sheriff's Department. Revenue is obtained on a cost-reimbursement basis.

INFORMATION SERVICES

These funds are supported by the revenues generated for services including software systems support, computer networks, data structure design, and organization of the County's computer systems.

PRINTING SERVICES

These funds account for the financing of printing and central mail services provided to County departments on a cost-reimbursement basis. This fund also provides services such as the paper reclamation program, which collects and sells County department waste paper for recycling.

SUPPLY SERVICES

This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

RISK MANAGEMENT

These funds account for the financing of employee insurance benefits and County self-insurance programs. These funds include medical, dental, disability, and unemployment insurance as well as general liability, medical malpractice, and workers' compensation.

TEMPORARY ASSISTANCE POOL (TAP)

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

ECONOMIC DEVELOPMENT AGENCY (Facilities Management)

The purpose of this fund was to account for custodial, maintenance, and real estate services provided to other County departments on a cost-reimbursement basis.

FLOOD CONTROL EQUIPMENT

These funds were established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE
Combining Statement of Net Position
Internal Service Funds
June 30, 2016
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 1,255	$ 10,391	$ 20,566	$ 2,015	$ 4,560
Accounts receivable-net	-	88	291	15	9
Interest receivable	2	10	4	2	3
Due from other governments	-	45	96	59	-
Due from other funds	-	-	51	-	-
Inventories	-	699	1,266	316	329
Prepaid items and deposits	-	-	-	-	-
Total current assets	1,257	11,233	22,274	2,407	4,901
Noncurrent assets:					
Capital assets:					
Nondepreciable assets	-	744	235	-	-
Depreciable assets	169	36,558	44,308	776	142
Total noncurrent assets	169	37,302	44,543	776	142
Total assets	1,426	48,535	66,817	3,183	5,043
DEFERRED OUTFLOWS OF RESOURCES	219	1,018	14,899	391	192
LIABILITIES:					
Current liabilities:					
Accounts payable	8	461	1,529	63	678
Salaries and benefits payable	61	262	3,699	104	54
Due to other governments	-	-	-	-	8
Due to other funds	-	1	-	-	-
Other liabilities	-	154	-	6	-
Compensated absences	56	341	6,954	120	77
Capital lease obligations	-	8,290	10,267	-	-
Estimated claims liabilities	-	-	-	-	-
Total current liabilities	125	9,509	22,449	293	817
Noncurrent liabilities:					
Compensated absences	6	243	1,336	16	45
Advances from other funds	-	-	2,500	-	-
Capital lease obligations	-	9,686	34,060	-	-
Estimated claims liabilities	-	-	-	-	-
Net pension liability	780	3,146	48,945	1,479	595
Total noncurrent liabilities	786	13,075	86,841	1,495	640
Total liabilities	911	22,584	109,290	1,788	1,457
DEFERRED INFLOWS OF RESOURCES	230	908	14,267	440	172
NET POSITION:					
Net investment in capital assets	169	19,326	216	776	142
Unrestricted	335	6,735	(42,057)	570	3,464
Total net position	$ 504	$ 26,061	$ (41,841)	$ 1,346	$ 3,606

Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
					ASSETS:
					Current assets:
$ 181,601	$ 2,001	$ 7,212	$ 6,438	$ 236,039	Cash and investments
5,502	-	-	8	5,913	Accounts receivable-net
203	-	5	7	236	Interest receivable
28	-	586	-	814	Due from other governments
-	-	93	132	276	Due from other funds
-	-	149	240	2,999	Inventories
341	-	-	-	341	Prepaid items and deposits
187,675	2,001	8,045	6,825	246,618	Total current assets
					Noncurrent assets:
					Capital assets:
-	-	-	-	979	Nondepreciable assets
61	-	34	3,255	85,303	Depreciable assets
61	-	34	3,255	86,282	Total noncurrent assets
187,736	2,001	8,079	10,080	332,900	Total assets
4,238	469	6,021	-	27,447	DEFERRED OUTFLOWS OF RESOURCES
					LIABILITIES:
					Current liabilities:
23,128	153	1,636	534	28,190	Accounts payable
1,418	161	1,638	69	7,466	Salaries and benefits payable
-	-	-	49	57	Due to other governments
-	-	166	63	230	Due to other funds
32	-	870	-	1,062	Other liabilities
1,719	113	2,108	21	11,509	Compensated absences
-	-	-	-	18,557	Capital lease obligations
43,073	-	-	-	43,073	Estimated claims liabilities
69,370	427	6,418	736	110,144	Total current liabilities
					Noncurrent liabilities:
1,226	32	663	143	3,710	Compensated absences
-	-	3,342	-	5,842	Advances from other funds
-	-	-	-	43,746	Capital lease obligations
134,908	-	-	-	134,908	Estimated claims liabilities
13,396	1,478	18,757	-	88,576	Net pension liability
149,530	1,510	22,762	143	276,782	Total noncurrent liabilities
218,900	1,937	29,180	879	386,926	Total liabilities
3,881	428	5,421	-	25,747	DEFERRED INFLOWS OF RESOURCES
					NET POSITION:
61	-	34	3,255	23,979	Net investment in capital assets
(30,868)	105	(20,535)	5,946	(76,305)	Unrestricted
$ (30,807)	$ 105	$ (20,501)	$ 9,201	$ (52,326)	Total net position

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 1,415	$ 30,027	$ 105,514	$ 3,448	$ 9,975
Other revenue	-	1,290	2,359	1,771	5,412
Total operating revenues	1,415	31,317	107,873	5,219	15,387
OPERATING EXPENSES:					
Cost of materials used	-	1,443	-	-	-
Personnel services	995	4,097	57,728	1,630	822
Communications	39	85	7,939	70	26
Insurance	77	208	472	20	28
Maintenance of building and equipment	59	3,668	11,555	428	187
Insurance claims	-	-	-	-	-
Supplies	29	6,842	6,314	2,139	13,839
Purchased services	74	1,468	4,313	1,018	198
Depreciation and amortization	19	8,883	5,285	223	20
Rents and leases of equipment	301	1,315	1,391	2	4
Utilities	34	103	1,333	69	40
Other	16	179	421	85	50
Total operating expenses	1,643	28,291	96,751	5,684	15,214
Operating income (loss)	(228)	3,026	11,122	(465)	173
NONOPERATING REVENUES (EXPENSES):					
Investment income	8	52	32	12	17
Interest expense	-	(190)	(3,033)	-	-
Gain (loss) on disposal of capital assets	-	970	1	(97)	-
Total nonoperating revenues (expenses)	8	832	(3,000)	(85)	17
Income (loss) before capital contributions and transfers	(220)	3,858	8,122	(550)	190
Capital contributions	-	-	-	-	-
Transfers in	-	-	3,110	-	-
Transfers out	(17)	(81)	(1,178)	(31)	(15)
CHANGE IN NET POSITION	(237)	3,777	10,054	(581)	175
Net position, beginning of year, as previously reported	769	22,413	(50,013)	1,977	3,455
Adjustments to beginning net position	(28)	(129)	(1,882)	(50)	(24)
Net position, beginning of year, restated	741	22,284	(51,895)	1,927	3,431
NET POSITION, END OF YEAR	$ 504	$ 26,061	$ (41,841)	$ 1,346	$ 3,606

Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
					OPERATING REVENUES:
$ 65,713	$ 6,852	$ 90,842	$ 1,257	$ 315,043	Charges for services
12,903	2	12,054	6,651	42,442	Other revenue
78,616	6,854	102,896	7,908	357,485	Total operating revenues
					OPERATING EXPENSES:
-	-	-	84	1,527	Cost of materials used
17,032	2,780	25,709	1,492	112,285	Personnel services
226	46	276	167	8,874	Communications
18,339	92	280	-	19,516	Insurance
1,345	321	12,374	1,275	31,212	Maintenance of building and equipment
156,078	-	-	-	156,078	Insurance claims
5,203	176	2,078	938	37,558	Supplies
5,313	896	9,352	1,404	24,036	Purchased services
21	-	19	810	15,280	Depreciation and amortization
1,161	230	49,283	5	53,692	Rents and leases of equipment
36	-	1,054	-	2,669	Utilities
2,815	104	1,073	408	5,151	Other
207,569	4,645	101,498	6,583	467,878	Total operating expenses
(128,953)	2,209	1,398	1,325	(110,393)	Operating income (loss)
					NONOPERATING REVENUES (EXPENSES):
1,024	3	31	34	1,213	Investment income
(13)	-	-	-	(3,236)	Interest expense
-	-	-	133	1,007	Gain (loss) on disposal of capital assets
1,011	3	31	167	(1,016)	Total nonoperating revenues (expenses)
(127,942)	2,212	1,429	1,492	(111,409)	Income (loss) before capital contributions and transfers
123,577	-	-	-	123,577	Capital contributions
1,448	75	51	315	4,999	Transfers in
(1,785)	(737)	(478)	(6)	(4,328)	Transfers out
(4,702)	1,550	1,002	1,801	12,839	CHANGE IN NET POSITION
(25,570)	(1,385)	(20,743)	7,400	(61,697)	Net position, beginning of year, as previously reported
(535)	(60)	(760)	-	(3,468)	Adjustments to beginning net position
(26,105)	(1,445)	(21,503)	7,400	(65,165)	Net position, beginning of year, restated
$ (30,807)	$ 105	$ (20,501)	$ 9,201	$ (52,326)	NET POSITION, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
Cash flows from operating activities					
Cash receipts from internal services provided	$ 1,441	$ 31,281	$ 107,599	$ 5,233	$ 15,771
Cash paid to suppliers for goods and services	(637)	(17,386)	(38,054)	(3,963)	(15,702)
Cash paid to employees for services	(1,035)	(4,206)	(58,678)	(1,710)	(792)
Net cash provided by (used in) operating activities	(231)	9,689	10,867	(440)	(723)
Cash flows from noncapital financing activities					
Advances (to) from other funds	-	-	-	-	-
Transfers received	-	-	3,110	-	-
Transfers paid	(17)	(81)	(1,178)	(31)	(15)
Net cash provided by (used in) noncapital financing activities	(17)	(81)	1,932	(31)	(15)
Cash flows from capital and related financing activities					
Proceeds (loss) from sale of capital assets	-	970	1	4	1
Acquisition and construction of capital assets	-	(2,436)	(1,132)	-	-
Principal paid on capital leases	-	(9,289)	(4,281)	-	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	-	(190)	(3,033)	-	-
Net cash provided by (used in) capital and related financing activities	-	(10,945)	(8,445)	4	1
Cash flows from investing activities					
Investment income	7	46	28	11	15
Net cash provided by (used in) investing activities	7	46	28	11	15
Net increase (decrease) in cash and cash equivalents	(241)	(1,291)	4,382	(456)	(722)
Cash and cash equivalents, beginning of year	1,496	11,682	16,184	2,471	5,282
Cash and cash equivalents, end of year	$ 1,255	$ 10,391	$ 20,566	$ 2,015	$ 4,560

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
Reconciliation of cash and cash equivalents to the Statement of Net Position					
Cash and investments per Statement of Net Position	$ 1,255	$ 10,391	$ 20,566	$ 2,015	$ 4,560
Total cash and cash equivalents per Statement of Net Position	$ 1,255	$ 10,391	$ 20,566	$ 2,015	$ 4,560

