NEW ISSUE - BOOK-ENTRY ONLY

Moody's: A2
S&P: AA-
See "RATINGS" herein

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the County described herein, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2012B Bonds is not excluded from gross income for federal income tax purposes nor are the owners thereof entitled to any credit under the Internal Revenue Code. Bond Counsel is further of the opinion that the interest on the 2012 Bonds is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

$87,510,000
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, 2012 Series A
(County of Riverside Capital Projects)

$3,020,000
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, 2012 Taxable Series B
(County of Riverside Capital Projects)

Dated: Date of Delivery **Due: As shown on the inside front cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or terms of the above-captioned bonds. Investors are advised to read the entire Official Statement, including the section entitled "RISK FACTORS" to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "2012A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds") are being issued pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (the "Original Indenture"), as amended and supplemented, including as amended and supplemented by a Supplemental Indenture of Trust No. 8, dated as of July 1, 2012 (the "Eighth Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee"), to (i) refund the Corporation's Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds"); (ii) provide funds for improvements to the Medical Center Campus (as hereinafter defined); (iii) deposit funds into the Debt Service Reserve Fund established under the Indenture; and (iv) pay the cost of issuance, all as more fully described herein. See "SOURCES AND USES OF FUNDS."

The 2012 Bonds are issuable as fully registered bonds registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2012 Bonds. Purchases of the 2012 Bonds may be made in book-entry form only, in the denominations set forth on the inside front cover of this Official Statement through brokers and dealers who are or who act through, DTC Participants. Beneficial owners of the 2012 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the 2012 Bonds will be made to DTC by the Trustee. Disbursements of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC Participants. See "THE 2012 BONDS—General—Book-Entry System for the 2012 Bonds" herein. Principal will be payable on the dates set forth on the inside cover of the Official Statement. Interest on the 2012 Bonds will be payable semiannually on June 1 and December 1, commencing December 1, 2012. Upon receipt of payments of principal or early redemption and interest, DTC will in turn remit such principal and interest to DTC Participants for subsequent disbursement to beneficial owners of the 2012 Bonds, all as more fully described herein.

The 2012 Bonds will be subject to optional and extraordinary redemption as described herein.

The 2012 Bonds will be payable and secured solely from revenues, consisting primarily of Base Rental payments to be made by the County to the Corporation for certain real property, equipment and improvements to be constructed thereon and in connection therewith (the "Facilities") under a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County, as amended, and an Equipment Lease, dated as of July 1, 1989, by and between the Corporation and the County, as amended to date (collectively referred to herein as the "Lease"). The 2012 Bonds will be secured on a parity basis with the Corporation's outstanding Leasehold Revenue Bonds 1993 Series A, 1993 Series B, 1997 Series A, 1997 Series B and 1997 Series C Bonds (County of Riverside Hospital Project). The County has covenanted in the Lease to take such action as may be necessary to include Base Rental and Additional Rental payments due under the Lease in its annual budget, and to make necessary annual appropriations therefor.

THE 2012 BONDS WILL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE PROCEEDS, REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE 2012 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

The 2012 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Corporation and the County by the Riverside County Counsel. Kutak Rock LLP, Los Angeles, California, served as Disclosure Counsel to the Corporation and the County. It is expected that the 2012 Bonds will be available for delivery through the DTC book-entry system on or about July 11, 2012.

BofA Merrill Lynch

De La Rosa & Co. **RBC Capital Markets**

Dated: June 27, 2012

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS®

	Maturity Date June 1,	Principal Amount	Coupon	Yield	Price	CUSIP
2012A Bonds	2013	$ 280,000	2.000%	0.500%	101.328	76911ABF1
	2014	220,000	2.000	0.920	102.017	76911ABG9
	2015	11,290,000	5.000	1.250	110.606	76911ABH7
	2016	5,000,000	4.000	1.450	109.607	76911ABJ3
	2016	6,860,000	5.000	1.450	113.374	76911ABQ7
	2017	5,000,000	4.000	1.770	110.398	76911ABK0
	2017	7,405,000	5.000	1.770	115.061	76911ABR5
	2018	12,970,000	5.000	2.130	115.802	76911ABL8
	2019	7,350,000	5.000	2.460	116.002	76911ABM6
	2027	10,500,000	4.000	4.120	98.670	76911ABN4
	2028	11,100,000	4.000	4.160	98.149	76911ABS3
	2029	9,535,000	4.000	4.200	97.594	76911ABP9
2012B Bonds	2019	$3,020,000	3.250%	3.250%	100.000	76911ABT1

COUNTY OF RIVERSIDE

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

Board of Supervisors

John Tavaglione, Second District, Chairman
John Benoit, Fourth District, Vice Chairman
Bob Buster, First District
Marion Ashley, Fifth District
Jeff Stone, Third District

County Officials

Jay Orr, County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel
Ed Corser, Finance Director

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President
Bernard Simon, Secretary and Vice President
Joe Deledonne, Vice President
Kari Middleton Vice President

SPECIAL SERVICES

Bond Counsel

Nixon Peabody LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

KNN Public Finance, A Division of Zions First National Bank
Oakland, California

Trustee

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriters to give any information or to make any representations 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 any of the foregoing. 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 2012 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 of the 2012 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 information and expressions of opinions herein are subject to change 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 Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The County maintains a website at http://www.countyofriverside.us. However, the information presented there is not part of this Official Statement and is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the 2012 Bonds.

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OFFICIAL STATEMENT

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(County of Riverside Capital Projects)

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County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, 2012 Taxable Series B
(County of Riverside Capital Projects)

INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with the offering of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects), in the aggregate principal amount of $87,510,000 (the "2012A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects), in the aggregate principal amount of $3,020,000 (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds"). The 2012 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (the "Original Indenture"), as amended and supplemented, including as amended and supplemented by a Supplemental Indenture of Trust No. 8, dated as of July 1, 2012 (the "Eighth Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee").

All capitalized terms used but not otherwise defined in this Official Statement shall have the meanings set forth in the Lease (as hereinafter defined) or the Indenture. See "APPENDIX D: SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

In 1989, the Corporation issued $200,102,532.50 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project) (the "1989 Bonds"). The 1989 Bonds were issued to provide funds to acquire and construct certain improvements and equipment (the "Improvements") to be located on certain real property (the "Property" together with the Improvements are hereinafter referred to as the "Facilities") leased by the Corporation to the County pursuant to a Lease and Option to Purchase, dated as of July 1, 1989, as amended, and an Equipment Lease, dated as of July 1, 1989; as amended, each by and between the Corporation and the County (collectively, the "Lease").

In 1993, the Corporation issued $134,535,000 Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project) (the "1993A Bonds") and $14,525,000 Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "1993B Bonds" together with the 1993A Bonds, the "1993 Bonds") for the purpose of refunding certain of the 1989 Bonds. In February 1997, the Corporation issued $41,170,072.65 Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project) (the "1997A Bonds") for the purpose of providing additional funds for the completion of the Facilities. In August 1997, the Corporation issued $68,720,000 Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds") and $3,265,000 Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) (the "1997C Bonds" and together with the 1997A Bonds and 1997B Bonds, the "1997 Bonds") for the purpose of refunding the remaining 1989 Bonds and providing additional funds for the completion of the Facilities.

The 2012A Bonds are being issued for the purpose of (a) refunding a portion of the 1997B Bonds maturing in the years 2013, 2016 and 2019 (the "Refunded 1997B Bonds"), in the aggregate principal amount of $63,765,000; (b) providing funds for additional improvements to the Medical Center Campus (as hereinafter defined); (c) depositing funds into the Debt Service Reserve Fund established under the Indenture; and (d) paying a portion of the costs of issuance of the 2012 Bonds. The 2012B Bonds are being issued for the purpose of paying costs of issuance of the 2012 Bonds, to refund the remaining Refunded 1997B Bonds in the aggregate principal amount of $625,000, and to pay a redemption premium applicable to the Refunded 1997B Bonds. A portion of the proceeds of the 2012 Bonds will be deposited pursuant to the Indenture for the prepayment of the Refunded 1997B Bonds maturing in 2016 and 2019 with U.S. Bank National Association, as the trustee for the Refunded 1997B Bonds (the "1997B Trustee and Escrow Agent"), and held by the 1997B Trustee and Escrow Agent for the sole benefit of the Owners of such maturities of the Refunded 1997B Bonds. A portion of the proceeds of the 2012 Bonds will be deposited in an escrow account held by the 1997B Trustee and Escrow Agent to defease the Refunded 1997B Bonds maturing in 2013 on June 1, 2013. See "PLAN OF FINANCE" herein. The 2012 Bonds will not be secured, in whole or in part, by moneys held by the 1997B Trustee and Escrow Agent for the prepayment of the Refunded 1997B Bonds. Upon the deposit of moneys with the 1997B Trustee and Escrow Agent, the Refunded 1997B Bonds will no longer be Outstanding under the Indenture. The 1993 Bonds, the 1997 Bonds, the 2012 Bonds and any Additional Bonds, Refunding Bonds and Capital Appreciation Bonds (as defined in the Indenture) issued from time to time pursuant to and under the Indenture are referred to collectively as the "Bonds."

The outstanding 1993 Bonds in the aggregate principal amount of $28,395,000, the outstanding 1997A Bonds in the aggregate principal amount of approximately $41,170,000 and the outstanding 1997C Bonds in the aggregate principal amount of $3,265,000 are payable on a parity with the 2012 Bonds.

Upon the issuance of the 2012 Bonds, the 2012 Bonds, the 1997 Bonds and the 1993 Bonds will be payable from Revenues consisting primarily of Base Rental payments to be made by the County to the Corporation pursuant to the terms of the Lease. Under the Lease, the County is required to deposit with the Trustee that portion of Base Rental due under the Lease semiannually on each June 1 and December 1 during the term of the Lease (or if such day is not a Business Day, on the immediately preceding Business Day). The County is also required under the Lease to pay as Additional Rental certain other costs and expenses relating to the Facilities and the Trustee. The County is required under the Lease to budget and appropriate annually the Base Rental and Additional Rental due under the Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Base Rental Payment Schedule" herein.

Brief descriptions of the 2012 Bonds, the Refunded 1997B Bonds, the Facilities, the Continuing Disclosure Certificate, the Lease, the Indenture, the County and the Corporation are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee.

THE FACILITIES

General

The County has owned and operated the Riverside County Regional Medical Center since 1893. In 1998, hospital operations were moved to newly-constructed facilities in Moreno Valley, California (the Medical Center"). The Medical Center is comprised of modern, seismically compliant buildings that were constructed beginning in 1990 and opened in December 1998. The Medical Center is owned by the Corporation and operated by the County, under the control and direction of the Riverside County Board of Supervisors (the "Board of Supervisors").

The Medical Center is located within an approximately 38 acre site that, together with the improvements thereon, comprises the Facilities subject to the Lease. The Facilities are located within approximately 58 acres of land that comprise the Medical Center campus (the "Medical Center Campus"). The Facilities will also include the Nursing and Allied Health Education Building to be constructed with proceeds of the Bonds, as further described under "-The Acquisition and Construction Fund" below. The remaining land of the Medical Center Campus is dedicated to activities supporting the Medical Center, including a free-standing dialysis center, integrated care community facilities and an office building.

The Medical Center is an approximately 520,000 square foot tertiary care and level II adult and pediatric facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital, and 77 licensed beds in a separate psychiatric facility. The Medical Center includes 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The Medical Center has the capacity to manage 200,000 patient visits annually in specialty outpatient clinics and the Trauma Center has the capacity to manage 100,000 patient visits annually. The Medical Center is also affiliated with several local colleges and community colleges for the training of nurses and professional health care workers. There are approximately 2,990 employees at the Medical Center.

Licensing and Accreditation

The County received a building permit for the Facilities from the Office of Statewide Health Planning and Development ("OSHPD") on August 18, 1994. The Facilities are licensed by the California Department of Health Services since 1998 and were previously licensed as Riverside General Hospital since 1893. The Facilities also comply with the Center for Medicare and Medicare Services Conditions of Participation. In addition, the Facilities are accredited by The Joint Commission, an independent, nonprofit organization that accredits and certifies more than 19,000 health care organizations and programs in the United States.

The Acquisition and Construction Fund

A portion of the proceeds of the 2012 Bonds will be used for the construction, renovation, equipping and furnishing of the operations building supporting the Medical Center (the "Operations Building"). The Operations Building, to be located on the Medical Center Campus and owned and operated by the County, is planned to be an approximately 50,000 square foot, two-story building consisting of an approximately 5,500 square foot data center, an approximately 12,000 square foot information services office space, an approximately 14,000 square foot plant operations center and an approximately 18,500 square foot warehouse located on the hospital campus. Approximately $15.5 million of proceeds of sale of the 2012 Bonds will be applied to the Operations Building project. The County expects the construction of the Operations Building to commence in 2012, following the issuance of the 2012 Bonds, and be completed in 2013. The Operations Building will not be subject to the Lease.

A portion of the proceeds of the 2012 Bonds will also be used for the construction, renovation, equipping and furnishing of a new Nursing and Allied Health Education Building (the "Nursing and Allied Health Education Building") to be located on the Medical Center Campus. The Nursing and Allied Health Education Building will be subject to the Lease and comprise part of the Facilities, and will be owned by CORAL and operated by the County. The proposed Nursing and Allied Health Education Building is planned to be a three-story structure with approximately 34,750 square feet. It will provide new and expanded space for services currently provided within the Medical Center, including nursing orientation, specialty training, new program development, patient education, coordination of outside speakers and clinical affiliation coordination. Program spaces will include a lobby, meeting hall, classrooms, teaching/simulation areas, administration areas, and open courtyard and support spaces. Approximately $13.5 million of proceeds of sale of the 2012 Bonds will be applied to the Nursing and Allied Health Education Building project. The County expects the construction of the Nursing and Allied Health Education Building to commence in 2012, following the issuance of the 2012 Bonds, and be completed in 2013.

PLAN OF FINANCE

A portion of the proceeds of the 2012 Bonds (the "Refunding Proceeds") will be deposited with the 1997B Trustee and Escrow Agent to redeem on August 10, 2012 (the "Redemption Date") the Refunded 1997B Bonds maturing on June 1, 2016 and June 1, 2019 and a portion of the Refunding Proceeds will be deposited in an escrow account held by the 1997B Trustee and Escrow Agent to defease the Refunded 1997B Bonds maturing in 2013 on June 1, 2013. The Refunding Proceeds will be applied by the 1997B Trustee and Escrow Agent to pay the principal of, accrued interest on, and redemption price with respect to the Refunded 1997B Bonds as set forth in the following table:

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP®
June 1, 2013	$ 455,000	5.100%	100%	768903CE4
June 1, 2016	25,070,000	5.700%	101%	768903CF1
June 1, 2019	38,865,000	5.000%	101%	768903CG9

The Refunding Proceeds will be deposited with the 1997B Trustee and Escrow Agent in the Redemption Fund established under the Indenture until such Refunding Proceeds are applied on the Redemption Date to redeem the Refunded 1997B Bonds maturing June 1, 2016 and June 1, 2019. Upon the deposit of the Refunding Proceeds with the 1997 Trustee and Escrow Agent, the Refunded 1997B Bonds maturing June 1, 2013 will be defeased and no longer Outstanding pursuant to the Indenture. Upon the issuance of the 2012 Bonds, Bond Counsel will render an opinion that the Refunded 1997B Bonds are no longer Outstanding under the Indenture.

The remaining proceeds of the 2012 Bonds will be used to pay for improvements of the Medical Center Campus, including the acquisition, construction, installation, equipping and furnishing of the Operations Building and the Nursing and Allied Health Education Building (the "2012 Improvements") and to pay for the costs of issuance of the 2012 Bonds. Proceeds of the 2012 Bonds will also be applied to deposit money into the Debt Service Reserve Fund held by the Trustee under the Indenture for the common benefit of all of the Outstanding Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" below.

ESTIMATED SOURCES AND USES OF 2012 BOND PROCEEDS

Following is a table of the estimated sources and uses of funds with respect to the 2012 Bonds:

Sources of Funds	
Par Amount of 2012A Bonds	$87,510,000.00
Net Premium	6,889,689.95
Par Amount of 2012B Bonds	3,020,000.00
Total Sources	$97,419,689.95
Uses of Funds	
Redemption of 1997B Bonds	$65,695,427.75
Acquisition and Construction Fund	30,000,000.00
Debt Service Reserve Fund	1,150,531.00
Costs of Issuance Fund [1]	573,731.20
Total Uses	$97,419,689.95

[1] Includes certain legal fees, financing and consulting fees, Underwriters' discount, fees of Bond Counsel, Disclosure Counsel, Underwriters' Counsel, Trustee, and the Financial Advisor, printing costs, rating agency fees, title insurance and other miscellaneous expenses.

THE 2012 BONDS

General Provisions

The 2012 Bonds will be dated the date of delivery. Interest on the 2012 Bonds will be payable from such dates at the rates set forth on the inside cover page of this Official Statement.

The 2012 Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2012 Bonds will be issued in fully registered form and individual purchases will be made in book-entry form only. Principal at maturity or early redemption and interest are payable by U.S. Bank National Association, as trustee, to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such principal at maturity or early redemption and interest to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the 2012 Bonds, as described in APPENDIX F: "BOOK-ENTRY SYSTEM."

The 2012 Bonds will be issued in denominations of $5,000 and any multiple integral thereof. Interest will be payable semi-annually on June 1 and December 1, commencing December 1, 2012.

Book-Entry System for 2012 Bonds

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 2012 Bonds. The 2012 Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC's partnership nominee. One fully registered bond certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC. See APPENDIX F: "BOOK-ENTRY SYSTEM."

Redemption Provisions of the 2012 Bonds

Optional Redemption of the 2012 Bonds.

The 2012A Bonds maturing on or before June 1, 2019 are not subject to redemption prior to maturity at the option of the Corporation. The 2012A Bonds maturing on or after June 1, 2027 are subject to redemption, on or after June 1, 2022, at the option of the Corporation, upon the direction of the County, in whole or in part on any day at a redemption price equal to the principal amount of the 2012A Bonds to be redeemed, together with accrued but unpaid interest to the redemption date, without premium.

The 2012B Bonds are not subject to redemption prior to maturity at the option of the Corporation.

Mandatory Redemption of the 2012 Bonds.

The 2012 Bonds are not subject to mandatory redemption prior to their maturity.

Extraordinary Redemption of the 2012 Bonds.

In the event of a deposit of funds into the Prepayment Account by virtue of (a) the County's decision not to use insurance or condemnation proceeds to make repairs to the Facilities or (b) an abatement of Base Rental due to a title defect relating to the Facilities, the Trustee shall provide for the call and redemption of the 2012 Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

The 2012 Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

Procedure for and Notice of Redemption of 2012 Bonds. The Trustee shall give notice of each redemption to Owner of any 2012 Bonds of a series designated for redemption by first-class mail, postage prepaid, at the address which appears upon the Bond Register of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any 2012 Bonds.

Selection of 2012 Bonds for Redemption. Whenever less than all the 2012 Bonds of a series of like maturity shall be called for prior redemption, the Trustee shall select 2012 Bonds from such series for redemption by lot in such manner as the Trustee in its discretion may deem appropriate; provided, however, that the portion of any 2012 Bond of a series to be redeemed shall be in the principal amount of an Authorized Denomination.

When any of the 2012 Bonds are to be redeemed at the request of the Corporation as set forth in the Indenture, such request shall state whether such redemption shall be conditioned on a deposit of sufficient funds or if sufficient moneys will be on deposit prior to sending the notice of redemption.

DEBT SERVICE REQUIREMENTS

Under the Indenture, Base Rental payments payable by the County to the Corporation are due and payable by the County on each June 1 and December 1, commencing on December 1, 2012. Pursuant to the Indenture, on June 1 and December 1 of each year, commencing on December 1, 2012, the Trustee will apply such amounts as are necessary to make principal, premium, if any, and interest payments with respect to the 2012 Bonds as the same shall become due and payable, as shown in the following table:

PARITY BONDS
DEBT SERVICE SCHEDULE

Bond Year Ending June 1	2012 Bonds Principal	2012 Bonds Interest	2012 Bonds Total Principal and Interest[1]	1993B Bonds Principal and Interest	1997A and 1997C Bonds Principal and Interest	Total Parity Bonds Principal and Interest
2013	$ 280,000	$ 3,597,600	$ 3,877,600	$ 7,835,803	$ 7,764,697	$ 23,355,699
2014	220,000	4,041,700	4,261,700	7,879,398	7,739,697	24,142,494
2015	11,290,000	4,037,300	15,327,300	-	4,189,697	34,844,297
2016	11,860,000	3,472,800	15,332,800	-	4,184,697	34,850,297
2017	12,405,000	2,929,800	15,334,800	-	4,189,697	34,859,297
2018	12,970,000	2,259,550	15,329,500	-	4,184,697	34,843,797
2019	10,370,000	1,711,050	12,081,050	-	7,444,697	31,606,797
2020	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2021	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2022	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2023	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2024	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2025	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2026	-	1,245,400	1,245,400	-	19,505,000	21,955,800
2027	10,500,000	1,245,400	11,745,400	-	-	23,490,800
2028	11,100,000	825,400	11,925,400	-	-	23,850,800
2029	9,535,000	381,400	9,916,400	-	-	19,832,800
Total	$90,530,000	$33,319,800	$123,849,800	$15,715,200	$176,232,879	$439,647,675

[1] Represents total debt service of the 2012 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the 2012 Bonds, are payable from lease payments by the County made from its General Fund.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds constitute special, limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured as to principal and redemption price thereof and interest thereon, and as to any premiums upon the redemption thereof, solely from (a) the proceeds of the sale of the Bonds, (b) the Revenues, (c) the Funds and Accounts under the Indenture (other than the Excess Earnings Fund, the County Contribution Account and any fund or account established pursuant to the Indenture, relating to the deposit of moneys to defease any Bonds); and (d) other property subject to the lien of the Indenture, and do not constitute obligations, nor evidence any indebtedness, of the County or the State. The Bonds are not secured, in whole or in part, by moneys held by the Trustee for the redemption of the Refunded 1997B Bonds. **The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction**.

Revenues are defined in the Indenture to mean (a) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to the ownership of the Facilities, including all revenues attributable to the Facilities or to the payment of the costs thereof received or to be received by the Corporation under the Lease or any part thereof or any contractual arrangement with respect to the use of the Facilities, including payments of Base Rental; (b) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Facilities; (c) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund); (d) all damage payments received from the County that are not a part of the Cost of the Project (as defined in the Indenture); and (e) all proceeds of rental interruption insurance policies carried with respect to the Facilities pursuant to the Lease or in accordance with the Indenture.

Base Rental. The obligation of the County to make Base Rental payments when due is a general fund obligation of the County and does not constitute a debt of the County for which the County is obligated to pledge or levy any form of taxation or for which the County has levied or pledged any form of taxation. Base Rental payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from proceeds of the Bonds, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Debt Service Reserve Fund established under the Indenture.

The Trustee, pursuant to the Indenture and the Lease, will receive Base Rental payments for the benefit of the Owners of the Bonds. The County is required under the Lease to make semiannual Base Rental payments from legally available funds, and Base Rental payments are scheduled to be sufficient to pay, when due, the principal of and interest on the Bonds. The Trustee's obligation to make such payments to Owners is limited to amounts designated as principal of and interest on the Bonds. Additional Rental payments due from the County under the Lease include amounts sufficient to pay certain taxes and assessments, insurance premiums, all fees and charges and certain administrative costs. Base Rental payments will be abated proportionately in the event of damage to, destruction or condemnation of the Facilities or any portion thereof. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Facilities Lease" herein. The County is also responsible for repair and maintenance of the Facilities during the term of the Lease.

The County has covenanted in the Lease to take such action as may be necessary to include the annual portion of all rental payments due under the Lease for the Facilities in its annual budget and to make the necessary annual appropriations therefor.

So long as the County has the use and occupancy of the Facilities, the obligation of the County to make Base Rental and Additional Rental payments and payment of all other amounts provided for in the Lease, and to perform its obligations thereunder will be absolute and unconditional and such payments will not be subject to setoff, counterclaim or recoupment, subject only to provisions in the Indenture related to abatement.

The Lease provides that the covenants of the County thereunder are deemed ministerial duties imposed by law, and it further provides that it will 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 official to enable the County to carry out and perform the covenants and agreements of the County contained in the Lease.

Should the County default under the Lease, the Corporation may exercise any and all remedies available at law or in equity or granted pursuant to the Lease and may elect, without terminating the County's rights under the Lease, to continue the Lease in effect and enforce all of its rights and remedies thereunder, including the right to recover Base Rental payments as they become due. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS –The Facilities Lease" herein. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee the rents of the Trust Estate (as defined in the Indenture), and confers upon the Trustee the power to collect such rents and appoints the Trustee as its attorney-in-fact to demand, receive and enforce payment of such rents. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Indenture" herein.

Debt Service Reserve Fund

A Debt Service Reserve Fund in an amount equal to the lesser of (a) the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds; or (b) 10% of the sum of the principal amount of the Bonds, less original issue discount, if any (the "Debt Service Reserve Requirement") is pledged to pay principal of and interest on the Outstanding Bonds. Amounts in the Debt Service Reserve Fund are to be used for such purpose only in the event amounts in the Debt Service Fund are insufficient to make such payments. If on any Interest Payment Date the amounts in the Principal Account or Interest Account of the Debt Service Fund are less than the principal and interest then due with respect to the Outstanding Bonds on such date, then the Trustee will transfer from the Debt Service Reserve Fund, for credit to the Interest Account and/or Principal Account, amounts sufficient to make up such deficiencies.

The Indenture provides that, at the option of the Corporation as directed by the County, amounts required to be held in the Debt Service Reserve Fund may be substituted by the deposit with the Trustee of a Credit Facility (as defined in the Indenture) in a stated amount equal to the Debt Service Reserve Requirement provided certain conditions are satisfied.

As of April 1, 2012, there was $19,599,869 in cash and securities on deposit in the Debt Service Reserve Fund funded from proceeds of the 1989 Bonds and the 1993B Bonds. Upon the issuance of the 2012 Bonds, $1,150,531.00 of the proceeds of the 2012 Bonds will be deposited in the Debt Service Reserve Fund and the Debt Service Reserve Fund will be funded at the lesser of maximum annual debt service on the Bonds or 10% of the aggregate amount of Bonds Outstanding.

Insurance

The Lease provides that the County will maintain rental interruption insurance throughout the term of the Lease so that in the event Base Rental payments are abated due to loss of use and occupancy of the Facilities as a result of any of the hazards required to be covered by property insurance required by the Lease, moneys will be available in an amount sufficient to pay two years' maximum Base Rental payments under the Lease.

The Lease also requires the County to maintain insurance on the Facilities against loss or damage to the Facilities or any portion thereof known as "all risk," including loss or damage caused by earthquake or flood or explosion of steam boilers, pressure vessels and similar apparatus, except that if such insurance is not available from insurers of recognized responsibility at reasonable cost on the open market, the County may self-insure under the terms and conditions set forth in the Lease. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — The Facilities Lease" and "RISK FACTORS–Risk of Uninsured Loss; Earthquakes" herein.

The County plans to obtain, contemporaneously with the issuance of the 2012 Bonds, a CLTA title insurance policy from Chicago Title Company with respect to the Facilities in the amount of the aggregate principal amount of all of the outstanding Bonds.

Hospital Finances and Operations

The County has covenanted in the Lease to take such action as may be necessary to include the annual portion of all rental payments due under the Lease for the Facilities in its annual budget and to make the necessary annual appropriations therefor. The County also anticipates the receipt of funds from the operation of the Facilities will be used in their entirety to supplement amounts in the County's General Fund.

The Medical Center receives a majority of its funds from federal and State sources including Medicare, Medi-Cal and other funds for uninsured and underinsured patients. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE-FINANCIAL INFORMATION-Medical Center" herein.

At June 30, 2011, the Medical Center reflected unrestricted net assets of approximately $92.9 million. The Medical Center had a cash balance of approximately $36.8 million as of June 30, 2011. In Fiscal Year 2010-11, the Medical Center had an increase in net unrestricted assets of approximately $5.4 million. The Medical Center continued to experience a decline in patient collections in Fiscal Year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by the Medical Center in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, the Medical Center may receive additional payments from the State for Fiscal Year 2010-11 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

The Medical Center's financial operations are the largest of the County's business-type activities, and are undertaken as a separate enterprise fund. For Fiscal Year 2010-11, Medical Center revenues and expenses comprised 87% of the total revenues and expenses for all of the County's enterprise funds.

The Medical Center has historically relied upon the County's General Fund and operating reserves to finance a portion of the Medical Center's cash flow needs and to fund a portion of the Medical Center's operating expenses. The total General Fund subsidy includes redevelopment pass-through funds, tobacco settlement revenues (each as further described below) and a general County contribution. For each of fiscal year 2011-12 and fiscal year 2012-13, the County expects to contribute approximately $10 million to the Medical Center from general fund tobacco settlement revenues and $5 million in redevelopment pass-though funds (discussed below) to support debt service on the Facilities and to offset operating expenses. There can be no assurance that larger contributions from the County's General Fund will not be required in future years. See APPENDIX A: " INFORMATION REGARDING THE COUNTY OF RIVERSIDE-Financial Information-Medical Center."

The table below shows a summary history of the General Fund funding components to the Medical Center.

COUNTY OF RIVERSIDE
GENERAL FUND SUBSIDY TO THE MEDICAL CENTER

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Tax Increment Revenue	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Tobacco Settlement Revenue	16,600,000	10,000,000	10,000,000	10,000,000	10,000,000
County contribution	14,400,000	21,000,000	13,700,000	9,000,000	0
Total General Fund Subsidy	$36,000,000	$36,000,000	$28,700,000	$24,000,000	$15,000,000
Use of Medical Center Budget Reserves	$31,160,000	($2,375,000)	$17,170,000	$6,310,000	$1,939,000

In consideration for the County agreeing to locate the Medical Center within the City of Moreno Valley, the Redevelopment Agency of the City of Moreno Valley (the "Redevelopment Agency") contracted with the County to apportion over a twenty-five year period an annual amount of $5,000,000 once tax increment exceeds an annual threshold amount of $7,000,000. The total contractual commitment by the Redevelopment Agency to the County is up to $75,000,000 over twenty-five years. To date, the County has received a total of $38,034,794 pursuant to this agreement. The full amount may not be realized due to declines in real estate values. The County has received the full $5,000,000 in each of the past five fiscal years and expects to receive such amount each year through fiscal year 2018-19. Effective February 1, 2012, the City of Moreno Valley is acting as the successor agency to the Redevelopment Agency. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" herein and APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE-Financial Information-Redevelopment Agencies" for a discussion of recent developments regarding the dissolution of redevelopment agencies and its impact on the County.

The County receives tobacco settlement revenues under a Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, the State of California and six other U.S. jurisdictions in 1998 in settlement of certain cigarette-smoking related litigation. A portion of such revenues, consisting of the first $10 million per year until December 31, 2020 and the first $11.5 million per year from January 1, 2021 to December 31, 2026, are intended to be used by the County for debt service and operating costs related to the Facilities, and the remainder of such revenues has been pledged to pay debt service with respect to tobacco-asset backed bonds issued by the Inland Empire Tobacco Securitization Authority (a blended component unit of the County), the proceeds of which were applied for acquisition of certain County capital projects, facilities and improvements, including the expansion of the Smith Correctional Facility in the City of Banning and acquisition of an office building in the City of Riverside and land in the cities of Perris and Desert Hot Springs. In the fiscal year ended June 30, 2011, $19.1 million was received by the Tobacco Authority, of which $10 million was distributed to the County and applied towards hospital debt service and operating costs, and the remaining $9.1 million was pledged to the Tobacco Authority bonds.

Senate Bill 1732, later amended by Senate Bill 2665, was adopted by the legislature of the State of California (the "State") in 1988. SB1732 permits hospitals which contract to provide Medi-Cal in-patient hospital services to receive reimbursement for a portion of the costs of qualified capital projects and directs the State to make supplemental reimbursement payments to those hospitals that meet the requirements of the program. SB 1732 funds may only be used for debt service related to qualified hospital capital projects. The Facilities operate as and expect to continue to qualify as a Disproportionate Share Hospital. The County anticipates that debt service on the portion of the 2012 Bonds allocated to the Refunded 1997B Bonds will continue to be eligible for reimbursement under SB 1732. The amount of reimbursement for a hospital during any fiscal year is computed through a formula which takes into account debt service for that year on indebtedness issued to finance any such capital project and the percentage of hospital patient days attributed to Medi-Cal patients. The County expects to receive reimbursements of approximately 45.8% of qualifying debt-service payments. The County has qualified for and received $8.9 million in the past fiscal year pursuant to the County's participation in the SB1732 program. These payments are subject to annual budget appropriations by the State legislature. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 2012 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2012 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 2012 Bonds. There can be no assurance that other risk factors will not become material in the future.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The slowdown of the economy of the County which began in 2008 is still ongoing, as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums, in each case as compared to historical levels. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Not a Pledge of Taxes

The obligation of the County to make Base Rental payments or Additional Rental payments under the Lease 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 of the County to make Base Rental payments or Additional Rental payments under the Lease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay the Base Rental payments and Additional Rental payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental payments and Additional Rental payments.

Additional Obligations of the County

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the County. The County is currently liable on other obligations payable from general revenues. The County has the capability 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 that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE– Financial Information – Long-Term Obligations of County" and "– Lease Obligations" attached hereto for a description of other obligations payable from general revenues of the County.

Limitations on Remedies

The rights of the Owners of the 2012 Bonds are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the 2012 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the 2012 Bonds and/or delays in the enforcement of such rights. In addition, the rights of Owners of the 2012 Bonds may be limited by the rights of MBIA Insurance Corporation, as bond insurer with respect to the Outstanding Parity Bonds, to consent to amendments to the Indenture and the Lease, and to direct proceedings upon a default with respect to the insured Parity Bonds.

Default

In the event of default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease. The remedies provided for in the Lease include, in addition to all other remedies provided at law, terminating the Lease and reletting the Property and retaining the Lease and holding the County liable for each installment of Base Rental payments as it becomes due. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments was due and against funds needed to serve the public welfare and interest.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Debt Service Reserve Fund for the Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, Base Rental payments due under the Lease with respect to the Facilities or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Facilities or any portion thereof, there is substantial interference with the use or right of possession by the County of the Facilities or a portion thereof. Base Rental payments will be abated proportionately under the Lease. The amount of abatement will be such that the resulting Base Rental payments and Additional Rental payments represents fair rental value for the use and possession of the remaining portions of the Facilities as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere.

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. Currently, 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. When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is 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 rain water 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, including the Facilities, 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 Property and the abatement of the Base Rental payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Lease to cause to be maintained certain insurance policies on the Facilities; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. These insurance policies are "all risk" policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. Currently, the County maintains earthquake and flood insurance with respect to the Facilities. In the event the Facilities are damaged or destroyed due to a casualty for which the Facilities is uninsured, an abatement of the Base Rental payments could occur and could continue indefinitely. The providers of the County's liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Facilities will be sufficient to prepay the Bonds.

The County is obligated under the Lease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Facilities as part of its applicable "all-risk" insurance policy, provided that such insurance is available from reputable insurers at a reasonable cost. The County in the past has purchased an "all-risk" insurance policy with respect to certain properties located within the County. Accordingly, the Facilities are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Facilities, sustain one or more losses or damages in a fiscal year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Facilities.

For additional information regarding the County's risk management programs, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE–Financial Information – Insurance" and APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease" attached hereto.