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (228)	$ 3,026	$ 11,122	$ (465)	$ 173
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	19	8,883	5,285	223	20
Decrease (Increase) accounts receivable	-	(60)	(207)	1	384
Decrease (Increase) taxes receivable	-	-	-	-	-
Decrease (Increase) bond issuance cost	-	-	-	-	-
Decrease (Increase) due from other funds	26	-	(51)	-	-
Decrease (Increase) due from other governments	-	24	(16)	13	-
Decrease (Increase) deferred outflows resources	-	-	-	-	-
Decrease (Increase) inventories	-	(79)	3	(154)	144
Decrease (Increase) prepaid items and deposits	-	-	-	-	-
Increase (Decrease) accounts payable	7	(422)	1,227	26	(1,426)
Increase (Decrease) due to other funds	(15)	1	(1)	-	-
Increase (Decrease) due to other governments	-	(1)	-	-	-
Increase (Decrease) deposits payable	-	-	-	-	-
Increase (Decrease) accrued closure costs	-	-	-	-	-
Increase (Decrease) accrued remediation costs	-	-	-	-	-
Increase (Decrease) other liabilities	-	(1,574)	(5,545)	(4)	(48)
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) net pension liability	105	489	7,172	187	92
Increase (Decrease) deferred pensions	(121)	(631)	(8,820)	(203)	(119)
Increase (Decrease) salaries and benefits payable	14	50	406	(1)	15
Increase (Decrease) compensated absences	(38)	(17)	292	(63)	42
Net cash provided by (used in) operating activities	$ (231)	$ 9,689	$ 10,867	$ (440)	$ (723)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
Noncash investing, capital, and financing					
Capital lease obligations		$ 18,363	$ 11,457		

Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
					Cash flows from operating activities
$ 81,949	$ 6,854	$ 102,519	$ 7,871	$ 360,518	Cash receipts from internal services provided
(172,568)	(1,755)	(74,980)	(3,923)	(328,968)	Cash paid to suppliers for goods and services
(17,214)	(2,841)	(26,074)	(1,563)	(114,113)	Cash paid to employees for services
(107,833)	2,258	1,465	2,385	(82,563)	Net cash provided by (used in) operating activities
					Cash flows from noncapital financing activities
2,000	-	-	-	2,000	Advances (to) from other funds
1,448	75	51	315	4,999	Transfers received
(1,785)	(737)	(478)	(6)	(4,328)	Transfers paid
1,663	(662)	(427)	309	2,671	Net cash provided by (used in) noncapital financing activities
					Cash flows from capital and related financing activities
-	-	-	133	1,109	Proceeds (loss) from sale of capital assets
(63)	-	(16)	(1,495)	(5,142)	Acquisition and construction of capital assets
-	-	-	-	(13,570)	Principal paid on capital leases
123,577	-	-	-	123,577	Capital contributions
(13)	-	-	-	(3,236)	Interest paid on long-term debt
123,501	-	(16)	(1,362)	102,738	Net cash provided by (used in) capital and related financing activities
					Cash flows from investing activities
901	3	27	29	1,067	Investment income
901	3	27	29	1,067	Net cash provided by (used in) investing activities
18,232	1,599	1,049	1,361	23,913	Net increase (decrease) in cash and cash equivalents
163,369	402	6,163	5,077	212,126	Cash and cash equivalents, beginning of year
$ 181,601	$ 2,001	$ 7,212	$ 6,438	$ 236,039	Cash and cash equivalents, end of year
					Reconciliation of cash and cash equivalents to the Statement of Net Position
$ 181,601	$ 2,001	$ 7,212	$ 6,438	$ 236,039	Cash and investments per Statement of Net Position
$ 181,601	$ 2,001	$ 7,212	$ 6,438	$ 236,039	Total cash and cash equivalents per Statement of Net Position
					Reconciliation of operating income (loss) to net cash provided by (used in) operating activities
$ (128,953)	$ 2,209	$ 1,398	$ 1,325	$ (110,393)	Operating income (loss)
					Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities
21	-	19	810	15,280	Depreciation and amortization
3,361	-	-	1	3,480	Decrease (Increase) accounts receivable
-	-	-	-	-	Decrease (Increase) taxes receivable
-	-	-	-	-	Decrease (Increase) bond issuance cost
-	-	(93)	(41)	(159)	Decrease (Increase) due from other funds
(28)	-	(284)	3	(288)	Decrease (Increase) due from other governments
-	-	-	-	-	Decrease (Increase) deferred outflows resources
-	-	15	(14)	(85)	Decrease (Increase) inventories
(8)	-	-	-	(8)	Decrease (Increase) prepaid items and deposits
(1,063)	110	534	312	(695)	Increase (Decrease) accounts payable
(35)	-	55	58	63	Increase (Decrease) due to other funds
-	-	(1)	2	-	Increase (Decrease) due to other governments
-	-	-	-	-	Increase (Decrease) deposits payable
-	-	-	-	-	Increase (Decrease) accrued closure costs
-	-	-	-	-	Increase (Decrease) accrued remediation costs
25	-	187	-	(6,959)	Increase (Decrease) other liabilities
19,029	-	-	-	19,029	Increase (Decrease) estimated claims liability
2,041	225	2,899	-	13,210	Increase (Decrease) net pension liability
(2,585)	(286)	(3,714)	-	(16,479)	Increase (Decrease) deferred pensions
108	54	309	(21)	934	Increase (Decrease) salaries and benefits payable
254	(54)	141	(50)	507	Increase (Decrease) compensated absences
$ (107,833)	$ 2,258	$ 1,465	$ 2,385	$ (82,563)	Net cash provided by (used in) operating activities
					Noncash investing, capital, and financing activities:
				$ 29,820	Capital lease obligations

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FIDUCIARY FUNDS

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COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These funds were established for the purpose of accounting for assets held in a 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.

OTHER

This fund was established to account for a wide array of fiduciary responsibilities. Some of these responsibilities include tax payments clearing, asset forfeiture, State Controller clearing, child support collections, undistributed bond proceeds, and family support clearing.

PAYROLL DEDUCTIONS

The purpose of this fund is to collect deductions from employee wages. The deductions are owed to a variety of third parties for health insurance, union dues, unemployment insurance, withholding tax, flexible spending accounts, and dental insurance.

PROPERTY TAX ASSESSMENTS

The Property Tax Assessment Agency Fund was set up to help Riverside County account for apportioned taxes clearing, delinquent mobile home fees, property tax refunds, special assessments, and Teeter Plan collections.

WARRANTS

This fund was established as a clearing fund for various categories of warrants issued by Riverside County.

COUNTY OF RIVERSIDE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 118,567	$ 9,556	$ 82,974	$ 91,824	$ 302,921
Accounts receivable	388	-	-	-	388
Interest receivable	59	-	82	-	141
Taxes receivable	66	-	33,048	-	33,114
Total assets	$ 119,080	$ 9,556	$ 116,104	$ 91,824	$ 336,564
LIABILITIES:					
Accounts payable	$ 89,591	$ 9,556	$ 657	$ 91,824	$ 191,628
Due to other governments	29,489	-	115,447	-	144,936
Total liabilities	$ 119,080	$ 9,556	$ 116,104	$ 91,824	$ 336,564

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Other				
Assets				
Cash and investments	$ 124,033	$ 5,693,709	$ 5,699,175	$ 118,567
Accounts receivable	780	1,682	2,074	388
Interest receivable	24	59	24	59
Taxes receivable	58	66	58	66
Total assets	$ 124,895	$ 5,695,516	$ 5,701,331	$ 119,080
Liabilities				
Accounts payable	$ 87,606	$ 624,963	$ 622,978	$ 89,591
Due to other governments	37,289	5,079,707	5,087,507	29,489
Total liabilities	$ 124,895	$ 5,704,670	$ 5,710,485	$ 119,080
Payroll Deductions				
Assets				
Cash and investments	$ 10,852	$ 2,287,639	$ 2,288,935	$ 9,556
Total assets	$ 10,852	$ 2,287,639	$ 2,288,935	$ 9,556
Liabilities				
Accounts payable	$ 10,852	$ 1,616,383	$ 1,617,679	$ 9,556
Total liabilities	$ 10,852	$ 1,616,383	$ 1,617,679	$ 9,556
Property Tax Assessments				
Assets				
Cash and investments	$ 84,697	$ 4,910,380	$ 4,912,103	$ 82,974
Interest receivable	48	82	48	82
Taxes receivable	30,956	33,048	30,956	33,048
Total assets	$ 115,701	$ 4,943,510	$ 4,943,107	$ 116,104
Liabilities				
Accounts payable	$ 663	$ 235,970	$ 235,976	$ 657
Due to other governments	115,038	5,043,235	5,042,826	115,447
Total liabilities	$ 115,701	$ 5,279,205	$ 5,278,802	$ 116,104

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (Continued)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Warrants	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and investments	$ 39,225	$ 11,079,953	$ 11,027,354	$ 91,824
Total assets	$ 39,225	$ 11,079,953	$ 11,027,354	$ 91,824
Liabilities				
Accounts payable	$ 39,225	$ 6,252,168	$ 6,199,569	$ 91,824
Total liabilities	$ 39,225	$ 6,252,168	$ 6,199,569	$ 91,824

Total Agency Funds	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and investments	$ 258,807	$ 23,971,681	$ 23,927,567	$ 302,921
Accounts receivable	780	1,682	2,074	388
Interest receivable	72	141	72	141
Taxes receivable	31,014	33,114	31,014	33,114
Total assets	$ 290,673	$ 24,006,618	$ 23,960,727	$ 336,564
Liabilities				
Accounts payable	$ 138,346	$ 8,729,484	$ 8,676,202	$ 191,628
Due to other governments	152,327	10,122,942	10,130,333	144,936
Total liabilities	$ 290,673	$ 18,852,426	$ 18,806,535	$ 336,564

STATISTICAL SECTION

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Statistical Section

This section of the County of Riverside (the County) Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

These tables contain information to assist readers in understanding and assessing the factors affecting the County's local revenue sources, property tax, sales and use tax, and other taxes.

These tables contain information to assist readers in understanding and assessing the County's current level of outstanding debt, and the County's ability to issue additional debt.

These tables provide economic and demographic information to assist readers in understanding the socioeconomic environment within which the County operates, and to facilitate the comparisons of financial information over time.

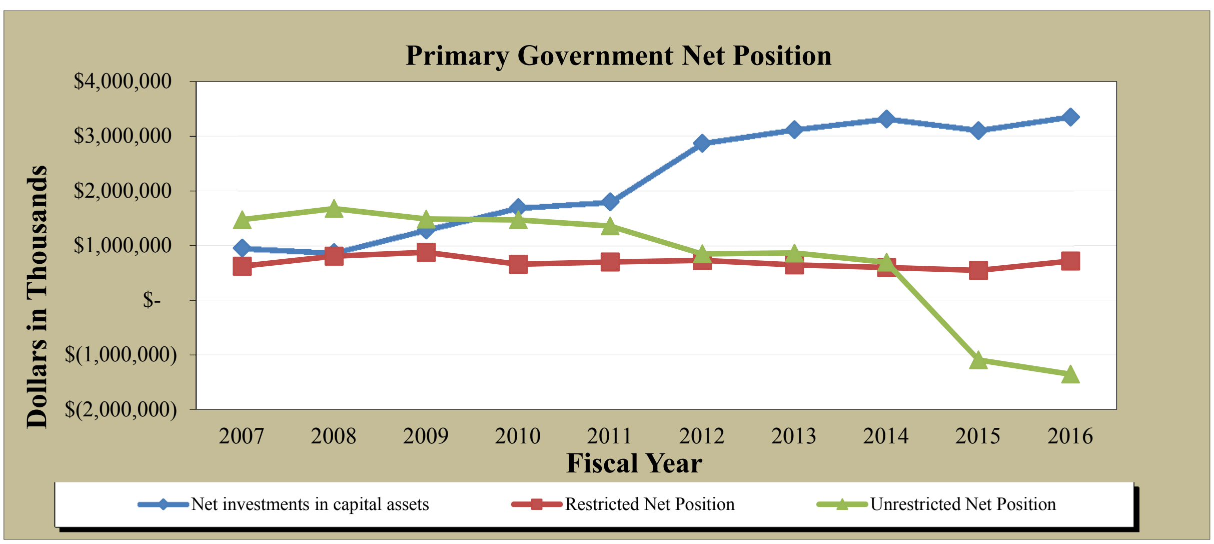
These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years.