THE COUNTY

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 2,227,577 as of January 1, 2012, reflecting a 1% increase over the prior year.

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, and serve staggered four-year terms. The Chair of the Board is elected by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services 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.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the Board to serve one-year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA was subsequently amended in 1986, as discussed below. Article XIIIA 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 on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have 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, and 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.

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 the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of 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 the County continues as part of its allocation in future years.

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIIIB. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIIIB provided that the “base year” for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIIIB permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity’s revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

The County’s appropriations limit for the Fiscal Year 2010-11 was $2,050,230,730 and the amount shown in its budget for that year as the appropriations subject to limitation was $971,645,571. The County’s appropriations limit for Fiscal Year 2011-12 is $2,139,732,138 and the amount subject to the limitation is $900,975,704.

Right To Vote on Taxes Initiative-Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 (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.

Proposition 218 (Article XIIID) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. 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.

Proposition 218 (Article XIIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any 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. No such initiative is currently pending, or to the knowledge of the County, proposed.

The County is unaware of any assessments imposed by the County which, if challenged, would adversely affect County finances. Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time-to-time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved 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 of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *County of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. County of La Habra, et al*. ("La Habra"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, 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 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. Such shifting occurred in the 2009-10 Fiscal Year. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget." 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 VLF rate then in effect, 0.65 percent 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 finances of the County.

Proposition 25

According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the

Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the Legislature is still required to override any veto by the Governor.

Proposition 26

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal become effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

Assessment Appeals and Assessor Reductions

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In Fiscal Year 2011-12, the secured property tax roll declined by approximately 1.5% from the prior year. The County expects assessed valuation to decline by approximately 0.0% to 2.5% in Fiscal Year 2012-13, primarily as a result of declining commercial property values which were not subject to unilateral reductions by the County Assessor under Proposition 8. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

The County Assessor prepares the tax roll in each spring and summer. Owners are notified of changes in valuation by early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For Fiscal Year 2011-12 over 414,000 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 1A, 25 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.

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 with respect to the 2012 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 2011-12, approximately 39% of the County's General Fund budget revenues consist of payments from the State and 21% consists of payments from the Federal government. For Fiscal Year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and 20.7% will consist of payments from the Federal government.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn and slow recovery resulted in General Fund revenues in Fiscal Year 2010-11 ($93.2 billion) that are 9.2% lower from their peak in Fiscal Year 2007-08 ($102.6 billion). Since the beginning of 2010, the nation and California have been gradually recovering from what has been characterized as the worst recession since the Great Depression. Recent national economic output has grown as has personal income in both the State and the nation, and job growth has similarly. However, because of the magnitude of the economic displacement resulting from the recession, California continues to face significant financial challenges. To the extent the State is constrained by constitutional or statutory spending limits, or by other fiscal considerations, State assistance to local governments may be reduced. Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. In 2009, the California legislature enacted legislation allowing the State to delay scheduled payments to local governments in Fiscal Year 2010-11, until May 2011. In prior years, the State's cash management problems caused it to refrain from making some payments or issuing "IOUs" so that the State's "priority payments," such as debt service and payroll, could be made as scheduled. The State's budgetary decisions during the recent economic downturn have had, and will continue to have, a significant financial and programmatic impact on counties, cities and other local jurisdictions. For a discussion of the County's budget and finances, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial 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 neither takes 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 County or the Underwriters, and the County and the Underwriters take no 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 2011-12. On June 30, 2011, the State's budget for fiscal year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget projects State General Fund revenues and transfers for fiscal year 2011-12 at $88.5 billion, a reduction of $6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at $85.9 billion – a reduction of $5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of $22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of $34.2 billion and bond fund expenditures of $9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately $7.1 billion in Fiscal Year 2010-11) and the transfer of about one percent of the State sales tax rate to local governments to fund the realignment described further below. See "Realigning Services to Local Governments" below. Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 ("ARRA") which supported about $4.2 billion of State General Fund programs in fiscal year 2010-11.

The 2011 Budget Act closed a projected budget gap of $26.6 billion over Fiscal Years 2010-11 and 2011-12, and projected a $543 million reserve by June 30, 2012, for a total of $27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the State's tax base.

The 2011 Budget Act includes, but is not limited to, the following major expenditure reductions and other significant solutions targeted towards solving the State General Fund budget gap:

(a) Reduction in Medi-Cal health benefits & spending by $2.0 billion;

(b) Reduction in the State's support of the University of California and California State University by $1.4 billion; and

(c) Reduction in California Work Opportunity and Responsibility to Kids Program ("CalWORKs") grants by $837 million.

Redevelopment Agencies. Legislation enacted as part of the 2011 Budget Act, upheld by the California Supreme Court, has resulted in the formal dissolution of redevelopment agencies effective February 1, 2012. The statute redirects the property tax increment that would have been received by the dissolved redevelopment agencies, after payment of redevelopment debt obligations and "pass through" payments to local agencies that they would have received under the prior law, be paid to local agencies and school and community college districts and special districts according to their base property tax allocations. For a discussion of the potential impact on the County of the dissolution of redevelopment agencies, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE-Financial Information-Redevelopment Agencies."

Realignment of Certain Services to Local Governments. As part of the 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). In total, Realignment provides $6.3 billion to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs in Fiscal Year 2011-12. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate ($5.1 billion); 2) the redirection of $763 million of the revenue generated by Proposition 63 (the "millionaire tax" which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues ($463.0 million).

Realignment is best understood as comprising two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has 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 has resulted 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 a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. The County has received a $22 million appropriation from the State to address the needs of the realigned criminal justice population. In the current fiscal year, the County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism.

Events Subsequent to Adoption of the 2011 Budget Act. The 2011 Budget Act recognized the potential risk to the State's fiscal condition if certain forecasted revenues did not materialize and included a "trigger mechanism" to provide automatic expenditure reductions if the projections of Fiscal Year 2011-12 revenues, as updated in November and December of 2011 by the State's Legislative Analyst Office and the State's Department of Finance, respectively, were more than $1 billion less than projected under the 2011 Budget Act.

On December 13, 2011, the Department of Finance estimated that State revenues for Fiscal Year 2011-12 would not meet, and would be $2.2 billion less than, earlier revenue projections. If projected revenues fell short of expectations by more than $1 billion, the Legislature had established the specific spending reductions (up to a maximum of approximately $1.5 billion in reductions) that should occur determined by the amount of the projected revenue shortfall. As part of its December forecast and based on its forecast that revenue would be $2.2 billion less than projected, the Department of Finance decreased expenditures by $980,831,000. These reductions, effective January 1, 2012, included:

(a) $248 million from the Home-to-School Transportation program;

(b) $102 million from California community college apportionments;

(c) $100 million from the Department of Developmental Services;

(d) $100 million from the University of California; and

(e) $100 million from the California State University.

The County did not experience a material impact on its receipt of revenues from the State as a result of these "trigger" reductions.

State Budget for Fiscal Year 2012-13. In June 2012, the State budget for Fiscal Year 2012-13 (the "2012 Budget Act") was enacted. The 2012 Budget Act recognized a budget gap of $15.7 billion, comprised of a 2011-12 estimated deficit of $6.9 billion and a 2012-13 projected deficit, absent corrective actions, of $8.8 billion. The 2012 Budget Act includes a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the 2012 Budget Act includes $8.1 billion in expenditure reductions, $6.0 billion in additional revenues and $2.5 billion in other budget solutions. The 2012 Budget Act proposes that voters approve, at the November 2012 election, an increase in personal income tax on the State's wealthiest individuals for seven years and an increase in sales tax of one-quarter percent for four years. The 2012 Budget Act includes a "backup plan" if the ballot measure is not approved by the voters, which entails $5.9 billion in further cuts including further impacts on education and public safety.

Features of the 2012 Budget Act affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of $469.1 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

LAO's Overview of Fiscal Year 2012-13. The Legislative Analyst's Office Overview of the Governor's Budget was released on January 11, 2012, and its overview of the May Revision was released on May 18, 2012 (together, the "Budget Overview"). The Budget Overview projects lower revenues than are estimated by the 2012 Budget Act, but acknowledges that the adoption of the budgetary actions included in the 2012 Budget Act would move the State closer to a balanced budget over the next few years.

The Budget Overview credits the Governor for the proposed restructuring of the K-12 finance system, the community college categorical funding model and the education mandate system. The Legislative Analyst's Office looks favorably on these proposals, stating that the restructuring would overcome the main longstanding fundamental shortcomings of education funding and would institute lasting improvements. Likewise, the Budget Overview agrees with the 2012 Budget Act that now is not the time to initiate major new programs or authorize program expansions, such as the transitional kindergarten program and Cal Grant expansions scheduled to commence in 2012-13.

However, the Budget Overview highlighted several concerns with respect to the proposed budget which were not addressed by the 2012 Budget Act, including the uncertainty caused by increased dependency on income tax payments by the State's wealthiest individuals and the uncertainty caused by the timing of the election. Also, the Budget Overview recommends that the Legislature should carefully consider the Governor's proposed reductions in CalWORKs and child care, as well as whether specific proposed trigger plans are workable. The Budget Overview also finds that the administration's estimate of liquid assets and property taxes available for distribution from former redevelopment agencies, and the timing of such distributions, is subject to considerable uncertainly, which may cause the State's budget deficit to be greater than estimated by the administration.

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.

TAX MATTERS

2012A Bonds

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2012A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2012A Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate, executed by the Corporation and the County relating to the 2012A Bonds (the "Tax Certificate"), the Corporation and the County have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2012A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the County have made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the County described above, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2012A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the 2012A Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the 2012A Bonds nor as to the taxability of the 2012A Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the 2012A Bonds maturing June 1, 2027 through June 1, 2029, inclusive; (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2012A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The 2012A Bonds maturing on June 1, 2013 through June 1, 2019, inclusive; (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the 2012A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the 2012A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2012A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2012A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2012A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix C. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2012A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2012A Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2012A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2012A Bonds from gross income for federal or state income tax purposes, or otherwise. For example, the President recently released legislative proposals that would, among other things, subject interest on tax-exempt bonds (including the 2012A Bonds) to a federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2012A Bonds may occur. Prospective purchasers of the 2012A Bonds should consult their own tax advisors regarding the impact of any change in law on the 2012A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2012A Bonds may affect the tax status of interest on the 2012A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2012A Bonds, or the interest thereon, if any action is taken with respect to the 2012A Bonds or the proceeds thereof upon the advice or approval of other counsel.

2012B Bonds

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the 2012B Bonds (the "Taxable Bonds"). The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Taxable Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

IRS Circular 230 Notice

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Taxable Bonds. The advice set forth herein is written to support the promotion or marketing of the Taxable Bonds. Each owner of the Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

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Generally

In the opinion of Nixon Peabody LLP, Bond Counsel, interest on the Taxable Bonds is <u>not</u> excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Taxable Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Taxable Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Taxable Bonds issued with original issue discount ("Discount Taxable Bonds"). A Taxable Bond will be treated as having been issued at an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Taxable Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Taxable Bond's "stated redemption price at maturity" is the total of all payments provided by the Taxable Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Taxable Bond is the sum of the "daily portions" of original issue discount with respect to such Taxable Bond for each day during the taxable year in which such holder held such Taxable Bond. The daily portion of original issue discount on any Discount Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Taxable Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Taxable Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Taxable Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount

Any owner who purchases a Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Taxable Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Taxable Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Taxable Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held the Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium

A purchaser of a Taxable Bond who purchases such Taxable Bond at a cost greater than its then principal amount (or, in the case of a Taxable Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Taxable Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Taxable Bonds.

Sale or Redemption of Taxable Bonds

A bondowner's tax basis for a Taxable Bond is the price such owner pays for the Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Bond, measured by the difference between the amount realized and the Taxable Bond basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Taxable Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%) with respect to interest or original issue discount on the Taxable Bonds. This withholding generally applies if the owner of a Taxable Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Taxable Bonds will be reported to the bondowners and to the IRS.

Nonresident Bondowners

Under the Code, interest and original issue discount income with respect to Taxable Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Corporation and the County (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Taxable Bonds.

State Taxes

Bond Counsel is also of the opinion that interest on the Taxable Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Taxable Bonds nor as to the taxability of the Taxable Bonds or the income therefrom under the laws of any state other than California.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the 2012 Bonds.

LEGAL MATTERS

The validity of the 2012 Bonds and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C: "FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation. None of Bond Counsel, counsel to the Underwriters, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the 2012 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX E: "FORM OF THE CONTINUING DISCLOSURE CERTIFICATE." Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the 2012 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Lease.

For each of the last five years the County has timely filed each of its annual reports and all notices of material events as required by its previous undertakings with respect to the Rule. However, the County has recently determined that such previous filings did not include certain budget information required by its previous undertakings. Such information was however available on the County's website and/or available in other continuing disclosure filings made by the County. The County has subsequently filed such budget information and is currently in compliance with all of its undertakings with respect to the Rule.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the 2012 Bonds, the Lease or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the 2012 Bonds. Neither the County nor the Corporation is aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Base Rental payments. See APPENDIX A: "THE COUNTY OF RIVERSIDE-Financial Information-Litigation" for a discussion of the County's pending general litigation.

FINANCIAL STATEMENTS

The County's audited financial statements with supplemental information for the year ended June 30, 2011, are included in this Official Statement as part of APPENDIX B: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or 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 the date of its report.

RATINGS

Moody's Investors Service and Standard & Poor's have assigned the 2012 Bonds the ratings of "A2" and "AA-," respectively. In addition, both such rating agencies have issued stable outlooks for these ratings. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2012 Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or any of them, if in their, or its, judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriters undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2012 Bonds.

UNDERWRITING

The 2012 Bonds are being purchased through negotiation by Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and as representative of E.J. De La Rosa & Co., Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the 2012 Bonds at a purchase price of $97,193,853.73 (representing the par amount of the 2012 Bonds, plus net original issue premium in the amount of $6,889,689.95, less an Underwriters' discount of $225,836.22). The Underwriters are obligated to purchase all of the 2012 Bonds if any are purchased.

The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2012 Bonds.

The Underwriters may also offer and sell the 2012 Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

De La Rosa & Co., one of the Underwriters of the 2012 Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the 2012 Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the 2012 Bonds with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

FINANCIAL ADVISOR

The Corporation and the County have retained KNN Public Finance, A Division of Zions First National Bank, Oakland, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2012 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

EXECUTION AND DELIVERY

The preparation and distribution of this Official Statement have been authorized by the Corporation and the County.

COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION

By: /s/ Harold Trubo
President

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ Christopher Hans
Deputy County Executive Officer

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APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

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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 2,227,577 as of January 1, 2012, representing an approximately 1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2003 to January 1, 2012, the County's population grew by 28.7%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 265,366 as of January 1, 2012. After giving effect to such incorporations, the population in the unincorporated areas of the County increased by 19.3% during such ten-year period. Currently, the growth in the County has tempered due to the economy. Between January 1, 2011 and January 1, 2012, the County population increased by approximately 1%, a rate close to the statewide average.

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	2008	2009	2010	2011	2012
Banning	28,148	28,551	29,507	29,723	29,965
Beaumont	31,317	32,448	36,496	38,034	38,851
Blythe	21,627	21,346	20,873	20,063	20,400
Calimesa	7,423	7,504	7,853	7,910	7,998
Canyon Lake	10,994	11,143	10,528	10,606	10,689
Cathedral City	51,972	52,508	51,037	51,400	51,952
Coachella	40,317	41,043	40,464	41,339	41,904
Corona	146,698	148,770	151,854	153,047	154,520
Desert Hot Springs	25,939	26,584	25,852	27,277	27,638
Eastvale	-	-	-	54,090	55,602
Hemet	73,205	74,931	78,335	79,309	80,089
Indian Wells	5,000	5,099	4,941	4,990	5,035
Indio	80,962	82,325	75,122	76,817	78,065
Jurupa Valley	-	-	-	-	96,456
Lake Elsinore	49,556	50,324	51,445	52,294	53,024
La Quinta	42,743	43,830	37,307	37,688	38,075
Menifee	-	67,819	77,267	79,139	80,589
Moreno Valley	182,945	186,515	192,654	194,451	196,495
Murrieta	99,576	100,835	103,085	104,051	104,985
Norco	27,143	27,189	27,066	26,968	27,053
Palm Desert	50,686	51,570	48,132	48,920	49,971
Palm Springs	47,019	47,653	44,385	44,829	45,279
Perris	53,340	54,387	67,879	69,506	70,180
Rancho Mirage	16,975	16,938	17,168	17,399	17,504
Riverside	296,191	300,769	302,814	306,069	308,511
San Jacinto	35,491	36,521	44,043	44,421	44,803
Temecula	99,873	102,713	99,611	101,255	103,092
Wildomar	-	31,374	32,006	32,414	32,719
TOTALS					
Incorporated	1,525,140	1,650,689	1,677,724	1,754,009	1,861,944
Unincorporated	553,461	459,193	501,968	451,722	365,633
County-Wide	2,078,601	2,109,882	2,179,692	2,205,731	2,227,577
California	37,883,992	38,255,508	37,223,900	37,510,766	37,678,563

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 2007 through 2011.

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
2007			
Riverside County	$ 38,631,365	$45,310	44.3%
California	$814,894,437	$48,203	47.9%
2008			
Riverside County	$ 40,935,407	$46,958	46.2%
California	$832,531,445	$48,952	48.8%
2009			
Riverside County	$40,935,686	$46,852	46.2%
California	$832,528,809	$48,915	48.7%
2010			
Riverside County	$ 41,337,856	$47,080	46.6%
California	$844,822,042	$49,736	49.7%
2011			
Riverside County	$ 38,492,225	$44,253	43.07%
California	$801,393,028	$47,117	46.78%

(1) Estimated.
(2) Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009, 2010 and 2011.

Industry And Employment

The County is a part of the Riverside-San Bernardino 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, as reflected in the following table.

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

INDUSTRY	2007	2008	2009	2010	March 2012[2]
Agriculture	16.4	15.9	14.9	14.8	15.4
Construction	112.5	90.7	67.9	59.5	55.0
Finance Activities	49.8	46.1	42.5	41.1	38.3
Government	225.3	229.9	228.4	224.3	228.4
Manufacturing:	118.5	106.9	88.8	84.6	87.6
Nondurables	36.5	34.3	30.6	29.6	31.1
Durables	82.1	72.5	58.1	55.0	56.5
Natural Resources and Mining	1.3	1.2	1.1	1.0	1.0
Retail Trade	175.6	168.6	156.2	154.6	154.3
Professional, Educational and other Services	446.2	441.3	419.0	414.9	442.1
Transportation, Warehousing and Utilities	69.5	70.2	66.8	66.5	68.4
Wholesale Trade	56.8	54.1	48.9	48.8	50.9
Information, Publishing and Telecommunications	15.4	14.9	15.1	15.9	14.9
Total, All Industries	1,287.3	1,239.7	1,149.7	1,126.0	1,156.3

(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.
(2) Monthly totals, preliminary.

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

The following table sets forth the major employers located in the County as of 2011:

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(2011)

Company Name	Product/Service	No. of Local Employees[2]
County of Riverside	County Government	17,702
March Air Reserve Base	Military Reserve Base	9,000
Stater Bros. Markets	Supermarkets	6,900
University of California, Riverside	University	5,790
Wal-Mart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Pechanga Resort & Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500
Hemet Unified School District	School District	3,238

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.
(2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.
Source: County Economic Development Agency

Unemployment statistics for the County, the State and the United States are set forth in the following table.

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2007	2008	2009	2010	2011	March 2012
County[1]	6.0%	8.5%	13.6%	14.7%	13.6%	12.8%
California[1]	5.3	7.2	11.4	12.4	11.7	11.0
United States[2]	4.6	5.8	9.3	9.6	8.9	8.2

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) 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 two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2006 through 2010, the period for which data is currently available:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2006	2007	2008	2009	2010
Apparel Stores	$ 1,080,385	$ 1,171,013	$ 1,121,543	$ 1,293,271	$1,391,174
General Merchandise Stores	3,250,377	3,272,665	3,081,989	2,855,733	2,947,905
Drug Stores	303,177	320,469	307,947	288,768	292,463
Food Stores	1,309,782	1,352,609	1,254,366	1,144,235	1,152,507
Packaged Liquor Stores	78,895	84,397	98,338	106,981	115,251
Eating and Drinking Places	2,316,422	2,388,039	2,340,554	2,266,853	2,317,486
Home Furnishing and Appliances	948,217	843,945	816,379	858,098	883,109
Building Materials & Farm Implements	2,738,153	1,961,911	1,435,337	1,128,595	1,232,145
Auto Dealers & Supplies	4,326,040	4,301,385	3,115,036	2,449,747	2,620,568
Service Stations	2,630,716	2,835,690	3,011,476	2,300,247	2,685,840
Other Retail Stores	2,860,181	2,710,393	2,106,283	1,364,956	1,281,052
Retail Stores Total	$21,842,345	$21,242,516	$18,689,249	$16,057,488	$16,919,500
All Other Outlets	7,973,892	7,781,093	7,314,346	6,170,390	6,233,280
Total All Outlets	$29,816,237	$29,023,609	$26,003,595	$22,227,878	$23,152,780

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2007.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
(IN THOUSANDS)

	2007	2008	2009	2010	2011
RESIDENTIAL					
New Single-Family	$2,207,320	$1,214,752	$ 891,825	$ 914,058	$651,747
New Multi-Family	238,316	243,741	76,717	71,152	115,064
Alterations and Adjustments	141,996	118,490	85,148	94,429	119,684
Total Residential	$2,587,832	$1,576,983	$1,053,690	$1,079,639	$886,495
NON-RESIDENTIAL					
New Commercial	$ 682,331	$ 539,944	$ 94,653	$ 191,324	$152,160
New Industry	184,506	70,411	12,278	6,686	10,000
New Other[(1)]	240,765	138,766	107,334	98,105	99,898
Alterations & Adjustments	350,539	292,694	162,557	243,265	297,357
Total Nonresidential	$1,458,141	$1,041,815	$376,822	$ 539,380	$559,415
TOTAL ALL BUILDING	$4,045,973	$2,618,798	$1,430,512	$1,619,019	$1,445,910

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2007	2008	2009	2010	2011
Single Family	9,763	3,815	3,424	4,031	2,676
Multi-Family	2,690	2,104	784	526	1,073
TOTAL	12,453	5,919	4,208	4,557	3,749

Source: Construction Industry Research Board

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES

Year	Los Angeles	Riverside	San Bernardino	Southern California[(1)]
2006	$515,000	$419,000	$365,000	$481,000
2007	535,000	395,000	355,000	487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000

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

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES

Year	Los Angeles	Riverside	San Bernardino	Southern California[(1)]
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003

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

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons 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 value of agricultural production in the County for 2006 through 2010 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2006	2007	2008	2009	2010
Citrus Fruits	$ 107,897,000	$ 121,387,100	$ 135,759,800	$ 101,652,000	$140,501,000
Trees and Vines	191,321,200	189,286,500	173,678,000	191,682,600	164,994,000
Vegetables, Melons, Miscellaneous	213,643,300	234,854,700	266,414,900	221,286,700	292,002,200
Field and Seed Crops	68,611,700	94,492,000	123,545,400	69,699,800	81,328,300
Nursery	270,992,800	272,326,200	230,416,200	206,499,900	169,341,300
Apiculture	3,554,300	3,948,900	5,637,000	5,017,600	4,631,700
Aquaculture Products	11,514,700	9,829,200	12,077,700	5,243,900	4,921,700
Total Crop Valuation	$ 867,535,000	$ 926,124,600	$ 947,529,000	$ 801,082,500	$857,720,200
Livestock and Poultry Valuation	234,903,400	338,938,600	321,060,900	214,672,800	235,926,300
Grand Total	$1,102,438,400	$1,265,063,200	$1,268,589,900	$1,015,755,300	$1,093,646,500

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 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.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe 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, including the cities of Palm Springs and Indio. 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 Los Angeles World Airports, a proprietary department of the City of Los Angeles. 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. Ninety-five 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 Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 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 uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The governor and the state legislature are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

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. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

Riverside County operates on an annual budget cycle. Under the 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. A final budget that reflects any revisions to the recommended budget must be adopted 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 a quarterly review, with major adjustments generally addressed at the end of the first, second and third quarters.

Fiscal Year 2011-12 Budget

The Board of Supervisors approved the budget for fiscal year 2011-12 on September 13, 2011. The adopted budget includes total general fund appropriations of approximately $2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures. The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 incorporated direct cuts and labor savings of $31 million and a $28 million draw on reserves. In recent years, the County has targeted a minimum unrestricted reserve level of 15% of discretionary revenues.

For fiscal year 2011-12, approximately 39% of the County's general fund revenue is estimated to consist of payments from the State and 21% is estimated to consist of payments from the Federal government. The County estimates that discretionary revenue decreased by $8 million from the prior year to $584 million for fiscal year 2011-12.

The assessed valuation of taxable property decreased by approximately 1.5%, equating to a decrease of approximately $9.4 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 were budgeted at $119 million. Any such revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately $25 million, a reduction of more than $3 million from the prior year due to revenue loss associated with newly incorporated areas.

Fiscal Year 2012-13 Budget

In June 2012, the Board of Supervisors approved the Fiscal Year 2012-13 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately $2.4 billion. For Fiscal Year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and 20.7% will consist of payments from the Federal government. Discretionary revenue is budgeted to decline to approximately $572 million for fiscal year 2012-13, a reduction of approximately 2% from the fiscal year 2011-12 adjusted budget estimates. The adopted budget includes a reduction in discretionary spending of approximately $39 million from the prior fiscal year.

Property tax revenue is budgeted at approximately $266 million for Fiscal Year 2012-13, and represents approximately 46% of the County's discretionary revenue. Preliminary indications from the County Assessor assume a potential decrease in assessed valuation in Fiscal Year 2012-13 of approximately 2% to 2.5% from Fiscal Year 2011-12. Such potential decrease is primarily a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years. Because projections of assessed valuations are volatile, for budgetary purposes assessed valuation is assumed to remain consistent with Fiscal Year 2011-12. In July 2012, the County Assessor will finalize the Fiscal Year 2012-13 assessment roll. If such assessment roll reflects a decrease in assessed valuation, the resulting reduction in discretionary revenue will require additional budget cuts to be included in the final budget in an estimated total of up to approximately $10 million.

In addition, the Executive Office anticipates additional costs for upcoming fiscal years, including a larger operating budget associated with the newly implemented public safety communications project, increased labor costs based on newly negotiated agreements with various labor unions, and the County's commitment to the State to expand correctional facilities.

Impacts of State Budget

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 and 2012-13 budgets. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring 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.

Final Budget Comparison

The following table compares the general fund budgets for each of 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 2008-09, 2009-10, 2010-11, 2011-12 AND 2012-13
(IN MILLIONS)

	2008-09 Budget	2009-10 Budget	2010-11 Budget	2011-12 Budget	2012-13 Budget
REQUIREMENTS					
General Government	$ 238.6	$ 239.2	$ 175.3	$ 174.4	$ 180.4
Public Protection	1,132.0	1,055.2	1,062.4	1,060.0	1,072.1
Public Ways and Facilities	2.1	2.2	0.0	0.0	0.0
Health and Sanitation	392.3	395.2	396.0	411.9	430.1
Public Assistance	791.1	815.5	780.0	802.9	762.3
Education	0.6	0.4	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.3	0.4	0.0
Debt Retirement-Capital Leases	22.3	6.8	6.8	5.0	5.0
Contingencies	34.8	30.0	20.0	20.0	7.0
Increase to Reserves	5.0	(12.8)	17.5	2.4	2.3
Total Requirements[(3)]	$2,619.1	$2,532.0	$2,458.9	$2,477.7	$2,459.8
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 107.1	$ 112.8	$ 107.8	$ 90.1	$ 74.0
Estimated Revenues:					
Property Taxes	287.2	244.9	222.4	214.9	211.5
Other Taxes	49.1	46.1	46.0	35.5	35.0
Licenses, Permits and Franchises	24.9	20.7	19.8	18.1	17.7
Fines, Forfeitures and Penalties	60.6	55.7	58.0	56.2	51.7
Use of Money and Properties	29.7	13.5	11.2	10.0	7.4
Aid from Other Governmental Agencies:					
State	991.8	962.0	921.7	936.3	1,005.5
Federal	465.4	511.1	501.2	506.7	493.9
Charges for Current Services[(2)]	385.1	452.7	461.0	462.8	442.6
Other Revenues[(2)]	217.9	112.5	111.9	147.7	120.5
Total Available Funds[(3)]	$2,619.1	$2,532.0	$2,458.9	$2,477.7	$2,459.8

(1) Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

(2) Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.

(3) 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 April 30, 2012, the portfolio assets comprising the PIF had a market value of $5,926,568,258.87.

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, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is 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 2011 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 to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of April 30, 2012, was as follows:

	% of Pool
Federal Agency Securities	77.00
Cash Equivalents & Money Market Funds	7.37
Commercial Paper	4.65
Medium Term Notes	0.00
Municipal Notes	1.98
Certificates of Deposit	0.00
Repurchase Agreements	4.22
U.S. Treasury Bonds	3.04
Local Agency Obligations [(1)]	1.74
Total	100.00%
Book Yield:	0.44%
Weighted Average Maturity:	1.10 years

[(1)] Includes County obligations issued by the Riverside District Court Financing Corporation and the CalTrust Short Term Fund.
Source: County Treasurer-Tax Collector

As of April 30, 2012, the market value of the PIF was 100.11% 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. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa/MR1" 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 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. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the twenty-eight dollar administrative cost, a fifteen dollar 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 describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2011-12

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
2000-01	$1,106,323,882	$40,719,497	3.68%	$1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
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	N/A	N/A	N/A	N/A

(1) The Levy and Collection data reflects 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.
(3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured 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
2000-01	$44,069,979	$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
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	74,917,295[3]	89.29[3]

(1) The Levy and Collection data reflects 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 secured and unsecured taxes.
(3) Reflects partial year collections, through November 2011.
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 describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2001-02 THROUGH 2011-12

Fiscal Year	Tax Levy for Increased Assessments(1),(2),(3)	Refunds for Decreased Assessments(1), (3)	Net Supplemental Tax Levy	Collections(1),,(2)
2001-02	$ 68,229,225	$ 2,080,315	$ 66,148,910	$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
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)	6,925,205	16,813,302
2011-12(6)	17,846,534	13,440,897	4,405,636	6,159,869

(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 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.
(6) From July 2011 through February 2012.

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 2007-08 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[1]
FISCAL YEARS 2007-08 THROUGH 2011-12
(IN MILLIONS)

Category	2007-08	2008-09	2009-10	2010-11	2011-12
SECURED PROPERTY:					
Land	$ 76,817	$ 82,768	$ 69,917	$ 65,877	$ 64,308
Structures	153,297	149,837	137,292	132,431	131,516
Personal Property	841	860	906	819	836
Utilities	2,807	3,154	2,907	3,018	3,614
Total Secured	$233,762	$236,529	$211,022	$202,145	$200,274
UNSECURED PROPERTY:					
Land	$ 9	$ 16	$ 2	$ 14	$ 29
Improvements	3,199	3,866	3,761	3,748	3,778
Personal Property	3,996	4,426	4,154	4,049	3,975
Total Unsecured[2]	$ 7,204	$ 8,308	$ 7,917	$ 7,811	$ 7,782
Grand Total	$248,966	$244,837	$218,939	$209,956	$208,059

(1) Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIIIA of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 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.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and remained at the lower levels since 2009. See "Demographic and Economic Information-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

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 marked values call for such reductions.

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of $16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately $40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2011-12 totaling approximately $21.8 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 $1.9 billion of assessed value was reduced from the County tax roll in fiscal year 2010-11 and fiscal year 2011-12, representing $19 million in general purpose taxes over the two-fiscal year period. 68% of the fiscal year 2010-11 assessment appeals have been completed. The majority of the remaining fiscal year 2010-11 assessment appeals are expected to be completed by November 30, 2012.

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 2012-13 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2010-11 assessment appeals still to be completed; (ii) a portion of the fiscal year 2011-12 and fiscal year 2012-13 assessment appeals being completed during fiscal year 2012-13.

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 to 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 2010-11, approximately 55% of all taxing entities 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, at $14.8 million as of June 30, 2011. 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 sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately $171.3 million. The total amount of approximately $171.3 million is comprised of approximately $64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately $106.6 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. The letter of credit will expire on November 5, 2012.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2011-12.

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
COMBINED TAX ROLLS†

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
Southern California Edison Company	$23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Federal National Mortgage Association	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowes HIW Inc.	2,616,515.40	0.09
Ashby USA	2,489,779.40	0.09
Blythe Energy, LLC	2,462,725.50	0.09
Chelsea GCA Realty Partnership	2,454,238.36	0.09
Federal Home Loan Mortgage Corp.	2,425,075.80	0.09
Richmond American Homes of Maryland Inc.	2,345,048.08	0.08
Target Corp.	2,326,056.98	0.08
Costco Wholesale Corp.	2,306,008.70	0.08
WalMart Real Estate Business Trust	2,192,416.22	0.08
Pacific Bell Telephone Co. DBA AT&T California	2,188,606.38	0.08
KB Home Coastal Inc.	2,125,032.80	0.08
Deutsche Bank National Trust Company	2,061,692.28	0.07
Palm Desert Funding Co.	2,031,157.10	0.07
Health Care REIT	2,004,059.06	0.07
Watson Laboratories Inc.	1,991,964.94	0.07
Total	**$104,239,378.48**	**3.69%**
Total Tax Charge for 2011-12	**$2,825,246,587.69**	

† 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 2011-12 are shown below.

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2011-12
BY ASSESSED VALUE

ASSESSEE	ASSESSED VALUE
Federal National Mortgage Association	$ 406,311,651
Eisenhower Medical Center	348,117,164
Abbott Vascular Inc.	300,813,032
Kaiser Foundation Hospitals	299,690,062
Walgreen Co.	265,725,430
Target Corp.	213,907,840
Wells Fargo Bank	211,650,832
Lowes HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	196,869,609
Subtotal	$ 2,656,959,546
All Others	202,530,732,634
Total	$205,187,692,180 †

† 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. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2010-11, the County retained approximately 12.44% of the total amount collected (and is budgeted to retain 12.39% in fiscal year 2011-12). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution effective as of February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

Redevelopment Agencies

The California Community Redevelopment Law (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. Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2011-12

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2][3]
2000-01	$10,966,072,778	$20,127,612,843	$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
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[4]	56,587,373,841	594,154,174

(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.
(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Includes general purpose and debt; excluded negative increment.
(4) Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2011-12.

Source: County Auditor-Controller

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. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County had 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 $2,667,188,535, and a 2011-12 assessed value of $86,592,259. In fiscal year 2011-12, the pass-through payment to the County's general fund from the County's redevelopment agency totaled $1,600,442.73, 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 will no longer receive pass-through payments from the County redevelopment agency, but these amounts are relatively modest and will be largely offset by the County's receipt of its tax allocation under the AB 8 formula. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

In fiscal year 2012-13, the County expects to receive approximately $81 million in pass-through payments pursuant to agreements with various city redevelopment agencies. County Counsel has opined that pursuant to ABx1 26 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. Based on this opinion, no budget adjustments have been made as a result of the dissolution of such redevelopment agencies. However, there is uncertainty with respect to the interpretation of the provisions of ABx1 26 applicable to pass-through payments, and no court has yet interpreted these specific provisions. Furthermore, the Legislative Analyst's Office has asked the State legislature to adopt clarifying legislation which contradicts the County Counsel's interpretation. It is possible that an adverse judicial interpretation or the adoption of clarifying legislation would result in the County not receiving the pass-through payments but would instead receive a significantly lesser amount of tax revenues under the AB8 formula.