Table 1

COUNTY OF RIVERSIDE
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Governmental activities					
Net investments in capital assets	$ 3,240,888	$ 3,009,048	$ 3,165,319	$ 2,998,987	$ 2,740,429
Restricted	667,696	489,359	499,463	550,326	683,835
Unrestricted	(1,242,905)	(971,969)	718,105	771,883	851,269
Governmental activities, total net position	$ 2,665,679	$ 2,526,438	$ 4,382,887	$ 4,321,196	$ 4,275,533
Business-type activities					
Net investments in capital assets	$ 112,906	$ 95,160	$ 147,806	$ 118,594	$ 130,510
Restricted	49,241	56,569	96,904	94,346	41,103
Unrestricted	(113,124)	(122,341)	(27,903)	88,852	(5,456)
Business-type activities, total net position	$ 49,023	$ 29,388	$ 216,807	$ 301,792	$ 166,157
Primary government					
Net investments in capital assets	$ 3,353,794	$ 3,104,208	$ 3,313,125	$ 3,117,581	$ 2,870,939
Restricted	716,937	545,928	596,367	644,672	724,938
Unrestricted	(1,356,029)	(1,094,310)	690,202	860,735	845,813
Primary government, total net position	$ 2,714,702	$ 2,555,826	$ 4,599,694	$ 4,622,988	$ 4,441,690



Source: Auditor-Controller, County of Riverside

Table 1

				Fiscal Year Ending June 30	
2011	**2010**	**2009**	**2008**	**2007**	
					Governmental activities
$ 1,687,128	$ 1,594,275	$ 1,204,971	$ 802,981	$ 903,076	Net investments in capital assets
656,347	604,942	824,139	769,368	569,477	Restricted
1,295,657	1,395,141	1,402,813	1,572,150	1,370,350	Unrestricted
$ 3,639,132	$ 3,594,358	$ 3,431,923	$ 3,144,499	$ 2,842,903	Governmental activities, total net position
					Business-type activities
$ 113,489	$ 96,901	$ 81,512	$ 69,441	$ 53,321	Net investments in capital assets
43,086	50,386	52,502	36,074	50,629	Restricted
59,550	72,397	80,238	101,683	100,567	Unrestricted
$ 216,125	$ 219,684	$ 214,252	$ 207,198	$ 204,517	Business-type activities, total net position
					Primary government
$ 1,800,617	$ 1,691,176	$ 1,286,483	$ 872,422	$ 956,397	Net investments in capital assets
699,433	655,328	876,641	805,442	620,106	Restricted
1,355,207	1,467,538	1,483,051	1,673,833	1,470,917	Unrestricted
$ 3,855,257	$ 3,814,042	$ 3,646,175	$ 3,351,697	$ 3,047,420	Primary government, total net position

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	2015	2014	2013	2012
Program revenues					
Governmental activities:					
Charges for services:					
General government	$ 201,495	$ 164,830	$ 162,926	$ 138,851	$ 147,510
Public protection	398,070	371,237	352,178	339,379	316,778
Other activities	135,204	109,773	100,791	110,231	116,509
Operating grants and contributions	1,907,919	1,800,158	1,593,627	1,503,390	1,447,694
Capital grants and contributions	54,134	31,579	29,890	27,695	27,909
Governmental activities program revenues	2,696,822	2,477,577	2,239,412	2,119,546	2,056,400
Business-type activities:					
Charges for services:					
Riverside University Health Systems - Medical Center	511,666	504,811	400,630	450,340	371,827
Other activities	164,860	161,008	155,336	150,407	133,838
Capital grants and contributions	2,234	536	450	698	335
Business-type activities program revenues	678,760	666,355	556,416	601,445	506,000
Primary government program revenues	3,375,582	3,143,932	2,795,828	2,720,991	2,562,400
Expenses					
Governmental activities:					
General government	283,081	179,575	228,146	194,641	270,474
Public protection	1,328,608	1,217,731	1,191,438	1,065,373	1,047,202
Public ways and facilities	149,768	177,870	108,380	89,469	84,797
Health and sanitation	468,382	499,669	460,963	422,982	374,950
Public assistance	980,550	970,415	851,246	807,611	827,092
Education	23,283	23,409	24,420	18,998	10,376
Recreation and cultural services	20,758	18,335	20,077	12,274	15,806
Interest on long-term debt	46,306	45,904	47,236	29,453	39,098
Governmental activities expenses	3,300,736	3,132,908	2,931,906	2,640,801	2,669,795
Business-type activities:					
Riverside University Health Systems - Medical Center	506,338	468,562	482,240	473,916	417,074
Waste Resources Department	75,358	56,299	62,721	53,069	57,272
Housing Authority	88,166	90,903	94,716	90,678	91,469
Flood Control	3,591	3,056	2,561	2,472	2,306
County Service Areas	413	390	429	459	456
Business-type activities expenses	673,866	619,210	642,667	620,594	568,577
Primary government expenses	3,974,602	3,752,118	3,574,573	3,261,395	3,238,372
Net (expense)/revenue					
Governmental activities	(603,914)	(655,331)	(692,494)	(521,255)	(613,395)
Business-type activities	4,894	47,145	(86,251)	(19,149)	(62,577)
Primary government, net (expense) / revenue	$ (599,020)	$ (608,186)	$ (778,745)	$ (540,404)	$ (675,972)

Source: Auditor-Controller, County of Riverside

Table 2

2011	2010	2009	2008	2007	Fiscal Year Ending June 30
					Program revenues
					Governmental activities:
					Charges for services:
$ 159,570	$ 140,723	$ 143,644	$ 171,403	$ 171,070	General government
326,237	331,162	311,565	316,719	307,288	Public protection
105,931	95,438	100,819	123,483	130,837	Other activities
1,393,016	1,384,791	1,344,611	1,315,716	1,210,941	Operating grants and contributions
32,114	31,112	29,771	25,333	48,186	Capital grants and contributions
2,016,868	1,983,226	1,930,410	1,952,654	1,868,322	Governmental activities program revenues
					Business-type activities:
					Charges for services:
386,533	367,273	360,584	333,414	337,905	Riverside University Health Systems - Medical Center
140,327	134,257	139,206	146,065	137,706	Other activities
-	1,165	310	306	261	Capital grants and contributions
526,860	502,695	500,100	479,785	475,872	Business-type activities program revenues
2,543,728	2,485,921	2,430,510	2,432,439	2,344,194	Primary government program revenues
					Expenses
					Governmental activities:
298,032	323,949	285,393	331,741	296,917	General government
1,021,288	1,062,213	1,095,587	1,122,370	935,550	Public protection
87,424	31,024	31,283	20,558	57,578	Public ways and facilities
369,984	347,634	392,945	330,206	350,082	Health and sanitation
907,202	820,637	770,484	752,779	688,213	Public assistance
15,816	19,866	15,954	17,977	14,847	Education
9,364	12,206	6,039	12,457	11,941	Recreation and cultural services
88,998	80,754	89,741	96,173	81,197	Interest on long-term debt
2,798,108	2,698,283	2,687,426	2,684,261	2,436,325	Governmental activities expenses
					Business-type activities:
401,120	389,991	379,278	353,481	329,128	Riverside University Health Systems - Medical Center
56,688	49,956	61,116	64,538	60,772	Waste Resources Department
86,027	81,426	81,139	74,252	70,218	Housing Authority
3,711	3,233	3,816	5,201	6,242	Flood Control
383	454	457	343	329	County Service Areas
547,929	525,060	525,806	497,815	466,689	Business-type activities expenses
3,346,037	3,223,343	3,213,232	3,182,076	2,903,014	Primary government expenses
					Net (expense)/revenue
(781,240)	(715,057)	(757,016)	(731,607)	(568,003)	Governmental activities
(21,069)	(22,365)	(25,706)	(18,030)	9,183	Business-type activities
$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	Primary government, net (expense) / revenue

Continued

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Continued:					
Primary government, net (expense) / revenue	$ (599,020)	$ (608,186)	$ (778,745)	$ (540,404)	$ (675,972)
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes	346,851	327,504	297,107	277,417	322,337
Sales and use tax	29,573	32,851	35,443	29,751	26,744
Other taxes	22,005	18,632	27,764	37,883	6,715
Intergovernmental revenue - not restricted to programs:					
Unrestricted intergovernmental revenue	232,453	244,003	227,303	220,811	226,384
Investment earnings	12,948	8,700	11,317	2,035	11,801
Other	160,521	164,177	167,992	168,454	169,398
Transfers	(22,478)	(11,250)	(9,645)	(1,049)	(11,702)
Governmental activities	781,873	784,617	757,281	735,302	751,677
Business-type activities:					
Investment earnings	2,720	895	1,319	(33)	907
Other	-	-	-	-	-
Transfers	22,478	11,250	9,645	1,049	11,702
Business-type activities	25,198	12,145	10,964	1,016	12,609
Total primary government	807,071	796,762	768,245	736,318	764,286
Change in net position					
Governmental activities	177,959	129,286	64,787	214,047	138,282
Business-type activities	30,092	59,290	(75,287)	(18,133)	(49,968)
Primary government change in net position	$ 208,051	$ 188,576	$ (10,500)	$ 195,914	$ 88,314

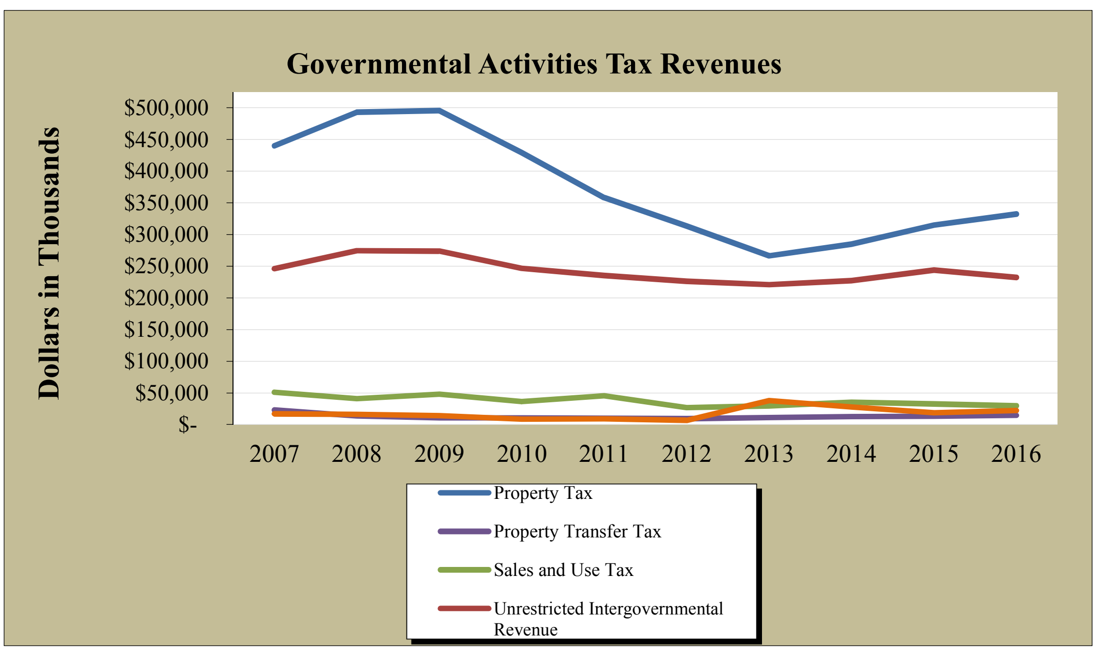
Table 2

2011	2010	2009	2008	2007	Fiscal Year Ending June 30
					Continued:
$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	Primary government, net (expense) / revenue
					General revenues and other changes in net position
					Governmental activities:
					Taxes:
367,867	440,282	506,222	506,327	462,817	Property taxes
45,489	36,289	47,683	40,985	51,093	Sales and use tax
9,004	8,610	13,771	15,898	16,865	Other taxes
					Intergovernmental revenue - not restricted to programs:
235,153	246,493	273,825	274,282	245,723	Unrestricted intergovernmental revenue
19,494	29,026	87,041	138,071	122,517	Investment earnings
142,966	91,044	121,880	85,924	13,191	Other
(10,355)	(17,436)	(25,713)	(10,322)	(16,892)	Transfers
809,618	834,308	1,024,709	1,051,165	895,314	Governmental activities
					Business-type activities:
538	1,442	6,142	10,389	10,198	Investment earnings
6,617	-	-	-	-	Other
10,355	17,436	25,713	10,322	16,892	Transfers
17,510	18,878	31,855	20,711	27,090	Business-type activities
827,128	853,186	1,056,564	1,071,876	922,404	Total primary government
					Change in net position
28,378	119,251	267,693	319,558	327,311	Governmental activities
(3,559)	(3,487)	6,149	2,681	36,273	Business-type activities
$ 24,819	$ 115,764	$ 273,842	$ 322,239	$ 363,584	Primary government change in net position