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 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* 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, 2011, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2006-07 THROUGH 2010-11

(In Thousands)

	2006-07	2007-08	2008-09	2009-10	2010-11
BEGINNING FUND BALANCE	$ 446,918	$ 570,964	$ 481,776[1]	$ 372,121	$ 386,486
REVENUES					
Taxes	301,573	309,295	274,480	229,631	221,807
Licenses, permits and franchises	25,803	24,525	19,840	16,724	18,187
Fines, forfeitures and penalties	81,148	90,788	107,147	112,813	93,528
Use of money and property – Interest	62,848	61,623	33,414	12,197	8,196
Use of money and property – Rents and concessions	2,805	2,578	3,157	3,936	3,669
Government Aid – State	893,390	905,998	908,334	820,432	856,327
Government Aid – Federal	430,606	473,731	472,210	504,605	490,088
Governmental Aid-Other	81,703	95,808	95,812	89,312	82,147
Charges for current services	319,198	358,767	364,649	367,249	369,780
Other revenues	38,856	29,308	36,149	30,670	37,654
TOTAL REVENUES	$2,237,932	$2,352,421	$2,315,192	$2,187,569	$2,181,383
EXPENDITURES					
General government	$ 119,365	$ 145,290	$ 146,816	$ 130,516	$ 109,146
Public protection	916,524	1,032,582	1,062,437	1,005,679	1,025,584
Public ways and facilities	4,405	4,717	4,378	-	-
Health and sanitation	341,467	368,753	382,588	333,068	345,649
Public assistance	644,912	704,404	719,328	712,353	731,017
Education	394	464	675	551	548
Recreation and cultural	203	206	230	312	364
Capital Outlay	8,811	8,670	22,746	31,018	8,321
Debt service	29,751	26,132	22,501	21,876	24,829
TOTAL EXPENDITURES	$2,065,932	$2,291,218	$2,361,699	$2,234,373	$2,245,458
Excess (deficit) of revenues over (under) expenditures	172,000	61,203	(46,507)	(47,804)	(64,075)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 89,449	$ 104,892	$ 99,825	$ 168,833	$ 106,047
Transfer to other funds	(146,214)	(269,961)	(185,719)	(132,682)	(93,217)
Capital Leases	8,811	8,670	22,746	31,018	8,321
Total other Financing Sources (Uses)	(47,954)	(153,399)	(63,148)	62,169	21,151
NET CHANGE IN FUND BALANCES	$ 124,046	$ (92,196)	$ (109,655)	$ 14,365	$ (42,924)
FUND BALANCE, END OF YEAR[2]	$ 570,964	$ 478,768	$ 372,121	$ 386,486	$ 343,562

(1) Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

(2) 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.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2007 THROUGH JUNE 30, 2011
(In Thousands)

	2007	2008	2009	2010	2011
ASSETS:					
Cash & Marketable Securities	$283,080	$216,816	$150,728	$122,902	$160,887
Taxes Receivable	40,766	58,256	46,813	27,714	17,790
Accounts Receivable	60,621	48,196	31,150	8,468	12,771
Interest Receivable	14,673	9,384	3,315	2,091	1,119
Advances to Other Funds	37	0	0	0	3,692
Due from Other Funds	5,417	24,716	19,110	25,353	18,787
Due from Other Governments	252,411	239,844	250,144	263,240	276,656
Inventories	1,540	2,105	2,132	1,941	1,564
Prepaid items	0	0	3,720	888	277
Restricted Assets	263,390	263,566	252,084	296,543	283,095
Total Assets	$921,935	$866,259	$759,196	$749,140	$777,638
LIABILITIES:					
Accounts Payable	$ 82,441	$ 94,061	$ 68,560	$ 57,236	$ 84,116
Salaries & Benefits Payable	70,585	83,753	88,184	46,376	50,374
Due To Other Funds	288	283	0	2,155	2,639
Due to Other Governments	41,432	40,991	47,579	35,161	34,550
Deferred Revenue	156,155	168,282	180,777	218,676	260,343
Deposits Payable	70	121	1,975	3,050	2,054
Total Liabilities	$350,971	$387,491	$387,075	$362,654	$434,076
FUND BALANCE: (2)					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Unassigned					189,236
Reserved	$ 88,233	$ 84,466	$ 91,196	90,374	
Unreserved	482,731	394,302	280,925	296,112	
Fund Balance	$570,964	$478,768	$372,121	$386,486	$343,562
Total Liabilities and Fund Balance	$921,935	$866,259	$759,196	$749,140	$777,638

(1) No activity to report.
(2) 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.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2004 THROUGH JUNE 30, 2011
(In Thousands)

	Reserved	Unreserved				Total
2004	$100,940	$148,113				$249,053
2005	121,249	231,205				352,454
2006	100,436	346,482				446,918
2007	88,233	482,731				570,964
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

[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

In June 2011, the County issued its 2011-12 Tax and Revenue Anticipation Note (the "2011-12 TRAN") in the principal amount of $250,000,000 to provide funds to meet the County's fiscal year 2011-12 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. $125,000,000 of the 2011-12 TRAN remains outstanding and is due on June 29, 2012. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2011-12 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. The County expects to issue a tax and revenue anticipation note in June 2012 to provide funds to meet the County's fiscal year 2012-13 general fund expenditures.

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 April 5, 2012, the County had $675,812,450 in direct general fund obligations and $357,540,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 5, 2012.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF APRIL 5, 2012)

2011-12 Assessed Valuation:	$205,754,734,033	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	57,091,455,136	
Adjusted Assessed Valuation:	$148,663,278,897	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/12
Metropolitan Water District	5.900%	$ 11,596,155
Community College Districts	1.435-99.999	554,701,209
Unified School Districts	2.879-100.	1,978,936,030
Perris Union High School District	100.	53,032,260
Union School Districts	100.	56,208,493
City of Riverside	100.	15,915,000
Eastern Municipal Water District Improvement Districts	100.	42,780,000
Coachella County Water District Improvement Districts	100.	6,095,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,380,000
San Gorgonio Memorial Hospital District	100.	107,885,000
Community Facilities Districts	94.268-100.	2,613,350,521
Riverside County 1915 Act Bonds	100.	7,389,942
City and Special District 1915 Act Bonds (Estimated)	100.	244,016,778
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,694,286,388

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 675,812,450**	
Riverside County Pension Obligations	**100.**	**357,540,000**	
Riverside County Board of Education Obligations	100.	5,055,000	
School Districts General Fund and Lease Tax Obligations	2.879-100.	512,491,216	
City of Corona General Fund Obligations	100.	64,415,000	
City of Moreno Valley General Fund Obligations	100.	75,350,000	
City of Murrieta General Fund Obligations	100.	12,770,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.	120,858,620	
City of Riverside Certificates of Participation	100.	206,595,000	
City of Riverside Pension Obligations	100.	132,095,000	
Other City General Fund and Special Tax Obligations	100.	113,013,800	
Other Water District Certificates of Participation	98.511-100.	2,908,486	
Other Special District Certificates of Participation	100.	3,180,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,282,084,572	
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**13,111,177**	
City of Corona Certificates of Participation supported by waste water revenues		2,395,000	
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues		9,515,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,257,063,395	
GROSS COMBINED TOTAL DEBT		$7,976,370,960	(1)
NET COMBINED TOTAL DEBT		$7,951,349,783	

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2011-12 Assessed Valuation:
Overlapping Tax and Assessment Debt 2.77%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt ($1,033,352,450) 0.70%
Combined Net Direct Debt ($1,020,241,273) 0.69%
Gross Combined Total Debt 5.37%
Net Combined Total Debt 5.35%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

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. Upon expiration of the lease, title to the facilities vests in the County.

As of April 30, 2012, the County's current outstanding lease obligations total $674,191,248. The County's annual lease obligation is approximately $73,450,060 and the maximum annual lease payment is $83,774,702.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of April 30, 2012.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of April 30, 2012)

	Final Maturity Year	*Original Lease Amount*	*Obligations Outstanding*	*Annual Base Rental*[1]
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	$ 148,500,000	$ 50,400,000	$ 12,537,973[2]
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C[3]	2019	71,985,000	68,090,000	19,599,244[3]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	886,000[4]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	18,575,000	1,481,828
2008 Series A	2022	72,445,000	66,090,000	8,251,800
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	873,455
2005 Series B[5]	2027	22,610,000	19,360,000	1,521,687
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,488
County of Riverside Certificates of Participation[6] (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,750
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	12,551,175	
Series 2002	2020	925,000	560,000	1,812,110[7]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,304,710
2008 Series A[8]	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[9]	2018	8,685,000	2,470,000	401,540
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project)[10]	2036	51,655,000	45,775,000	3,403,100
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,163,094
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	6,206,830
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,860,000	1,154,355
County of Riverside Certificates of Participation[11] (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	45,685,000	45,530,000	1,911,518
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	5,170,000	616,293
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[12]	2031	33,360,000	33,360,000	248,248
TOTAL		$ 1,032,595,073	$ 674,191,248	$ 73,450,060

(1) Annual base rental for fiscal year 2011-2012 unless otherwise noted.
(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April 9, 2012 was approximately 0.12%.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 10, 2012 was approximately 0.18%.
(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(8) The 2008 Series A refunded the 2000 Series B SWJC Project.
(9) The 2003 Series B refunded the 1993 Master Refunding Project.
(10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
(11) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.
(12) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

Source: County Executive Office.

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 also 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 Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of January 2012. 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 may opt, in its sole discretion, to post collateral in lieu of terminating the swap agreement. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of December 30, 2011, the swap agreement had a negative fair market value of approximately $33.8 million (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 April 2, 2012, Assured Guaranty Corp. had a rating of "A-" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of the County's employment levels are reflected for the past ten years.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2001 THROUGH 2011

Year	Regular Employees[(1)]
2002	14,729
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,759

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

County employees comprise 12 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 74% 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 for personnel matters.

The County's 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 Deputy District Attorneys Association ("DDAA").

Recently the County entered into long-term agreements with all of its bargaining labor units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017.

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 coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. 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, age and the average monthly qualifying wages during the highest single year of employment. The benefit for Miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

Trial Court ("Courts") employees are also included among the employees covered under the County's PERS retirement plan contract, although the Courts left the County's employment jurisdiction in December 2006 and since transitioned into an agency of the State. The State is obligated to reimburse the County for the share of PERS costs associated with trial court employees, but the County remains primarily liable for such costs under the PERS contract.

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions regarding retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on May 4, 2010 (the "2010 PARC Report") and included discussion and recommendations regarding pension reform for the County. See "– Retirement Program – Funding Status" and "– Retirement Program – Projected County Contributions and UAAL" herein for a description of the PARC Report.

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee's conclusions and recommendations included: (i) that current unfunded liability in the County's pension resulted in part from the "pension contribution holidays" and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees should be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In April 2011, the Board of Supervisors approved the concept for a second tier level of benefits for new Miscellaneous and Safety employees. The County intends to implement a second tier of benefits immediately upon conclusion of collective bargaining and PERS approval, with a goal of substantial savings over the long term. It is anticipated that the second tier of benefits for new Miscellaneous and Safety employees will be 2% at age 60, and 2% at age 50, respectively.

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 contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under 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 2011 covered PERS' fiscal year 2009-10). 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, 2010, which was prepared in October 2011, is effective for the County's fiscal year 2012-13). 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 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, among others, 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. 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 April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary spreads gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a "smoothing technique." Under the rate stabilization policy effective as of April 2005, one-fifteenth (1/15) of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return. However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In response to the significant asset value declines of fiscal year 2008-09, the PERS Board approved an enhancement to its smoothing methodology in June 2009. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand between 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30-year amortization schedule.

In May 2004, 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 3.5% to 3%. 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 8.25% to 7.75% effective March 2011; (ii) the long-term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. 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 significant demographic assumption changes.

In March 2012, the PERS Board lowered the discount rate assumption, from 7.75% to 7.50%. According to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 0.6% of payroll for fiscal year 2013-14 and an increase of 1.3% of payroll for fiscal year 2014-15. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2013-14 and an increase of 2.2% of payroll for fiscal year 2014-15. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is 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").

In fiscal year 2011-12, the County entered into collective bargaining agreements with all of its bargaining units. Most of the agreements are for a four or five year period, with the longest agreement ending in June 2017. As part of those agreements, the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

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, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately $102.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $15.1 million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2012-13 of approximately $118.0 million. In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent

PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately $65.5 million for that fiscal year.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 and 2010-11 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. 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, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of $23.1 million as of February 15, 2012. The County believes that it is reasonable to expect that over the remaining 23 years of the bond's life, the transaction will produce savings. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008 pursuant to recommendations set forth in the annual PARC reports the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009 pursuant the PARC recommendations, the Board of Supervisors authorized the use of $6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. Of this amount, the County has purchased $4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of $247,000. In 2010, liability management funds of $8.3 million were transferred to PERS. In 2011, liability management funds of $5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

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, 2006 through June 30, 2010 and the total employer contributions made by the County for fiscal year 2008-09 through fiscal year 2012-13. 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	Affects County Contribution for Fiscal Year	County Contribution Amount[(1)]	County Offsets of Employee Contributions
2006	$ 61,861,506	95.0%	2008-09	$46,983,428	$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,423,159[(2)]	13,824,570 [(2)(3)]
2010	184,737,814	89.8	2012-13	60,423,159[(2)]	2,122,700[(2)(3)]

(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 or otherwise.
(2) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (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	Affects County Contribution for Fiscal Year	County Contribution Amount[(1)]	County Offsets of Employee Contributions
2006	$142,160,688	94.8%	2008-09	$95,930,361	$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,088,391[(2)]	38,187,252[(2)(3)]
2010	444,330,905	89.2	2012-13	103,088,391 [(2)]	4,004,154[(2)(3)]

(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 or otherwise.
(2) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (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 (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	$1,231,954,415	$1,170,092,909	$61,861,506	95.0%	$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	$2,741,753,157	$2,599,592,469	$142,160,688	94.8%	$659,274,265	21.6%
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2008-09 through fiscal year 2012-13 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2006	2008-09	19.033%	12.164%
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

Projected County Contributions and UAAL. **The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. 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.

The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in fiscal year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the fiscal year 2012-13 will be 22.459%, which would result in an approximate 1.173% increase in the contribution rate from fiscal year 2011-12 and projected a 0.34% increase for fiscal year 2013-14. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for fiscal year 2012-13 will be 13.494%, which would result in an approximate 0.382% increase in the contribution rate from fiscal year 2011-12, and projected a 13.7% increase for fiscal year 2013-14. Due to the smoothing methodology used by PERS, the County expects similar rate increases through fiscal year 2014-15 followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.50% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2010, the funded status of the Miscellaneous Plan based on its market value of $2,882,444,152 was 70.4% and the funded status of the Safety Plan based on its market value of $1,279,783,747 was 70.7%.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2010, the County's current required contribution level is 0.38%. The County elected to contribute 1.36% to achieve a 90% funded ratio by June 30, 2012, so the County's contribution to the Plan was $893,932 for fiscal year 2010-11 and is estimated to be $588,239 for fiscal year 2011-12. The Plan's unfunded liabilities as of June 30, 2010 are approximately $3,641,816.

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 at retirement qualify to receive the post-retirement benefits.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be $49.1 million, the accrued actuarial liability was estimated to be $40.2 million and the annual normal cost was $1.2 million. If the accrued actuarial liability of $40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of $10.4 million was made to the trust. On June 26, 2009, the County contributed an additional $2.2 million to the trust. The pre-funding of OPEB through the use of an 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, overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $20.7 million most recently.

Medical Center

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as a Riverside County safety net provider. Declining and inadequate federal and State health care reimbursement and non-payment by the growing uninsured, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, place significant demands on the County's health care system.

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II trauma facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and insurance, in addition to the uninsured.

At June 30, 2011, RCRMC reflected unrestricted net assets of approximately $92.9 million. RCRMC had a cash balance of approximately $36.8 million as of June 30, 2011. In fiscal year 2010-11, RCRMC had an increase in net unrestricted assets of approximately $5.4 million. RCRMC continued to experience a decline in patient collections in fiscal year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2010-11 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2011-12, the County anticipates contributing approximately $10 million to RCRMC from general fund tobacco settlement revenues and $5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses.

In its fiscal year 2012-13 recommended budget, RCRMC originally projected an operating deficit of approximately $30 million, primarily attributable to uncompensated services provided to uninsured mental health patients and jail inmates. Since the presentation of the fiscal year 2012-13 recommended budget, RCRMC has reduced the projected deficit by approximately $6.4 million, to $23.6 million, by working with the sheriff and mental health departments to enroll eligible service recipients in the County's Low Income Health Program, which provides RCRMC with reimbursement from the State for services provided. RCRMC is pursuing various other avenues to reduce such operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. It is the County's intent that RCRMC's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support, and the County does not intend to provide general fund support to fund RCRMC's projected fiscal year 2012-13 operating deficit.

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 $1 million for each occurrence and the balance (to $25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first $1.1 million for each claim and insured for the balance to $20 million for each claim on an occurrence basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance is statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a $50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a $100,000 minimum per occurrence and $500,000 maximum per occurrence deductible within a 100-year flood zone and a $25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides $610 million in limits. Earthquake coverage (covering scheduled locations and buildings 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 $82.5 million with an additional $225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a $100,000 minimum. Boiler and machinery provides up to $100 million in limits, with a $5,000 deductible per event. The limits in each tower are shared with other counties 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, 2011 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, 2011 was approximately $144 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 2012 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.

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APPENDIX B

THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF RIVERSIDE

MAY 9, 1893

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Paul Angulo, CPA, MA-Mgmt

County Auditor-Controller

COUNTY OF RIVERSIDE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY THE OFFICE OF:

PAUL ANGULO, CPA, MA-MGMT

COUNTY AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2011

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STATISTICAL SECTION (Unaudited):

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

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE
Paul Angulo, CPA, MA-Mgmt
Auditor-Controller

December 28, 2011

The Honorable Board of Supervisors
Citizens of the County of Riverside
4080 Lemon Street, 5th Floor
Riverside, California 92501

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside for the fiscal year ended June 30, 2011 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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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

Riverside County is the fourth largest county by area in the state of California. It encompasses 7,295 square miles and extends nearly 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. It is situated east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties.

There are 27 incorporated cities located within the County. The largest cities in the County are Riverside (the County seat) with a population of 306,779, Moreno Valley 195,216, Corona 153,649, Temecula 101,657, and Murrieta 104,459. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. Total County population was

2,217,778 on January 1, 2011, an increase of 3.53% as compared to the revised estimate for January 1, 2010. Approximately 23.1% of the residents live in unincorporated areas.

The County is governed by a five-member Board of Supervisors, who serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Supervisors represent five districts.

The First District includes areas within the cities of Riverside, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest.

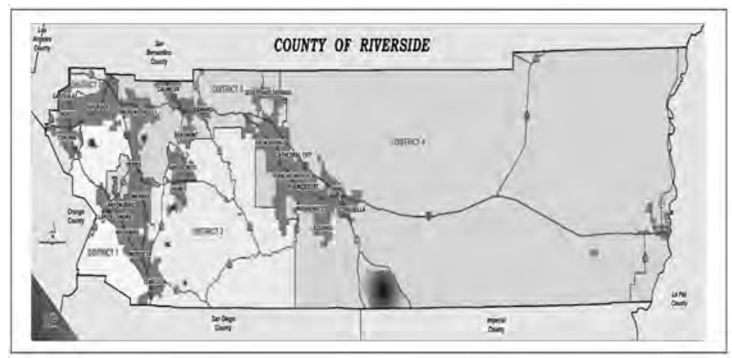
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, and Eastvale (the newest city as of October 1, 2010). The unincorporated communities consist of Jurupa Valley (incorporated July 1, 2011), Home Gardens, El Cerrito, Coronita, and Green River.

District Three includes the cities of Canyon Lake, Hemet, Menifee, 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, and Blythe. Major unincorporated areas include Bermuda Dunes, Thousand Palms, Sky Valley, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, and Ripley.

The Fifth District includes the cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, Desert Hot Springs, and the northern portion of Palm Springs. The unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Highgrove, Box Springs, Pigeon Pass, Reche Canyon, San Timoteo Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

County Of Riverside by Supervisorial Districts



Source: Riverside County GIS

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

Certificate, Licenses and Permits Birth, marriage, and death certificates, animal licensing and building permits	**Human Services** Assistance for Families, Veteran Services, Utility Assistance
Children's Services Child Support Services, Mentor programs, and Children Medical Services	**Libraries and Museums** Edward Dean Museum, Riverside County Law Library
Criminal Justice District Attorney, Probation, Public Defender, and Sheriff	**Parks and Recreation** Regional Parks
Education Office of Education	**Pets and Animal Services** Animal Control, Animal Shelters
Emergency Services Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	**Property Information** Building permit report, obtain property information via GIS, pay property taxes online, track your property tax online, record map inquiry, information on new home owners and Riverside County land information
Environment 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	**Public and Official Records** Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search
Flood Control Flood Control and water conservation	**Roads and Highways** Road maintenance, land development, engineering services, and survey
Health Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, medical marijuana identification cards	**Taxes** Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, Auditor-Controller
Housing First time home buyer programs, low income housing, rental assistance program, homeless shelter, neighborhood stabilization program	

FACTORS AFFECTING ECONOMIC CONDITION

State Economy

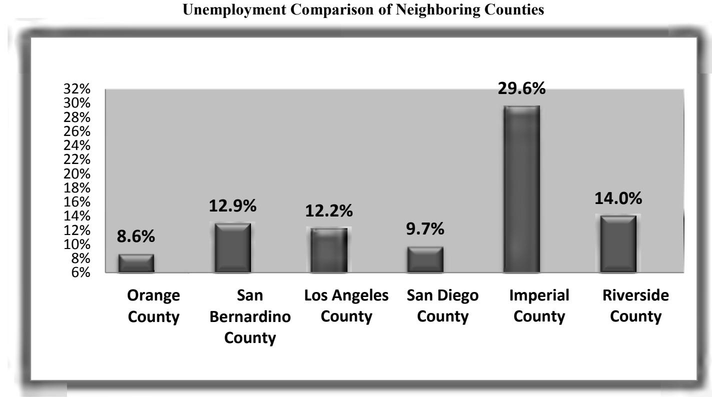
The California economy continues to work towards recovery. Weak real estate market conditions, depressed construction activity, and public sector fiscal problems remain the principal impediments to stronger job growth. The state budget includes a major realignment of the public safety programs from the state to local governments. The realignment moves program and fiscal responsibility to the level of government that can best provide the service, eliminating duplication of effort, generating savings, and increasing flexibility.

Local Economy

Unemployment and Foreclosures

Unemployment and foreclosures are the two largest factors contributing to the sluggish local economy. Riverside County's unemployment rate has slightly improved to 14 percent in September 2011, compared to a year ago when unemployment stood at 15 percent.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, September 2011.

Real Estate

The commercial real estate sector continues to decline, however signs of recovery are seen in mega-warehouses and hotel properties. The residential real estate market has changed minimally since last year, with the median price of single family residences leveling off. Current data suggests that a positive movement in the consumer price index in 2012 may permit a return to the maximum 2 percent increase for properties subject to Proposition 13.

County Budget Summary

In the current climate of level off property values, and low demand for homes, it is difficult to make predictions as to when assessed values will improve. Uncertain property tax revenue creates stress on the County's ability to maintain current service levels.

Relevant Financial Information

Debt Advisory Committee provides advice to the Board on debt issuance and management.

Pension Advisory Committee provides an institutional framework to help guide policy decisions about retirement benefits.

Deferred Compensation Advisory Committee provides assurance of the financial stability of the Plan through prudent monitoring of investments and costs.

Investment Oversight Committee shall cause an annual audit to be performed, and review the annual audit report prior to submittal to the Board of Supervisors; and to review the County's investment policies.

Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada (GFOA) has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its *CAFR* for the fiscal year ended June 30, 2010. This was the twenty-third consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for new certificate.

The County of Riverside has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 2010. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal.

Acknowledgments

The preparation of this CAFR could not have been accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office, especially the staff members of the General Accounting Division who consistently produce award winning financial reports. I would also like to thank the staff members of the contributing component units and departments for their participation in the preparation of this report.

Additionally, I would like to offer my appreciation to the Board of Supervisors and County Executive Office for their visionary leadership making Riverside County a great place to live, work, and to conduct business. Finally, I would like to thank our independent auditors, Brown Armstrong Certified Public Accountants, for their efforts throughout this audit engagement.

Respectfully submitted,

PAUL ANGULO, CPA, MA-Mgmt
AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2011

ELECTED OFFICIALS

Board of Supervisors

JOHN F. TAVAGLIONE
Vice Chairman
Second District

BOB BUSTER
Chairman
First District

JEFF STONE
Third District

JOHN BENOIT
Fourth District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

PAUL ZELLERBACH
District Attorney

STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator

PAUL ANGULO
Auditor
Controller

LARRY WARD
Assessor
Clerk
Recorder

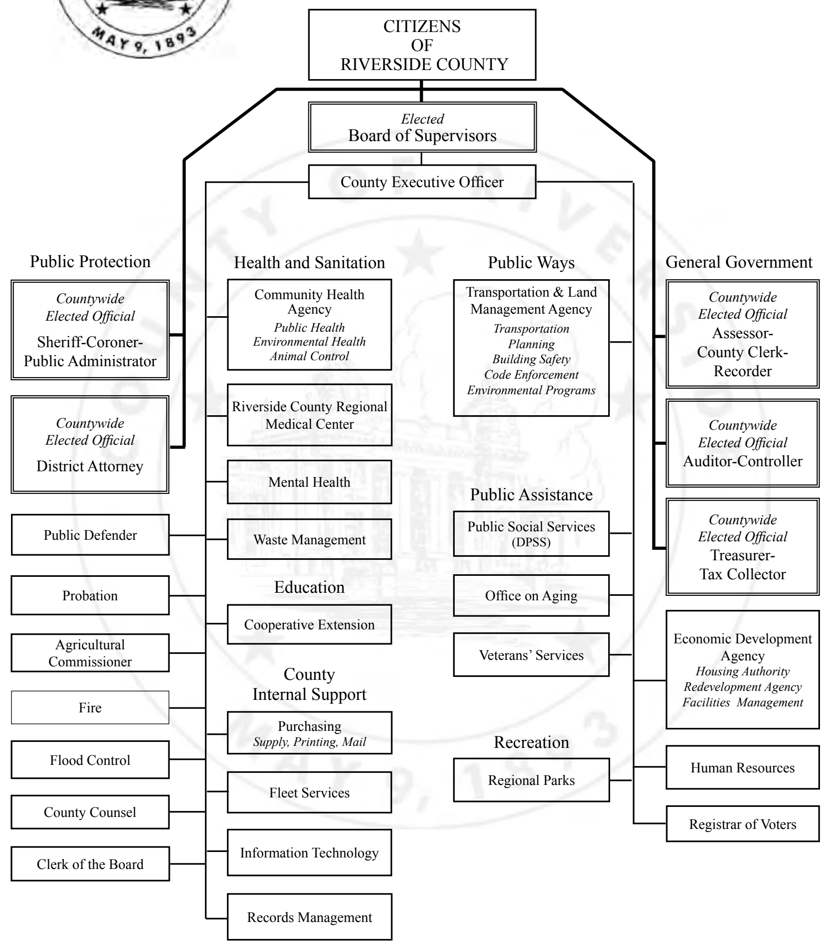
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

BILL LUNA
County Executive Officer

PAMELA WALLS
County Counsel

COUNTY OF RIVERSIDE ORGANIZATION CHART



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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, 2010

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

COUNTY OF RIVERSIDE MAY 9, 1893

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FINANCIAL SECTION

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

PKF North America

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California, as of and for the year ended June 30, 2011, which collectively comprise the County of Riverside's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Riverside's management. Our responsibility is to express an opinion 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 District), 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), County of Riverside Redevelopment Agency (the RDA), and Children and Families First Commission of Riverside County (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	25%	7%
Business-Type Activities	6%	16%
Aggregate Remaining Fund Information	8%	1%
Discretely Presented Component Units	37%	73%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, the Housing Authority, the Park District, the Cemetery District, the RDA, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the County of Riverside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Riverside's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, the budgetary comparison schedules for major debt service and capital project funds, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules for major debt service and capital project funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S

DISCUSSION AND ANALYSIS

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

Management's Discussion & Analysis *(Unaudited)*

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- Other Required Supplementary Information – Retirement plan schedules of funding progress
- Combining Statements for Nonmajor Governmental, Nonmajor Enterprise, and Fiduciary funds
- Combining Statements and Schedules for Special Revenue, Debt Service, Capital Projects, Permanent, Internal Service, and Fiduciary funds
- Statistical Section

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

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

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

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

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

The financial information for the Palm Desert Financing Authority (RCPDFA) 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
- Redevelopment Agency for the County of Riverside
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (no activity for fiscal year 2010-11)
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery

Fund Financial Statements provide information regarding the three major categories of County funds – governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Governmental Accounting Standards 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.

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

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, capital projects, and permanent funds). The governmental fund statements present the financial information of each major fund (the General Fund, Flood Control Special Revenue Fund, Teeter Debt Service Fund, Public Facilities Improvements Capital Projects Fund and Redevelopment 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 Project, Bankruptcy Court, and the Inland Empire Tobacco Securitization Authority. 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 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 Regional Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Financial information for the

remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the supplementary information section.

- *Internal service funds* are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its records and archive management, fleet services, information services, printing and mail services, supply services, OASIS (accounting and human resources information system), risk management, temporary assistance pool, and flood control equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund financial information for each internal service fund is provided in the supplementary information section.

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore 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 are presented on the economic resources measurement focus and the accrual basis of accounting.

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

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

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the County's assets of $7.4 billion exceeded its liabilities of $3.5 billion resulting in $3.9 billion of net assets.
- Net assets includes $1.4 billion of unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors; $0.7 billion of restricted net assets, which is required by external sources or through enabling legislation to be used for specific purposes, and $1.8 billion is invested in capital assets, net of related debt.
- During fiscal year 2010-11, the County's net assets marginally increased by $24.8 million. Of this amount, $28.4 million were from governmental activities and offset by $3.6 million decrease from business-type activities. The slight increase was primarily due to minimal favorable net results of operating activities caused by macroeconomic fluctuation. Countywide expenses of $3.3 billion were offset by program revenues of $2.5 billion, leaving an operating deficit of $802.3 million. The operating deficit was offset by general revenues of $827.1 million.
- As of June 30, 2011, the total fund balances of the governmental funds were $1.8 billion. This represents a decrease of 1.5%, or $27.6 million, in comparison with the prior year. The decrease was a result of fund balance restatement of $5.5 million due to the Redevelopment Agency's overstatement of loans receivable from prior years, and lower net results of operation activities due to continuing decline in taxes and investment revenues.
- As of June 30, 2011, fund balance for the General Fund was $343.6 million, or 15.3% of the total General Fund expenditures. This amount includes $98.6 million of restricted fund balance and $50.1 million of committed fund balance.
- The County's long-term debt showed a net increase of 4.3%, or $110.4 million, compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable, and other long term debt.
- In June 2011, ABx1 26 and ABx1 27 were chaptered. These bills' impact to the California Redevelopment Agencies and the County's reaction to them are described in Note 22 to the financial statements.

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare the two bills as unconstitutional. They contend that the bills violated Proposition 22 which was passed by the voters in November 2010.

On August 11, 2011, the California Supreme Court issued an order in California Redevelopment Assn. v. Matosantos (S194861), directing the parties to show causes why the relief sought in the petition for a writ of mandate should not be granted.

The court established an expedited briefing schedule designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets – Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the County reported positive net asset balances for both governmental and business-type activities, with total assets exceeding liabilities by $3.9 billion.

The table below provides summarized data from the Statement of Net Assets of the County for June 30, 2011, as compared to the prior year:

Statement of Net Assets
As of June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2011	2010	2011	2010	2011	2010	%
Current and other assets	$3,289,402	$3,295,758	$ 324,984	$ 315,817	$3,614,386	$3,611,575	0.1%
Capital assets	3,494,794	3,301,367	270,293	271,608	3,765,087	3,572,975	5.4%
Total assets	6,784,196	6,597,125	595,277	587,425	7,379,473	7,184,550	2.7%
Other liabilities	760,630	739,178	73,802	51,932	834,432	791,110	5.5%
Long-term liabilities	2,384,434	2,263,589	305,350	315,809	2,689,784	2,579,398	4.3%
Total liabilities	3,145,064	3,002,767	379,152	367,741	3,524,216	3,370,508	4.6%
Net assets:							
Invested in capital assets, net of related debt	1,687,128	1,594,275	113,489	96,901	1,800,617	1,691,176	6.5%
Restricted	656,347	604,942	43,086	50,386	699,433	655,328	6.7%
Unrestricted	1,295,657	1,395,141	59,550	72,397	1,355,207	1,467,538	-7.7%
Total net assets	$3,639,132	$3,594,358	$ 216,125	$ 219,684	$3,855,257	$3,814,042	1.1%

The County's total net assets increased by 0.7%, or $24.8 million, during fiscal year 2010-11 compared to the prior year's increase of 3.1%, or $115.8 million. The $28.4 million increase in net assets was from governmental activities and offset by $3.6 million decrease from business-type activities. For the prior year, $119.3 million of the increase in net assets were from governmental activities and a decrease of $3.5 million from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt** represents 46.7%, or $1.8 billion, of the County's total net assets for fiscal year 2010-11 compared to 44.3%, or $1.7 billion, for fiscal year 2009-10. The increase is attributable to the completion of multiple construction projects including Larry D. Smith Correctional Facility Expansion, Palm Desert Sheriff Station, San Jacinto Valley Animal Shelter, Hictoric Courthouse Renovation, expansion of Rancho Jurupa Park, and Louis Rubidoux Library. This component consists of capital assets (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.

- **Restricted net assets** account for 18.1%, or $699.4 million, of the County's total net assets for fiscal year 2010-11 compared to 17.2%, or $655.3 million, for fiscal year 2009-10. This component of net assets 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.

- **Unrestricted net assets** account for 35.2%, or $1.4 billion, of the County's total net assets for fiscal year 2010-11 compared to 38.5%, or $1.5 billion, for fiscal year 2009-10. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2010-11, $1.3 billion is from governmental activities and $59.6 million is for business-type activities compared to $1.4 billion for governmental activities and $72.4 million for business-type activities for the prior year.

Governmental Activities

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

- Operating Grants and Contributions are revenues received from parties outside of the County, such as state and federal agencies, and are generally restricted to one or more specific programs. These revenues were the largest governmental activities revenue source for fiscal year 2010-11 with a total of $1.4 billion being recognized. The increase of $8.2 million in current fiscal year is attributable to higher reimbursements from State and Federal funding for public assistance services, such as categorical aid, mental health services, and women, infants and children programs.

- A total of $591.7 million was earned as governmental activity charges for services compared to $567.3 million for fiscal year 2009-10. 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. The increase of $24.4 million was largely attributable to an increase in cities' law enforcements and fire protection contracts. The Public Protection is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $32.1 million earned for fiscal year 2010-11 compared to $31.1 million earned for fiscal year 2009-10. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2010-11, 91.8% of the revenue, or $29.5 million, as compared to 95.2%, or $29.6 million, for fiscal year 2009-10, was received for public ways and facilities programs and is primarily related to the construction and acquisition of infrastructure capital assets.