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

Fiscal Year Ending June 30	Property Tax	Property Transfer Tax	Sales and Use Tax	Unrestricted Intergovernmental Revenue	Other Tax	Total
2016	$ 332,338	$ 14,513	$ 29,573	$ 232,453	$ 22,005	$ 630,882
2015	314,599	12,905	32,851	244,003	18,632	622,990
2014	284,819	12,288	35,443	227,303	27,764	587,617
2013	266,294	11,123	29,751	220,811	37,883	565,862
2012	312,972	9,365	26,744	226,384	6,715	582,180
2011	357,908	9,959	45,489	235,153	9,004	657,513
2010	429,604	10,678	36,289	246,493	8,610	731,674
2009	495,598	10,624	47,683	273,825	13,771	841,501
2008	492,849	13,478	40,985	274,282	15,898	837,492
2007	439,981	22,836	51,093	245,723	16,865	776,498



Source: Auditor-Controller, County of Riverside

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Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

						Fiscal Year Ending June 30	
	2016	2015	2014	2013	2012	2011	2010
General Fund							
Nonspendable	$ 2,369	$ 2,001	$ 2,045	$ 3,247	$ 1,834	$ 2,214	$ 3,201
Restricted	99,639	122,967	117,595	101,440	101,651	98,552	93,653
Committed	40,310	39,422	32,820	42,183	52,439	50,097	250,444
Assigned	11,870	5,144	7,772	10,460	8,764	3,463	2,998
Unassigned	217,322	225,855	203,444	199,919	171,910	189,236	36,190
Total general fund	371,510	395,389	363,676	357,249	336,598	343,562	386,486
Transportation							
Nonspendable	3,654	3,776	1,101	1,044	1,014	-	-
Restricted	68,191	49,875	62,767	79,127	95,805	-	-
Committed	2,847	2,719	2,244	1,310	1,811	-	-
Assigned	12,578	14,782	14,063	12,821	4,935	-	-
Total transportation	87,270	71,152	80,175	94,302	103,565	-	-
Flood Control							
Nonspendable	366	731	1	1	1	1	1
Restricted	205,957	236,749	-	-	-	-	-
Committed	-	-	258,580	253,117	252,368	237,211	222,944
Assigned	-	3,174	-	1,807	3,890	13,741	18,979
Total Flood Control	206,323	240,654	258,581	254,925	256,259	250,953	241,924
Public Facilities Improvements							
Restricted	119,441	120,141	123,860	153,404	131,184	158,628	200,501
Committed	4,877	3,000	3,000	1,912	-	6,451	10,850
Assigned	9,331	15,480	7,803	44,244	111,324	128,023	127,302
Total public facilities improvements	133,649	138,621	134,663	199,560	242,508	293,102	338,653
Public Financing Authority							
Restricted	231,229	302,498	-	-	-	-	-
Total public financing authority	231,229	302,498	-	-	-	-	-
Redevelopment Capital Projects							
Nonspendable	-	-	-	-	-	72,055	79,257
Committed	-	-	-	-	-	115,617	93,028
Assigned	-	-	-	-	-	83,881	96,062
Total redevelopment capital projects	-	-	-	-	-	271,553	268,347
Nonmajor Governmental Funds							
Nonspendable	1,225	1,181	1,208	1,168	1,241	84,769	84,744
Restricted	168,868	168,472	182,139	174,552	354,214	410,787	434,900
Committed reported in:							
Special revenue funds	2,830	4,402	9,750	15,763	12,973	21,381	6,196
Debt service funds	-	-	-	-	-	1,206	1,206
Capital projects funds	-	-	-	151	323	1,690	355
Assigned	29,186	34,552	32,370	17,088	25,763	86,572	30,314
Total nonmajor governmental funds	202,109	208,607	225,467	208,722	394,514	606,405	557,715
Total all governmental funds	$ 1,232,090	$ 1,356,921	$ 1,062,562	$ 1,114,758	$ 1,333,444	$ 1,765,575	$ 1,793,125

Note: In fiscal year 2010-11 the County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. Fiscal year 2009-10 fund balances have been recharacterized to comply with GASB Statement No. 54 in order to facilitate year-to-year comparisons. In fiscal year 2011-12 Redevelopment Capital Projects are reported under the Successor Agency.

In fiscal year 2012-13 Transportation became a major fund, therefore only fiscal years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 are presented for comparison purposes.

Source: Auditor-Controller, County of Riverside

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Continued)
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30		
	2009	**2008**	**2007**
General Fund			
Reserved	$ 91,196	$ 84,466	$ 88,233
Unreserved, designated	203,821	335,630	339,773
Unreserved, undesignated	77,104	58,672	142,958
Total general fund	372,121	478,768	570,964
Transportation			
Reserved	-	-	-
Unreserved, designated	-	-	-
Unreserved, undesignated	-	-	-
Total transportation	-	-	-
Flood Control			
Reserved	1,794	4,500	-
Unreserved, designated	30,149	1,755	134,396
Unreserved, undesignated	196,973	193,170	32,724
Total Flood Control	228,916	199,425	167,120
Public Facilities Improvements			
Reserved	538,431	590,915	256,338
Unreserved, undesignated	-	-	-
Total public facilities improvements	538,431	590,915	256,338
Redevelopment Capital Projects			
Reserved	189,627	122,036	269,263
Unreserved, undesignated	116,076	234,582	118,186
Total redevelopment capital projects	305,703	356,618	387,449
Nonmajor Governmental Funds			
Reserved	371,076	331,147	192,566
Unreserved, designated reported in:			
Special revenue funds	27,666	37,121	53,268
Capital projects funds	6,933	6,935	9,671
Unreserved, undesignated reported in:			
Special revenue funds	151,939	139,367	115,637
Capital projects funds	-	-	-
Total nonmajor governmental funds	557,614	514,570	371,142
Total all governmental funds	$ 2,002,785	$ 2,140,296	$ 1,753,013

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2016

				Fiscal Year Ending June 30	
	2016	**2015**	**2014**	**2013**	**2012**
Revenues					
Taxes	$ 398,139	$ 379,358	$ 361,900	$ 347,166	$ 355,796
Licenses, permits, and franchise fees	22,782	21,893	20,377	18,798	19,513
Fines, forfeitures, and penalties	74,349	79,059	82,290	86,381	90,163
Use of money and property:					
Investments earnings	11,736	7,989	10,187	2,370	10,827
Rents and concessions	51,695	25,548	29,925	19,246	19,588
Aid from other governmental agencies:					
Federal	686,964	634,269	544,478	569,330	577,654
State	1,345,344	1,304,580	1,172,107	1,047,485	986,658
Other	163,165	153,687	136,461	132,120	156,678
Charges for services	585,977	519,382	483,346	464,274	449,888
Other revenue	49,934	119,337	88,055	91,329	95,119
Total revenues	3,390,085	3,245,102	2,929,126	2,778,499	2,761,884
Expenditures					
General government	219,333	190,209	214,212	208,242	291,227
Public protection	1,271,121	1,202,873	1,186,900	1,117,397	1,072,442
Public ways and facilities	299,431	292,096	177,965	177,467	168,015
Health and sanitation	470,022	482,545	421,494	393,557	375,668
Public assistance	983,963	928,098	851,061	798,850	802,104
Education	20,003	20,755	19,470	18,819	18,942
Recreation and culture	24,232	23,716	15,911	16,590	15,220
Debt service:					
Principal	68,951	83,928	70,840	55,363	65,002
Interest	44,091	44,005	45,953	27,988	49,041
Cost of issuance	895	950	623	378	15
Capital outlay	92,800	103,211	58,046	25,427	22,583
Total expenditures	3,494,842	3,372,386	3,062,475	2,840,078	2,880,259
Revenues over (under) expenditures	(104,757)	(127,284)	(133,349)	(61,579)	(118,375)
Other financing sources (uses)					
Transfers in	350,235	550,783	248,448	231,574	323,052
Transfers out	(373,384)	(559,368)	(253,012)	(233,809)	(332,724)
Issuance of debt	-	346,000	64,000	-	-
Issuance of refunding bonds	72,825	-	20,510	19,140	33,360
Discount on long-term debt	-	-	-	-	-
Premium on long-term debt	7,612	28,699	1,338	759	2,840
Redemption of refunded debt	(89,345)	-	-	(18,155)	(32,797)
Payment to escrow agent	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Capital leases	11,829	54,529	2,965	1,721	2,671
Total other financing sources (uses)	(20,228)	420,643	84,249	1,230	(3,598)
Net change in fund balances	$ (124,985)	$ 293,359	$ (49,100)	$ (60,349)	$ (121,973)
Debt service as a % of non-capital expenditures	3.63%	4.27%	4.21%	3.35%	4.50%