- General revenue related to governmental activities primarily consists of taxes, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with $367.9 million recognized during the year, as compared to $440.3 million for fiscal year 2009-10. Investment earnings decreased by 32.8%, from $29.0 million to $19.5 million, as a result of continual declines in interest earnings reflecting rate cuts by the Federal Reserve. Motor vehicle in-lieu of taxes revenue decreased 4.6% from $246.5 million in fiscal year 2009-10 to $235.2 million in fiscal year 2010-11.

Expenses: Total program expenses for governmental activities were $2.8 billion for the current fiscal year, an increase of 3.7%, or $99.8 million as compared to prior fiscal year. The 36.5%, or $1.0 billion, of total governmental activities expenses were for Public Protection; 32.4%, or $907.2 million, for Public Assistance; 13.2%, or $370.0 million, for Health and Sanitation; and 10.7%, or $298.0 million, for General Government.

Business-type Activities

Revenues: The County has two major business-type activities: The Riverside County Regional Medical Center (RMC), and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities. For the current year, 99.9%, or $526.9 million, 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, $386.5 million, was received by RMC as compared to $367.3 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $547.9 million for the fiscal year compared to $525.1 million for the prior fiscal year. This represents an increase of 4.4%, or $22.9 million. The 73.2%, or $401.1 million, of total expenses were incurred by RMC compared to 74.3%, or $390.0 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.7% of total expenses for business-type activities, or $86.0 million, compared to prior fiscal year's expenses of 15.5%, or $81.4 million; Waste Management Department was 10.4%, or $56.7 million, compared to 9.5%, or $50.0 million, the prior fiscal year. Flood Control and County Service Areas account for the remaining 0.7% of expenses consistent with the prior fiscal year.

The following table provides information from the Statement of Activities of the County for the fiscal year 2010-11, as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2011	2010	2011	2010	2011	2010	%
Revenues:							
Program revenues:							
Charges for services	$ 591,738	$ 567,323	$ 526,860	$ 501,530	$ 1,118,598	$ 1,068,853	4.7%
Operating grants and contributions	1,393,016	1,384,791	-	-	1,393,016	1,384,791	0.6%
Capital grants and contributions	32,114	31,112	-	1,165	32,114	32,277	-0.5%
General revenues:							
Property taxes	367,867	440,282	-	-	367,867	440,282	-16.4%
Sales and use taxes	45,489	36,289	-	-	45,489	36,289	25.4%
Motor vehicle in-lieu taxes	235,153	246,493	-	-	235,153	246,493	-4.6%
Investment earnings	19,494	29,026	538	1,442	20,032	30,468	-34.3%
Other	151,970	99,654	6,617	-	158,587	99,654	59.1%
Total revenues	2,836,841	2,834,970	534,015	504,137	3,370,856	3,339,107	1.0%
Expenses:							
General government	298,032	323,949	-	-	298,032	323,949	-8.0%
Public protection	1,021,288	1,062,213	-	-	1,021,288	1,062,213	-3.9%
Public ways and facilities	87,424	31,024	-	-	87,424	31,024	181.8%
Health and sanitation	369,984	347,634	-	-	369,984	347,634	6.4%
Public assistance	907,202	820,637	-	-	907,202	820,637	10.5%
Education	15,816	19,866	-	-	15,816	19,866	-20.4%
Recreation and culture	9,364	12,206	-	-	9,364	12,206	-23.3%
Interest on long-term debt	88,998	80,754	-	-	88,998	80,754	10.2%
Regional Medical Center	-	-	401,120	389,991	401,120	389,991	2.9%
Waste Management	-	-	56,688	49,956	56,688	49,956	13.5%
Housing Authority	-	-	86,027	81,426	86,027	81,426	5.7%
Flood Control	-	-	3,711	3,233	3,711	3,233	14.8%
County Service Areas	-	-	383	454	383	454	-15.6%
Total expenses	2,798,108	2,698,283	547,929	525,060	3,346,037	3,223,343	3.8%
Excess (deficiency) before Transfers	38,733	136,687	(13,914)	(20,923)	24,819	115,764	-78.6%
Transfers in (out)	(10,355)	(17,436)	10,355	17,436	-	-	0.0%
Change in net assets	28,378	119,251	(3,559)	(3,487)	24,819	115,764	-78.6%
Net Assets, Beginning of Year, as Restated	3,610,754	3,475,107	219,684	223,171	3,830,438	3,698,278	3.6%
Net Assets, End of Year	$ 3,639,132	$ 3,594,358	$ 216,125	$ 219,684	$ 3,855,257	$ 3,814,042	1.1%

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 Project Funds, Debt Service Funds, and Permanent Funds.

As of June 30, 2011, the County's governmental funds reported combined fund balances of $1.8 billion, a decrease of $27.5 million, in comparison with the prior year. The components of total fund balance are as follows (See Note 14 – Fund balances for additional information)

- Nonspendable fund balance – $159.0 million, are 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 – $668.0 million, are amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – $433.7 million, are 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 – $315.7 million, are 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 – $189.2 million, are funds that are not reported in any other category and are available for any purpose within the General Fund.

Total governmental fund revenue decreased by 0.8%, or $23.6 million, from the prior fiscal year with $2.8 billion being recognized for the fiscal year-ended June 30, 2011. Expenditures decreased by 4.7%, or $146.4 million, from the prior fiscal year with $3.0 billion being expended for governmental functions during fiscal year 2010-11. Overall, governmental fund balance decreased by 1.5%, or $27.5 million. In comparison, fiscal year 2009-10 had a decrease in governmental fund balance of 10.5%, or $209.7 million, over fiscal year 2008-09.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the General fund's total fund balance was $343.6 million, as compared to $386.5 million for the prior fiscal year. The decrease of $42.9 million, or 11.1% was a result of a decline in tax revenues due to a decrease in assessed property values, a reduction in interest earnings attributable to a lower interest rate, less revenue from cases in the District Attorney's Consumer Fraud and Environmental Crimes Unit, an increase in service cost for public protection and public assistance, and an increase in categorical aid and caseload growth for group home placement and the Federal Medical Assistance Program (FMAP). 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 $2.2 million, and the spendable portion was $341.4 million. The current year unassigned fund balance is 8.4% of the total General Fund expenditures of $2.2 billion, as compared to 13.3% of the prior year expenditures total of $2.2 billion. The total fund balance of the General Fund for the current year is 15.3% of the total General Fund expenditures as compared to 17.3% for the prior year.

Flood Control fund balance increased by 3.7%, or $9.0 million, from $241.9 million in fiscal year 2009-10 to $251.0 million in fiscal year 2010-11 as a result of an excess of revenues over expenses in current year operating activities.

Public Facilities Improvements Capital Projects fund balance decreased from $338.7 million to $293.1 million, 13.5% or $45.6 million. The decrease is due to the completion of various construction projects and the utilization of the reserve for construction account to reimburse costs of multiple capital projects, such as the correctional facility expansion, animal shelter, family clinics, and hub jail; and, an incessant decrease in other revenue and interest earnings due to a significant drop in interest rates caused by the sluggish economy.

Redevelopment Capital Projects fund balance increased from $261.3 million to $271.5 million, 3.9% or $10.2 million. The increase is attributable to the issuance of long term debt and prior year adjustment of $7.0 million due to overstatement of loans receivable from prior years.

Proprietary Funds

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

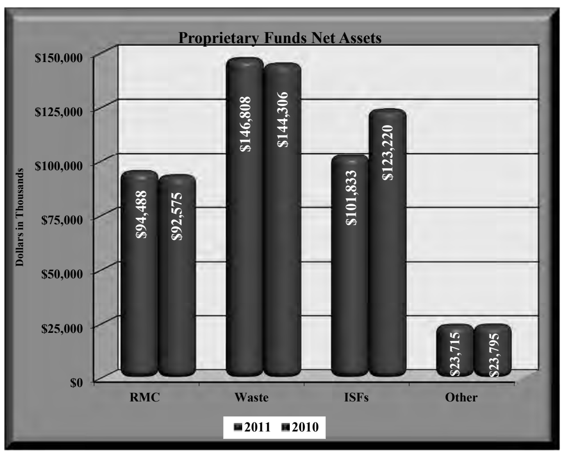
At the end of the fiscal year, total proprietary fund net assets were $366.8 million, compared to $383.9 million as restated for prior fiscal year. Total proprietary fund net assets decreased by 4.4% or $17.1 million, compared to 0.1%, or $0.3 million, decrease for the prior fiscal year.

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

- Riverside County Regional Medical Center: $38.2 million
- Waste Management: $61.1 million
- Other enterprise fund activities: $9.1 million
- Internal service fund activities: $80.4 million

RMC's net assets increased from $92.6 million to $94.5 million, 2.1%, or $1.9 million. The increase is attributable to higher net patient revenue and other operating revenues in fiscal year 2010-11.

Waste Management's net assets increased from $144.3 million to $146.8 million. The increase resulted from net of operating revenues over expenses.



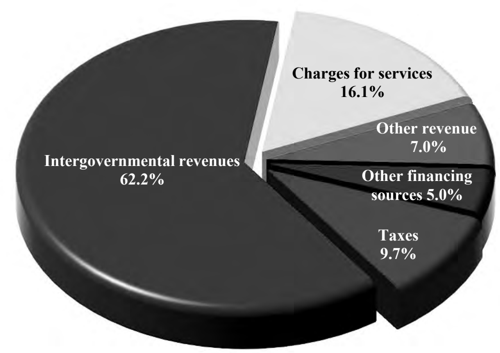
GENERAL FUND FINANCIAL ANALYSIS

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

Revenues and Other Financing Sources	Fiscal Year 2010-11	Percent of Total	Fiscal Year 2009-10	Percent of Total	Variance
Taxes	$ 221,807	9.7%	$ 229,631	9.6%	-3.4%
Intergovernmental revenues	1,428,562	62.2%	1,414,349	59.4%	1.0%
Charges for services	369,780	16.1%	367,249	15.4%	0.7%
Other revenue	161,234	7.0%	176,340	7.5%	-8.6%
Other financing sources	114,368	5.0%	194,851	8.1%	-41.3%
Total	$ 2,295,751	100.0%	$ 2,382,420	100.0%	-3.6%

The loss of tax revenue was attributable to a sharp decline in secured and supplemental property taxes due to a decrease in assessed values. The increase in intergovernmental revenue was primarily attributable to an increase in public assistance for categorical aid from the State, an increase in expenditures towards the Mental Health Services Act (MHSA) leading to greater reimbursements from the State, and Federal funding increases for the Women, Infant, and Children (WIC) program and the Homeland Security Metropolitan Medical Response System (MMRS). The slight increase in charges for services was primarily the result of increased revenues from city law enforcement contracts with the Sheriff Department and city fire protection contracts with the Fire Department. Other revenue decreased due to reduction in interest earnings attributable to a lower interest rate and due to less revenue from cases in the District Attorney's Consumer Fraud and Environmental Crimes Unit.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2011

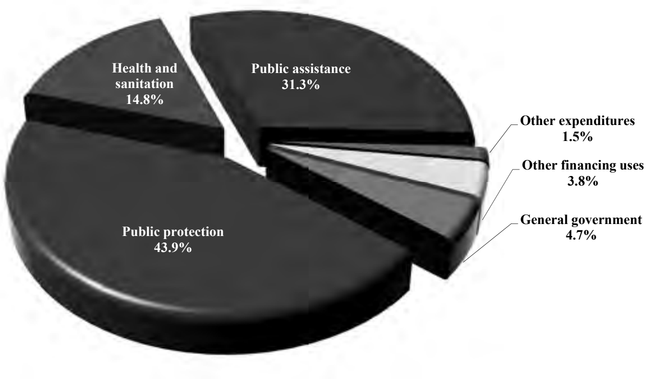


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2010-11	Percent of Total	Fiscal Year 2009-10	Percent of Total	Variance
General government	$ 109,146	4.7%	$ 130,516	5.5%	-16.4%
Public protection	1,025,584	43.9%	1,005,679	42.5%	2.0%
Health and sanitation	345,649	14.8%	333,068	14.1%	3.8%
Public assistance	731,017	31.3%	712,353	30.1%	2.6%
Other expenditures	34,062	1.5%	53,757	2.3%	-36.6%
Other financing uses	93,217	3.8%	132,682	5.5%	-29.7%
Total	$ 2,338,675	100.0%	$ 2,368,055	100.0%	-1.2%

The decrease of expenditures in general government was attributable to a reduction in salaries and benefits due to position vacancies. Additionally, the Economic Development Agency (EDA) divisions of Custodial Services, Maintenance Services, and Real Estate, converted to internal service funds in FY 2010-2011. The increase of expenditures in public protection was mainly attributable to Sheriff, District Attorney, and Public Defender. Sheriff increased staffing which created, an increase in salary, retirement benefits, and overtime to cover needed positions. Additionally, Sheriff had an increase in lease payments for two Eurocopters. District Attorney had an increase in salaries and benefits due to furloughs expiring and a large payout of annual leave. Public Defender had established a new department for Capital Defenders. The increase of expenditures in health and sanitation was attributable to the Community Health Agency and Mental Health. The Community Health Agency increased costs due to retirements and additional funding for staff in the Women, Infant, and Children (WIC) program. Mental Health had an increase due to furloughs expiring, startup costs for the prevention program, and high usage of the Institute of Mental Disease (IMD). The increase in public assistance was attributable to an increase in categorical aid and caseload growth for group home placement and the Federal Medical Assistance Program (FMAP). The reduction in other expenditures is due to limited capital outlay expenditures and a decrease in principal payments. The decrease in other financing uses is due to less intergovernmental activities with the EDA divisions that were converted to internal service funds.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2011



GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing 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 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 $82.8 million, or 3.4%, from $2.4 billion to the final amended revenue budget of $2.3 billion. The $82.8 million represents a decrease of $86.4 million in charges for services offset by an increase of $3.5 million in other revenue.

<u>Charges for Current Services</u>: The net decrease of $86.4 million, or 18.0%, for charges for current services was mainly the result of intergovernmental activities. Community Health Agency Animal Services had a decrease of $1.4 million from a reduction in contracts with cities.

<u>Other Revenue</u>: The increase in other revenue of $3.5 million, or 6.1%, was primarily the result of intergovernmental activities and a reclassification of operating transfers to other financing sources. This was offset by the Community Health Agency reduction of receipts in jail inspection and traffic fines.

Expenditure Appropriation Variances

The original adopted General Fund appropriation budget of $2.5 billion decreased by $51.2 million, or 2.0%, during the fiscal year. The significant appropriation changes were a decrease of $33.3 million in debt service, a decrease of $18.7 million in general government, and a decrease of $12.8 million in public assistance offset by an increase of $12.9 million in public protection and an increase of $0.7 million in health and sanitation. The major appropriation variances are described below.

<u>General Government:</u> The appropriation budget decreased by $18.7 million, or 9.6%, from the original adopted budget of $195.3 million to $176.6 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by $2.2 million, or 2.5%, mainly due to intergovernmental activities and salary savings from furloughs and vacant positions.
- Services and supplies increased by $4.8 million, or 7.2%, mainly due to increases by Registrar of Voters, EDA, and Executive Office. Registrar of Voters increased by $1.3 million due to enhancements implemented for the November 2010 general election, higher-than-budgeted costs of printing sample ballots, and increased amount of temporary help. EDA Energy increased by $1.1 million to reflect the increase in utility accounts including the majority of County departments that are handled by the division. Executive Office increased by $0.8 million due to newly awarded contracts for the dispute resolution program funded through statutory court fines and fees. Also, Executive Office increased by $0.6 million due to an increase in court reporter transcripts.
- Other charges decreased by $23.6 million, or 33.2%, mainly due to a decrease in contributions to other funds by the Executive Office and intergovernmental activities offset by increases by the Board of Supervisors with $2.6 million in community improvement designations and EDA Project Management with $1.5 million for repairs on the First American Title Company building and additional minor capital projects.
- Intrafund transfers decreased by $3.0 million, or 5.5%, mainly due to position vacancies in EDA Facilities Administration, which decreased need for reimbursement by $5.2 million from other General Fund departments. This was offset by an increase of $1.6 million in payroll services and $0.5 million in energy services.
- Appropriation for contingencies decreased by $0.9 million, or 4.7%. The contingency budget covers current and potential General Fund liabilities. During the year, the major liabilities covered were a $1.7 million Registrar of Voters increase for the November 2010 general election, higher costs of printing sample ballots, and salary payout costs, a $0.7 million increase for foster care in DPSS, and a $0.4 million payment to the

March Joint Powers Authority (JPA) for franchise fees and services within the JPA. This was offset by a State reimbursement of $1.9 million for the May 2009 statewide special election.

Public Assistance: The appropriation budget decreased by $12.8 million, or 1.6%, from the original adopted budget of $779.9 million to $767.1 million. The following describes the significant factors for the variances:

- Salaries and employee benefits decreased by $5.1 million, or 2.2%, mainly due to intergovernmental activities and salary savings from frozen merit increases and furloughs within negotiated union contracts.

- Services and supplies decreased by $10.7 million, or 11.5%, mainly due to a change in the State's Consortium IV Project billing methodology for maintaining and operating the statewide automated welfare system, resulting in decreased expenditures and revenue for DPSS.

- Other charges increased by $3.0 million, or 0.7%, mainly due to an increase of $15.0 million in categorical aid for mandated client assistance programs such as Cal Works Assistance, Foster Care, Emergency Assistance, and Adoptions Assistance, and an increase of $2.9 million in provider wages for AB1612 mandated client services. This was offset by a decrease of $14.1 million primarily due to a reduction of $9.5 million for Stage 1 childcare services and a loss of $4.7 million from the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund (ECF).

Public Protection: The appropriation budget increased by $12.9 million, or 1.2%, from the original adopted budget of $1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $6.7 million, or 1.0%, mainly due to an increase in salary costs among Sheriff and District Attorney, offset by salary savings with the Child Support Services, Probation, Public Defender, Fire, Animal Services, and Code Enforcement as a result of furloughs, position vacancies, and decreased city contracts for Animal Services.

- Services and supplies increased by $4.2 million, or 1.3%, mainly due to Fire with an increase of $4.6 million due to intergovernmental activities and acceptance of the following grants: Emergency Management Performance, Hazard Mitigation, FY10 Homeland Security, FY09 Buffer Zone Protection, Ron Auen Berger Foundation, CA Volunteers State Homeland Security, and Regional Catastrophic Preparedness. Child Support Services also had an increase of $1.5 million for additional costs in office equipment, professional services, lease payments, computer software, and temporary help services. This was offset by a decrease of $1.8 million by Sheriff, due to savings in supplies and services in various divisions.

- Other charges decreased by $2.1 million, or 4.6%, mainly due to a decrease of $5.5 million for intergovernmental activities primarily offset by a $1.3 million increase in Probation for kitchen equipment failures, security upgrades, maintenance, construction of new facilities at Riverside Juvenile Hall, and real estate expenses for an SB81 project. The decrease was also offset by Sheriff with a $1.2 million increase primarily for the Smith Correctional Warehouse Project.

- Capital assets increased by $4.4 million, or 124.2%, mainly due to an increase to Sheriff of $3.7 million primarily for the purchase of night vision binoculars, thirty court services vehicles, computer equipment, and AgencyWeb-Administrator and CourtNotify software packages with installation and training. Fire also had an increase of $0.6 million primarily for a fire engine and communications equipment.

Health and Sanitation: The appropriation budget increased by $0.7 million, or 0.2%, from the original adopted budget of $396.0 million to $396.7 million. The Community Health Agency had an increase due to expenditures related to a statewide audit of targeted case management claims and the maximizing of existing clinic space to increase services in various family care centers. Mental Health had an increase due to the purchase of Prevention Specialty Treatment vehicles.

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 $58.0 million resulting from unexpended appropriations of $217.1 million, or 8.8%, and overestimated revenue of $159.1 million, or 6.8%. The following contributed to the variance:

Expenditure Variances

General Fund actual expenditures of $2.3 billion were 8.8%, or $216.9 million, less than the final amended appropriation budget of $2.5 billion. General government, health and sanitation, public protection, public assistance, and debt service were the five most significant factors attributing to the unexpended appropriations as follows:

General Government: Actual expenditures of $109.1 million were less than the final amended budget of $176.6 million by $67.5 million, or 38.2%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $6.7 million, or 7.6%, below budget primarily due to vacant positions at EDA for a savings of $2.6 million. Human Resources and Treasurer-Tax Collector had savings of $0.5 million each due to reduction in staff, furloughs, and vacant positions. Other general government departments had similar savings of a lesser proportion.

- Services and supplies were $11.4 million, or 16.2%, less than budgeted mainly due to Executive Office, EDA, Assessor, and Treasurer-Tax Collector. Executive Office accounts for $6.7 million mainly due to savings in construction contracts and communication equipment. EDA accounts for approximately $3.1 million of the variance mainly due to a $1.8 million savings in utility costs. The remaining savings in EDA included fewer information technology charges and less parking improvements made than planned. Assessor had savings of $0.6 million due to reductions in janitorial services, telephone services, and carpool expenditures. Treasurer-Tax Collector had savings of $0.5 million due to reduction in expenses for printing, legally required notices, and software consultants.

- Other charges were $33.9 million, or 71.7%, less than budgeted primarily due to intergovernmental activities. Contributions to other funds by the Executive Office were less than projected. EDA had savings due to lower costs for the tenant improvements at the Riverside Centre and postponed improvements for the First American Title Company building.

- Capital outlays were $2.4 million, or 59.2%, less than budgeted mainly due to EDA and Registrar of Voters. Projects in various buildings for the Energy Efficiency and Conservation Block Grant (EECBG) for EDA Energy were completed at a slower rate than expected. Registrar of Voters delayed purchase of a mail sorter and 400C scanner.

- Intrafund transfers were $6.0 million, or 11.6%, less than budgeted primarily due to EDA and County-wide Cost Allocation Plan (COWCAP) Reimbursement. EDA acquires reimbursements for project management, energy, and parking provided to General Fund departments. Reimbursements to the EDA Energy department were lower due to reduced utility costs. Reimbursements for project services were lower than anticipated because fewer services were requested by County departments than were originally projected, due to the slowing economy. COWCAP reimbursements were lower than anticipated due to the allocations for EDA Custodial, Maintenance, and Real Estate Services departments being transferred to newly created Internal Service Funds (ISF).

Health and Sanitation: Actual expenditures of $345.6 million were less than the final amended budget of $396.7 million by $51.1 million, or 12.9%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $16.1 million, or 8.5%, less than budgeted primarily due to vacant positions in Mental Health with savings of $6.9 million and the Community Health Agency with savings of $4.8 million. Savings was also achieved through intergovernmental activities of $4.0 million.

- Services and supplies were $21.4 million, or 18.8%, less than budgeted primarily due to a $10.7 million savings in the Community Health Agency and a $10.6 million savings in Mental Health. The Community Health Agency had savings in payments for the MADDY Emergency Medical Services (EMS) program to County physicians and hospitals for their share of uncompensated emergency medical costs. The Agency also had savings in system maintenance and administrative support services. Mental Health administration had savings due to a delay in the implementation of the MHSA Workforce Education and Training (WET) program and a gradual implementation of the Behavioral Health Information System (BHIS). Mental Health Treatment had savings in information technology services, administrative support, and a legal services contract that was not renewed.

- Other charges were $18.8 million, or 10.0%, less than budgeted primarily due to Mental Health. Mental Health had savings of $18.7 million mainly due to gradual implementation of private care provider contracts for the prevention program. Also, Mental Health clinics had less dependence on client assistance than anticipated, and a contractor has not been found to provide services for the Augmented Board and Care (ABC) program.

- Capital assets were $1.3 million, or 69.6%, less than budgeted primarily due to Mental Health with $1.0 million savings mainly attributed to the gradual implementation of the BHIS.
- Intrafund transfers were $6.6 million, or 6.7%, less than budgeted primarily due to the Community Health Agency, MISP, and Detention Health Systems (DHS). The Community Health Agency administration had a variance of $2.8 million attributed to lower reimbursements due to cost reductions within the department. MISP had a variance of $2.0 million due to a lower allocation of Vehicle License Fee (VLF) realignment revenue. DHS had a variance of $0.6 million due to a lower reimbursement from Mental Health attributed to the reduction in cost of 340B drugs.

<u>Public Protection:</u> Actual expenditures of $1.0 billion were less than the final amended budget of $1.1 billion by $49.7 million, or 4.6%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $22.0 million, or 3.1%, less than budgeted primarily due to intergovernmental activities with $11.0 million savings, Probation, Department of Child Support Services (DCSS), and Sheriff. Due to vacant positions, Probation had a salary savings of $5.7 million. DCSS had savings of $1.4 million mainly due to furloughs and position vacancies. Sheriff had savings of $1.2 million due to retirements not fulfilled and salary savings in administration, court services, and the public administrator division. The salary savings is also due to $0.9 million from Assessor-County Clerk-Recorder, $0.7 million from Fire, and $0.6 million from Planning.
- Services and supplies were $24.5 million, or 7.6%, less than budgeted due to Fire, Sheriff, Probation, Executive Office, Animal Services, County Clerk-Recorder, and Public Defender. Fire had savings of $13.5 million due to less than expected costs to Cal Fire including professional services, weed abatement, miscellaneous purchases for grants, equipment usage, and medical supplies. Sheriff had savings of $5.3 million primarily due to less expenditure for the High-Intensity Drug Trafficking Area (HIDTA) grant and less than expected costs for janitorial services, utilities, carpool, communication equipment, and computer lines. Probation had savings of $1.9 million partly due to the consolidation of food purchases for all institutions and detention facilities and other reductions in costs across divisions. Executive Office had savings of $1.2 million primarily from less than expected costs in trial court funding and confidential court orders. Animal Services had savings of $1.0 million in administrative support, utilities, insurance costs, and janitorial services. County Clerk-Recorder had savings of $0.9 million mainly in software maintenance, micrographic services, and mailing expenditures. Public Defender had savings of $0.6 million primarily from their Capital Defenders office for reductions in legal services for death penalty cases and office equipment.
- Capital assets were $2.8 million, or 35.5%, less than budgeted due to Fire and Sheriff. Fire had savings of $1.2 million mainly due to the purchase deferral of fire engines and equipment. Sheriff had savings of $1.5 million mainly due to patrol not purchasing aircraft, computer, and other equipment. Also, Sheriff Corrections delayed purchase of a vehicle and Sheriff Court Services did not purchase communications and computer equipment as planned.

<u>Public Assistance:</u> Actual expenditures of $731.0 million were less than the final amended budget of $767.1 million by $36.1 million, or 4.7%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $12.4 million, or 5.4%, less than budgeted mainly due to furloughs and reduction in staffing levels by DPSS to meet budget cuts.
- Services and supplies were $11.0 million, or 13.4%, less than budgeted primarily due to DPSS reducing costs to meet budget constraints. The savings reflect a drop in cell phone rates and tenant improvement reductions in the following projects: Hemet Building 1 lobby renovation, Desert Hot Springs, Cathedral City carpet, and new buildings for Perris and information technology in mid-County.
- Other charges were $12.5 million, or 2.7%, less than budgeted primarily due to DPSS with savings in several areas. The savings in DPSS administration was due to low caseloads for childcare Stage 1 and 3 Welfare-to-Work (WTW) exemptions. Also, the Regional Market Rate (RMR), which is the maximum amount that childcare providers can be reimbursed, was reduced from 90% to 80%. In client services, expenditures came in lower for the Subsidized Temporary Employment Program (STEP) and Promoting Safe and Stable Families (PSSF). Also, price rates for the SB163 Wrap-around program were lower than

anticipated. In Mandated Client Services, savings were due to a decrease in In-Home Supportive Service (IHSS) contract caseload hours and a reduction in the Child Welfare Services (CWS) program.

<u>Debt Service</u>: Actual expenditures of $24.8 million were less than the final amended budget of $45.7 million by $20.8 million, or 45.6%, primarily due to a decrease in principal payments for capital asset leases for buildings and other purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the County's capital assets for both its governmental and business-type activities amounted to $3.8 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, equipment, and infrastructure. The County's infrastructure consists of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 5.4%, or $192.0 million, from $3.6 billion in fiscal year 2009-10 to $3.8 billion in fiscal year 2010-11.

Construction in progress, equipment purchases, and land improvement experienced a decrease as the current economic slowdown presents challenges to balance budget with capital projects for use of scarce one-time general funds. Structures and improvements rose from $868.1 million in fiscal year 2009-10 to $1.1 billion in fiscal year 2010-11, a 26.0% increase as projects in construction were completed and transferred, noting the priority of the Board of Supervisors to focus attention on capital projects underway and bringing them to completion within budget.

In fiscal year 2010-11, new major projects budgeted for construction and design included the following: U.S. Federal Courts Riverside Facility Expansion and Remodel with a budgeted amount of $125.0 million, located on 12th Street in Riverside and an estimated $99.0 million for the County of Riverside Enterprise Solution for Property Taxation (CREST) project to re-engineer and replace the County's property tax system by the joined forces of the Assessor-County Clerk-Recorder, Treasurer-Tax Collector, and Auditor-Controller. Cabazon Civic Center budgeted at $17.8 million, which will include a library, a child development center, and an administration building for Cabazon Water District. Library projects include $9.8 million for the new building in Mead Valley, $3.5 million for the Palm Desert renovation, and $2.5 million for the Idyllwild remodel to the 5,800 square foot commercial site on Village Center. The Cajalco Expressway Interchange/Interstate 215 at Ramona Expressway project by the Department of Transportation at $8.7 million is intended to alleviate significant congestion at the interchange ramp terminal intersections and improve safety, capacity, and operation of the interchange as it is a gateway into the unincorporated Mead Valley area of the County and the City of Perris.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2010-11:

In fiscal year 2010-11, additions in the amount of $248.3 million consisted of costs related to existing projects and new projects.

Existing project costs include the following:

- Roads and signal infrastructures additions were $87.4 million.
- The EDA incurred $18.4 million in costs for projects such as the 30,636 square foot Mecca Boys and Girls Clubhouse geared towards its young population, as it will provide computer access and a safe environment for the children to study and foster teamwork. Lake Mathews Fire Station on the corner of El Sobrante and Cajalco Road, the Thermal Sheriff Station, which will be the Eastern Coachella Valley regional headquarters for the Sheriff Department, and the Desert Hot Springs Family Care Center that will provide crucial health services to the surrounding communities.
- Flood incurred $7.0 million in storm drain projects such as the Belltown Market Street and the Hawthorne Avenue in Menifee.
- Riverside County Regional Medical Center's Siemens Hospital Information System costs for the year were $4.2 million. They also incurred $2.5 million for the design and construction of an 84 bed Mental Health Facility, as well as $2.5 million for the design and construction for the Emergency Department Expansion.

New project costs include the following:

- The EDA started new projects in the amount of $51.2 million. The largest public works project in Riverside County, the Big League Dreams Perris Valley Sports Park for $19.8 million, providing needed recreational facilities and encouraging economic growth by bringing thousands of athletes to the City of Perris and $18.2 million for the Jurupa Valley Aquatic Center, a 7.5 acre state of the art water park composed of the Cove Water Park and a competition pool.
- Roads and signal infrastructures additions were $20.0 million.
- Public Safety Enterprise Communication incurred $17.2 million in costs related to the standards-based digital radio system. In April 2011, 35 of 68 sites were energized making the new radios functional and available for testing. Construction of 32 new sites is complete and 11 new perspective sites are in progress.
- CREST project additions of $3.4 million towards the system that will replace inefficient business processes and outdated technologies.

Construction in Progress Transfers:

Completed construction in progress projects of approximately $298.7 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2010-11. The major projects were as follows:

- $229.2 million was transferred to structures and improvements. Examples include $75.1 million for the Larry D. Smith Correctional Facility Expansion No. 3, which consists of a 582 bed expansion, $29.3 million for the Palm Desert Sheriff Station, the first building constructed by the County to receive the Leadership in Energy and Environmental Design gold certification, the San Jacinto Valley Animal Shelter for $18.4 million, and $14.6 million for the Historic Courthouse Renovation. Rubidoux experienced large project transfers, such as the Louis Rubidoux Library, Rubidoux Youth Opportunity Center, and the Don Schroeder Family Care Clinic for $28.7 million. The County's Regional Park and Open Space District incurred $12.1 million for the upgrade and expansion of the Rancho Jurupa Park that has expanded the park by 50 acres, a camp store, an 18-hole miniature golf course and their headquarter expansion project for $5.3 million to provide an additional room with 200 person capacity to expand wedding marketability and increase revenue.
- $68.4 million was transferred to infrastructure. Transportation and Land Management Agency transferred $47.9 million with examples such as the Miles Avenue Bridge over the Whitewater River in Indio for $22.3 million and $8.7 million for the construction of roadway widening, reconstruction, and traffic signals on Scott Road to reduce congestion and improve safety. The Flood Department transferred $13.5 million for storm drains, such as the Belltown Market Street and the Calimesa Avenue projects to provide improved flood protection to the surrounding areas.

Land and Easements

Additions of $11.4 million in land were processed this fiscal year. Flood Control obtained $9.2 million through cooperative agreements between Flood Control, the County, and the developer for the Benton Creek Channel and the San Sevaine-Birtcher Drive and Belle grave Avenue Storm Drains, where the District will assume operation and maintenance at the completion of the projects. Approximately $1.9 million by the Economic Development Agency for land in the City of Indio for a new 43,000 square foot 150 bed rescue mission on Van Buren Blvd. to meet the needs of the community.

Depreciable Capital Assets

The following is a breakdown of the additions, retirements, and transfers which make up the balance of depreciable capital assets:

Additions to Depreciable Assets:

Total fiscal year 2010-11 depreciable capital asset current year additions of $82.5 million were comprised of the following:

- Infrastructure in the amount of $50.9 million consisting of donated roads in the amount of $26.3 million and $24.6 million in flood storm drains and channels.

- Structures and improvements amounted to $11.7 million in assets, such as the El Cerrito Sports Park Community Center, the official home of Corona's National Little League consisting of three fields for soccer and football, two courts for basketball and tennis, and a tot lot.
- Equipment in the amount of $19.9 million distributed as follows:

  Equipment leased - $4.3 million
  Equipment field - $4.3 million
  Vehicles leased - $3.8 million
  Equipment vehicles - $3.0 million
  Miscellaneous equipment - $2.6 million
  Computer and office equipment - $1.9 million

Retirements of Depreciable Assets:

Retirement of depreciable assets totaled $178.7 million. Infrastructure in the amount of $117.3 million was retired from the Transportation and Land Management Agency for the transfer of roads to the newly incorporated Cities of Menifee, Wildomar, and Eastvale. Equipment was retired ranging from the categories of computer and office equipment to vehicle and leased equipment in the amount of $50.5 million, which includes $27.4 million disposed of and unaccounted for capital assets that were not physically transferred from Riverside General Hospital to the new facility when the Moreno Valley campus of RMC opened. Structures and Improvements for approximately $11.0 million were disposed of, which includes the transfer of a Probation building on 47671 Oasis Street to the State with the intent to construct a new juvenile court facility.

Transfers:

Completed construction in progress transferred for approximately $298.4 million as noted above.

Depreciation Note:

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made. This fiscal year, depreciable capital assets for governmental and business type activities combined incurred $138.2 million in depreciation.

Analysis of Capital Assets:

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

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2011	2010	2011	2010	2011	2010	%
Infrastructure	$1,411,930	$1,377,579	$ 50,421	$ 53,885	$1,462,351	$1,431,464	2.2%
Land and easements	433,594	429,874	21,325	21,325	454,919	451,199	0.8%
Land improvements	89	99	4,244	4,826	4,333	4,925	-12.0%
Structures and improvements	960,444	732,044	132,228	136,098	1,092,672	868,142	25.9%
Equipment	86,912	100,136	17,707	20,673	104,619	120,809	-13.4%
Construction in progress	601,825	661,635	44,368	34,801	646,193	696,436	-7.2%
Total	$3,494,794	$3,301,367	$270,293	$271,608	$3,765,087	$3,572,975	5.4%

Additional information on the County's capital assets can be found in Note 9 of this report.