Source: Auditor-Controller, County of Riverside

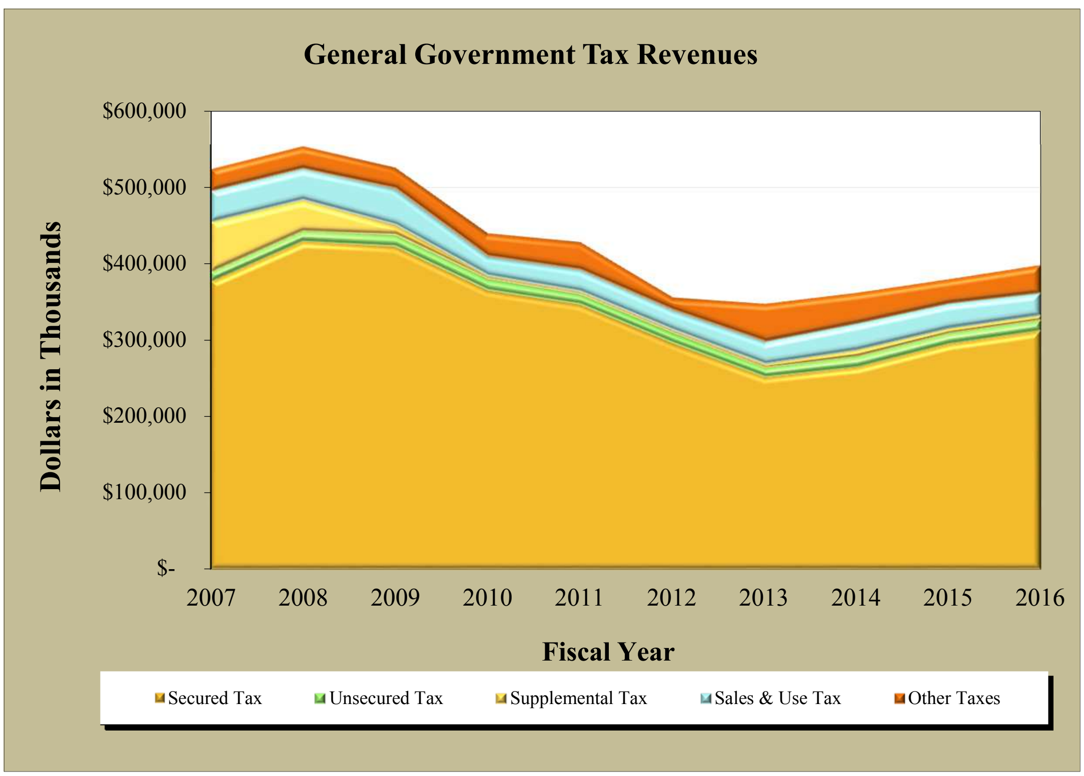
Table 5

Fiscal Year Ending June 30					
2011	2010	2009	2008	2007	
					Revenues
$ 427,892	$ 439,435	$ 525,238	$ 553,158	$ 523,028	Taxes
20,294	19,197	22,546	24,652	25,981	Licenses, permits, and franchise fees
95,290	114,320	108,572	92,029	82,946	Fines, forfeitures, and penalties
					Use of money and property:
18,305	26,929	81,040	128,307	113,789	Investments earnings
17,659	17,393	17,151	15,486	43,171	Rents and concessions
					Aid from other governmental agencies:
609,531	636,167	546,030	544,587	496,685	Federal
921,329	857,191	955,389	971,299	937,630	State
130,362	172,598	140,757	103,858	89,111	Other
458,744	469,340	460,439	447,889	431,676	Charges for services
95,279	65,711	84,348	102,132	115,863	Other revenue
2,794,685	2,818,281	2,941,510	2,983,397	2,859,880	Total revenues
					Expenditures
311,025	554,315	430,712	409,336	320,254	General government
1,081,489	1,068,051	1,126,662	1,083,719	972,006	Public protection
176,184	130,310	148,544	152,603	157,055	Public ways and facilities
353,904	341,244	390,668	375,259	348,921	Health and sanitation
824,471	812,848	766,407	747,576	686,295	Public assistance
19,282	18,910	15,731	17,907	14,830	Education
18,755	12,620	12,801	11,647	11,707	Recreation and culture
					Debt service:
80,928	73,378	54,587	46,483	44,222	Principal
83,902	78,689	86,768	91,126	78,204	Interest
5,212	1,819	2,436	3,868	5,565	Cost of issuance
30,439	39,844	48,899	36,691	58,525	Capital outlay
2,985,591	3,132,028	3,084,215	2,976,215	2,697,584	Total expenditures
(190,906)	(313,747)	(142,705)	7,182	162,296	Revenues over (under) expenditures
					Other financing sources (uses)
267,985	463,296	538,029	805,400	313,044	Transfers in
(277,943)	(479,143)	(562,345)	(814,607)	(328,624)	Transfers out
170,481	81,745	-	294,084	34,173	Issuance of debt
-	70,365	78,895	111,125	259,600	Issuance of refunding bonds
-	(626)	-	(2,898)	-	Discount on long-term debt
-	937	-	3,272	2,876	Premium on long-term debt
-	-	-	-	-	Redemption of refunded debt
-	(65,713)	(76,300)	(24,290)	(103,396)	Payment to escrow agent
6	-	-	1,159	916	Proceeds from the sale of capital assets
8,321	31,018	22,746	8,670	8,811	Capital leases
168,850	101,879	1,025	381,915	187,400	Total other financing sources (uses)
$ (22,056)	$ (211,868)	$ (141,680)	$ 389,097	$ 349,696	Net change in fund balances
6.17%	5.85%	5.54%	5.28%	5.07%	Debt service as a % of non-capital expenditures

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)
June 30, 2016

Fiscal Year Ending June 30	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
2016	$ 312,004	$ 13,798	$ 6,247	$ 29,573	$ 36,517	$ 398,139
2015	294,888	13,909	6,168	32,851	31,542	379,358
2014	264,643	13,597	8,165	35,443	40,052	361,900
2013	251,236	12,459	4,714	29,751	49,006	347,166
2012	295,974	13,499	3,498	26,626	16,199	355,796
2011	346,356	13,404	3,681	28,393	36,058	427,892
2010	364,810	15,270	3,778	25,762	29,815	439,435
2009	422,329	15,071	12,981	47,683	27,174	525,238
2008	428,790	13,193	40,815	40,985	29,375	553,158
2007	375,924	12,301	65,537	40,607	28,659	523,028



Source: Auditor-Controller, County of Riverside

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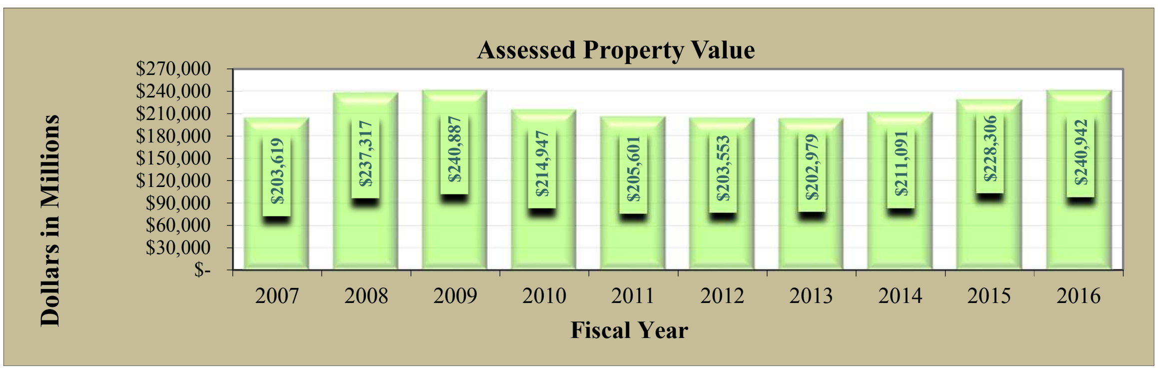
Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Real property					
Secured property	$ 240,984,595	$ 228,131,826	$ 210,523,063	$ 201,971,552	$ 202,313,851
Unsecured property	7,717,964	7,676,875	7,868,150	8,123,443	8,057,242
Total gross assessed value	248,702,559	235,808,701	218,391,213	210,094,995	210,371,093
Less:					
Tax-exempt real property	7,760,338	7,502,942	7,300,462	7,116,048	6,818,361
Total taxable assessed value	$ 240,942,221	$ 228,305,759	$ 211,090,751	$ 202,978,947	$ 203,552,732
Total direct tax rate	1.0	1.0	1.0	1.0	1.0
Estimated actual taxable value	$ 321,256,295	$ 304,407,678	$ 281,454,335	$ 270,638,596	$ 271,403,643
Assessed value as a % of actual	77.42%	77.46%	77.59%	77.63%	77.51%



Source: Auditor-Controller, County of Riverside

Table 7

				Fiscal Year Ending June 30	
2011	2010	2009	2008	2007	
					Real property
$ 204,153,163	$ 213,144,336	$ 238,312,506	$ 235,351,116	$ 202,009,520	Secured property
8,121,065	8,227,172	8,685,393	7,540,803	6,735,421	Unsecured property
212,274,228	221,371,508	246,997,899	242,891,919	208,744,941	**Total gross assessed value**
					Less:
6,673,229	6,424,030	6,111,231	5,574,813	5,125,567	Tax-exempt real property
$ 205,600,999	$ 214,947,478	$ 240,886,668	$ 237,317,106	$ 203,619,374	**Total taxable assessed value**
1.0	1.0	1.0	1.0	1.0	**Total direct tax rate**
$ 274,134,665	$ 286,596,637	$ 321,182,224	$ 316,422,808	$ 271,492,499	**Estimated actual taxable value**
77.43%	77.24%	76.90%	76.76%	76.89%	**Assessed value as a % of actual value**

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
June 30, 2016

Fiscal Year Ending June 30	County Direct Rates		Range of Overlapping Rates			
	Secured Property Tax Levy	Debt Service	Total City Rate	Total School Districts Rate	Total Special Districts Rate	Total Direct & Overlapping Rates
2016	1.00000%	0.11440%	0% to .00576%	0 to .15335%	0% to .50000%	1.11440% to 1.50000%
2015	1.00000%	0.14640%	0% to .00626%	0 to .17234%	0% to .53052%	1.14640% to 1.53052%
2014	1.00000%	0.13830%	0% to .00673%	.01768% to .17571%	0% to .55075%	1.13830% to 1.55075%
2013	1.00000%	0.14340%	0% to .00572%	.01702% to .17570%	0% to .58076%	1.14340% to 1.58076%
2012	1.00000%	0.12540%	0% to .00571%	.01700% to .14030%	0% to .53864%	1.12540% to 1.53864%
2011	1.00000%	0.12540%	0% to .00575%	.01499% to .13224%	0% to .50000%	1.12540% to 1.50000%
2010	1.00000%	0.12220%	.00064% to .00577%	.01242% to .12628%	0% to .50000%	1.12220% to 1.50000%
2009	1.00000%	0.10950%	.00119% to .00747%	.01254% to .10963%	0% to .50000%	1.10950% to 1.50000%
2008	1.00000%	0.09190%	.00178% to .00627%	.00549% to .08521%	0% to .50000%	1.09190% to 1.50000%
2007	1.00000%	0.07720%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1.07720% to 1.54324%

Note: Total direct tax rate encompasses general levy, special assessments, and fixed charges.

Overlapping governments in the context of the statistical section, all local governments located wholly or in part within the geographic boundaries of the reporting government.

Overlapping rate in the context of the statistical section, an amount or percentage applied to a unit of a specific revenue base by governments that overlap geographically, at least in part, with the government preparing the statistical section information.

Source: Auditor-Controller, County of Riverside

Table 9

COUNTY OF RIVERSIDE
Principal Property Tax Payers
(Dollars in Thousands)
Current Year and Nine Years Ago
June 30, 2016

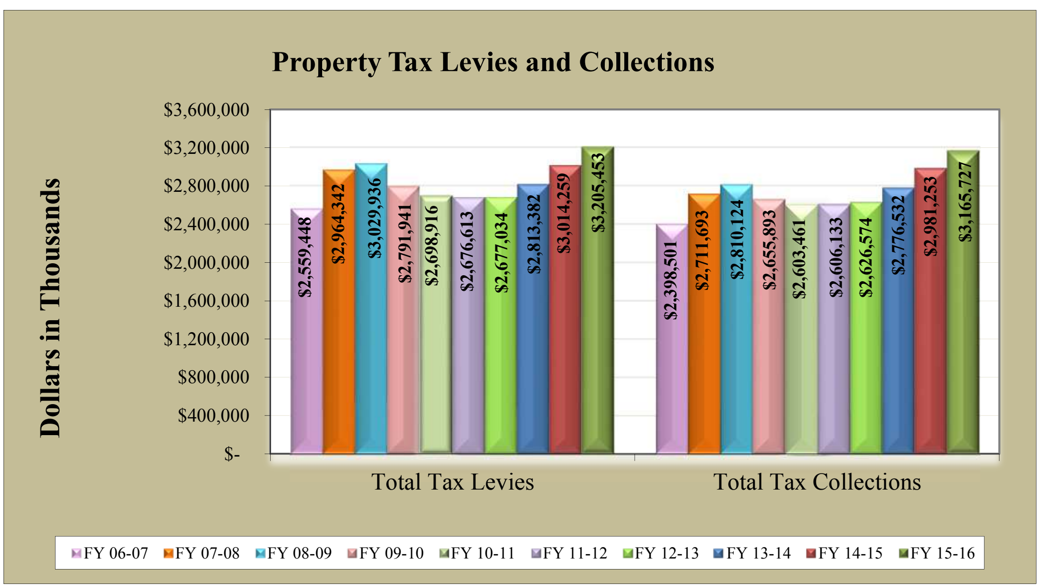
	Fiscal Year					
	2016			2007		
Tax payer		**Taxable Assessed Value**	**Percentage of Total County Taxable Assessed Value**		**Taxable Assessed Value**	**Percentage of Total County Taxable Assessed Value**
Southern California Edison Company	$	43,870	1.30%	$	8,679	0.41%
Verizon California Inc.		7,871	0.23%		7,242	0.34%
Centex Homes					7,057	0.33%
CPV Sentinel, LLC		6,756	0.20%			
Chelsea GCA Realty Partnership		3,351	0.10%			
Inland Empire Energy Center, LLC		3,186	0.09%			
KB Home Coastal Inc.		2,812	0.08%		3,743	0.18%
Southern California Gas Company		8,997	0.27%		3,737	0.18%
Pulte Home Corporation					5,400	0.25%
Ryland Homes of California Inc.					3,558	0.17%
Western Pacific Housing Inc.					3,266	0.15%
Blythe Energy, LLC		2,960	0.09%		3,008	0.14%
Wolf Creek Development					2,567	0.12%
Walgreen Company		2,951	0.09%			
Tyler Mall LTD Partnership		2,986	0.09%			
Total	$	85,740	2.54%	$	48,257	2.27%

Source: Treasurer-Tax Collector, County of Riverside

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2016

		Collected within the Fiscal Year of the Levy			Total Collections as of June 30	
Fiscal Year Ending June 30	**Total Secured Tax Levy for Fiscal Year**	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
2016	$ 3,205,453	$ 3,159,497	98.57%	$ 6,230	$ 3,165,727	98.76%
2015	3,014,259	2,968,113	98.47%	13,140	2,981,253	98.91%
2014	2,813,382	2,763,665	98.23%	12,867	2,776,532	98.69%
2013	2,677,034	2,618,818	97.83%	7,756	2,626,574	98.12%
2012	2,676,613	2,605,691	97.35%	442	2,606,133	97.37%
2011	2,698,916	2,603,461	96.46%	-	2,603,461	96.46%
2010	2,791,941	2,652,513	95.01%	3,380	2,655,893	95.13%
2009	3,029,936	2,807,718	92.67%	2,406	2,810,124	92.75%
2008	2,964,342	2,708,669	91.38%	3,024	2,711,693	91.48%
2007	2,559,448	2,379,273	92.96%	19,228	2,398,501	93.71%



*Delinquent taxes reported by year of collection; data by levy year unavailable.