Debt Administration

Per Board policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. As of fiscal year-end June 30, 2011, the County had numerous debt issues outstanding, principally certificates of participation - lease rental obligations. (See Note 13)

Net bonded debt per capita equaled $692.0 as of June 30, 2011. The calculated legal debt limit for the County is $2.6 billion.

The following are credit ratings maintained by the County:

	Moody's Investors Service, Inc.	Standard & Poor's Corp.	Fitch
Long-term lease debt	A1	AA-	AA-
Issuer credit	Aa2	AA	AA

The County issued tax-exempt Tax and Revenue Anticipation Notes (TRANs) 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. In fiscal year 2010-11, the County, as a participant in the California Statewide Communities Development Authority composite offering, issued $343.0 million in TRANs to satisfy short-term cash flow needs.

In December 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (the alternate method of property tax distribution). The plan required the "buy-out" of delinquent taxes and the annual advance of unpaid taxes to participating agencies. For fiscal year 2010-11, funding for the County's on-going obligations under Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes, Series B in the amount of $186.0 million and Series C in the amount of $20.8 million. The approximately $206.8 million in total financing was comprised of $101.6 million, representing fiscal year 2009-10 delinquent property taxes and $105.2 million representing prior years' delinquent property taxes. The County's General Fund is pledged to the repayment of both series of Notes, in addition to the pledge of the delinquent taxes that are pledged to the Series B.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2011.

County's Outstanding Debt Obligations
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2011	2010	2011	2010	2011	2010	%
Loans payable	$ 5,355	$ 6,987	$ -	$ -	$ 5,355	$ 6,987	-23.4%
Notes payable	-	15,000	-	-	-	15,000	-100.0%
Bonds payable	1,551,323	1,408,017	134,983	147,924	1,686,306	1,555,941	8.4%
Certificates of participation	367,272	385,447	-	-	367,272	385,447	-4.7%
Capital Leases	111,128	123,890	15,830	20,842	126,958	144,732	-12.3%
Total Outstanding	$2,035,078	$1,939,341	$150,813	$168,766	$2,185,891	$2,108,107	3.7%

Outstanding Debt: The County of Riverside's total debt increased by 3.8%, $79.1 million ($97.1 million in governmental funds and a decrease of $18.0 million in business-type), during the current fiscal year. The increase in governmental activities was a result of the issuance of 2011 Monroe Park Building Refunding, and nine 2011 RDA's Tax Allocation Bonds. The decrease in business-type activities was a result of the annual principal payments.

Additional information on the County's long-term debt can be found in Note 13 of this report.

ECONOMIC FACTORS AND THE FISCAL YEAR 2011-12 BUDGET OUTLOOK

While most economists agree that the recession has officially ended, the most optimistic economic forecasts project slow growth, if any, over the near future. Reminiscent of this last fiscal year, Riverside County's budget plans for fiscal year 2011-12 anticipate minimal support from the economy or the State. Reports of stabilizing job and housing markets produce guarded optimism at best. These reports fuel the hope that the worst is in the past.

To fund the fiscal year 2011-12 budget, the County drew on reserves creating a structural budget imbalance totaling about $27.8 million. Fiscal year 2011-12 discretionary revenue is expected to decline by approximately 1.0% ($7.7 million) when compared to fiscal year 2010-11. The following table reflects anticipated discretionary revenue totals and sources for Fiscal Year 2011-12.

Source	Final Budget Estimate (In Thousands)
Taxes	$ 216,752
Other Taxes	33,626
Licenses, Permits, Franchise Taxes	5,080
Fines, Forfeitures, Penalties	27,035
Use of Money and Property	5,447
State	191,950
Federal	3,100
Charges for Services	266
Miscellaneous	101,147
Total	$ 584,403

The County's employee retirement benefit contribution rate for fiscal year 2011-12 for miscellaneous members is 13.1% and the Safety contribution rate is 21.3%. 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 2012-13 rates are projected at 13.5% (Miscellaneous) and 22.0% (Safety). Additional information regarding the County's retirement plans are included in Notes 18, 19, and 20 of the financial statements and schedules of retirement funding progress are included in the required supplementary information section.

The fiscal year 2011-12 assessment roll value declined by 1.5%, yielding a total property tax roll of $205.2 billion, compared to $208.2 billion in fiscal year 2010-11. The $3.0 billion decrease in assessment roll value reflected the continuing decline of residential market prices affecting new Proposition 13 base year value and reassessment of property per Proposition 8; and, practically non-existence of construction for new residential, commercial, and industrial development.

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.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2011
(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 5)	$ 1,603,735	$ 131,974	$ 1,735,709	$ 43,395	$ -
Receivables, net (Notes 1 and 7)	432,190	129,986	562,176	5,310	-
Inventories	6,307	7,094	13,401	-	-
Internal balances (Note 8)	48,777	(48,777)	-	-	-
Prepaid items and deposits	1,261	4,747	6,008	89	-
Restricted cash and investments (Notes 5 and 6)	500,874	97,498	598,372	-	16,106
Other noncurrent receivables (Note 7)	34,669	-	34,669	-	66,574
Notes receivable (Note 7)	61,999	-	61,999	-	-
Pension asset, net (Notes 18 and 19)	433,216	1,516	434,732	-	-
OPEB asset, net (Note 20)	21,818	-	21,818	-	-
Land held for resale	92,570	-	92,570	-	-
Unamortized bond issuance costs	27,317	946	28,263	-	1,123
Deferred outflows of resources (Note 13)	24,669	-	24,669	-	-
Capital assets (Note 9):					
Nondepreciable assets	1,035,419	65,693	1,101,112	-	-
Depreciable assets, net	2,459,375	204,600	2,663,975	-	-
Total assets	6,784,196	595,277	7,379,473	48,794	83,803
LIABILITIES:					
Current Liabilities:					
Accounts payable	153,063	17,734	170,797	4,032	450
Salaries and benefits payable	59,275	10,274	69,549	101	-
Due to other governments	36,446	42,316	78,762	30,091	-
Interest payable	20,292	591	20,883	-	747
Deposits payable	2,328	87	2,415	-	-
Notes payable (Note 12)	206,805	-	206,805	-	-
OPEB obligation, net (Note 20)	-	49	49		
Other liabilities	1,590	2,751	4,341	-	-
Unearned revenue (Note 7)	256,162	-	256,162	-	-
Interest rate swap (Note 13)	24,669	-	24,669	-	-
Long-term liabilities (Note 13) :					
Due within one year	212,393	39,834	252,227	138	5,250
Due beyond one year	2,172,041	265,516	2,437,557	133	78,747
Total liabilities	3,145,064	379,152	3,524,216	34,495	85,194
NET ASSETS:					
Invested in capital assets, net of related debt	1,687,128	113,489	1,800,617	-	-
Restricted for:					
Children's programs	-	-	-	14,299	-
Community development	269,112	-	269,112	-	-
Debt service	112,019	22,674	134,693	-	-
Health and sanitation	19,943	14,188	34,131	-	-
Public protection	31,275	-	31,275	-	-
Public ways & facilities	192,111	-	192,111	-	-
Other programs	31,887	6,224	38,111	-	-
Unrestricted	1,295,657	59,550	1,355,207	-	(1,391)
Total net assets	$ 3,639,132	$ 216,125	$ 3,855,257	$ 14,299	$ (1,391)

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

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COUNTY OF RIVERSIDE

Statement of Activities

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
					Primary Government			Component Units	
FUNCTION/PROGRAM ACTIVITIES:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
Primary government:									
Governmental activities:									
General government	$ 298,032	$ 159,570	$ 125,019	$ 748	$ (12,695)	$ -	$ (12,695)		
Public protection	1,021,288	326,237	214,328	1,190	(479,533)	-	(479,533)		
Public ways and facilities	87,424	45,205	55,639	29,475	42,895	-	42,895		
Health and sanitation	369,984	52,174	209,327	-	(108,483)	-	(108,483)		
Public assistance	907,202	3,051	773,742	-	(130,409)	-	(130,409)		
Education	15,816	726	10,027	701	(4,362)	-	(4,362)		
Recreation and culture	9,364	4,775	4,934	-	345	-	345		
Interest on long-term debt	88,998	-	-	-	(88,998)	-	(88,998)		
Total governmental activities	2,798,108	591,738	1,393,016	32,114	(781,240)	-	(781,240)		
Business-type activities:									
Regional Medical Center	401,120	386,533	-	-	-	(14,587)	(14,587)		
Waste Management Department	56,688	51,206	-	-	-	(5,482)	(5,482)		
Housing Authority	86,027	87,211	-	-	-	1,184	1,184		
Flood Control	3,711	1,517	-	-	-	(2,194)	(2,194)		
County Service Areas	383	393	-	-	-	10	10		
Total business-type activities	547,929	526,860	-	-	-	(21,069)	(21,069)		
Total primary government	$ 3,346,037	$ 1,118,598	$ 1,393,016	$ 32,114	(781,240)	(21,069)	(802,309)		
Component units:									
Children and Families Commission	$ 39,950	$ -	$ 24,049	$ -				$ (15,901)	$ -
Palm Desert Financing Authority	9,590	9,030	-	-				-	(560)
Total Component Units	$ 49,540	$ 9,030	$ 24,049	$ -				(15,901)	(560)
General revenues:									
Taxes:									
Property taxes					367,867	-	367,867	-	-
Sales and use taxes					45,489	-	45,489	-	-
Other taxes					9,004	-	9,004	-	-
Motor vehicle in-lieu of taxes					235,153	-	235,153	-	-
Investment earnings					19,494	538	20,032	255	39
Other					142,966	6,617	149,583	107	-
Extraordinary Item -AB99					-	-	-	(30,091)	-
Transfers					(10,355)	10,355	-	-	-
Total general revenues and transfers					809,618	17,510	827,128	(29,729)	39
Changes in net assets					28,378	(3,559)	24,819	(45,630)	(521)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)					3,610,754	219,684	3,830,438	59,929	(870)
NET ASSETS, END OF YEAR					$ 3,639,132	$ 216,125	$ 3,855,257	$ 14,299	$ (1,391)

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, 2011
(Dollars in Thousands)

	General	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments (Note 5)	$ 160,887	$ 253,582	$ -	$ 298,646	$ 207,556	$ 450,995	$ 1,371,666
Accounts receivable (Notes 1 and 7)	12,771	514	-	-	2,669	2,543	18,497
Interest receivable (Note 7)	1,119	197	45	214	265	402	2,242
Taxes receivable (Note 7)	17,790	4,124	114,632	-	-	2,490	139,036
Due from other governments (Note 7)	276,656	42	-	-	3	26,222	302,923
Inventories	1,564	-	-	-	-	1,073	2,637
Due from other funds (Note 8)	19,787	655	35	-	-	2,393	22,870
Prepaid items	277	9	-	-	-	577	863
Restricted cash and investments (Notes 5 and 6)	283,095	5,122	101,176	-	-	110,479	499,872
Advance to other funds (Note 8)	3,692	-	-	-	-	1,300	4,992
Notes receivable (Note 7)	-	-	-	-	17,642	44,357	61,999
Land held for resale	-	-	-	-	54,413	38,157	92,570
Total assets	$ 777,638	$ 264,245	$ 215,888	$ 298,860	$ 282,548	$ 680,988	$ 2,520,167
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 84,116	$ 7,110	$ 23	$ 5,025	$ 10,304	$ 29,473	$ 136,051
Salaries and benefits payable	50,374	852	-	-	-	4,348	55,574
Due to other governments	34,550	222	-	-	-	1,657	36,429
Due to other funds (Note 8)	2,639	767	9,060	733	691	7,598	21,488
Deposits payable	2,054	-	-	-	-	274	2,328
Teeter notes payable (Note 12)	-	-	206,805	-	-	-	206,805
Advances from other funds (Note 8)	-	-	-	-	-	1,300	1,300
Deferred revenue (Note 7)	260,343	4,341	-	-	-	29,933	294,617
Total liabilities	434,076	13,292	215,888	5,758	10,995	74,583	754,592
Fund balances (Note 14):							
Nonspendable	2,214	1	-	-	72,055	84,769	159,039
Restricted	98,552	-	-	158,628	-	410,787	667,967
Committed	50,097	237,211	-	6,451	115,617	24,277	433,653
Assigned	3,463	13,741	-	128,023	83,881	86,572	315,680
Unassigned	189,236	-	-	-	-	-	189,236
Total fund balances	343,562	250,953	-	293,102	271,553	606,405	1,765,575
Total liabilities and fund balances	$ 777,638	$ 264,245	$ 215,888	$ 298,860	$ 282,548	$ 680,988	$ 2,520,167

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2011

(Dollars in Thousands)

Fund balances - total governmental funds (page 29)		$ 1,765,575
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		3,458,352
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		27,317
Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.		455,034
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.		38,455
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	$ 1,551,323	
Capital lease obligations	96,089	
Certificates of participation	367,272	
Loans payable	5,355	
Accrued interest payable	20,292	
Accreted interest payable	61,963	
Accrued remediation cost	2,332	
Compensated absences	151,694	(2,256,320)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets.		150,719
Net assets of governmental activities (page 23)		$ 3,639,132

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, 2011
(Dollars in Thousands)

	General Fund	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	$ 221,807	$ 40,814	$ -	$ -	$ -	$ 165,271	$ 427,892
Licenses, permits, and franchise fees	18,187	-	-	-	-	2,107	20,294
Fines, forfeitures, and penalties	93,528	-	-	-	-	1,762	95,290
Use of money and property:							
Interest	8,196	1,387	1,611	1,562	1,781	3,768	18,305
Rents and concessions	3,669	123	-	209	410	13,248	17,659
Aid from other governmental agencies:							
Federal	490,088	76	-	-	71	119,296	609,531
State	856,327	635	-	-	-	64,367	921,329
Other	82,147	-	-	18,822	-	29,393	130,362
Charges for services	369,780	5,470	-	21,283	-	62,211	458,744
Other revenue	37,654	7,258	43	4,738	1,721	43,865	95,279
Total revenues	2,181,383	55,763	1,654	46,614	3,983	505,288	2,794,685
EXPENDITURES:							
Current:							
General government	109,146	-	686	44,335	87,329	69,529	311,025
Public protection	1,025,584	45,249	-	-	-	10,656	1,081,489
Public ways and facilities	-	-	-	310	-	175,874	176,184
Health and sanitation	345,649	-	-	-	-	8,255	353,904
Public assistance	731,017	-	-	-	-	93,454	824,471
Education	548	-	-	-	-	18,734	19,282
Recreation and culture	364	-	-	-	-	18,391	18,755
Debt service:							
Principal	17,005	-	-	760	15,000	48,163	80,928
Interest	7,824	-	1,724	-	-	74,354	83,902
Cost of issuance	-	-	-	-	-	5,212	5,212
Capital outlay	8,321	-	-	-	-	22,118	30,439
Total expenditures	2,245,458	45,249	2,410	45,405	102,329	544,740	2,985,591
Excess (deficiency) of revenues over (under) expenditures	(64,075)	10,514	(756)	1,209	(98,346)	(39,452)	(190,906)
OTHER FINANCING SOURCES (USES):							
Transfers in	106,047	-	845	6,959	6,531	147,603	267,985
Transfers out	(93,217)	(1,485)	(89)	(53,719)	(22,930)	(106,503)	(277,943)
Issuance of debt	-	-	-	-	124,970	45,511	170,481
Proceeds from sale of capital assets	-	-	-	-	-	6	6
Capital leases	8,321	-	-	-	-	-	8,321
Total other financing sources (uses)	21,151	(1,485)	756	(46,760)	108,571	86,617	168,850
NET CHANGE IN FUND BALANCES	(42,924)	9,029	-	(45,551)	10,225	47,165	(22,056)
Fund balances, beginning of year, as previously reported	386,486	241,924	-	338,653	268,347	557,715	1,793,125
Adjustments to beginning fund balances (Note 4)	-	-	-	-	(7,019)	1,525	(5,494)
Fund balances, beginning of year, as restated	386,486	241,924	-	338,653	261,328	559,240	1,787,631
FUND BALANCES, END OF YEAR	$ 343,562	$ 250,953	$ -	$ 293,102	$ 271,553	$ 606,405	$ 1,765,575

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

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, 2011

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 33)		$ (22,056)
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	$ 315,867	
Less loss on disposal of capital assets	(32,945)	
Less current year depreciation	(105,650)	177,272
Prepaid pension costs and OPEB costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		11,565
Bond issuance costs are expended in the governmental funds when paid but are capitalized and amortized in the statement of net assets. This is the net amount of capitalized bond issuance cost.		4,106
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds in excess of principal payments	(103,741)	
Current amortization of bond premiums	282	(103,459)
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		(6,472)
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	(3,422)	
Change in accreted interest	(17,213)	
Change in long-term compensated absences	1,550	(19,085)
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.		(13,493)
Change in net assets of governmental activities (page 25)		$ 28,378

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, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 220,421	$ 220,421	$ 221,807	$ 1,386
Licenses, permits, and fees	19,793	19,843	18,187	(1,656)
Fines, forfeitures, and penalties	103,963	104,122	93,528	(10,594)
Use of money and property:				
Interest	6,432	6,432	8,196	1,764
Rents and concessions	24,744	25,074	3,669	(21,405)
Aid from other governmental agencies:				
Federal	501,224	492,974	490,088	(2,886)
State	921,720	929,526	856,327	(73,199)
Other government	87,445	87,446	82,147	(5,299)
Charges for current services	479,970	393,582	369,780	(23,802)
Other revenue	57,547	61,082	37,654	(23,428)
Total revenues	2,423,259	2,340,502	2,181,383	(159,119)
EXPENDITURES:				
Current:				
General government				
Salaries and employee benefits	90,035	87,804	81,106	(6,698)
Services and supplies	65,739	70,502	59,099	(11,403)
Other charges	70,906	47,346	13,410	(33,936)
Capital assets	3,842	4,101	1,672	(2,429)
Intrafund transfers	(55,230)	(52,187)	(46,141)	6,046
Appropriation for contingencies	20,000	19,052	-	(19,052)
Total general government	195,292	176,618	109,146	(67,472)
Public protection:				
Salaries and employee benefits	701,876	708,553	686,556	(21,997)
Services and supplies	318,425	322,582	298,107	(24,475)
Other charges	45,530	43,431	44,036	605
Capital assets	3,528	7,909	5,103	(2,806)
Intrafund transfers	(7,009)	(7,213)	(8,218)	(1,005)
Total public protection	1,062,350	1,075,262	1,025,584	(49,678)
Health and sanitation:				
Salaries and employee benefits	190,291	189,931	173,876	(16,055)
Services and supplies	111,436	113,645	92,238	(21,407)
Other charges	189,153	188,809	169,969	(18,840)
Capital assets	1,817	1,910	580	(1,330)
Intrafund transfers	(96,651)	(97,580)	(91,014)	6,566
Total health and sanitation	$ 396,046	$ 396,715	$ 345,649	$ (51,066)

(Continued)

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, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
Public assistance:				
Salaries and employee benefits	$ 233,751	$ 228,610	$ 216,164	$ (12,446)
Services and supplies	93,141	82,427	71,409	(11,018)
Other charges	453,080	456,064	443,611	(12,453)
Capital assets	113	174	88	(86)
Intrafund transfers	(141)	(141)	(255)	(114)
Total public assistance	779,944	767,134	731,017	(36,117)
Education:				
Salaries and employee benefits	276	260	254	(6)
Services and supplies	321	321	288	(33)
Other Charges	-	-	6	6
Total education	597	581	548	(33)
Recreation and culture:				
Salaries and employee benefits	65	106	99	(7)
Services and supplies	215	265	265	-
Other charges	50	-	-	-
Capital assets	5	-	-	-
Intrafund transfers	(1)	(1)	-	1
Total recreation and culture	334	370	364	(6)
Debt service:				
Principal	72,130	38,844	17,005	(21,839)
Interest	6,832	6,832	7,824	992
Total debt service	78,962	45,676	24,829	(20,847)
Capital outlay	-	-	8,321	8,321
Total expenditures	2,513,525	2,462,356	2,245,458	(216,898)
Excess (deficiency) of revenues over (under) expenditures	(90,266)	(121,854)	(64,075)	57,779
OTHER FINANCING SOURCES (USES):				
Transfers in	-	106,047	106,047	-
Transfers out	-	(93,217)	(93,217)	-
Capital leases	-	-	8,321	8,321
Total other financing sources (uses)	-	12,830	21,151	8,321
NET CHANGE IN FUND BALANCE	(90,266)	(109,024)	(42,924)	66,100
Fund balance, beginning of year	386,486	386,486	386,486	-
FUND BALANCE, END OF YEAR	$ 296,220	$ 277,462	$ 343,562	$ 66,100

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

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COUNTY OF RIVERSIDE

Budgetary Comparison Statement

Flood Control Special Revenue Fund

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 47,501	$ 47,501	$ 40,814	$ (6,687)
Use of money and property:				
Interest	3,295	3,295	1,387	(1,908)
Rents and concessions	114	114	123	9
Aid from other governmental agencies:				
Federal	1	1	76	75
State	630	630	635	5
Charges for services	10,019	4,916	5,470	554
Other revenue	6,916	7,166	7,258	92
Total revenues	68,476	63,623	55,763	(7,860)
EXPENDITURES:				
Current:				
Public protection	120,821	114,372	45,249	(69,123)
Total expenditures	120,821	114,372	45,249	(69,123)
Excess (deficiency) of revenues over (under) expenditures	(52,345)	(50,749)	10,514	61,263
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,485)	(1,485)	-
Total other financing sources (uses)	-	(1,485)	(1,485)	-
NET CHANGE IN FUND BALANCE	(52,345)	(52,234)	9,029	61,263
Fund balance, beginning of year	241,924	241,924	241,924	-
FUND BALANCE, END OF YEAR	$ 189,579	$ 189,690	$ 250,953	$ 61,263

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

COUNTY OF RIVERSIDE

Statement of Net Assets
Proprietary Funds
June 30, 2011
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	$ 36,826	$ 77,056	$ 18,092	$ 131,974	$ 232,069
Accounts receivable - net (Notes 1 and 7)	58,453	4,102	488	63,043	2,642
Interest receivable (Note 7)	-	115	6	121	167
Taxes receivable (Note 7)	-	-	12	12	-
Due from other governments (Note 7)	65,681	257	872	66,810	1,352
Inventories	6,788	306	-	7,094	3,670
Due from other funds (Note 8)	315	24	11	350	2,708
Restricted cash and investments (Notes 5 and 6)	22,867	71,598	3,033	97,498	1,002
Prepaid items and deposits	4,714	-	33	4,747	398
Total current assets	195,644	153,458	22,547	371,649	244,008
Noncurrent assets:					
Bond issuance costs	946	-	-	946	-
Pension asset, net (Note 18)	-	1,516	-	1,516	-
Capital assets (Note 9):					
Nondepreciable assets	50,823	10,664	4,206	65,693	1,279
Depreciable assets	132,562	60,894	11,144	204,600	35,163
Total noncurrent assets	184,331	73,074	15,350	272,755	36,442
Total assets	379,975	226,532	37,897	644,404	280,450
LIABILITIES:					
Current liabilities:					
Accounts payable	12,098	2,663	2,973	17,734	17,012
Salaries and benefits payable	9,561	681	32	10,274	3,701
Due to other funds (Note 8)	222	-	19	241	4,199
Due to other governments	42,229	51	36	42,316	17
Interest payable	584	-	7	591	-
Deposits payable	-	38	49	87	-
Other liabilities	-	558	2,193	2,751	1,590
Accrued closure and post-closure costs (Notes 10 and 13)	-	4,262	-	4,262	-
Accrued remediation costs (Note 21)	-	2,731	-	2,731	-
Compensated absences (Notes 1 and 13)	11,586	830	132	12,548	4,930
Capital lease obligations (Note 13)	5,863	-	-	5,863	7,949
Bonds payable (Note 13)	14,305	-	125	14,430	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	34,903
Total current liabilities	96,448	11,814	5,566	113,828	74,301
Noncurrent liabilities:					
Compensated absences (Note 13)	4,965	1,609	1,142	7,716	3,720
Advances from other funds (Note 8)	-	-	-	-	3,692
Accrued closure and post closure care costs (Note 10)	-	39,206	-	39,206	-
Accrued remediation costs (Note 21)	-	27,046	-	27,046	-
Capital lease obligations (Notes 1 and 13)	9,967	-	-	9,967	7,090
Bonds payable (Note 13)	119,874	-	679	120,553	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	89,814
OPEB obligation, net (Note 20)	-	49	-	49	-
Other long-term liabilities (Note 13)	54,233	-	6,795	61,028	-
Total noncurrent liabilities	189,039	67,910	8,616	265,565	104,316
Total liabilities	285,487	79,724	14,182	379,393	178,617
NET ASSETS:					
Invested in capital assets, net of related debt	33,376	71,558	8,555	113,489	21,403
Restricted for debt service	22,674	-	-	22,674	-
Restricted for health and sanitation	-	14,188	-	14,188	-
Restricted other	193	-	6,031	6,224	-
Unrestricted	38,245	61,062	9,129	108,436	80,430
Total net assets	$ 94,488	$ 146,808	$ 23,715	265,011	$ 101,833
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(48,886)	
Net assets of business-type activities				$ 216,125	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	$ 329,141	$ -	$ -	$ 329,141	$ -
Charges for services	49,206	49,670	4,337	103,213	218,083
Other revenue	8,186	1,536	84,784	94,506	25,727
Total operating revenues	386,533	51,206	89,121	526,860	243,810
OPERATING EXPENSES:					
Cost of material used	-	162	-	162	1,665
Personnel services	219,798	16,775	10,697	247,270	88,754
Communications	2,310	310	-	2,620	3,421
Insurance	839	438	336	1,613	10,574
Maintenance of building and equipment	11,454	1,592	2,029	15,075	15,035
Insurance claims	6	4	-	10	90,105
Supplies	48,569	1,957	56	50,582	28,443
Purchased services	72,217	16,961	647	89,825	22,872
Depreciation and amortization	9,791	5,579	1,912	17,282	15,265
Rents and leases of equipment	3,836	18	17	3,871	47,053
Public assistance	-	-	70,153	70,153	-
Utilities	3,934	270	732	4,936	1,538
Closure and post-closure care costs	-	258	-	258	-
Other	9,688	11,089	2,385	23,162	5,197
Total operating expenses	382,442	55,413	88,964	526,819	329,922
Operating income (loss)	4,091	(4,207)	157	41	(86,112)
NONOPERATING REVENUES (EXPENSES):					
Investment income	162	268	108	538	1,190
Interest expense	(12,813)	-	(171)	(12,984)	(1,674)
Gain (loss) on disposal of capital assets	(263)	120	10	(133)	90
Other nonoperating revenues / (expenses)	(99)	6,617	-	6,518	(9)
Total nonoperating revenues (expenses)	(13,013)	7,005	(53)	(6,061)	(403)
Income (loss) before capital contributions and transfers	(8,922)	2,798	104	(6,020)	(86,515)
Premium contributions	-	-	-	-	65,525
Transfers in	15,000	-	-	15,000	4,113
Transfers out	(4,165)	(296)	(184)	(4,645)	(4,510)
CHANGE IN NET ASSETS	1,913	2,502	(80)	4,335	(21,387)
Net assets, beginning of the year	92,575	144,306	23,795		123,220
NET ASSETS, END OF YEAR	$ 94,488	$ 146,808	$ 23,715		$ 101,833
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(7,894)	
Change in net assets of business-type activities				$ (3,559)	

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2011
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers / other funds	$ 374,629	$ 51,530	$ 90,753	$ 516,912	$ 240,206
Cash paid to suppliers for goods and services	(129,393)	(24,434)	(77,023)	(230,850)	(211,910)
Cash paid to employees for services	(218,198)	(16,750)	(10,463)	(245,411)	(86,536)
Net cash provided by (used in) operating activities	27,038	10,346	3,267	40,651	(58,240)
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	-	3,692
Transfers received	15,000	-	-	15,000	4,170
Transfers paid	(4,264)	(296)	(184)	(4,744)	(4,576)
Net cash provided by (used in) noncapital financing activities	10,736	(296)	(184)	10,256	3,286
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	120	10	130	809
Acquisition and construction of capital assets	(14,594)	(985)	(651)	(16,230)	(9,557)
Principal paid on capital leases	(5,012)	-	-	(5,012)	(8,378)
Premium contributions	-	-	-	-	65,525
Principal paid on bonds payable	(12,891)	-	(50)	(12,941)	-
Interest paid on long-term debt	(12,973)	-	(172)	(13,145)	(1,674)
Net cash provided by (used in) capital and related financing activities	(45,470)	(865)	(863)	(47,198)	46,725
Cash flows from investing activities					
Interest received on investments	188	372	114	674	1,377
Net cash provided by investing activities	188	372	114	674	1,377
Net increase (decrease) in cash and cash equivalents	(7,508)	9,557	2,334	4,383	(6,852)
Cash and cash equivalents, beginning of year	67,201	139,097	18,791	225,089	239,923
Cash and cash equivalents, end of year	$ 59,693	$ 148,654	$ 21,125	$ 229,472	$ 233,071

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2011
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 4,091	$ (4,207)	$ 157	$ 41	$ (86,112)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	9,791	5,579	1,912	17,282	15,265
Decrease (Increase) accounts receivable	4,356	35	1,211	5,602	(189)
Decrease (Increase) taxes receivable	-	-	(4)	(4)	-
Decrease (Increase) bond issuance cost	124	-	-	124	-
Decrease (Increase) due from other funds	1,639	(24)	(11)	1,604	(2,622)
Decrease (Increase) due from other governments	(18,023)	313	436	(17,274)	(793)
Decrease (Increase) inventories	564	25	-	589	17
Decrease (Increase) prepaid items and deposits	304	-	(16)	288	(398)
Increase (Decrease) accounts payable	(3,695)	8	(108)	(3,795)	2,825
Increase (Decrease) due to other funds	(4,258)	-	19	(4,239)	4,192
Increase (Decrease) due to other governments	25,123	47	29	25,199	(23)
Increase (Decrease) deposits payable	-	-	1	1	-
Increase (Decrease) accrued closure costs	-	187	-	187	-
Increase (Decrease) accrued remediation costs	-	8,397	-	8,397	-
Increase (Decrease) other liabilities	5,422	(39)	(593)	4,790	(74)
Increase (Decrease) estimated claims liability	-	-	-	-	7,454
Increase (Decrease) salaries and benefits payable	1,333	(135)	11	1,209	545
Increase (Decrease) compensated absences	267	(385)	223	105	1,673
Decrease (Increase) pension assets, net	-	545	-	545	-
Net cash provided (used) by operating activities	$ 27,038	$ 10,346	$ 3,267	$ 40,651	$ (58,240)
Noncash investing, capital, and financing activities:					
Capital lease obligations	$ 2,117			$ 2,117	$ 4,871

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

COUNTY OF RIVERSIDE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ -	$ -	$ 14,336	$ 249,530
Federal agency	16,353	2,110,456	-	-
Cash and equivalent	2,405	98,477	-	-
Commercial paper	223	84,825	-	-
Negotiable CDs	-	84,894	-	-
Municipal bonds	187	51,619	-	-
Bond - U.S. Treasury	2,951	366,571	-	-
Local agency obligation	69	331	-	-
Accounts receivable	77	14,131	5	-
Interest receivable	-	2,395	7	233
Taxes receivable	-	12	-	55,427
Due from other governments	-	-	-	2,387
Total assets	22,265	2,813,711	14,348	307,577
LIABILITIES:				
Accounts payable	-	-	6,330	148,003
Salaries and benefits payable	-	-	-	5
Due to other governments	-	-	-	159,569
Total liabilities	-	-	6,330	$ 307,577
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 22,265	$ 2,813,711	$ 8,018	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 425	$ -	$ -
Employee contributions	1,387	-	-
Contributions to pooled investments	-	19,035,951	-
Contributions to private-purpose trust	-	-	5,828
Investment income	1,120	-	49
Total additions	2,932	19,035,951	5,877
DEDUCTIONS:			
Distribution from pension trust	545	-	-
Distributions from pooled investments	-	19,097,431	-
Distributions from private-purpose trust	-	-	6,308
Administrative and other expenses	143	-	-
Total deductions	688	19,097,431	6,308
Change in net assets	2,244	(61,480)	(431)
Net assets held in trust, beginning of the year	20,021	2,875,191	8,449
Net assets held in trust, end of the year	$ 22,265	$ 2,813,711	$ 8,018

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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COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements
June 30, 2011

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

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

County of Riverside Asset Leasing Corporation (CORAL) The 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. 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 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 RDA, and other local agencies. The Public Financing Authority is reported as a governmental fund type.

County of Riverside District Court Financing Corporation (District Corporation) The 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 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 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 functions as required and retained by the County. The IHSS PA is reported as a governmental fund type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Components (Continued)

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. 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 of Riverside 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 Authority is reported as a governmental fund type.

Discretely Presented Component Units

Riverside County Children and Families Commission (the Commission) The Riverside County Board of Supervisors 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 of Supervisors. The Commission includes one member of the County Board of Supervisors. 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 body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Palm Desert Financing Authority The Palm Desert Financing Authority (Authority) is a joint powers authority between the County of Riverside and Palm Desert Redevelopment Agency (PDRDA) established on January 1, 2002 under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the PDRDA agreed to create the Authority 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 Authority is a legally separate entity, in substance under Government Accounting Standards Board Statement 14, the County is financially accountable for the Authority's issuance of both lease revenue bonds that are under the Authority's management (2003 Series A and 2008 Series A).

The Authority's Commission is the governing body of the Authority, which consists of the County Executive Officer, one member of the County Board of Supervisors, the Executive Director of the PDRDA and a member of the PDRDA's Board. It is discretely presented because its governing body is not substantially the same as the County's governing body.

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 of Supervisors, administer activities of the school districts and special districts. The County Auditor-Controller makes disbursements upon the request of the responsible self-governed special district officers. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Financial Information Related to County Fiduciary Responsibilities (Continued)

revenue limits, or appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County. Twenty-seven 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 assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. 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, 28.5% or $16.9 million, of the County's $59.2 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.

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.

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 collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the Teeter Plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 of Supervisors.

Redevelopment Agency Capital Project Fund accounts for tax increment revenue used to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency issued to finance construction of infrastructure and public facilities for various project areas.

The County reports the following major enterprise funds:

Regional Medical Center (RMC) accounts for the maintenance of physical plant facilities and quality care to all patients in accordance with accreditation standards, the bylaws, rules and regulations of the medical staff, and the RMC. Revenue for this fund is primarily from charges for services, and secondarily from the County's General Fund.

Waste Management Department (Waste Management) 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 Management prepares and maintains the County's Solid Waste Management Plan, provides environmental monitoring in accordance with State and Federal mandates, and administers landfill closure and acquisition.

The County reports the following additional fund types:

Internal Service Funds account for the County's records management and archives, fleet services, information services, printing services, supply services, purchasing, OASIS 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 assets 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 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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, 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 Transaction*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. All other revenue streams are considered available and accrued if they are expected to be received within ninety days after the fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

Reconciliations are presented to explain the adjustments necessary to reconcile the 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 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 90 days of June 30, 2011, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at fair value based on the value of each participating dollar.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The fair value of a participants' position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, 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 70.7% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 29.3% of the total funds on deposit in the County Treasury represented discretionary deposits.