Source: Auditor-Controller, County of Riverside

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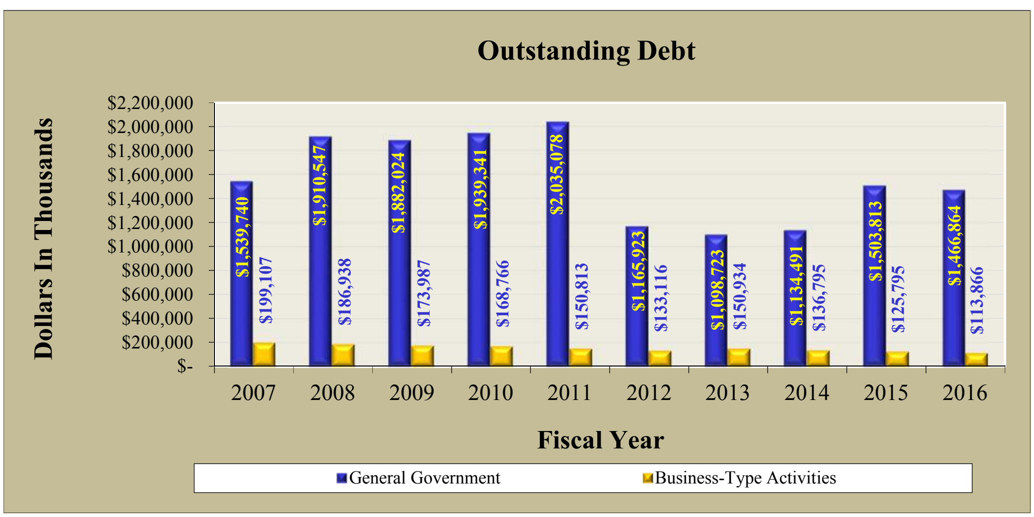
Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	**2015**	**2014**	**2013**	**2012**
General government					
Bonds	$ 1,195,027	$ 1,141,497	$ 810,186	$ 744,460	$ 750,492
Certificates of participation	108,937	211,688	240,593	282,095	309,511
Note and loans	2,790	3,350	3,890	4,420	4,925
Capital leases	160,110	147,278	79,822	67,748	100,995
Business-type activities					
Bonds	106,428	119,917	132,941	143,710	121,061
Capital leases	7,438	5,878	3,854	7,224	12,055
Total primary government	$ 1,580,730	$ 1,629,608	$ 1,271,286	$ 1,249,657	$ 1,299,039
Percentage of personal income	2.01%	2.23%	1.65%	1.66%	1.78%
Per capita	$ 693	$ 765	$ 558	$ 554	$ 583



Note: Per Capita is an estimate for fiscal years 2013-14 and 2014-15

Source: California State Department of Finance
Auditor-Controller, County of Riverside
Bureau of Economic Analysis

Table 11

Fiscal Year Ending June 30					
2011	2010	2009	2008	2007	
					General government
$ 1,551,323	$ 1,408,017	$ 1,359,277	$ 1,086,397	$ 806,398	Bonds
367,272	385,447	391,914	408,024	335,866	Certificates of participation
5,355	21,987	13,222	310,809	310,139	Note and loans
111,128	123,890	117,611	105,317	87,337	Capital leases
					Business-type activities
134,983	147,924	159,959	170,814	181,263	Bonds
15,830	20,842	14,028	16,124	17,844	Capital leases
$ 2,185,891	$ 2,108,107	$ 2,056,011	$ 2,097,485	$ 1,738,847	**Total primary government**
3.07%	3.37%	3.28%	3.25%	2.90%	**Percentage of personal income**
$ 986	$ 985	$ 975	$ 1,004	$ 856	**Per capita**

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2016

				Fiscal Year Ending June 30	
	2016	**2015**	**2014**	**2013**	**2012**
Bonds	$ 1,301,455	$ 1,261,414	$ 943,127	$ 888,170	$ 871,553
Less:					
Amounts available in debt service fund	67,680	71,947	80,405	79,951	78,236
Total net obligation bonds outstanding	$ 1,233,775	$ 1,189,467	$ 862,722	$ 808,219	$ 793,317
Percentage of estimated					
Actual taxable value of property	0.38%	0.39%	0.31%	0.30%	0.29%
Per capita	$ 525	$ 515	$ 378	$ 358	$ 356

Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Source: California State Department of Finance

Table 12

Fiscal Year Ending June 30					
2011	2010	2009	2008	2007	
$ 1,686,306	$ 1,555,941	$ 1,519,236	$ 1,257,211	$ 987,661	**Bonds**
					Less:
151,405	127,206	147,568	119,597	73,308	Amounts available in debt service fund
$ 1,534,901	$ 1,428,735	$ 1,371,668	$ 1,137,614	$ 914,353	**Total net obligation bonds outstanding**
					Percentage of estimated
0.56%	0.51%	0.43%	0.36%	0.34%	**Actual taxable value of property**
$ 692	$ 668	$ 651	$ 545	$ 450	**Per capita**

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Govermental Activities Debt
as of June 30, 2016
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 11,360,977	87.09%	$ 9,894,275
Subtotal, overlapping debt			9,894,275
County of Riverside direct debt			1,466,864
Total direct and overlapping debt			$ 11,361,139

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

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Table 14

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2016

	Fiscal Year Ending June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Debt limit	$ 3,011,778	$ 2,853,822	$ 2,638,634	$ 2,537,237	$ 2,544,409
Total net debt applicable to limit	(1,233,775)	(1,189,467)	(862,722)	(808,219)	(793,317)
Legal debt margin	$ 1,778,003	$ 1,664,355	$ 1,775,912	$ 1,729,018	$ 1,751,092
Total net debt applicable to the limit as a percentage of debt limit	41.0%	41.7%	32.7%	31.8%	31.2%

Legal Debt Margin Calculated for Fiscal Year 2016

Assessed value	$ 243,024,479
Less: Homeowners exemptions	2,082,258
Total assessed value	240,942,221
Debt limit (1.25% of total assessed value)	3,011,778
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	1,301,455
Less: Amount set aside for repayment of general obligation debt	67,680
Total net debt applicable to limit	1,233,775
Legal debt margin	$ 1,778,003

Definitions: Debt limit - the maximum amount of outstanding gross or net debt legally permitted.
Debt margin - the difference between debt limit and existing debt.
Legal debt margin - the excess of the amount of debt legally authorized over the amount of debt outstanding.

Source: Auditor-Controller, County of Riverside

Table 14

	Fiscal Year Ending June 30				
2011	**2010**	**2009**	**2008**	**2007**	
$ 2,570,012	$ 2,686,843	$ 3,011,083	$ 2,966,464	$ 2,598,369	Debt limit
(1,534,901)	(1,428,735)	(1,211,709)	(966,800)	(733,090)	Total net debt applicable to limit
$ 1,035,111	$ 1,258,108	$ 1,799,374	$ 1,999,664	$ 1,865,279	Legal debt margin
59.7%	53.2%	40.2%	32.6%	28.2%	Total net debt applicable to the limit as a percentage of debt limit

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2016

Fiscal Year Ending June 30	Lease Revenue Bonds					
	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2016	$ 27,319	$ 1,182	$ 26,137	$ 19,844	$ 18,648	67.90%
2015	24,867	3,464	21,403	19,221	19,268	55.61%
2014	25,770	1,666	24,104	16,370	16,147	74.13%
2013	25,182	1,517	23,665	14,159	12,707	88.09%
2012	22,779	2,805	19,974	16,325	15,583	62.60%
2011	16,067	2,072	13,995	15,355	16,039	44.58%
2010	30,318	3,336	26,982	14,455	16,642	86.77%
2009	39,334	10,682	28,652	13,160	16,865	95.43%
2008	60,656	43,790	16,866	12,545	17,116	56.86%
2007	31,046	5,939	25,107	12,115	16,976	86.31%

Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

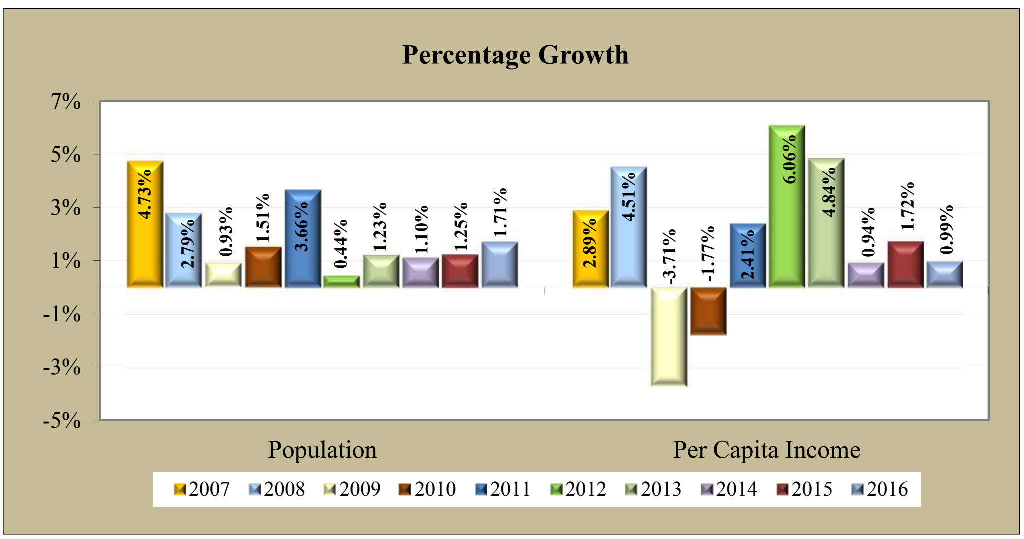
Table 15

Inland Empire Tobacco Securitization Bonds						
Revenue from Tobacco Settlement	**Less: Operating Expenses**	**Net Available Revenue**	**Debt Service Principal**	**Debt Service Interest**	**Coverage**	**Fiscal Year Ending June 30**
$ 8,913	$ 103	$ 8,810	$ 2,270	$ 6,559	99.79%	**2016**
9,092	113	8,979	2,325	6,665	99.88%	**2015**
9,283	105	9,178	2,435	6,781	99.59%	**2014**
15,687	123	15,564	8,650	7,193	98.24%	**2013**
9,462	107	9,355	1,655	5,301	134.49%	**2012**
9,290	123	9,167	6,135	3,615	94.02%	**2011**
6,496	155	6,341	3,610	3,794	85.64%	**2010**
9,500	134	9,366	4,235	3,995	113.80%	**2009**
7,798	2,448	5,350	3,785	3,306	75.45%	**2008**
-	-	-	-	-	0.00%	**2007**

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Ten Fiscal Years
June 30, 2016

Fiscal Year Ending June 30	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2016	2,347,828	$ 86,888,000 [1]	$ 34,506 [1]	427,537	5.90%
2015	2,308,441	81,296,000 [1]	34,169 [1]	425,883	6.60%
2014	2,279,967	78,239,388	33,590	426,227	8.40%
2013	2,255,059	76,289,477	33,278	425,968	10.20%
2012	2,227,577	71,555,000	31,742	425,707	12.60%
2011	2,217,778	69,438,900	29,927	424,086	14.40%
2010	2,139,535	64,376,498	29,222	423,986	14.50%
2009	2,107,653	63,228,086	29,748	419,643	14.00%
2008	2,088,322	64,504,000	30,894	420,450	8.40%
2007	2,031,625	61,024,000	29,560	404,331	5.70%



Notes 1: Projection based on 10 years' running average (2006 - 2015)

Source: Bureau of Economic Analysis
Riverside County Superintendent of Schools
State of California, Employment Development Department
California State Department of Finance

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago
June 30, 2016

	Fiscal Year			
	2016		2007	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	21,479	2.19%	19,669	2.27%
March Air Reserve Base	8,500	0.87%	8,750	1.01%
Stater Brothers Market	6,900	0.70%	6,125	0.71%
Amazon	7,500	0.77%		
University of California Riverside	8,306	0.85%	6,657	0.77%
Kaiser Permanente Riverside Medical Center	5,300	0.54%	3,200	0.37%
Pechanga Resort Casino	3,931	0.40%	4,800	0.55%
Corona-Norco Unified School District	5,098	0.52%		
Desert Sands Unified School District	4,202	0.43%		
Riverside Unified School District	3,973	0.41%	5,099	0.59%
Guidant Corporation			4,500	0.52%
Riverside Community College District			3,753	0.43%
Morongo Casino, Resort & Spa			3,000	0.35%
Total	75,189	7.68%	65,553	7.57%

Source: Economic Development Agency

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years
June 30, 2016

	Full-time Equivalent Employees				
	2016	**2015**	**2014**	**2013**	**2012**
Function/Program					
General government					
Legislative and administrative	88	84	86	89	81
Finance	422	408	415	399	405
Counsel	72	70	66	65	65
Personnel	185	180	157	154	159
Elections	31	23	24	25	34
Communication	-	-	-	-	11
Property management	398	404	394	397	507
Promotion	51	54	43	45	117
Other general	28	27	85	32	31
Public protection					
Judicial	1,214	1,202	1,239	1,221	1,294
Police protection	2,470	2,466	2,410	2,351	2,304
Detention and correction	2,419	2,389	2,216	2,169	2,085
Fire protection	227	227	212	212	200
Protection/inspection	82	76	83	86	86
Other protection	639	554	830	544	600
Administration	68	68	81	82	75
Public ways and facilities					
Public ways	384	387	375	370	411
Parking facilities	19	17	17	20	18
Health and sanitation					
Health	2,640	2,236	2,075	1,959	2,118
Hospital care	33	32	35	37	34
Public health ambulatory care	-	267	-	266	-
California children's services	141	142	139	134	140
Public assistance					
Aid programs	4,199	3,980	3,610	3,484	3,334
Veterans' services	14	14	13	13	12
Other assistance	207	270	271	291	289
Education, recreation and culture					
Library services	4	5	7	7	10
Agricultural extension	5	5	5	5	5
Cultural services	2	2	2	2	3
County business-type functions					
Hospital care	2,482	2,399	2,517	2,581	2,351
Sanitation	163	164	153	153	160
Internal service	3,213	2,876	2,763	2,641	2,775
Special districts/Component units	993	739	719	693	660
Total	22,893	21,767	21,042	20,527	20,374

Note: Temporary employees, 1,675, filled as of June 1, 2016 are included in the total number employees.
Source: County of Riverside, fiscal year 2016-17 Recommended Budget

Table 18

2011	2010	2009	2008	2007	Function/Program
					General government
87	98	92	96	92	Legislative and administrative
411	438	456	522	477	Finance
64	70	69	69	69	Counsel
172	167	182	216	191	Personnel
39	42	41	40	39	Elections
11	12	11	10	-	Communication
531	500	494	468	387	Property management
139	180	186	177	168	Promotion
32	36	36	39	-	Other general
					Public protection
1,345	1,444	1,485	1,506	1,371	Judicial
2,408	2,449	2,586	2,474	2,354	Police protection
2,067	2,076	2,220	2,174	1,972	Detention and correction
198	188	190	199	165	Fire protection
87	100	98	114	274	Protection/inspection
615	669	737	778	541	Other protection
62	65	58	60	50	Administration
					Public ways and facilities
413	465	506	532	517	Public ways
18	20	-	-	-	Parking facilities
					Health and sanitation
2,063	2,024	2,075	2,214	2,023	Health
31	31	30	30	31	Hospital care
-	-	-	-	-	Public health ambulatory care
138	143	148	168	159	California children's services
					Public assistance
3,089	3,132	3,159	3,297	2,948	Aid programs
12	12	12	13	12	Veterans' services
355	348	285	305	302	Other assistance
					Education, recreation and culture
1	-	1	1	1	Library services
5	5	5	6	5	Agricultural extension
3	3	3	2	2	Cultural services
					County business-type functions
2,295	2,246	2,186	2,097	1,889	Hospital care
174	198	211	206	170	Sanitation
2,315	2,418	1,723	2,202	2,934	**Internal service**
591	547	533	534	526	**Special districts/Component units**
19,771	20,126	19,818	20,549	19,669	**Total**

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2016

Function/Program		2016	2015	2015	2014	2013	2012
						Fiscal Year Ending June 30	
Agricultural Commissioner							
Export phytosanitary certificates	d	13,546	14,825	14,825	16,067	18,346	19,875
Pesticide use inspections	e	1,211	1,025	1,025	834	783	793
Weights and measures regulated		141,092	139,701	139,701	138,321	138,547	137,727
Agriculture quality inspections		350	497	497	524	456	553
Plant pest inspections		9,846	10,792	10,792	11,635	10,361	11,931
Nursery acreage inspected		7,708	7,020	7,020	7,064	6,156	6,920
Weights and measures inspected		75,508	63,695	63,695	80,461	63,653	51,074
Assessor-Clerk-Recorder							
Assessments		919,810	914,886	914,886	909,432	906,467	904,706
Official records recorded		555,870	540,589	540,589	530,777	648,812	592,531
Vital records copies issued		86,597	75,708	75,708	85,309	78,405	78,768
Official records copies issued		23,014	18,307	18,307	22,329	32,792	26,153
Auditor-Controller							
Invoices paid		359,917	368,001	368,001	425,003	426,660	389,798
Vendor warrants (checks) issued		227,037	228,750	228,750	232,034	259,458	255,463
Active vendors		28,697	30,604	30,604	84,680	80,011	78,887
Payroll warrants (checks) issued		564,546	541,390	541,390	524,990	509,376	509,468
Average payroll warrants (checks) per pay period		21,713	20,823	20,823	20,192	19,591	19,595
Audits per fiscal year		35	26	26	34	25	26
Tax bills levied		998,203	1,003,952	1,003,952	998,203	984,268	972,577
Tax refunds/roll changes processed		22,435	47,556	47,556	38,739	63,500	79,606
Community Action Partnership							
Utility assistance (households)		15,743	15,115	15,115	16,087	13,911	21,912
Weatherization (households)		997	967	967	479	179	842
Energy education attendees	a	10,398	6,395	6,395	4,991	6,368	14,950
Disaster relief (residents)	b	13,734	13,387	13,387	24,274	11,316	13,968
Income tax returns prepared	b	4,545	4,325	4,325	3,453	3,111	2,711
After school programs (students)		2,198	2,114	2,114	20,700	19,200	20,700
Homeless program (bed nights)	c	-	-	-	-	-	-
Homeless program (meals)	c	-	-	-	-	-	-
Leadership program enrollment	b	-	-	-	-	-	166
Mediation (cases)		2,579	2,527	2,527	2,723	1,905	2,181
Environmental Health							
Facilities inspections		30,919	31,897	31,897	35,325	32,045	36,201
Public Health							
Patient visits		143,956	134,481	134,481	124,099	135,795	109,870
Patient services		299,048	290,900	290,900	363,442	353,269	392,621
Animal Control Services							
Animal impounds (live animals)		41,773	37,644	37,644	37,037	35,201	36,518
Spays and neuters completed		14,508	13,216	13,216	13,690	11,908	9,771
Animal licenses sold		76,157	65,020	65,020	122,105	-	-
Service calls fielded		41,614	40,251	40,251	-	-	-

Note:
a - Number of pamphlets mailed
b - Program not yet started / not tracked
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of fiscal year 2007-08
d - Phytosanitary = Plant pest cleanliness
e - Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Table 19

			Fiscal Year Ending June 30			
2011	**2010**	**2009**	**2008**	**2007**		
						Function/Program
						Agricultural Commissioner
	25,745	36,772	29,288	22,266	d	Export phytosanitary certificates
764	682	831	903	840	e	Pesticide use inspections
134,290	131,175	129,528	129,726	121,986		Weights and measures regulated
693	643	668	643	1,061		Agriculture quality inspections
9,584	9,667	48,944	25,987	14,532		Plant pest inspections
6,338	6,923	7,627	7,851	9,226		Nursery acreage inspected
56,751	77,278	80,862	83,269	97,039		Weights and measures inspected
						Assessor-Clerk-Recorder
904,040	941,928	942,174	938,462	920,555		Assessments
612,804	673,674	682,708	773,308	957,123		Official records recorded
80,391	87,194	97,422	97,427	88,640		Vital records copies issued
28,990	26,348	33,135	34,711	35,319		Official records copies issued
						Auditor-Controller
412,374	488,192	522,097	504,866	449,367		Invoices paid
265,979	300,428	320,613	255,767	237,645		Vendor warrants (checks) issued
65,090	64,761	59,685	75,575	68,358		Active vendors
506,870	532,904	532,202	522,215	496,386		Payroll warrants (checks) issued
19,495	19,737	20,469	20,085	19,092		Average payroll warrants (checks) per pay period
26	30	30	31	34		Audits per fiscal year
999,241	977,115	974,041	1,004,076	1,069,352		Tax bills levied
123,476	115,904	152,672	89,527	98,769		Tax refunds/roll changes processed
						Community Action Partnership
22,207	27,956	12,869	9,902	13,337		Utility assistance (households)
1,375	2,083	1,033	853	465		Weatherization (households)
13,807	11,725	10,775	19,396	14,590	a	Energy education attendees
12,058	17,989	15,336	16,366	13,551	b	Disaster relief (residents)
3,006	2,257	2,011	1,828	1,384	b	Income tax returns prepared
18,400	13,800	11,000	10,905	10,905		After school programs (students)
-	-	-	12,822	13,198	c	Homeless program (bed nights)
-	-	-	25,644	26,396	c	Homeless program (meals)
593	182	-	209	-	b	Leadership program enrollment
2,178	2,237	1,821	2,144	2,133		Mediation (cases)
						Environmental Health
31,801	31,213	34,273	33,009	31,760		Facilities inspections
						Public Health
106,532	142,617	125,767	149,223	139,885		Patient visits
390,607	313,409	466,800	601,889	438,639		Patient services
						Animal Control Services
49,408	62,770	71,834	30,305	27,362		Animal impounds (live animals)
8,305	7,225	8,480	7,208	5,645		Spays and neuters completed
-	-	-	-	-		Animal licenses sold
-	-	-	-	-		Service calls fielded