Receivables

The RMC 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 $427.4 million and $988.8 million, respectively. The RMC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RMC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RMC 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% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total fiscal year 2010-11 gross assessed valuation of the County was $212.3 billion.

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

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) of the full cash value of taxable property and distributed in accordance with statutory formulas.

Amounts needed to finance the annual requirements of voter-approved debt (approved by the electorate prior to June 30, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved indebtedness.

Property taxes are levied on both real and personal property and are recorded as receivables at the date of levy. Secured property taxes are levied on or before the first business day of September of each year. These taxes become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments; the first is due November 1 and are delinquent with penalties after December 10; the second is due February 1 and are delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30th are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% 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 one percent (1%) of the tax levy for participating entities may flow to the County General Fund. For fiscal year 2010-11, $40.0 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 reserved.

Inventories, which consist of materials and supplies held for consumption, are valued at the lower of cost (on a first-in, first-out basis) or market in the proprietary funds. Inventories for all governmental funds are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is $5 thousand; buildings, land and land improvements are $1; and, infrastructure and intangibles are $150 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 statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure	
Flood channels	99 years
Flood storm drains	65 years
Flood dams and basins	99 years
Roads	20 years
Traffic signals	10 years
Parks trails and improvements	20 years
Bridges	50 years
Buildings	25-50 years
Improvements	10-20 years
Equipment	3-20 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Interest is capitalized on construction in progress in the proprietary funds. Interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The RMC capitalizes net interest expense as a cost of property constructed. The RMC capitalized $149.2 thousand for the year ending June 30, 2011.

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 Management has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The General Fund has restricted assets for program money where use is legally or contractually restricted.

Land Held for Resale

These assets, held by the County's Redevelopment Agency, are invested in various programs and are intended primarily for development and subsequent resale. These assets had a fair value of $92.6 million at June 30, 2011.

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, 2011, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was $180.6 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 the Public Employee's Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of fifty percent (50%) 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 fifteen 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 Revenue/Unearned Revenue

Deferred revenue arises when a potential revenue transaction does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

County has a legal claim to them, such as grants received in advance of incurring qualified expenditures. Unearned revenue is used for government-wide presentation only.

Long-term Debt

The County reports long-term debt of governmental funds in the government-wide statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide statement of net assets. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund and the government-wide statement of net assets.

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred losses on refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, and deferred losses on refundings.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs are reported as debt service expenditures whether or not withheld from the actual debt proceeds received.

Bond Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Landfill Closure and Post-Closure Care Costs

Waste Management provides for closure and post-closure care costs over the life of the operating landfills as the permitted airspace of the landfill is used. Accordingly, the entire closure and post-closure care cost is recognized as expense by the time the landfills are completely filled. Waste Management also recognizes as expense closure and post-closure care costs for inactive landfills that have been closed under State and Federal regulations.

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

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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are neither available for appropriation nor available as financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net Assets

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

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation.

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

Fund Equity

In the fund financial statements, fund equity 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 for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- 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. 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.

As the highest level of decision making authority, the Board of Supervisors approval is required to establish, change, or remove a commitment. Commitments will only be used for specific purposes pursuant to a formal action by the Board of Supervisors.

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.
The General Fund is the only fund that will have an unassigned fund balance.

Fund Balance Policy

On September 13, 2011, the Board of Supervisors approved Policy B-30, *Governmental Fund Balance and Reserve* 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

Unassigned Fund Balance - General Fund

The County shall maintain a minimum unassigned fund balance in its General Fund of at least 25 percent 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 funds should be as the last resort in balancing the County budget.

During the initial implementation of this policy, the Executive Office will develop a plan to ensure fund balance is at the minimum level within three years. The plan for accomplishing this will be included with the recommended budget submitted to the Board for approval each fiscal year. Following the initial implementation of the policy, if fund balance drops below the established minimum levels, the Executive Office will develop a plan to replenish the balance to established minimum levels within two years and submit the plan to the Board for approval.

Fund Balance - Special Revenue Funds

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 two years and submit the plan to the Board for approval.

Committed Fund Balance - Disaster Relief

The County shall commit a portion of 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 two percent of discretionary revenue or $15 million, whichever is greater.

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.

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 54

In March of 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement 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. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB No. 54. The County's fund balance classifications are also reported in Note 14.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 57

In December of 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. The County has elected not to early implement GASB No. 57 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 58

In December of 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. As of June 30, 2011, this statement is not applicable to the County.

Governmental Accounting Standards Board Statement No. 59

In June of 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. National Council on Governmental Accounting Statement No. 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. As of June 30, 2011, this statement is not applicable to the County.

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The County has elected not to early implement GASB No. 60 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

financial statements for periods beginning after June 15, 2012. The County has elected not to early implement GASB No. 61 and has not determined its effect on the County's financial statements.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No.62

In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. The codification incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. No new generally accepted accounting principles were released in this statement. Statement No. 62 is effective for periods beginning after December 15, 2011. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previously, GASB Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 is effective for periods beginning after December 15, 2011. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 64

In June of 2011, GASB issued Statement No. 64, *Derivative Instrunents: Application of Hedge Accounting Termination Provisions*, *an amendment of GASB Statement No. 53*. Statement No. 64 provides guidance for accounting and reporting when interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53 Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 clarifies the accounting treatment when this occurs. Statement No. 64 is effective for periods beginning after June 15, 2011. The County has elected not to early implement this statement. In addition, GASB released a mid-year supplement to its Comprehensive Implementation Guide. Within this guide, a new question and answer has been included clarifying the disclosure of federal investments that have implicit and explicit subsidies. The County has implemented this treatment in Note 5 - Cash and Investments.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2 of each fiscal year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors (the Board) adopts a budget in accordance with the provisions of Section 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Budgeted governmental funds consist of the general fund, major funds, and some non-major funds (all special revenue funds, certain debt service funds, and certain capital project funds). Annual budgets are not adopted for the following debt service funds: CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority; the CORAL Capital Project Fund; and the Perris Valley Cemetery Permanent Fund.

As adopted by the Board, expenditures are controlled by the County at the budgetary unit, which is the organization level, for each appropriation (object) class. The appropriation classes are salaries and benefits, services and supplies, other charges, capital assets, transfers out, and intrafund transfers. The separately prepared Expenditure by Appropriation – Budget and Actual report, showing budgetary comparisons at the object level of control, is available in the Auditor-Controller's Office.

Each year the original budget, as published in a separate report the "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 project 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.

Excess of expenditures over appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in capital outlay by $8.3 million, the excess of expenditure resulted from the acquisition of $8.3 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

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COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

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

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

	Total Governmental Funds (Page 29)	Long-term Assets and Liabilities	Internal Service Funds	Elimination	Statement of Net Assets Totals (Page 23)
Assets:					
Cash and investments	$ 1,371,666	$ -	$ 232,069	$ -	$ 1,603,735
Receivables:					
Accounts receivable	18,497	-	2,642	-	21,139
Interest	2,242	-	167	-	2,409
Taxes	139,036	-	-	-	139,036
Due from other governments	302,923	(34,669)	1,352	-	269,606
Notes receivable	61,999	-	-	-	61,999
Inventories	2,637	-	3,670	-	6,307
Due from other funds	22,870	-	2,708	(25,578)	-
Prepaid items	863	-	398	-	1,261
Internal balances	-	-	-	48,777	48,777
Restricted cash and investments	499,872	-	1,002	-	500,874
Other noncurrent receivables	-	34,669	-	-	34,669
Advances to other funds	4,992	-	-	(4,992)	-
Pension asset, net	-	433,216	-	-	433,216
OPEB Pension asset, net	-	21,818	-	-	21,818
Land held for resale	92,570	-	-	-	92,570
Unamortized bond issuance costs	-	27,317	-	-	27,317
Deferred outflow of resources	-	24,669	-	-	24,669
Capital assets:					
Nondepreciable	-	1,034,140	1,279	-	1,035,419
Depreciable, net	-	2,424,212	35,163	-	2,459,375
Total assets	$ 2,520,167	$ 3,965,372	$ 280,450	$ 18,207	$ 6,784,196

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

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

	Total Governmental Funds (Page 29)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 23)
Liabilities:					
Accounts payable	$ 136,051	$ -	$ 17,012	$ -	$ 153,063
Salaries and benefits payable	55,574	-	3,701	-	59,275
Due to other funds	21,488	-	4,199	(25,687)	-
Due to other governments	36,429	-	17	-	36,446
Deposits payable	2,328	-	-	-	2,328
Deferred/unearned revenue	294,617	(38,455)	-	-	256,162
Notes payable	206,805	-	-	-	206,805
Interest payable	-	20,292	-	-	20,292
Other liabilities	-	-	1,590	-	1,590
Interest rate swap	-	24,669	-	-	24,669
Long-term liabilities due within one year:					
Bonds payable	-	39,585	-	-	39,585
Capital lease obligations	-	12,392	7,949	-	20,341
Certificates of participation	-	26,397	-	-	26,397
Loans payable	-	430	-	-	430
Compensated absences	-	85,345	4,930	-	90,275
Estimated claims liability	-	-	34,903	-	34,903
Accrued remediation cost	-	462	-	-	462
Advance from other funds	1,300	-	3,692	(4,992)	-
Long-term liabilities due in more than one year:					
Bonds payable	-	1,511,737	-	-	1,511,737
Capital lease obligations	-	83,697	7,090	-	90,787
Certificates of participation	-	340,876	-	-	340,876
Loans payable	-	4,925	-	-	4,925
Accreted interest payable	-	61,963	-	-	61,963
Compensated absences	-	66,349	3,720	-	70,069
Estimated claims liability	-	-	89,814	-	89,814
Accrued remediation cost	-	1,870	-	-	1,870
Total liabilities	754,592	2,242,534	178,617	(30,679)	3,145,064
Fund balances/net assets:					
Total fund balances/net assets	1,765,575	1,722,838	101,833	48,886	3,639,132
Total liabilities and fund balances/net assets	$ 2,520,167	$ 3,965,372	$ 280,450	$ 18,207	$ 6,784,196

NOTE 4 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications. A summary of the restatements as of June 30, 2011 is as follows (in thousands):

Government-wide:

	Primary Government	
	Governmental Activities	Business Type
Government-wide net assets, as of June 30, 2010,		
as previously reported, Fund financial statements:	$ 3,594,358	$ 219,684
Adjustments for loan receivable	(5,775)	-
Revenue erroneously booked in the incorrect accounting period	281	-
Government-wide financial statements:		
Acquisition of Capital Assets, not previously reported	24,856	-
Accumulated depreciation was understated in prior years		
Effects of GASB 51 implementation	(2,966)	-
Net assets as of June 30, 2010, as restated	$ 3,610,754	$ 219,684

Fund Financials:

	Governmental Funds		
	Major Fund	Non-Major Funds	
Description	RDA Capital Project Fund	RDA Special Revenue Fund	Parks Special Revenue Fund
Fund balances as of June 30, 2010, as previously reported	$ 268,347	$ 163,554	$ 14,332
Prior Period Adjustments:			
Adjustments for loan receivable	(7,019)	1,244	-
Revenue erroneously booked in the incorrect accounting period	-	-	281
Fund balances, as of June 30, 2010, as restated	$ 261,328	$ 164,798	$ 14,613

NOTE 5 – CASH AND INVESTMENTS

As of June 30, 2011, cash and investments are classified in the accompanying financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	$ 1,603,735	$ 131,974	$ 43,395	$ 3,083,227	$ 4,862,331
Restricted cash and investments	500,874	97,498	16,106	-	614,478
Total cash and investments	$ 2,104,609	$ 229,472	$ 59,501	$ 3,083,227	$ 5,476,809

As of June 30, 2011, cash and investments consist of the following (in thousands):

Deposits	$ 237,953
Investments	5,238,856
Total Cash and Investments	$ 5,476,809

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 of the California Government Code or the County's investment policy, (where more restrictive 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
Public Agency Bonds	3 Years	15%	5% **
U.S. Treasury	5 Years	100%	N/A
Local Agency Obligations	3 Years	2.5%	2.50%
Federal Agencies	5 Years	100%	N/A
Commercial Paper	270 Days	40%	4% *
Negotiable CD	1 Year	25%	4% *
Time Deposits	1 Year	2%	N/A
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements	60 Days	10%	10%
Medium Term Notes	3 Years	20%	4% *
CalTRUST Short Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds	Daily Liquidity	20%	None
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 4% 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 5 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2011, the County and Component Units had the following investments (in thousands):

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating (1) June 30, 2011	% of Portfolio
County Treasurer Investments							
Federal Home Loan Bank	$ 1,254,306	0.27 - 2.13%	07/11 - 06/16	1.61	N/R	AAA/Aaa	25.37%
Federal National Mortgage Association	1,232,782	0.19 - 2.00%	07/11 - 02/16	1.69	N/R	AAA/Aaa	24.94%
Federal Home Loan Mortgage	788,123	0.14 - 2.50%	07/11 - 05/16	1.39	N/R	AAA/Aaa	15.95%
US Treasury Bills and Bonds	647,695	0.22 - 0.91%	12/11 - 09/12	0.79	N/A	AAA/Aaa	13.11%
Federal Farm Credit Bank	381,703	0.22 - 2.21%	08/11 - 04/16	1.28	N/R	AAA/Aaa	7.72%
Negotiable Certificate of Deposits	150,000	0.25 - 0.26%	09/11 - 10/11	0.27	A1/P1	A-1+/P-1	3.04%
Commercial Paper	149,878	0.17 - 0.34%	09/11 - 12/11	0.33	A1/P1	A-1+/P-1	3.03%
Money Market Mutual Funds	120,000	0.01 - 0.04%	07/11	0.00	AAA	AAA/Aaa	2.43%
Municipal Bonds	91,206	0.30 - 3.83%	07/11 - 05/14	0.92	AA-/Aa3	AA/Aa2	1.85%
Farmer Mac	72,055	0.21 - 2.13%	07/11 - 05/13	1.15	N/R	N/R	1.46%
CalTRUST	54,000	0.52%	07/11	0.00	N/R	AAA/Aaa	1.09%
Local Agency Obligations	585	1.14%	06/20	8.97	N/A	N/R	0.01%
Total County Treasurer Investments	4,942,333						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds (2)	156,062	0.00 - 0.09%	N/A	0.00	AA-	AA-	55.65%
Municipal Obligations	72,983	0.05 - 6.25%	7/11 - 4/38	6.96	N/A	N/R	26.03%
Investment Agreements	23,252	2.38 - 4.46%	12/14 - 11/36	8.47	AA-/Aa2	AA-/Aa2	8.29%
Money Market Mutual Funds (3)	18,303	0.00 - 0.09%	N/A	0.00	N/R	N/R	6.53%
Local Agency Investment Funds	9,817	0.00 - 0.48%	N/A	0.00	N/A	N/R	3.50%
Total Blended Component Units	280,417						100.00%
Discretely Presented Component Units							
Palm Desert Financing Authority							
Money Market Mutual Funds (2)	16,106	0.01 - 0.30%	N/A	0.63	AAA	AAA	100.00%
Total Discretely Presented Component Units	16,106						100.00%
Total Investments	$ 5,238,856						

(1) Investment ratings are from S&P and Moody's
(2) Government Code requires money market mutual funds to be rated
(3) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated

Investment in State Investment Pool

The County of Riverside 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 prorate 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, 2011, the Treasurer's Investment Pool does not participate in LAIF. However, the Housing Authority has $9.1 million and the Riverside Regional Medical Center has $0.7 million in LAIF investments.

NOTE 5 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements of 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 of 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that 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 $150.5 million. Investment securities are registered and held in the name of Riverside County.

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.

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.

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2011 is as follows (in thousands):

General Fund	
Restricted Program Money	$ 283,095
Total General Fund	283,095
Flood Special	
Restricted Program Money	5,122
Total Flood Special Revenue	5,122
Teeter Debt	
Teeter Commercial Paper Notes	101,176
Total Teeter Debt	101,176
Non Major Governmental Funds	
1985 Certificates	20,505
1990 Monterey Avenue	134
1997 Historic Court House	279
2000 Southwest Justice Center	545
2001 CAC Annex	2,484
2003 A Historic Courthouse	1,355
2003 B Capital Facilities	422
2005 A Capital Improvement Family Law	4,093
2005 B Historic Refunding	2,608
2006 A Capital Improvements	2,187
2007 A Public Safety & Refunding	42,106
2008A Southwest Justice Center	1,023
2009 Larson Justice Center	2,553
2009 Public Safety & Woodcrest Lib Refunding	4,723
Bankruptcy Court	6,700
District Court Financing Corporation	1,270
Inland Empire Tobacco	17,492
Total Non Major Governmental Funds	110,479
Regional Medical Center	
1993 Hospital Bonds	22,867
Total Regional Medical Center	22,867
Waste Management Department	
Remedian Cost	17,933
Closure and post-closure care costs	53,665
Total Waste Management Department	71,598
Non Major Enterprise Funds	
Housing Authority Bond	188
Restricted Program Money - Flood	2,845
Total Non Major Enterprise Funds	3,033
Internal Service Funds	
Flood Control Equipment	1,002
Total Internal Service Funds	1,002
Discretely Presented Component Units	
Palm Desert Financing Authority	16,106
Total Restricted Assets	$ 614,478

NOTE 7 – RECEIVABLES AND DEFERRED/UNEARNED REVENUE

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	Notes	Total Governmental
General Fund	$ 12,771	$ 1,119	$ 17,790	$ 276,656	$ -	$ 308,336
Flood Control	514	197	4,124	42	-	4,877
Teeter Debt Service	-	45	114,632	-	-	114,677
Public Facilities Improvements	-	214	-	-	-	214
Redevelopment Capital Project	2,669	265	-	3	17,642	20,579
Nonmajor Governmental Funds	2,543	402	2,490	26,222	44,357	76,014
Internal Service Funds	2,642	167	-	1,352	-	4,161
Total receivables	$ 21,139	$ 2,409	$139,036	$ 304,275	$ 61,999	$ 528,858

Receivables Business-type Activities:	Accounts	Interest	Taxes	Due From Other Govts	Allowance for uncollec-tibles	Total Business-type Activities
Regional Medical Center	$ 1,474,653	$ -	$ -	$ 65,681	$(1,416,200)	$ 124,134
Waste Management	4,106	115	-	257	(4)	4,474
Nonmajor Funds	488	6	12	872	-	1,378
Total receivables	$ 1,479,247	$ 121	$ 12	$ 66,810	$(1,416,204)	$ 129,986

Deferred/Unearned Revenue

Of the total governmental receivable of $528.9 million, $34.7 million is SB-90 long-term receivable, which has been deferred as of June 30, 2011. Governmental funds defer revenue when receivables are not available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue when resources received, but not yet earned. At June 30, 2011, the components of deferred/unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other governments	$ 45,649	
Resources received that do not yet meet the criteria for revenue	-	$ 214,694
Flood Special Revenue		
Resources received that do not yet meet the criteria for revenue	-	4,341
Nonmajor funds:		
Due from other governments	132	-
Resources received that do not yet meet the criteria for revenue	-	29,801
Total deferred revenue Governmental activities	$ 45,781	248,836
Government-wide activities:		
Redevelopment Agency		
Resources received that do not yet meet the criteria for revenue		7,326
Total unearned revenue Government-wide activities		$ 256,162

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 8 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2011 is as follows (in thousands):

Due to/from other funds :

	Receivable Fund			
Payable Fund	General Fund	Flood Control	Teeter Debt Service	Other Governmental Funds
General Fund				
Delinquent property tax	$ -	$ -	$ 35	$ -
Interfund activity	-	-	-	171
Flood Control				
Capital projects	-	-	-	499
Interfund activity	-	-	-	-
Teeter Debt Service				
Delinquent property tax	9,060	-	-	-
Public Facilities Improvements Capital Projects				
Capital projects	-	-	-	733
Redevelopment Capital Projects				
Capital projects	-	-	-	691
Nonmajor Governmental Funds				
Fire	6,844	-	-	-
Interfund activity	317	402	-	-
Transportation	-	-	-	35
Regional Medical Center				
Law	222	-	-	-
Other Enterprise Funds				
Interfund activity	-	14	-	-
Internal Service Funds				
Interfund activity	3,344	239	-	264
Total Receivable	$ 19,787	$ 655	$ 35	$ 2,393

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 $3.7 million to Economic Development Agency for their internal service fund start up costs.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 8 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund					
Regional Medical Center	Waste Management	Other Enterprise Funds	Internal Service Funds	Total Payable	
					General Fund
$ -	$ -	$ -	$ -	$ 35	Delinquent property tax
-	-	-	2,433	2,604	Interfund activity
				2,639	**Total General Fund**
					Flood Control
-	-	-	-	499	Capital projects
-	-	5	263	268	Interfund activity
				767	**Total Flood Control**
					Teeter Debt Service
-	-	-	-	9,060	Delinquent property tax
				9,060	**Total Teeter Debt Service**
					Public Facilities Improvements Capital Projects
-	-	-	-	733	Capital projects
				733	**Total Public Facilities Imprv Cap Prog**
					Redevelopment Capital Projects
-	-	-	-	691	Capital projects
				691	**Total Redevelopment Capital Projects**
					Nonmajor Governmental Funds
-	-	-	-	6,844	Fire
-	-	-	-	719	Interfund activity
-	-	-	-	35	Transportation
				7,598	**Total Nonmajor Governmental Funds**
					Regional Medical Center
-	-	-	-	222	Law
				222	**Total Regional Medical Center**
					Other Enterprise Funds
-	-	5	-	19	Interfund activity
				19	**Total Other Enterprise Funds**
					Internal Service Funds
315	24	1	12	4,199	Interfund activity
				4,199	**Total Internal Service Funds**
$ 315	$ 24	$ 11	$ 2,708	$ 25,928	**Total Receivable**

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NOTE 8 – INTERFUND TRANSACTIONS

Transfers

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

	Transfer In			
Transfer-Out	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects
Operating or debt subsidy:				
General Fund				
Capital Projects	$ -	$ -	$ 5,904	$ -
Debt Service	-	845	-	-
Operating Contribution	-	-	-	-
Pension Obligation	-	-	-	-
Reimbursement	-	-	-	638
Flood Control				
Capital Projects	-	-	-	-
Pension Obligation	-	-	-	-
Reimbursement	-	-	-	-
Total Flood Control				
Teeter Debt Service				
Debt Service	89	-	-	-
Public Facilities Improvements Capital Projects				
Capital Projects	26,617	-	-	4,840
Debt Service	2,384	-	-	-
Reimbursement	2,383	-	-	-
Redevelopment Capital Projects				
Capital Projects	211	-	479	-
Debt Service	-	-	-	-
Fire	42	-	-	-
Reimbursement	5,966	-	-	-
Nonmajor Governmental Funds				
Capital Projects	219	-	490	38
Debt Service	350	-	-	-
Fire	47,611	-	-	-
Pension Obligation	264	-	-	-
Reimbursement	19,171	-	86	1,015
Regional Medical Center				
Pension Obligation	-	-	-	-
Waste Management				
Pension Obligation	-	-	-	-
Other Enterprise Funds				
Pension Obligation	-	-	-	-
Internal Service Funds				
Business Services	740	-	-	-
Pension Obligation	-	-	-	-
Reimbursement	-	-	-	-
Total Transfers In	$ 106,047	$ 845	$ 6,959	$ 6,531

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

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

Transfer In				
Other Governmental Funds	Regional Medical Center	Internal Service Funds	Total Transfers Out	Transfer-Out
				Operating or debt subsidy:
				General Fund
$ 5,089	$ -	$ -	$ 10,993	Capital Projects
33,483	-	-	34,328	Debt Service
-	10,000	1,857	11,857	Operating Contribution
21,847	-	-	21,847	Pension Obligation
13,448	-	106	14,192	Reimbursement
			93,217	**Total General Fund**
				Flood Control
1,409	-	-	1,409	Capital Projects
1	-	-	1	Pension Obligation
-	-	75	75	Reimbursement
			1,485	**Total Flood Control**
				Teeter Debt Service
-	-	-	89	Debt Service
			89	**Total Teeter Debt Service**
				Public Facilities Improvements Capital Projects
12,413	5,000	-	48,870	Capital Projects
-	-	-	2,384	Debt Service
-	-	82	2,465	Reimbursement
			53,719	**Total Public Facilities Imprv Cap Prog**
				Redevelopment Capital Projects
7,442	-	-	8,132	Capital Projects
3,762	-	-	3,762	Debt Service
-	-	-	42	Fire
5,028	-	-	10,994	Reimbursement
			22,930	**Total Redevelopment Capital Projects**
				Nonmajor Governmental Funds
224	-	-	971	Capital Projects
10,848	-	-	11,198	Debt Service
-	-	-	47,611	Fire
1,734	-	-	1,998	Pension Obligation
24,453	-	-	44,725	Reimbursement
			106,503	**Total Nonmajor Governmental Funds**
				Regional Medical Center
4,165	-	-	4,165	Pension Obligation
			4,165	**Total Regional Medical Center**
				Waste Management
296	-	-	296	Pension Obligation
			296	**Total Waste Management**
				Other Enterprise Funds
184	-	-	184	Pension Obligation
			184	**Total Other Enterprise Funds**
				Internal Service Funds
-	-	-	740	Business Services
1,777	-	-	1,777	Pension Obligation
-	-	1,993	1,993	Reimbursement
			4,510	**Total Internal Service Funds**
$ 147,603	$ 15,000	$ 4,113	$ 287,098	**Total Transfers In**

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	Balance July 1, 2010	Prior Period Adjustments *	Additions	Retirements	Transfers	Balance June 30, 2011
Governmental activities:						
Capital assets, not being depreciated:						
Land & easements	$ 429,874	$ (9)	$ 11,400	$ (7,963)	$ 292	$ 433,594
Construction in progress	661,635	-	235,401	190	(295,401)	601,825
Total capital assets, not being depreciated	1,091,509	(9)	246,801	(7,773)	(295,109)	1,035,419
Capital assets, being depreciated:						
Infrastructure						
Flood channels	235,155	-	4,189	-	1,000	240,344
Flood storm drains	318,089	-	20,391	-	12,463	350,943
Flood dams and basins	31,215	-	-	-	-	31,215
Roads	1,669,209	-	26,267	(114,424)	55,492	1,636,544
Traffic signals	23,431	-	30	(1,876)	80	21,665
Bridges	105,381	-	-	(951)	293	104,723
Runways	16,247	-	-	-	2,216	18,463
Parks trails and improvements	9,524	-	-	-	440	9,964
Land improvements	110	-	-	-	-	110
Structures and improvements	1,022,292	24,856	11,346	(10,961)	223,124	1,270,657
Equipment	377,005	38	17,047	(21,690)	(307)	372,093
Total capital assets, being depreciated	3,807,658	24,894	79,270	(149,902)	294,801	4,056,721
Less accumulated depreciation for:						
Infrastructure	(1,030,671)	(66)	(68,615)	97,506	(85)	(1,001,931)
Land improvements	(11)	-	(10)	-	-	(21)
Structures and improvements	(290,248)	(2,764)	(23,802)	6,512	89	(310,213)
Equipment	(276,869)	(136)	(28,489)	20,162	151	(285,181)
Total accumulated depreciation	(1,597,799)	(2,966)	(120,916)	124,180	155	(1,597,346)
Total capital assets, being depreciated, net	2,209,859	21,928	(41,646)	(25,722)	294,956	2,459,375
Governmental activities capital assets, net	$ 3,301,368	$ 21,919	$205,155	$ (33,495)	$ (153)	$ 3,494,794

*Prior period adjustment represents $24.9 million in capital assets not previously reported and $3.0 million in corrections to accumulated depreciation which was previously understated.

NOTE 9 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	Balance July 1, 2010	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2011
Business-type activities:						
Capital assets, not being depreciated:						
Land & easements	$ 21,325	$ -	$ -	$ -	$ -	$ 21,325
Construction in progress **	34,801	-	12,888	-	(3,321)	44,368
Total capital assets, not being depreciated	56,126	-	12,888	-	(3,321)	65,693
Capital assets, being depreciated:						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	55,849	-	-	-	(623)	55,226
Infrastructure-other	21,549	-	17	-	985	22,551
Structures and improvements	216,726	-	352	-	2,258	219,336
Equipment	114,280	-	2,845	(28,799)	1,008	89,334
Total capital assets, being depreciated	420,066	-	3,214	(28,799)	3,628	398,109
Less accumulated depreciation for:						
Land improvements	(6,836)	-	(582)	-	-	(7,418)
Infrastructure-landfill liners	(18,563)	-	(2,721)	-	62	(21,222)
Infrastructure-other	(4,950)	-	(1,117)	-	(67)	(6,134)
Structures and improvements	(80,628)	-	(6,480)	-	-	(87,108)
Equipment	(93,607)	-	(6,382)	28,511	(149)	(71,627)
Total accumulated depreciation	(204,584)	-	(17,282)	28,511	(154)	(193,509)
Total capital assets, being depreciated, net	215,482	-	(14,068)	(288)	3,474	204,600
Business-type activities capital assets, net	$ 271,608	$ -	$ (1,180)	$ (288)	$ 153	$ 270,293

** There is $9.9 million recorded in construction in progress for a new co-generation plant. The plant is scheduled to be completed and will be tested within the next several months to ensure they maintain compliance without further adjustments and engine failures since the plant has yet to meet certain Air Quality Management Emissions Standards and requirements under the Southern California Air Quality Management District (AQMD). The County will assess the cost to rebuild the plants to be operational and pass the AQMD standards and then work with County Counsel to determine what damages will be filed against the original vendor for losses incurred.

Depreciation

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

General government	$ 21,966
Public protection	15,999
Health and sanitation	1,381
Public assistance	974
Public ways and facilities	62,254
Recreation and culture	1,340
Education	1,736
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	15,266
Total depreciation expense – governmental functions	$ 120,916

NOTE 9 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	$ 9,791
Waste Management	5,579
Housing Authority	1,896
County Service Areas	3
Flood Control	13
Total depreciation expense – business-type functions	$ 17,282

Capital Leases

	Governmental	Business Type
Land	$ 5,780	$ -
Construction in Progress	-	-
Structures and Improvements	97,386	-
Equipment	134,284	21,175
Less: Accumulated amortization	(106,368)	(11,694)
Total leased property, net	$ 131,082	$ 9,481

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NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require Waste to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste will recognize the remaining estimated cost of $22.3 million as the remaining estimated capacity of 18.5 million tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2047. The total estimate of $70.6 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.

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

Facility Name (City)	Cumulative Expense	Capacity Used as of June 30, 2011 %	Estimated Years Remaining
Anza (Anza)	$ 2,376	100.0	-
Badlands (Moreno Valley)	12,157	50.5	13
Blythe (Blythe)	7,862	33.4	36
Coachella (Coachella)	3,373	100.0	-
Desert Center (Desert Center)	1,120	69.2	7
Double Butte (Winchester)	3,093	100.0	-
Edom Hill (Cathedral City)	10,600	100.0	-
Highgrove (Riverside)	1,732	100.0	-
Lamb Canyon (Beaumont)	18,139	46.5	10
Mead Valley (Perris)	3,113	100.0	-
Mecca II (Mecca)	3,466	99.4	26
Oasis (Oasis)	3,582	72.3	10
	$ 70,613		

Waste is required by State and Federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 14 of the California Code of Regulations (CCR) requires solid waste landfill operators to demonstrate the availability of financial resources to conduct closure and post-closure maintenance activities.

In accordance with sections 18283 and 18290 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Integrated Waste Management Board (CIWMB) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste has determined that the projected net revenues, after current operating costs, from tipping fees during the thirty-year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by the Waste and the CIWMB. Waste complies with these requirements and investments of $53.7 million are held for these purposes at June 30, 2011 and are classified as Restricted Assets in the Statement of Net Assets. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future landfill users.

NOTE 11 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 4.5% per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011 (in thousands):

Year Ending June 30		
2012	$	39,176
2013		31,639
2014		24,536
2015		19,005
2016		13,144
2017-2021		18,051
2022-2026		869
2027-2031		966
2032-2036		1,042
2037-2041		694
Total Minimum Payments	$	149,122

Total rental expenditure/expense for the year ended June 30, 2011 was $89.4 million of which $3.8 million was recorded in the Enterprise Funds.

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NOTE 12 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2010, the County issued $343.0 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid June 30, 2011. The Notes were issued with a yield rate of 0.43% for Series Bond A and 0.55% for Series Bond B. This was to provide needed cash to cover the projected intra-period cash-flow deficits of the County's General Fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter Plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During FY 2010-11, the County retired $152.0 million of the $257.3 million principal amount outstanding at June 30, 2010. The County then issued $80.7 million of Series B notes and $20.8 million in Series C notes, leaving an outstanding balance of $206.8 million at June 30, 2011.

Short-term debt activity for the year ended June 30, 2011, was as follows (in thousands):

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
FY 2010-11 TRANs	$ -	$ 343,000	$ (343,000)	$ -
Teeter Notes	257,300	101,505	(152,000)	206,805
Total	$ 257,300	$ 444,505	$ (495,000)	$ 206,805

NOTE 13 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities which are payable from the General, Debt Service, Enterprise, and Internal Service Funds. The calculated legal debt limit for the County is $2.6 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 assets. Capital leases are secured by a pledge of the leased equipment.

See Note 9 (Capital Assets) for Assets under Capital Leases for 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, 2011 (in thousands):

Year Ending June 30	Palm Desert Financing Authority	Other Governmental Activities	Total Governmental Activities	Business-type Activities
2012	$ 7,475	$ 18,005	$ 25,480	$ 6,442
2013	7,478	11,530	19,008	5,265
2014	7,477	8,040	15,517	3,512
2015	7,482	5,631	13,113	1,628
2016	7,471	3,927	11,398	107
2017-2021	37,357	2,577	39,934	-
2022-2026	13,378	633	14,011	-
2027-2031	4,980	252	5,232	-
2032-2036	1,988	-	1,988	-
Total minimum payments	95,086	50,595	145,681	16,954
Less amount representing interest	(28,512)	(6,041)	(34,553)	(1,124)
Present value of net minimum lease payments	$ 66,574	$ 44,554	111,128	$ 15,830

The statement of net assets includes the Palm Desert Financing Authority capital lease of $66.6 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.