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2016

Function/Program		Fiscal Year Ending June 30 2016	2015	2014	2013	2012
County Library						
Total circulation - books		2,704,884	2,792,388	3,023,637	3,059,094	3,387,218
Reference questions answered		478,827	487,093	371,953	434,057	441,269
Patron door count		4,069,001	4,216,087	3,919,125	4,148,012	4,080,738
Programs offered		10,423	9,547	6,819	6,521	8,382
Program attendance		176,502	154,391	139,223	143,053	163,692
Riverside University Health Systems - Medical Center						
Emergency room treatments		88,780	84,697	88,853	119,606	101,952
Emergency room services - MH		12,896	12,989	13,531	14,275	16,750
Clinic visits		116,277	104,693	124,255	125,471	127,546
Admissions		19,863	19,404	22,738	24,260	23,949
Patient days		104,276	106,466	118,467	124,599	121,949
Discharges		19,147	19,387	22,773	24,279	23,694
Fire						
Medical assistance		112,799	103,407	99,058	97,054	96,843
Fires extinguished		14,988	13,823	13,632	13,517	12,990
Other services		22,163	22,680	20,846	20,049	11,856
Communities served		94	94	94	94	78
Mental Health						
Mental health clients (crisis/long-term care)		42,764	41,942	39,765	37,591	35,696
Substance abuse clients		15,723	15,812	15,457	15,755	17,849
Detention clients		12,627	12,380	12,137	11,899	10,544
Probate conservatorship clients		479	404	379	355	351
Mental health conservatorship clients		1,005	986	942	858	879
Probation						
Adults on probation	a	14,422	16,496	16,922	17,406	14,992
Juveniles in secure detention	b	153	134	156	194	193
Juveniles in treatment facilities	b	57	57	79	86	107
Juveniles in detention facilities	a	6,375	5,810	7,154	8,505	9,148
Public Social Services						
CalWORKs clients		29,090	32,030	33,159	33,341	33,682
Food stamp clients		132,274	128,656	121,949	116,333	107,076
Medi-Cal clients		341,519	298,461	186,911	135,570	130,562
In-home support services		24,888	25,703	23,061	20,641	19,070
Foster care placements		4,063	4,041	3,725	3,237	3,113
Child welfare services		10,471	10,757	9,958	9,178	9,664
Homeless program (bed nights)	c	7,384	7,384	8,296	8,296	8,331
Homeless program (meals)	c	14,767	14,767	16,592	16,592	16,660

Note: a - Average monthly
b - Average daily
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of fiscal year 2007-08

Source: Various County Departments

Fiscal Year Ending June 30						
2011	2010	2009	2008	2007		Function/Program
						County Library
3,724,657	3,718,343	3,464,547	3,280,929	2,352,624		Total circulation - books
404,913	370,619	382,795	426,533	383,428		Reference questions answered
731,699	3,599,064	3,170,424	2,744,576	2,352,403		Patron door count
7,624	7,214	5,618	5,570	4,546		Programs offered
163,416	148,612	127,717	103,393	80,100		Program attendance
						Riverside University Health Systems - Medical Center
99,706	96,993	88,459	82,584	76,666		Emergency room treatments
15,376	14,288	9,702	7,867	7,624		Emergency room services - MH
129,041	131,624	129,171	124,318	123,479		Clinic visits
23,638	23,536	23,253	23,433	24,393		Admissions
123,250	121,915	118,452	115,811	112,138		Patient days
23,668	23,559	23,238	23,440	24,430		Discharges
						Fire
97,066	94,193	91,707	89,404	89,329		Medical assistance
4,271	4,449	4,406	5,659	6,372		Fires extinguished
16,522	17,076	18,486	19,472	16,310		Other services
78	78	78	78	78		Communities served
						Mental Health
33,260	30,657	30,065	29,814	28,476		Mental health clients (crisis/long-term care)
16,987	16,736	18,712	17,746	18,597		Substance abuse clients
8,874	10,831	12,781	9,441	5,522		Detention clients
424	474	256	206	232		Probate conservatorship clients
832	675	240	279	279		Mental health conservatorship clients
						Probation
16,271	17,790	17,469	17,022	15,974	a	Adults on probation
225	248	241	293	343	b	Juveniles in secure detention
128	125	112	113	126	b	Juveniles in treatment facilities
10,741	11,385	10,783	12,463	14,283	a	Juveniles in detention facilities
						Public Social Services
33,412	31,022	26,905	22,310	20,336		CalWORKs clients
91,606	74,484	52,877	36,339	30,781		Food stamp clients
124,061	116,758	107,904	101,542	105,578		Medi-Cal clients
18,201	16,852	16,307	14,845	13,934		In-home support services
3,130	3,085	3,486	5,057	4,306		Foster care placements
9,916	9,591	10,217	11,912	12,333		Child welfare services
10,746	12,900	10,854	-	-	c	Homeless program (bed nights)
21,494	25,800	21,707	-	-	c	Homeless program (meals)

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2016

					Fiscal Year Ending June 30	
		2016	**2015**	**2014**	**2013**	**2012**
Function/Program						
Registrar of Voters						
Voting precincts		869	1,193	846	1,218	853
Polling places		564	546	545	642	522
Voters	a	911,269	891,630	887,000	943,402	852,217
Poll workers		2,234	2,200	2,200	2,960	2,300
Sheriff						
Number of bookings		49,864	54,025	60,826	57,330	53,691
Coroner case load		13,885	12,958	12,164	11,639	10,947
Calls for services	b	193,763	190,816	176,339	172,664	176,062
Transportation and Land Management Agency - Building & Safety						
Building permits issued	c	-	1028	905	1116	836
Building plans checked	c	-	-	799	908	740
Building structures inspected	c	-	-	957	901	676
Veterans' Services						
Phone inquiries answered	d	38,812	32,778	31,445	36,107	36,707
Client interviews	d	25,072	17,281	17,448	14,714	14,990
Claims filed	d	6,792	6,345	5,998	5,735	6,030
Emails	d	9,884	6,584	3,138	-	-
Veterans reached at outreach events		3,591	3,725	-	-	-
Waste Resources						
Landfill tonnage		1,320,497	1,475,122	1,383,266	1,102,626	1,071,309
Recycling tonnage		2,052	1,386	2,503	2,679	2,206

Notes:
a - Number of voters that were mailed voting materials for all elections in the fiscal year
b - Unincorporated areas
c - Information not available for fiscal year 2015-16
d - Program not yet started / not tracked

Source: Various County Departments

Fiscal Year Ending June 30						
2011	2010	2009	2008	2007		**Function/Program**
						Registrar of Voters
1,649	2,370	2,387	3,474	1,472		Voting precincts
746	1,158	1,205	2,017	610		Polling places
1,009,933	1,815,892	1,747,556	1,705,406	931,821	a	Voters
3,281	4,186	6,287	8,355	2,622		Poll workers
						Sheriff
53,974	55,306	62,007	59,054	61,697		Number of bookings
10,555	10,027	9,582	9,394	9,212		Coroner case load
232,821	255,601	302,400	280,000	279,415	b	Calls for services
						Transportation and Land Management Agency - Building & Safety
863	1,568	1,337	2,658	5,786		Building permits issued
817	1,537	1,220	2,328	5,151	c	Building plans checked
1168	1,774	2,650	4,506	8,580	c	Building structures inspected
						Veterans' Services
43,617	41,569	39,393	29,553	23,287	d	Phone inquiries answered
15,630	25,209	13,955	10,571	8,199	d	Client interviews
5,485	5,581	5,812	5,194	3,786	d	Claims filed
-	-	-	-	-	d	Emails
-	-	-	-	-		Veterans reached at outreach events
						Waste Resources
1,071,394	1,032,942	1,024,267	1,220,124	1,325,284		Landfill tonnage
2,499	1,803	2,356	3,385	3,048		Recycling tonnage

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Ten Fiscal Years
June 30, 2016

	Fiscal Year Ending June 30				
Function/Program	**2016**	**2015**	**2014**	**2013**	**2012**
County Libraries					
Branch libraries	35	35	35	35	33
Book mobiles	2	2	2	2	2
Books in collection	1,168,364	1,382,932	1,393,689	1,657,925	1,570,834
Museum	1	-	-	-	-
Riverside University Health Systems - Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	44	44	44	37	
Beds licensed	439	439	439	439	439
Fire					
Stations	37	37	37	38	42
Trucks	158	158	145	142	145
Parks and Recreation					
Regional parks	11	14	11	11	11
Historic sites	5	5	5	5	5
Nature centers	4	4	4	4	4
Archaeological sites	6	5	6	6	6
Wildlife reserves	9	7	9	9	9
RV and mobile home parks	2	2	3	3	3
Managed areas	5	5	5	5	5
Recreational facilities	3	1	3	2	2
Community centers	1	1	-	-	-
Sheriff					
Patrol stations	10	10	10	10	10
Patrol vehicles	930	932	928	916	915
Waste Resources					
Landfills	6	6	6	6	6
Capacity in tons	62,191,202	54,232,021	54,230,474	54,230,474	54,189,339

Source: Various County Departments

Table 20

Fiscal Year Ending June 30					
2011	2010	2009	2008	2007	**Function/Program**
					County Libraries
33	33	33	33	29	Branch libraries
2	2	2	2	2	Book mobiles
1,668,434	1,612,925	1,564,186	1,552,108	1,784,149	Books in collection
-	-	-	-	-	Museum
					Riverside University Health Systems - Medical Center
4	4	4	4	4	Major clinics
30	30	30	30	30	Routine and specialty clinics
439	439	439	439	439	Beds licensed
					Fire
46	49	49	49	49	Stations
156	154	149	143	141	Trucks
					Parks and Recreation
12	12	13	13	13	Regional parks
4	4	6	6	6	Historic sites
4	4	5	5	5	Nature centers
6	6	7	7	7	Archaeological sites
9	9	16	16	16	Wildlife reserves
3	3	-	-	-	RV and mobile home parks
5	5	-	-	-	Managed areas
2	-	-	-	-	Recreational facilities
-	-	-	-	-	Community centers
					Sheriff
10	10	10	10	10	Patrol stations
896	883	923	974	702	Patrol vehicles
					Waste Resources
6	6	6	6	6	Landfills
54,177,558	51,794,663	51,794,663	51,609,663	51,609,663	Capacity in tons

Riverside County Comprehensive Annual Financial Report

Paul Angulo, CPA, MA
County Auditor-Controller

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

Riverside County Infrastructure Financing Authority
Riverside, California

County of Riverside
Riverside, California

Riverside County Infrastructure Financing Authority
Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside County Infrastructure Financing Authority (the "Authority") in connection with issuance of $46,970,000 aggregate principal amount of Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Series 2017 Bonds"), issued pursuant to an Indenture, dated as of December 1, 2017 (the "Indenture"), by and among the Authority, the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed a Facility Lease, a Site Lease, a Tax Certificate, an Assignment Agreement, opinions of counsel to the Authority, the County and the Trustee, certificates of the Authority, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2017 Bonds, the Facility Lease, the Site Lease, the Indenture, the Assignment Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Facility Lease, the Site Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2017 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2017 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2017 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds.

Faithfully yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the County of Riverside (the "County") in connection with the issuance of the $46,970,000 Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of December 1, 2017 (the "Indenture"), by and among the County, the Riverside County Infrastructure Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The County covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners (as defined below) of the Bonds and in order to assist the Participating Underwriter (as defined below, in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report of the County provided by the County pursuant to and as described in Section 3 of this Certificate.

"*Beneficial Owner*" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule, which person has accepted such appointment. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"*Listed Event*" means any of the events listed in Section 4(a) of this Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board and any successors or assigns, or any other entities or agencies approved under the Rule.

"*Participating Underwriter*" means any of the original purchaser of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*Repository*" means, until otherwise designated by the Commission, the Electronic Municipal Market Access website of the MSRB located at http://emma.msrb.org.

"*Rule*" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the audited financial statements for the 2016-17 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the Repository an Annual Report by the date required in subsection (a), the County shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent and the Trustee. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Authority stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County's beneficial use and possession of the Leased Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payment; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the Repository, MSRB or the Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the County shall give, or cause to be given, notice to the Repository of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) non payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Owners of the Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the County and to the Dissemination Agent (if any) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 5(a).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 60 days' written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, Section 4 or Subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any

Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

Dated: December 14, 2017

COUNTY OF RIVERSIDE

By ______________________________________
George Johnson, County Executive Officer

EXHIBIT A

FORM OF NOTICE TO MSRB
OF FAILURE TO FILE REPORT

Name of Issuer:	Riverside County Infrastructure Financing Authority
Name of Bond Issue:	$46,970,000 Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A
Name of Obligated Person:	County of Riverside, California
Issuance Date:	December 14, 2017

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated December 14, 2017, executed and delivered by the County. The County anticipates that such report will be filed by ____________.

Dated: ______________

COUNTY OF RIVERSIDE

By ______________________________________
Authorized Officer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested

by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Indenture or the Facility Lease. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, (RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: Royce Printing
www.royceprinting.com