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County of Riverside that are outstanding as of June 30, 2011 (in thousands):

Governmental Activities

Type of indebtedness (purpose)	**Maturity**	**Interest Rates**	**Annual Principal Installments**	**Original Issue Amount**	**Outstanding at June 30, 2011**
Certificates of Participation:					
CORAL					
1985 Serial Certificates	12/09 – 12/15	Variable	$7,600 - $14,800	$ 169,400	$ 59,800
				169,400	59,800

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Certificates of Participation (Continued):					
CORAL					
1990 Monterey Avenue:					
Serial Certificate	11/09 – 11/20	Variable	$300 - $800	$ 8,800	$ 5,600
				8,800	5,600
CORAL					
2001 CAC Annex:					
Serial Certificates	11/09 – 11/26	5.13%	$815 - $1,880	27,120	21,310
Term Certificate	11/27 – 11/30	5.13%	$1,980 - $2,295	8,540	8,540
Term Certificate	11/31	5.75%	$2,415	2,415	2,415
				38,075	32,265
CORAL					
2003 A - Historic Court Project:					
Serial Certificates	11/09 – 11/18	3.00% - 5.00%	$280 - $400	4,125	2,765
Term Certificate	11/19 – 11/23	5.00%	$420 - $510	2,320	2,320
Term Certificate	11/24 – 11/28	5.00%	$535 - $650	2,955	2,955
Term Certificate	11/29 – 11/33	5.13%	$685 - $835	3,790	3,790
				13,190	11,830
CORAL					
2003 B –Capital Facilities Refunding:					
Serial Certificates	11/09 – 11/18	2.00% - 4.20%	$880 - $395	8,685	2,770
				8,685	2,770
CORAL					
2005 A - Capital Improvement & Family Law Court Refunding:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$1,090 - $2,160	28,495	23,765
Term Certificate	11/26 –11/33	5.00%	$2,255 - $2,145	9,905	9,905
Term Certificate	11/34 – 11/36	5.00%	$2,265 - $2,490	13,265	13,265
				51,665	46,935
CORAL					
2005 B - Historic Courthouse Refunding Project:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$505 - $1,740	18,835	16,180
Term Certificate	11/26 – 11/27	5.00%	$1,860 - $1,915	3,775	3,775
				22,610	19,955
CORAL					
2006 Series A - Cap Imp Project:					
Serial Certificates	11/09 – 11/26	3.75% - 5.13%	$610 - $1,235	16,425	14,595
Term Certificate	11/27 – 11/31	4.75%	$1,295 - $1,560	7,130	7,130
Term Certificate	11/32 – 11/35	5.00%	$1,635 - $1,895	7,050	7,050
Term Certificate	11/36 – 11/37	4.63%	$1,990 - $2,080	4,070	4,070
				34,675	32,845
CORAL					
2007 A & B Public Safety Communication and Refunding Projects:					
Series A & B	11/10 – 11/17	3.85% - 5.00%	$1,625 - $10,850	111,125	67,110
				111,125	67,110
CORAL					
2009 Public Safety Communication and Woodcrest Library Refunding Projects:					
Series A	12/10 – 11/39	Variable	$70 - $420	45,685	45,615
				45,685	45,615

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Certificates of Participation (Continued):					
CORAL					
2009 Larson Justice Center Refunding:					
Serial Certificates	12/10 – 12/21	Variable	$1,050 - $4,860	$ 24,680	$ 23,630
				24,680	23,630
Court Financing Corporation					
Bankruptcy Courthouse:					
Acquisition Project Term Certificate	11/09 – 11/20	7.50%	$835 - $1,385	16,120	10,175
				16,120	10,175
District Court Financing Corporation					
U.S. District Court Project:					
Term /Series 1999	6/14/17	7.59%	$902 - $1,263	2,165	2,165
Term /Series 1999	6/15/15	1.93%	$1,187 - $1,658	17,635	6,017
Term /Series 2002	6/15/20	3.00%	$50 - $75	925	560
				20,725	8,742
Total Certificates of Participation				$ 565,435	$ 367,272
Bonds Payable:					
CORAL					
2000 A Southwest Justice Center:					
Term Certificate	11/09 – 11/13	4.88% - 5.40%	$1,830 - $2,240	$ 17,945	$ 6,320
				17,945	6,320
CORAL					
2008 A Southwest Justice Center:					
Term Certificate	12/08 – 11/32	Variable	$2,480 - $6,410	78,895	78,895
				78,895	78,895
CORAL					
1997 B & C (Hospital):					
Term Bonds (Series C)	06/01/19	5.81%	$1,733	1,733	1,733
				1,733	1,733
RDA					
2005 Tax Allocation Revenue Bonds	10/09 – 10/37	4.50% - 5.00%	$2,620 - $6,490	144,075	131,730
				144,075	131,730
RDA					
2004 A Tax Allocation Housing Bonds	10/09 – 10/37	4.75% - 5.00%	$1,905 - $5,600	38,225	38,225
				38,225	38,225
RDA					
2004 A-T Tax Allocation Housing Bonds	10/09 – 10/28	2.90% - 4.87%	$1,045 - $760	37,000	30,140
				37,000	30,140
RDA					
2010 A Tax Allocation Housing Bonds	10/37 - 10/40	6.00%	$2,845 - $5,160	15,885	15,885
				15,885	15,885
RDA					
2010 A-T Tax Allocation Housing Bonds	10/12 - 10/39	4.75% - 7.75%	$820 - $1,550	50,860	50,860
				50,860	50,860
RDA					
2011 A Tax Allocation Housing Bonds	03/11 - 03/43	2.73% - 6.25%		14,093	14,093
				14,093	14,093

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Bonds Payable (Continued):					
RDA					
2011 A-T Tax Allocation Housing Bonds	03/11 - 03/22	2.73% - 6.25%		$ 14,095	$ 14,095
				14,095	14,095
RDA					
2011 B-T Tax Allocation Housing Bonds	03/11 - 03/20	2.72% - 6.00%		11,525	11,525
				11,525	11,525
RDA					
2005 Tax Allocation Housing/Refunding	10/09 – 10/33	3.00% - 4.50%	$395 - $1,105	18,245	15,955
				18,245	15,955
RDA					
2007 A Tax Allocation Refunding Bonds	10/09 – 09/1/34	3.00% - 4.50%	$1,795 - $6,450	89,990	84,600
				89,990	84,600
Taxable Pension Obligation Bond					
Pension Obligation Bonds (Series 2005-A)	8/09 – 8/35	4.91% - 5.04%	$3,425 - $5,530	400,000	366,945
				400,000	366,945
RDA					
2004 Tax Allocation Revenue Bonds	10/09 – 10/37	2.50% - 5.00%	$1,220 - $14,395	102,785	94,190
2007 Tax Allocation Revenue - Series A	10/09 – 10/37	3.50% - 4.37%	$2,945 - $8,925	169,720	157,520
2007 Tax Allocation Revenue - Series B	10/09 – 10/37	4.00% - 4.75%	$550 - $1,955	33,820	31,525
2010 Tax Allocation Revenue - Series C	10/11 - 10/41	2.00% - 6.25%	$545 - $1,120	5,645	5,645
2010 Tax Allocation Revenue - Series D	10/11 - 10/41	2.00% - 5.38%	$640 - $2,200	32,415	32,415
2010 Tax Allocation Revenue - Series E	10/11 - 10/41	2.00% - 5.25%	$585 - $6,400	50,520	50,520
2011 Tax Allocation Revenue - Series B	03/11 - 03/43	2.72% - 6.00%		23,133	23,133
2011 Tax Allocation Revenue - Series D	03/11 - 03/38	2.50% - 4.00%		6,475	6,475
2011 Tax Allocation Revenue - Series E	03/11 - 03/45	2.75% - 7.85%		12,580	12,580
				437,093	414,003
Inland Empire Tobacco Securitization Authority					
Series 2007 A	06/17 – 06/21	4.63% - 5.10%		87,650	69,885
Series 2007 B	06/20 – 06/26	5.75%		53,758	53,758
Series 2007 C-1	06/26 – 06/36	6.63%		53,542	53,542
Series 2007 C-2	06/33 – 06/45	6.75%		29,653	29,653
Series 2007 D	06/32 – 06/57	7.00%		23,457	23,457
Series 2007 E	06/35 – 06/57	7.63%		18,948	18,948
Series 2007 F	06/42 – 06/57	8.00%		27,076	27,076
				294,084	276,319
Total Bonds Payable				$ 1,663,743	$ 1,551,323
Loans Payable:					
CORAL					
2011 Monroe Park Building Refunding	2/11 - 12/20	3.54%	$180 - $330	$ 5,535	$ 5,355
Total Loans Payable				$ 5,535	$ 5,355
Total Governmental Activities				$ 2,234,713	$ 1,923,951

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2011

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Business-Type Activities					
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	06/10 – 06/12	6.38%	$12,230 - $13,870	$ 81,135	$ 13,870
Term Bonds (Series B)	06/13 – 06/14	6.75%	$7,050 - $7,475	14,525	14,525
Loss on Defeasance (net)				-	(418)
				95,660	27,977
Regional Medical Center					
1997 A (Hospital): Serial Capital					
Cap Apprec. Bonds (net of future					
cap apprec $130,470)	06/13 – 06/26	5.70% - 6.01%	$3,034 - $3,445	41,170	41,170
				41,170	41,170
Regional Med Center 1997					
Serial Bonds (Series B)	06/10 – 06/13	4.38% - 5.15%	$395 - $455	4,785	890
Term Bonds (Series B)	06/14 – 06/19	5.00% - 5.70%	$475 - $13,007	63,935	63,935
Term Bonds (Series C)	06/19	6.25%	$3,265	3,265	3,265
Less: Sheriff's Part (Series C)				(1,733)	(1,733)
Bond Discount				-	(11)
Loss on Defeasance (net)				-	(1,314)
				70,252	65,032
Housing Authority					
1998 Series A:					
Term Bonds	12/09 – 12/18	6.85%	$110 - $200	2,405	1,290
Deferred Charges				-	(486)
				2,405	804
Total Bonds Payable				$ 209,487	$ 134,983
Total Business-Type Activities				$ 209,487	$ 134,983
Discretely Presented Component Unit					
Bonds Payable:					
Palm Desert Financing Authority					
2003 Lease Rev Bonds Series A:					
Serial Certificates	05/09 – 05/23	2.25% - 4.70%	$595 - $995	$ 13,270	$ 9,535
Term Certificate	05/24 – 05/27	4.75%	$1,035 - $715	3,975	3,975
Term Certificate	05/28 – 05/33	4.75% - 5.00%	$750 - $950	5,065	5,065
Bond Discount				-	(170)
				22,310	18,405
2008 Lease Rev Bonds Series A:					
Serial Certificates	05/10 – 05/18	4.00% - 5.50%	$1,935 - $6,200	43,845	37,490
Term Certificate	05/19 – 05/22	6.00%	$6,540 - $7,790	28,600	28,600
Bond Discount				-	(498)
				72,445	65,592
Total Bonds Payable				$ 94,755	$ 83,997
Total Discretely Presented Component Unit				$ 94,755	$ 83,997

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2011, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental	Loans Payable		Certificates of Participation	
Year ending June 30	Principal	Interest	Principal	Interest
2012	$ 430	$ 186	$ 26,397	$ 20,671
2013	505	170	28,361	18,684
2014	530	152	29,761	17,179
2015	540	133	32,208	14,196
2016	560	114	34,228	12,180
2017-2021	2,790	252	106,392	40,514
2022-2026	-	-	40,855	21,629
2027-2031	-	-	35,290	12,441
2032-2036	-	-	25,675	4,801
2037-2041	-	-	8,107	382
Total	$ 5,355	$ 1,007	$ 367,272	$ 162,677

Governmental	Bonds Payable	
Year ending June 30	Principal	Interest
2012	$ 39,585	$ 68,681
2013	40,010	62,640
2014	43,175	60,969
2015	46,760	57,050
2016	36,920	50,108
2017-2021	313,566	278,802
2022-2026	275,996	203,502
2027-2031	215,698	143,211
2032-2036	242,479	80,665
2037-2041	194,861	30,546
2042-2046	2,594	24,037
2047-2051	29,653	1,945
2052-2056	-	-
2057-2061	70,026	4,672
Total	$ 1,551,323	$ 1,066,828

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2011, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type	Bonds Payable		Other Long-term Liabilites	
Year ending June 30	Principal	Interest	Principal	Interest
2012	$ 14,430	$ 11,026	$ -	$ -
2013	10,674	10,406	-	-
2014	10,930	9,920	-	-
2015	13,516	9,416	-	-
2016	14,119	8,848	6,795	-
2017-2021	54,065	35,374	-	-
2022-2026	19,478	15,190	-	-
Total Requirements	$ 137,212	$ 100,180	$ 6,795	$ -
Bond Discount/Premium, net	(11)	-		
Deferred Charges (Housing)	(486)	-		
Loss on Defeasance (net)	(1,732)	-		
Total	$ 134,983	$ 100,180		

Discretely Presented Component Unit	Bonds Payable	
Year ending June 30	Principal	Interest
2012	$ 5,250	$ 4,484
2013	5,485	4,254
2014	5,750	3,989
2015	6,035	3,709
2016	6,315	3,415
2017-2021	37,055	11,600
2022-2026	12,995	2,643
2027-2031	3,930	1,050
2032-2036	1,850	138
Total Requirements	84,665	35,282
Bond Discount/Premium, net	(668)	-
Total	$ 83,997	$ 35,282

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2011 (in thousands):

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Governmental Activities:				
Certificates of Participation:				
Court Financing (US District Court Project)	$ 2,795	$ 384	$ -	$ 3,179
Bonds:				
Inland Empire Tobacco Securitization Authority	41,955	16,829	-	58,784
Total governmental-type activities	$ 44,750	$ 17,213	$ -	$ 61,963
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 48,811	$ 5,422	-	$ 54,233
Total business-type activities	$ 48,811	$ 5,422	$ -	$ 54,233

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The accreted interest payable balances at June 30, 2011 represent accreted interest on the U.S. District Court Project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project, $294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $7.2 million for the U.S. District Court Project, $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds, and $3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

The increases of $17.2 million and $5.4 million represent current year's accretion for governmental activities and business activities respectively. The accumulated accretion for business-type activities is $54.2 million at June 30, 2011. The accumulated accretion for U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority in governmental activities is $62.0 million. The un-accreted balances at June 30, 2011 are $76.2 million for the 1997-A Hospital (RCRMC) project, $4.0 million for the U.S. District Court, and $3.4 billion for the Tobacco Securitization Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation/ Refunding

During the fiscal year ended June 30, 2011, the Redevelopment Agency issued the 2010 Tax Allocation Bonds for financing projects of the County Redevelopment Agency and to provide funds for the various debt obligations of the Agency within the various project areas. The Bonds are special obligations of the Agency and are payable exclusively from tax revenues to be derived from the various project areas and from amounts on deposit in certain funds and accounts established pursuant to the Indenture. The outstanding balance at June 30, 2011 is $130.8 million.

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During the fiscal year ended June 30, 2011, the Agency issued Tax Allocation Bonds for financing low and moderate income housing projects of the County Redevelopment Agency and to provide funds for the various debt obligations of the Agency within the various project areas. The Bonds are special obligations of the Agency and are payable exclusively from tax revenues to be derived from the various project areas and from amounts on deposit in certain funds and accounts established pursuant to the Indenture. The outstanding balance at June 30, 2011 is $39.7 million.

On February 28, 2011, CORAL issued $5.5 million in new private placement bonds and repaid the previous May 16, 2007, mortgage note. The new bonds have an interest rate of 3.54% and the principal balance outstanding at June 30, 2011, was $5.4 million.

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 Historic Courthouse Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates have been included in the financial statements. The amount of the defeased debt outstanding at June 30, 2011, was $2.1 million.

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 cost 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 $527.0 thousand and a reduction of $339.0 thousand in future debt service payments.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Single Family and Multi-Family Mortgage Revenue Bonds

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

A total of $52.8 million of Mortgage Revenue Bonds has been issued and $51.3 million is outstanding as of June 30, 2011. 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 $100.2 million at June 30, 2011, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds. The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $2.4 million as of June 30, 2011, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County of Riverside issued $13.5 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 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 2008A 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%.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap

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 due to the consistent critical terms between the swap and the associated debt and was amended and restated as of December 10, 2008. None of the critical terms were changed pursuant to this agreement. The notional value of the swap and the principal amount of the associated debt, decline starting in fiscal year 2014-2015. Under the amended and restated swap agreement, CORAL paid Citigroup Financial Products, Inc., (Citigroup) 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% 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 $2.8 million for the year ended June 30, 2011. The swap is not subject to rollover risk because the maturity of the swap matches the maturity of the principal amount of the associated debt or market-access risk as no other embedded instrument is involved with the swap that would require accessing the credit markets.

Fair Value: As of June 30, 2011 and 2010, the swap had a negative fair value of $24.7 million and $27.9 million, respectively, an increase in fair value of $3.2 million occurred during the fiscal year 2010-11. The fair value was recorded in the County's Statement of Net Assets as interest rate swap liability and deferred outflow in the assets section. Because the coupons on the Southwest Justice Center Series 2008A 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 Citigroup at June, 30 2011.

Credit Risks: The swap counterparty was rated A+ by Moody's and A+ by Standard & Poor's as of June 30, 2011. The swap agreement specifies that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (Standard & Poor) or A3 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

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, 2011, CORAL's rate was 64.0% of LIBOR, or 0.2%, whereas Municipal Swap Index or the reset rate on bonds was 0.2%. The synthetic rate on the bonds at June 30, 2011 was 5.2%.

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Swap Payment and Associated Debt: Using rates as of June 30, 2011, 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
2012	$ -	$ 1,099	$ 2,835	$ 3,934
2013	-	1,099	2,835	3,934
2014	-	1,099	2,834	3,933
2015	-	1,099	2,834	3,933
2016	-	1,078	2,781	3,859
2017-2021	14,260	4,755	15,234	19,989
2022-2026	19,025	3,503	10,050	13,553
2027-2031	24,715	1,848	4,767	6,615
2032-2033	18,300	167	426	593
	$ 76,300	$ 15,747	$ 44,596	$ 60,343

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, 2011 (in thousands):

	Balance June 30, 2010	New Additions	Payments / Reclass	Balance June 30, 2011	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 1,408,017	$ 170,481	$ (27,175)	$ 1,551,323	$ 39,585
Capital lease obligations	123,890	13,192	(25,954)	111,128	20,341
Certificates of participation	385,447	-	(18,175)	367,272	26,397
Loans payable	6,987	5,535	(7,167)	5,355	430
Notes payable	15,000	-	(15,000)	-	-
Total debt long-term liabilities	1,939,341	189,208	(93,471)	2,035,078	86,753
Other long-term liabilities:					
Accreted interest payable	44,750	17,213	-	61,963	-
Compensated absences (a)	160,221	2,651	(2,528)	160,344	90,275
Estimated claims liabilities (b)	117,263	90,829	(83,375)	124,717	34,903
Accrued remediation costs (c)	2,014	318	-	2,332	462
Total other long-term liabilities	324,248	111,011	(85,903)	349,356	125,640
Total governmental activities – long-term liabilities	$ 2,263,589	$ 300,219	$ (179,374)	$ 2,384,434	$ 212,393

(a) General Fund, Special Revenue Fund, and Internal Service Fund 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 13 – 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, 2011 (in thousands):

	Balance June 30, 2010	Additions	Payments / Reclass	Balance June 30, 2011	Amounts Due Within One Year
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses (a)	$ 147,924	$ -	$ (12,941)	$ 134,983	$ 14,430
Capital lease (RCRMC)	20,842	2,117	(7,129)	15,830	5,863
Total debt long-term liabilities	168,766	2,117	(20,070)	150,813	20,293
Other long-term liabilities:					
Accreted interest payable	48,811	5,422	-	54,233	-
Accrued closure and post-closure	49,898	258	(6,688)	43,468	4,262
Compensated absences	20,159	490	(385)	20,264	12,548
Accrued remediation costs	21,380	8,397	-	29,777	2,731
Other long-term liabilities (b)	6,795	-	-	6,795	-
Total other long-term liabilities	147,043	14,567	(7,073)	154,537	19,541
Total business-type activities – long-term liabilities	$ 315,809	$ 16,684	$ (27,143)	$ 305,350	$ 39,834
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 88,976	$ -	$ (4,979)	$ 83,997	$ 5,250
Other long-term liabilities:					
Compensated absences	253	101	(83)	271	138
Total discretely presented component unit – long-term liabilities	$ 89,229	$ 101	$ (5,062)	$ 84,268	$ 5,388

(a) The reduction in bonds payable amount of $12.9 million includes a bond discount amortization of $11.0 thousand, deferred charges of $486.0 thousand, and losses on bond defeasance of $1.7 million during fiscal year 2010-11.
(b) 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 19.25% to the County and 80.75% to the Tobacco Securitization Authority for Calendar year 2011. During the fiscal year ended June 30, 2011, $19.1 million was received by the Tobacco Authority; $10.0 million, or 52.4%, was distributed to the County per the above agreement, leaving $9.1 million, or 47.6%, of the specific tobacco settlement revenues available to be pledged (see page 141). The County is under no obligation to make payments of the principal or accreted value of 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 1988 in settlement of certain cigarette smoking-related litigation.*

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

Redevelopment Agency has pledged a portion of future tax increment revenues and a portion of investment earnings to repay the Agency's long-term debt. The Agency's long-term debt is payable solely from the tax increment and a portion of investment earnings in the Agency's project areas. Total principal and interest remaining on the bonds is $1.6 billion, payable through fiscal year 2045. During the fiscal year ended June 30, 2011, $71.7 million was received from tax increment and investment earnings combined. Of this amount, principal and interest paid were $13.6 million and $35.4 million respectively, or 70% of the specific revenues pledged.

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, which in fiscal year 2011 were $120 thousand (principal) and $92.4 thousand (interest).

The Housing Authority reports the $218.0 thousand received each year as revenue. In fiscal year 2010-11, the $218.0 thousand represented about 0.3% of the total revenues of the Housing Authority. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2011, before applying the deferred charge, was $1.3 million.

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County, Flood Control and Park District was $38.4 million, $4.2 million and $386.7 thousand, respectively.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The County participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 14 – FUND BALANCES

Fund balances that presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See note 1 for a description of each categories. A detailed schedule of fund balances as of June 30, 2011 is as follows (in thousands):

	Major Funds			
	General Fund	Flood Special Revenue Funds	Public Facilities Improvements	Redevelopment Capital Projects
Nonspendable:				
Imprest cash	$ 372	$ 1	$ -	$ -
Inventories	1,565	-	-	-
Receivables	-	-	-	17,642
Permanent	-	-	-	-
Land held for resale	-	-	-	54,413
Prepaids	277	-	-	-
Total nonspendable fund balances	2,214	1	-	72,055
Resticted for:				
Teeter tax losses	9,565	-	-	-
Public protection	67,917	-	-	-
Fire stations	-	-	25,988	-
Roads	-	-	44,065	-
Traffic signals	-	-	17,197	-
Emergency safety communication system	-	-	-	-
Public facilities	-	-	30,687	-
Public assistance programs	3,721	-	-	-
Health and sanitation services	12,706	-	-	-
Housing assistance programs	-	-	-	-
Parks and recreation	-	-	13,549	-
Education	-	-	4,153	-
Debt service	521	-	-	-
Other capital projects		-	22,989	-
Other purposes	4,122	-	-	-
Total restricted fund balances	98,552	-	158,628	-
Committed to:				
Strategic planning	-	-	6,451	-
Property tax system	18,599	-	-	-
Disaster relief	15,000	-	-	-
Public facilities	-	-	-	115,617
Public protection	11,267	237,211	-	-
Health and sanitation services	2,449	-	-	-
Parks and recreation	-	-	-	-
Debt service	-	-	-	-
Other capital projects	1,056	-	-	-
Other purposes	1,726	-	-	-
Total committed fund balances	50,097	237,211	6,451	115,617
Assigned to:				
Jail construction	-	-	67,027	-
Public protection	916	-	-	-
Roads	-	-	19,486	-
Health and sanitation services	845	-	-	-
Capital project improvement program	-	-	40,163	-
Housing assistance programs	-	-	-	-
Public facilities	-	-	-	83,881
Sheriff stations	1,316	-	-	-
Debt service	-	-	-	-
Other capital projects	275	1,402	1,347	-
Other purposes	111	12,339	-	-
Total assigned fund balances	3,463	13,741	128,023	83,881
Unassigned fund balances	189,236	-	-	-
Total fund balances	$ 343,562	$ 250,953	$ 293,102	$ 271,553

*As of June 30, 2011, the total encumbrance balances were $90.5 million.

NOTE 14 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds	
						Nonspendable:
$ 118	$ -	$ -	$ -	$ 118	$ 491	Imprest cash
1,073	-	-	-	1,073	2,638	Inventories
44,357	-	-	-	44,357	61,999	Receivables
-	-	-	432	432	432	Permanent
38,156	-	-	-	38,156	92,569	Land held for resale
64	-	569	-	633	910	Prepaids
83,768	-	569	432	84,769	159,039	**Total nonspendable fund balances**
						Resticted for:
-	-	-	-	-	9,565	Teeter tax losses
4,554	-	-	32	4,586	72,503	Public protection
-	-	-	-	-	25,988	Fire stations
120,508	-	-	-	120,508	164,573	Roads
-	-	-	-	-	17,197	Traffic signals
-	-	40,231	-	40,231	40,231	Emergency safety communication system
-	-	-	-	-	30,687	Public facilities
1,355	-	-	-	1,355	5,076	Public assistance programs
3,606	-	-	-	3,606	16,312	Health and sanitation services
85,968	-	-	-	85,968	85,968	Housing assistance programs
434	-	8,903	-	9,337	22,886	Parks and recreation
19,590	-	-	-	19,590	23,743	Education
-	123,118	-	-	123,118	123,639	Debt service
1,018	-	-	-	1,018	24,007	Other capital projects
1,325	-	145	-	1,470	5,592	Other purposes
238,358	123,118	49,279	32	410,787	667,967	**Total restricted fund balances**
						Committed to:
-	-	-	-	-	6,451	Strategic planning
-	-	-	-	-	18,599	Property tax system
-	-	-	-	-	15,000	Disaster relief
-	-	-	-	-	115,617	Public facilities
-	-	-	-	-	248,478	Public protection
-	-	-	-	-	2,449	Health and sanitation services
-	-	1,670	-	1,670	1,670	Parks and recreation
-	1,206	-	-	1,206	1,206	Debt service
6	-	20	-	26	1,082	Other capital projects
21,375	-	-	-	21,375	23,101	Other purposes
21,381	1,206	1,690	-	24,277	433,653	**Total committed fund balances**
						Assigned to:
-	-	-	-	-	67,027	Jail construction
-	-	-	-	-	916	Public protection
-	-	-	-	-	19,486	Roads
-	-	-	-	-	845	Health and sanitation services
-	-	-	-	-	40,163	Capital project improvement program
55,262	-	-	-	55,262	55,262	Housing assistance programs
-	-	-	-	-	83,881	Public facilities
-	-	-	-	-	1,316	Sheriff stations
-	27,081	3,782	-	30,863	30,863	Debt service
378	-	69	-	447	3,471	Other capital projects
-	-	-	-	-	12,450	Other purposes
55,640	27,081	3,851	-	86,572	315,680	**Total assigned fund balances**
-	-	-	-	-	189,236	**Unassigned fund balances**
$ 399,147	$ 151,405	$ 55,389	$ 464	$ 606,405	$ 1,765,575	**Total fund balances**

NOTE 15 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that 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 $10.0 million, subject to a self-insured retention (SIR) of $1.0 million for each occurrence. A SIR is a form of a deductible. The County also purchases an additional $15.0 million per occurrence in excess of the $10.0 million for a total of $25.0 million in limits. Medical malpractice utilizes an excess policy providing coverage on a per occurrence basis. Limits under the malpractice policy are $20.0 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 $5.0 million per claim. Section A is subject to a $2.0 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 $50.0 thousand per occurrence deductible; flood coverage is subject to a 2.0% deductible per unit within a 100-year flood zone and $25.0 thousand 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 each Tower provides $610.0 million in limits. Earthquake (covering scheduled locations equal to or greater than $1.0 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of $82.5million with an additional $225.0 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 $100.0 thousand minimum per unit. Boiler and Machinery provides up to $100.0 million in limits, with various deductibles. 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, 2011 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 2011-2012 the Board of Supervisors approved a reduction in funding from the 70% confidence level to the 'Expected' confidence level for the Liability ISF and the Workers' Compensation ISF. (With a slight variation for each fund, 'Expected' confidence level is equivalent to approximately a 55% 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 other uninsured liabilities. Cash available in the Risk Management and Workers' Compensation Internal Service Funds at June 30, 2011 plus revenues to be collected during fiscal year 2011-2012 are expected to be sufficient to cover all fiscal year 2010-11 payments. The carrying amount of unpaid claim liabilities is $124.7 million. The liabilities are discounted at 4.0%.

	June 30, 2010	June 30, 2011
Unpaid claims, beginning of year	$ 117,280	$ 117,263
Increase (decrease) in provision for insured events of prior years	1,202	(2,428)
Incurred claims for current year	79,004	93,257
Claim payments	(80,223)	(83,375)
Unpaid claims, end of year	$ 117,263	$ 124,717

NOTE 16 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP). 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. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2007 and June 30, 2008 for Medi-Cal and have 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.

In September 2005, the State of California significantly modified its Medi-Cal program under a new waiver with the Centers for Medicare and Medicaid Services (CMS). In connection with the new waiver, the State legislature passed the Medi-Cal Hospital Uninsured Demonstration Project Act, or SB 1100, which replaced the SB 855 and SB 1255 programs. For the SB 1100 program, the State continues to provide supplemental payments to the hospital for uncompensated care. However, the use of intergovernmental transfers (IGTs) by the State, as the non-federal match, was modified to a methodology consisting of (CPEs) up to 50 percent of costs or Federal Medical Assistance Program (FMAP) rate. The Regional Medical Center has recorded net patient revenue of $106.9 million for SB-1100 for the year ended June 30, 2011 of which $33.8 million is from the Delivery System Reform Incentive Program (DSRIP), a new waiver incentive based payment component of the Section 1115 Medicaid Waiver.

All CPEs reported by the hospital will be subject to State and Federal audit and final reconciliation process. If at the end of the final reconciliation process it is determined that the hospital's claimed CPEs resulted in an overpayment to the State, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The 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, 2011 follows:

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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

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

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

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

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

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

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

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

Coachella Valley Conservation Commission (CVCC) was formed in October 2005. The CVCC is a Joint Powers Agreement Agency comprised of the cities of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Quinta, Palm Desert, Palm Springs, Rancho Mirage, 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 for 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 18 – RETIREMENT PLAN

Plan Descriptions

The County of Riverside (County), Flood Control and Water Conservation District (Flood Control), Regional Park and Open-Space District (Park District) and Waste Management (Waste) contract with the California Public Employees Retirement System (CalPERS) to provide retirement benefits to its employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and plan beneficiaries. 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 valuation report which summarizes assets, liabilities and rates of its plans. Under GASB 27, County (Miscellaneous and Safety) and Flood Control are considered single-employer defined benefit pension plans, while Park District and Waste Management are considered multiple-employer defined benefit pension plans due to their pooling configuration. Copies of the CalPERS Annual Financial Report may be obtained from: CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS may be required to contribute 8.0% (Miscellaneous employees) of their annual covered salary. Miscellaneous members within specified bargaining units are required to make employees contributions for the first five (5) years of continuous service. Safety members employee required contribution to CalPERS is specified in the governing MOU agreements. State statute establishes the contribution requirements of plan members. 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 Management are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

Early Retirement Incentive

In FY 2009-10, the County's Board of Supervisors authorized three early retirement incentives for all Miscellaneous and Safety members, excluding elected officials covered by the CalPERS Local Miscellaneous and Local Safety contracts (see table below for participation detail). In FY 2008-09, the County's Board of Supervisors authorized an early retirement incentive for all Miscellaneous members only, excluding elected officials covered by the CalPERS Local Miscellaneous contract. The Early Retirement Incentives offered eligible employees who elected to retire

NOTE 18 – RETIREMENT PLAN (Continued)

Early Retirement Incentive (Continued)

within a designated time period specified by the County, two additional years of service. Eligibility provisions for the Early Retirement Incentive required employees to be in specified job classifications, attainment of at least age 50 and completion of five (5) or more years of service credit with the County.

The County has the option to pay for the cost of each early retirement incentive in a single sum or over a 20-year period. The County has elected to pay the cost over a 20-year period. The additional cost will result in increased employer contribution rates and will be payable two years after the end of the fiscal year in which the early retirement incentive window closes.

The first estimated employer rate increase will occur in FY 2011-12, for the early retirement incentive offered to Local Miscellaneous employees in FY 2008/09. The County estimates the cost of the early retirement incentive to be an additional 0.35% in the employer contribution rate. For FY 2012 /13, the employer contribution rate will increase an estimated 0.43% for Local Safety and is estimated to increase by an additional 0.27% in FY 2013-14 for Local Miscellaneous, as a result of the three early retirement incentives authorized in FY 2010-11.

Early Retirement Incentive Table

Early Retirement Incentive	Window Periods	Total Eligible Employees	Employees Electing Early Retirement Incentive	Estimated Increase in Employer Contribution Rate	FY in Which Employer Contribution Rate will Increase
Local Miscellaneous	01/01 - 03/31/2009	3,400	678	0.35%	2011/2012
Local Safety	07/11 - 10/08/2009 (1) 07/15 - 10/13/2009 (2)	653	151	0.43%	2012/2013
Local Miscellaneous	02/11 - 08/09/2010	3,597	578	0.27%	2013/2014

(1) =District Attorney (2)=Sheriff

For fiscal year 2010-11, the contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Contribution rates:					
County	12.118%	19.311%	13.382%	13.867%	14.860%
Plan Members	8.000%	9.000%	8.000%	8.000%	8.000%

Annual Pension Cost

For fiscal year 2010-11, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (dollar amounts in thousands):

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Annual required contribution	$ 100,499	$ 51,076	$ 1,995	$ 585	$ 431
Interest on net pension obligation (asset)	(25,480)	(7,018)	(162)	-	-
Adjustment to annual required contribution	19,020	5,239	422	-	434
Annual pension cost	94,039	49,297	2,255	585	865
Contributions made	(100,499)	(51,076)	(2,116)	(585)	(431)
Increase (decrease) in net pension obligation (asset)	(6,460)	(1,779)	139	-	434
Net pension obligation (asset) beginning of year	(328,780)	(90,567)	(2,084)	-	(1,950)
Net pension obligation (asset) end of year	$ (335,240)	$ (92,346)	$ (1,945)	$ -	$ (1,516)

NOTE 18 – RETIREMENT PLAN (Continued)

Three-Year Trend Information
(dollar amounts in thousands)

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
County - Miscellaneous	June 30, 2009	$ 88,406	107.03 %	$ (322,445)
	June 30, 2010	87,307	107.26	(328,780)
	June 30, 2011	94,039	106.87	(335,240)
County - Safety	June 30, 2009	40,951	104.18	(88,821)
	June 30, 2010	42,983	104.06	(90,567)
	June 30, 2011	49,297	103.61	(92,346)
Flood Control	June 30, 2009	1,874	93.09	(2,223)
	June 30, 2010	2,090	93.35	(2,084)
	June 30, 2011	2,255	93.80	(1,945)
Parks District	June 30, 2009	567	100.00	-
	June 30, 2010	603	100.00	-
	June 30, 2011	585	100.00	-
Waste Management	June 30, 2009	1,002	56.69	(2,384)
	June 30, 2010	884	50.90	(1,950)
	June 30, 2011	865	49.83	(1,516)

Actuarial Methods and Assumptions

The following information as of the most recent actuarial valuation:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Actuarial valuation	6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2010
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining amortization period	28 years	29 years	27 years	17 years	17 years
Asset valuation method	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial assumptions:					
Investment rate of return	7.75%	7.75%	7.75%	7.75%	7.75%
Projected salary increases*	3.55%-14.45%	3.55%-13.15%	3.55%-14.45%	3.55%-14.45%	3.55%-14.45%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%	3.25%	3.25%

* Projected salary increases vary depending on Age, Service, and Type of Employment.

NOTE 18 – RETIREMENT PLAN (Continued)

Funded Status and the Funding Progress

The following is funded status information for each plan as of June 30, 2011, the most recent actuarial valuation date (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (Excess of assets over AAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b-a)/c)
County - Miscellaneous	$ 3,652,861	$ 4,097,192	$ 444,331	89.16 %	$ 854,932	51.97 %
County - Safety	1,624,730	1,809,468	184,738	89.79	265,165	69.67
Flood Control	98,710	118,367	19,657	83.39	15,423	127.45
Parks District**	754,859	945,221	190,362	79.86	159,157	119.61
Waste Management**	754,859	945,221	190,362	79.86	159,157	119.61

** The amounts disclosed reflect the entire Risk Pool fund in which Parks District and Waste Management are included and does not represent their specific assets and liabilities. CalPERS Risk Pool valuation does not report specific assets and liabilities separately.

The schedule of funding progress presented as required supplementary information (RSI), following the notes to the financial statements, presents multi-year trend information on whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 19 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Contribution Information

Plan Description. In place of the Social Security benefits, the County provides an IRS Section 401(a) single-employer defined benefit employee pension plan for Part-Time and Temporary employees who are not eligible for CalPERS retirement benefits. This Plan is self-funded and self-administered. Prior to July 20, 2010, contributions made to the Plan were deposited with the County Treasurer, who maintains the responsibility of investing contributions. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's Investment Consultant, Investment Manager and Trustee. Funds were wired to U.S. Bank on September 28, 2010, invested in a diversified portfolio and reported at fair value. A participant is immediately 100% vested.

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the June 30, 2010 valuation, the County's current required contribution rate is 0.43%, however, the County elected to contribute 0.55 % of payroll in order to reach a 90% target funded ratio. The Plan's current funded ratio is 84.6%. The Plan actuary periodically 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.

Membership for the plan consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

Number of Participants:	
Active plan members	2,123
Terminated and inactive members	5,857
Retirees	111
Total	8,091

NOTE 19 – DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Basis of Accounting. The pension plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Prior to the transition to US Bank, investments of the pension trust were fully invested in the County pool and reported at fair value. On September 28, 2010 Plan Investments were transferred to the new Trustee and Investment Manager, U.S Bank. U.S. Bank invests Plan funds according to the Plan's Investment Policy. As of June 30, 2011 assets were invested in cash equivalents (1.23%), equities (69.04%), and fixed income (29.73%).

Schedule of Annual Pension Cost and the Net Pension Obligation (NPO) for 2011 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual Required Contribution	Interest on NPO	Adjustment to the ARC	Annual Pension Cost	Actual Contribution	NPO End of Year	Percentage Contributed
2009	$ 189	$ (67)	$ 105	$ 227	$ 1,880	$ (2,901)	828 %
2010	144	(145)	227	226	840	(3,515)	372
2011	156	(176)	275	255	425	(3,685)	167

Annual Pension Cost and Net Pension Obligation (dollar amounts in thousands)

Annual required contribution	$ 156
Interest on net pension obligation (asset)	(176)
Adjustment to annual required contribution	275
Annual pension cost	255
Contributions made	(425)
Increase(decrease) in net pension obligation (asset)	(170)
Net pension obligation (asset) beginning of year	(3,515)
Net pension obligation (asset) end of year	$ (3,685)

Schedule of Funding Progress

The funded status of the plan as of July 1, 2010, the most recent actuarial valuation date and the two preceding years were as follows (dollar amounts in thousands):

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, 2008	$ 16,989	$ 19,471	$ 2,482	87.25 %	$ 27,928	8.89 %
July 1, 2009	19,384	21,402	2,018	90.57	26,550	7.60
July 1, 2010	19,992	23,633	3,641	84.59	41,284	8.82

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statement, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE 19 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions

The following information is as of the date of the most recent actuarial valuation:

Valuation date	7/1/2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level-Dollar Projected Payroll
Remaining amortization period	20 years - Open
Asset valuation method	Market Value plus Receivables
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	3.0%
Inflation rate	3.0%

NOTE 20 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County of Riverside (County) and its Special Districts: Flood Control and Water Conservation District (Flood Control); Regional Parks and Open Space District (Parks District); and Waste Resources Management District (Waste Management), 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
  - $25 per month to the RSA Trust for RSA law enforcement retirees.
- There is no longer an implicit subsidy in this plan. 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. Effective January 1, 2011, all retirees pay premiums based on their "true" retiree only costs, and the implicit subsidy ceased to exist.

A qualified Internal Revenue Code (IRC), Section 115 Trust, has been established for the County and its Special Districts (except Waste Management), with the California Employers' Retiree Benefit Trust (CERBT). 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 plans. The CERBT report may be obtained from: CalPERS Employer Services Division, P.O. Box 942703, Sacramento, CA 94229-2703.

Funding Policy and Annual OPEB Cost

It is the policy of the County of Riverside, along with the special districts (Parks 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 Study for each trust. To facilitate funding for the ARC, the County has developed a rate structure. It is the policy of the Waste Resources Management District 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 unions. The County's annual Other Post Employment Benefit (OPEB) cost (expense) for each plan is calculated based on the *ARC of the employer*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (12 years for Waste Management).

NOTE 20 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

	County	Flood Control	Park District	Waste Management
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	$307-$745	$307-$745	$307-$745	$307-$745
Annual required contribution	$ 3,368	$ 42	$ 9	$ 135
Interest on net OPEB obligation	(1,579)	(21)	(18)	-
Adjustment to annual required contribution	1,223	17	13	-
Annual OPEB cost	3,012	38	4	135
Contributions made	(6,115)	(192)	(42)	(24)
Increase in net OPEB obligation	(3,103)	(154)	(38)	111
Net OPEB obligation (asset) beginning of year	(18,015)	(275)	(233)	(62)
Net OPEB obligation (asset) end of year	$ (21,118)	$ (429)	$ (271)	$ 49

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/09	$ 3,755	189.2 %	$ (13,890)
	06/30/10	4,238	197.3	(18,015)
	06/30/11	3,012	203.0	(21,118)
Flood Control	06/30/09	23	404.3	(141)
	06/30/10	45	397.8	(275)
	06/30/11	38	505.2	(429)
Park District	06/30/09	6	333.3	(215)
	06/30/10	4	550.0	(233)
	06/30/11	4	1,050.0	(271)
Waste Management	06/30/09	63	141.3	(3)
	06/30/10	99	159.6	(62)
	06/30/11	135	17.8	49

NOTE 20 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2011 was as follows (dollar amounts in thousands):

	County	Flood Control	Park District	Waste Management
Actuarial accrued liability (a)	$ 43,158	$ 588	$ 144	$ 1,089
Actuarial value of plan assets (b)	14,272	113	147	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 28,886	$ 475	$ (3)	$ 1,089
Funded ratio (b) / (a)	33.1%	19.22%	102.08%	0%
Covered payroll (c)	$ 1,030,030	$ 15,086	$ 4,429	$ 3,302
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	2.8%	3.1%	0.1%	33.0%

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 Management
Actuarial valuation date	7/1/2010	1/1/2010	1/1/2009	1/1/2009
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, closed
Remaining amortization period	30 years	30 years	30 years	12 years
Actuarial assumptions:				
Investment rate of return	7.75%	7.75%	7.75%	4.5%
Projected salary increases	3.25%	3.25%	3.25%	3.25%
Healthcare inflation rate (initial)	5%	10%	10%	10%
Health inflation rate (ultimate)	5%	5%	5%	5%

NOTE 21 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

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

The Riverside County Children and Family Commission is currently involved in a lawsuit as a plaintiff jointly with other Commissions regarding the AB99 legislation. Although the outcome of the joint lawsuit is not presently determinable, in the opinion of the Commission's counsel, the resolution of these matters may have a material adverse effect on the financial condition of the Commission if the court ruling upholds the implementation of AB99.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2010, 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 2010-11 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 30, 2012.

Commitments

At June 30, 2011, 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. $128.2 million will be payable upon future performance under the contracts.

On March 24, 2011, the Governor signed Assembly Bill 99 (AB 99) into law. AB 99 established the Children and Families Health and Human Services Fund (Fund). As specified in the legislation, the Fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires $1.0 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50.0% of the fund balance as of June 30, 2010. For the Riverside County Children and Families Commission, this amount was $30.0 million. The AB 99 payment is due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the Commission has accrued the AB 99 obligation as a liability at June 30, 2011.

Landfill Construction and Consulting Contracts

The Waste Management Department (Waste) entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be $18.7 million. These additional costs will be capitalized as the costs are incurred.

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 have been found in six facilities. As of June 30, 2011 the Governmental Activities reflect a $2.3 million accrued remediation liability (Note 13). 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 statue or regulations and other factors that could result in revisions to these estimates.

NOTE 21 – COMMITMENTS AND CONTINGENCIES(Continued)

Remediation Contingencies(Continued)

Enterprise Funds

Waste is presently aware of groundwater contamination at nine of its landfills, six of which are closed. Waste is also aware of air/gas contamination at 17 landfills, 11 of which are closed. Based on engineering studies, Waste estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $29.8 million. At June 30, 2011, Waste has accrued $29.8 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2011 results from current estimates and current actual expenses.

Waste has established a remediation restricted cash fund and 17 remediation restricted cash escrow funds to set aside funds for future remediation costs as they are required to be performed. Investments of $27.0 million are held for these purposes at June 30, 2011 and are classified as Accrued Remediation in the Statements of Net Assets.

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs) and CalPERS Pre-payment Note

On July 1, 2011, the County issued $250.0 million in Tax and Revenue Anticipation Notes in the form of Series A due March 30, 2012 and Series B due June 29, 2012. The stated interest rate for the A Bonds is set at 2.0% per annum with a yield of 0.26%. The interest rate for the B Bond is set at 2.0% per annum with a yield of 0.32%. Portions of the Note proceeds were used to prepay CalPERS contributions for 2011 - 12 in the amount of $86.5 million. Between the prepayment discount of 3.6%, and earnings on cash flow the County expects to net $3.2 million in cost savings. 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 2012 and legally available for payment thereof. Proceeds for the Bonds will be used for fiscal year 2012 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certifications

In September 2011, Fitch, one of the three major credit ratings, has lowered the County's bonds and certificates ratings as follows:

- Riverside County implied general obligation (GO) bond rating to 'AA-' from 'AA';
- Riverside County pension obligation bonds (series 2005A), Riverside County certificates of participation (COPs- series 2001, 2003, 2003A, 2003B, 2005A, 2005B, 2007A, 2007B), Riverside County Asset Leasing Corporation (CORAL- COPS/series 2006A and lease revenue bonds (LRBs), series 1993A, 1993B, 1997A, 1997B, 1997C, 2000A), Riverside County Palm Desert Financing Authority LRBs (series 2003A), Southwest Communities Financing Authority LRBs (series 2008A) to 'A+' from 'AA-'.

Fitch's reasoning is summarized in the following paragraphs:

The downgrade of the implied general obligation rating reflects management's projections: 1) that previously expected operational balance will not be achieved; 2) of anticipated fund balance declines to just adequate levels; and 3) revenue pressures from lingering economic softness. It also reflects disappointing performance in the form of continuing economic weakening, a high local unemployment rate, and flat home prices. The efforts to close the County's fiscal imbalance have also been hampered by insufficiently conservative revenue projections in recent years.

Several important corrective actions were taken by the County and mentioned in the report - management's proactive efforts to mitigate severe revenue declines by cutting expenditures, deferring capital projects, and reforming its benefit programs. The County's other post-employment benefits (OPEB) obligation is small after its Board eliminated an implicit subsidy, and management is exploring pension reform options that could lead to material future savings.

NOTE 22 – SUBSEQUENT EVENTS

Riverside County Bonds and Certifications (Continued)

The County has proactively taken steps to lower expenditures. Further, the Board has stated its intent to cut services for which the State reduces or eliminates related funding, which somewhat mitigates concerns over weak State funding. The State's efforts to re-align the provision of public services may result in future unfunded liabilities, though the State has signaled its intent to fund certain related costs in at least the first year, and the County has already incorporated known re-alignment costs into its recommended budget.

Riverside County Treasury Investment Pool

Standard & Poor's (S&P) downgraded the US government's credit rating and the Federal Agencies on August 5, 2011 from AAA to AA+. The action from S&P did not trigger a down grade of the Treasurer's Pooled Investment Fund despite a high concentration of those securities in the Fund.

Teeter Obligation Notes, Series C

In October 2011, the County issued $171.0 million in 2011 Teeter Obligation Notes, Series B Commercial Paper. This was sufficient to refund the outstanding 2010 Teeter Obligations Notes, Series C. The 2011 Notes bear an interest rate of 0.16% and a maturity date of November 5, 2012 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 that the County's Miscellaneous and Safety contribution rates for fiscal year 2011-2012 will be 13.1% and 21.3%, respectively. Fiscal year 2012-13 contribution rates for Miscellaneous and Safety are estimated at 13.5% and 22.5%, respectively. They will be accounted for in fiscal year 2010-11 and future budget years.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The County of Riverside (the "County") intends to use available monies of its redevelopment agency for this purpose and the County and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State legislature.

On July 26, 2011, County of Riverside Ordinance No. 912 was adopted indicating that the County will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the County is estimated to be $31.5 million with one half due on January 15, 2012 and the other half due May 15, 2012.

Annexation of City

Incorporated on July 1, 2011 as Riverside County's 28th city, the City of Jurupa Valley represents an estimated population of 94,235 citizens.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2011

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS

The tables below show a three year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll (dollars in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	$ 3,174,975	$ 3,350,223	$ 175,248	94.77 %	$841,613	20.82 %
June 30, 2009	3,401,037	3,790,233	389,196	89.73	841,104	46.27
June 30, 2010	3,652,861	4,097,192	444,331	89.16	854,932	51.97

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
June 30, 2008	$ 1,414,120	$ 1,469,416	$ 55,296	96.24 %	$240,746	22.97 %
June 30, 2009	1,511,048	1,642,555	131,507	91.99	265,238	49.58
June 30, 2010	1,624,730	1,809,468	184,738	89.79	265,165	69.67

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
June 30, 2008	$ 88,463	$ 98,300	$ 9,837	89.99 %	$ 14,137	69.58 %
June 30, 2009	93,681	112,269	18,588	83.44	14,668	126.72
June 30, 2010	98,710	118,367	19,657	83.39	15,423	127.45

Regional Park and Open-Space District*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	$ 641,168	$ 776,167	$ 134,999	82.61 %	$155,115	87.03 %
June 30, 2009	694,385	883,394	189,009	78.60	161,973	116.69
June 30, 2010	754,859	945,221	190,362	79.86	159,157	119.61

*The amounts disclosed are for the entire Risk Pool fund in which Parks Department participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2011

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS (Continued)

(Dollars in thousands)

Waste Management 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)
June 30, 2008	$ 641,168	$ 776,167	$ 134,999	82.61 %	$155,115	87.03 %
June 30, 2009	694,385	883,394	189,009	78.60	161,973	116.69
June 30, 2010	754,859	945,221	190,362	79.86	159,157	119.61

*The amounts disclosed are for the entire Risk Pool fund in which Waste Management Department participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

Riverside County - Part-time and Temporary Help Retirement

Six - Year Trend Information

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)
June 30, 2005	$ 8,534	$ 11,020	$ 2,486	77.44 %	$ 27,388	9.08 %
June 30, 2006	10,520	13,673	3,153	76.94	29,124	10.83
June 30, 2007	13,778	20,468	6,690	67.31	41,333	16.19
June 30, 2008	16,989	19,471	2,482	87.25	27,928	8.89
June 30, 2009	19,384	21,402	2,018	90.57	26,550	7.60
June 30, 2010	19,992	23,633	3,641	84.59	41,284	8.82

**All amounts provided prior to June 30, 2007 were based on information from reports from the prior actuary. The prior actuary's reports are based on the Entry Age Normal cost method. The Projected Unit Credit cost method is used as of June 30, 2007.

RETIREMENT PLANS – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County - Part-time and Temporary Help Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2006	$ 633	100 %	$ -
2007	1,914	100	-
2008	745	267	(1,248)
2009	227	828	(2,901)
2010	226	372	(3,515)
2011	156	167	(3,685)

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2011

OPEB - SCHEDULES OF FUNDING PROGRESS

(Dollars in thousands)

Riverside County

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2008	$ 10,411	$ 46,681	$ 36,270	22.30 %	$ 979,090	3.70 %
January 1, 2009	9,872	55,288	45,416	17.86	1,011,963	4.49
July 1, 2010	14,272	43,158	28,886	33.07	1,030,030	2.80

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2008	$ 100	$ 337	$ 237	29.67 %	N/A	N/A
January 1, 2009	105	660	555	15.91	14,396	3.86
January 1, 2010	113	588	475	19.22	15,086	3.15

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2007	$ -	$ 190	$ 190	0.00 %	$ 7,204	2.64 %
January 1, 2008***	190	193	3	98.45	N/A	N/A
January 1, 2009	147	144	(3)	102.08	4,429	0.07

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2007	$ -	$ 654	$ 654	0.00 %	$ 4,405	14.85 %
January 1, 2008***	-	658	658	0.00	N/A	N/A
January 1, 2009	-	1,089	1,089	0.00	3,302	32.98

***Estimate only.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

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, 2011
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Interest	$ -	$ -	$ 1,611	$ 1,611
Other revenue	6,505	6,505	43	(6,462)
Total revenues	6,505	6,505	1,654	(4,851)
EXPENDITURES:				
Current:				
General government	1,089	1,000	686	(314)
Debt service:				
Interest	6,261	6,261	1,724	(4,537)
Total expenditures	7,350	7,261	2,410	(4,851)
Excess (deficiency) of revenues over (under) expenditures	(845)	(756)	(756)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	845	845	845	-
Transfers out	-	(89)	(89)	-
Total other financing sources (uses)	845	756	756	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ -	$ -

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 14,442	$ 14,442	$ 1,562	$ (12,880)
Rents and concessions	-	-	209	209
Aid from other governmental agencies:				
Other	26,529	26,529	18,822	(7,707)
Charges for services	146,695	146,461	21,283	(125,178)
Other revenue	51,619	50,391	4,738	(45,653)
Total revenues	239,285	237,823	46,614	(191,209)
EXPENDITURES:				
Current:				
General government	267,258	249,482	44,335	(205,147)
Public ways and facilities	25,430	23,107	310	(22,797)
Debt service:				
Principal	-	-	760	760
Total expenditures	292,688	272,589	45,405	(227,184)
Excess (deficiency) of revenues over (under) expenditures	(53,403)	(34,766)	1,209	35,975
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,959	6,959	-
Transfers out	-	(53,719)	(53,719)	-
Total other financing sources (uses)	-	(46,760)	(46,760)	-
NET CHANGE IN FUND BALANCE	(53,403)	(81,526)	(45,551)	35,975
Fund balance, beginning of year	338,653	338,653	338,653	-
FUND BALANCE, END OF YEAR	$ 285,250	$ 257,127	$ 293,102	$ 35,975

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 796	$ 796	$ 1,781	$ 985
Rents and concessions	695	695	410	(285)
Aid from other governmental agencies:				
Federal	-	-	71	71
Charges for current services	11,712	4,849	-	(4,849)
Other revenue	119,359	52,160	1,721	(50,439)
Total revenues	132,562	58,500	3,983	(54,517)
EXPENDITURES:				
Current:				
General government	132,562	152,070	87,329	(64,741)
Debt service:				
Principal	-	15,000	15,000	-
Total expenditures	132,562	167,070	102,329	(64,741)
Excess (deficiency) of revenues over (under) expenditures	-	(108,570)	(98,346)	10,224
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,531	6,531	-
Transfers out	-	(22,930)	(22,930)	-
Issuance of debt	-	124,970	124,970	-
Total other financing sources (uses)	-	108,571	108,571	-
NET CHANGE IN FUND BALANCE	-	1	10,225	10,224
Fund balance, beginning of year, as previously reported	268,347	268,347	268,347	-
Adjustments to beginning fund balance	-	-	(7,019)	(7,019)
Fund balance, beginning of year	268,347	268,347	261,328	(7,019)
FUND BALANCE, END OF YEAR	$ 268,347	$ 268,348	$ 271,553	$ 3,205

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NONMAJOR GOVERNMENTAL FUNDS

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COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
ASSETS:					
Cash and investments	$ 355,642	$ 81,364	$ 13,525	$ 464	$ 450,995
Accounts receivable	996	1,547	-	-	2,543
Interest receivable	244	149	9	-	402
Taxes receivable	2,490	-	-	-	2,490
Due from other governments	25,474	-	748	-	26,222
Inventories	1,073	-	-	-	1,073
Due from other funds	1,130	-	1,263	-	2,393
Prepaid items	9	-	568	-	577
Restricted cash and investments	-	68,881	41,598	-	110,479
Advances to other funds	1,300	-	-	-	1,300
Notes receivable	44,357	-	-	-	44,357
Land held for resale	38,157	-	-	-	38,157
Total assets	$ 470,872	$ 151,941	$ 57,711	$ 464	$ 680,988
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 28,732	$ 499	$ 242	$ -	$ 29,473
Salaries and benefits payable	4,157	-	191	-	4,348
Due to other governments	1,657	-	-	-	1,657
Due to other funds	6,972	37	589	-	7,598
Deposits payable	274	-	-	-	274
Advance from other funds	-	-	1,300	-	1,300
Deferred revenue	29,933	-	-	-	29,933
Total liabilities	71,725	536	2,322	-	74,583
Fund balances:					
Nonspendable	83,768	-	569	432	84,769
Restricted	238,358	123,118	49,279	32	410,787
Committed	21,381	1,206	1,690	-	24,277
Assigned	55,640	27,081	3,851	-	86,572
Total fund balances	399,147	151,405	55,389	464	606,405
Total liabilities and fund balances	$ 470,872	$ 151,941	$ 57,711	$ 464	$ 680,988

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
REVENUES:					
Taxes	$ 95,242	$ 70,029	$ -	$ -	$ 165,271
Licenses, permits and franchise fees	2,107	-	-	-	2,107
Fines, forfeitures and penalties	1,762	-	-	-	1,762
Use of money and property:					
Interest	1,555	1,917	293	3	3,768
Rents and concessions	8,050	5,198	-	-	13,248
Aid from other governmental agencies:					
Federal	118,548	-	748	-	119,296
State	59,865	-	4,502	-	64,367
Other	27,998	1,395	-	-	29,393
Charges for services	58,715	2,266	1,208	22	62,211
Other revenue	34,680	9,140	45	-	43,865
Total revenues	408,522	89,945	6,796	25	505,288
EXPENDITURES:					
Current:					
General government	29,057	31,998	8,474	-	69,529
Public protection	10,656	-	-	-	10,656
Public ways and facilities	175,874	-	-	-	175,874
Health and sanitation	8,255	-	-	-	8,255
Public assistance	93,454	-	-	-	93,454
Education	18,734	-	-	-	18,734
Recreation and culture	11,056	-	7,335	-	18,391
Debt service:					
Principal	955	47,208	-	-	48,163
Interest	100	74,254	-	-	74,354
Cost of issuance	-	5,212	-	-	5,212
Capital outlay	-	1,506	20,612	-	22,118
Total expenditures	348,141	160,178	36,421	-	544,740
Excess (deficiency) of revenues Over (under) expenditures	60,381	(70,233)	(29,625)	25	(39,452)
OTHER FINANCING SOURCES (USES):					
Transfers in	58,486	76,028	13,089	-	147,603
Transfers out	(102,676)	(2,855)	(972)	-	(106,503)
Issuance of debt	24,252	21,259	-	-	45,511
Proceeds on sale of capital assets	6	-	-	-	6
Total other financing sources (uses)	(19,932)	94,432	12,117	-	86,617
NET CHANGE IN FUND BALANCES	40,449	24,199	(17,508)	25	47,165
Fund balances, beginning of year, as previously reported	357,173	127,206	72,897	439	557,715
Adjustments to beginning fund balances	1,525	-	-	-	1,525
Fund balances, beginning of year, as restated	358,698	127,206	72,897	439	559,240
FUND BALANCES, END OF YEAR	$ 399,147	$ 151,405	$ 55,389	$ 464	$ 606,405

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.

TRANSPORTATION

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

COMMUNITY SERVICES

This fund provides financing for public services. Public services provided by this fund group are: HUD Community Services Grant, EDA Administration, Community Action Partnership, Job Training Partnership, Office on Aging, USEDA Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA US 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.

REDEVELOPMENT AGENCY

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

COUNTY SERVICE 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 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

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.

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

PERRIS VALLEY CEMETERY 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 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, Prop 10, and DNA Identification.

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COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2011
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery	Other Special Revenue	Total
ASSETS:										
Cash and investments	$ 149,619	$ 43,411	$ 106,951	$ 18,984	$ 11,573	$ 886	$ 1,245	$ 862	$ 22,111	$ 355,642
Accounts receivable	262	413	4	-	252	-	-	-	65	996
Interest receivable	104	11	91	13	8	1	1	1	14	244
Taxes receivable	65	2,097	-	274	-	-	-	29	25	2,490
Due from other governments	11,316	12,435	-	460	434	139	549	-	141	25,474
Inventories	1,073	-	-	-	-	-	-	-	-	1,073
Due from other funds	770	150	160	-	50	-	-	-	-	1,130
Prepaid items	-	9	-	-	-	-	-	-	-	9
Advances to other funds	-	-	-	-	1,300	-	-	-	-	1,300
Notes receivable	-	-	44,357	-	-	-	-	-	-	44,357
Land held for resale	-	-	38,157	-	-	-	-	-	-	38,157
Total assets	$ 163,209	$ 58,526	$ 189,720	$ 19,731	$ 13,617	$ 1,026	$ 1,795	$ 892	$ 22,356	$ 470,872
LIABILITIES AND FUND BALANCES:										
Liabilities:										
Accounts payable	$ 24,281	$ 2,241	$ 541	$ 124	$ 211	$ 45	$ -	$ 19	$ 1,270	$ 28,732
Salaries and benefits payable	2,048	1,353	-	110	382	-	76	-	188	4,157
Due to other governments	1,502	148	-	-	6	-	-	-	1	1,657
Due to other funds	9	6,963	-	-	-	-	-	-	-	6,972
Deposits payable	-	-	-	8	-	-	-	266	-	274
Deferred revenue	26,720	1,697	-	-	308	-	-	20	1,188	29,933
Total liabilities	54,560	12,402	541	242	907	45	76	305	2,647	71,725
Fund balances (Note 14):										
Nonspendable	1,085	133	82,514	1	5	-	5	-	25	83,768
Restricted	91,692	27,633	82,285	17,612	27	981	1,355	-	16,773	238,358
Committed	2,862	17,862	70	-	-	-	-	587	-	21,381
Assigned	13,010	496	24,310	1,876	12,678	-	359	-	2,911	55,640
Total fund balances	108,649	46,124	189,179	19,489	12,710	981	1,719	587	19,709	399,147
Total liabilities and fund balances	$ 163,209	$ 58,526	$ 189,720	$ 19,731	$ 13,617	$ 1,026	$ 1,795	$ 892	$ 22,356	$ 470,872

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery	Other Special Revenue	Total
REVENUES:										
Taxes	$ 24,329	$ 47,597	$ 17,508	$ 866	$ 3,930	$ -	$ -	$ 207	$ 805	$ 95,242
Licenses, permits, and franchise fees	2,075	-	-	-	-	-	-	-	32	2,107
Fines, forfeitures, and penalties	-	810	-	-	-	-	-	-	952	1,762
Use of money and property:										
Interest	949	48	300	93	60	5	4	5	91	1,555
Rents and concessions	23	1,181	144	2	824	-	-	-	5,876	8,050
Aid from other governmental agencies:										
Federal	24,721	89,266	-	-	19	-	1,310	-	3,232	118,548
State	48,744	7,324	-	12	343	611	585	3	2,243	59,865
Other	8,244	19,335	349	1	67	-	-	-	2	27,998
Charges for services	36,675	1,092	4	8,815	2,898	-	-	202	9,029	58,715
Other revenue	9,993	23,187	508	108	103	-	-	7	774	34,680
Total revenues	155,753	189,840	18,813	9,897	8,244	616	1,899	424	23,036	408,522
EXPENDITURES:										
Current:										
General government	-	17,870	6,767	-	-	311	-	-	4,109	29,057
Public protection	6,064	-	-	1	41	-	-	377	4,173	10,656
Public ways and facilities	161,490	-	-	5,107	-	-	-	-	9,277	175,874
Health and sanitation	-	3,933	-	777	-	-	2,084	-	1,461	8,255
Public assistance	-	93,453	-	-	-	-	1	-	-	93,454
Education	-	18,734	-	-	-	-	-	-	-	18,734
Recreation and culture	-	-	-	711	10,345	-	-	-	-	11,056
Debt service:										
Principal	955	-	-	-	-	-	-	-	-	955
Interest	100	-	-	-	-	-	-	-	-	100
Total expenditures	168,609	133,990	6,767	6,596	10,386	311	2,085	377	19,020	348,141
Excess (deficiency) of revenues over (under) expenditures	(12,856)	55,850	12,046	3,301	(2,142)	305	(186)	47	4,016	60,381
OTHER FINANCING SOURCES (USES):										
Transfers in	30,266	20,800	-	1,735	2,763	-	845	2	2,075	58,486
Transfers out	(13,759)	(64,490)	(11,917)	(3,165)	(2,530)	(382)	(300)	(51)	(6,082)	(102,676)
Issuance of debt	-	-	24,252	-	-	-	-	-	-	24,252
Proceeds on sale of capital assets	-	-	-	-	6	-	-	-	-	6
Total other financing sources (uses)	16,507	(43,690)	12,335	(1,430)	239	(382)	545	(49)	(4,007)	(19,932)
NET CHANGE IN FUND BALANCES	3,651	12,160	24,381	1,871	(1,903)	(77)	359	(2)	9	40,449
as previously reported	104,998	33,964	163,554	17,618	14,332	1,058	1,360	589	19,700	357,173
Adjustments to beginning fund balances	-	-	1,244	-	281	-	-	-	-	1,525
Fund balances, beginning of year, as restated	104,998	33,964	164,798	17,618	14,613	1,058	1,360	589	19,700	358,698
FUND BALANCES, END OF YEAR	$ 108,649	$ 46,124	$ 189,179	$ 19,489	$ 12,710	$ 981	$ 1,719	$ 587	$ 19,709	$ 399,147

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 26,559	$ 26,559	$ 24,329	$ (2,230)
License, permits, and franchise fees	1,730	1,730	2,075	345
Fines, forfeitures, and penalties	1	1	-	(1)
Use of money and property:				
Interest	1,810	1,810	949	(861)
Rents and concessions	22	22	23	1
Aid from other governmental agencies:				
Federal	20,049	20,049	24,721	4,672
State	28,307	28,307	48,744	20,437
Other	8,000	8,000	8,244	244
Charges for current services	70,999	42,904	36,675	(6,229)
Other revenue	9,448	7,277	9,993	2,716
Total revenues	166,925	136,659	155,753	19,094
EXPENDITURES:				
Current:				
Public protection	8,425	7,476	6,064	(1,412)
Public ways and facilities	172,293	161,521	161,490	(31)
Debt service:				
Principal	999	999	955	(44)
Interest	119	119	100	(19)
Total expenditures	181,836	170,115	168,609	(1,506)
Excess (deficiency) of revenues over (under) expenditures	(14,911)	(33,456)	(12,856)	20,600
OTHER FINANCING SOURCES (USES):				
Transfers in	-	30,266	30,266	-
Transfers out	-	(13,759)	(13,759)	-
Total other financing sources (uses)	-	16,507	16,507	-
NET CHANGE IN FUND BALANCE	(14,911)	(16,949)	3,651	20,600
Fund balance, beginning of year	104,998	104,998	104,998	-
FUND BALANCE, END OF YEAR	$ 90,087	$ 88,049	$ 108,649	$ 20,600

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 59,839	$ 46,525	$ 47,597	$ 1,072
Fines, forfeitures, and penalties	499	460	810	350
Use of money and property:				
Interest	15	11	48	37
Rents and concessions	657	644	1,181	537
Aid from other governmental agencies:				
Federal	104,313	130,778	89,266	(41,512)
State	4,676	5,154	7,324	2,170
Other	17,347	27,631	19,335	(8,296)
Charges for current services	16,678	1,204	1,092	(112)
Other revenue	15,677	12,956	23,187	10,231
Total revenues	219,701	225,363	189,840	(35,523)
EXPENDITURES:				
Current:				
General government	29,178	30,306	17,870	(12,436)
Public protection	48,730	5,400	-	(5,400)
Health and sanitation	3,962	5,080	3,933	(1,147)
Public assistance	108,125	125,577	93,453	(32,124)
Education	48,223	25,922	18,734	(7,188)
Debt service:				
Principal	1,859	1,754	-	(1,754)
Total expenditures	240,077	194,039	133,990	(60,049)
Excess (deficiency) of revenues over (under) expenditures	(20,376)	31,324	55,850	24,526
OTHER FINANCING SOURCES (USES):				
Transfers in	-	20,800	20,800	-
Transfers out	-	(64,490)	(64,490)	-
Total other financing sources (uses)	-	(43,690)	(43,690)	-
NET CHANGE IN FUND BALANCE	(20,376)	(12,366)	12,160	24,526
Fund balance, beginning of year	33,964	33,964	33,964	-
FUND BALANCE, END OF YEAR	$ 13,588	$ 21,598	$ 46,124	$ 24,526

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 17,990	$ 17,990	$ 17,508	$ (482)
Use of money and property:				
Interest	773	773	300	(473)
Rents and concessions	144	144	144	-
Aid from other governmental agencies:				
Other	749	749	349	(400)
Charges for current services	-	-	4	4
Other revenue	10,064	61,497	508	(60,989)
Total revenues	29,720	81,153	18,813	(62,340)
EXPENDITURES:				
Current:				
General government	29,721	69,237	6,767	(62,470)
Total expenditures	29,721	69,237	6,767	(62,470)
Excess (deficiency) of revenues over (under) expenditures	(1)	11,916	12,046	130
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(11,917)	(11,917)	-
Issuance of debt	-	-	24,252	24,252
Total other financing sources (uses)	-	(11,917)	12,335	24,252
NET CHANGE IN FUND BALANCE	(1)	(1)	24,381	24,382
Fund balance, beginning of year, as previously reported	163,554	163,554	163,554	-
Adjustments to beginning fund balance	-	-	1,244	1,244
Fund balance, beginning of year	163,554	163,554	164,798	1,244
FUND BALANCE, END OF YEAR	$ 163,553	$ 163,553	$ 189,179	$ 25,626

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 797	$ 797	$ 866	$ 69
Use of money and property:				
Interest	86	86	93	7
Rents and concessions	5	5	2	(3)
Aid from other governmental agencies:				
State	9	9	12	3
Other	-	-	1	1
Charges for current services	8,753	7,018	8,815	1,797
Other revenue	3,630	3,630	108	(3,522)
Total revenues	13,280	11,545	9,897	(1,648)
EXPENDITURES:				
Current:				
Public protection	338	338	1	(337)
Public ways and facilities	10,813	8,233	5,107	(3,126)
Health and sanitation	800	800	777	(23)
Recreation and cultural services	1,330	1,233	711	(522)
Total expenditures	13,281	10,604	6,596	(4,008)
Excess (deficiency) of revenues over (under) expenditures	(1)	941	3,301	2,360
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,735	1,735	-
Transfers out	-	(3,165)	(3,165)	-
Total other financing sources (uses)	-	(1,430)	(1,430)	-
NET CHANGE IN FUND BALANCE	(1)	(489)	1,871	2,360
Fund balance, beginning of year	17,618	17,618	17,618	-
FUND BALANCE, END OF YEAR	$ 17,617	$ 17,129	$ 19,489	$ 2,360

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 4,198	$ 4,198	$ 3,930	$ (268)
Use of money and property:				
Interest	199	199	60	(139)
Rents and concessions	1,038	1,135	824	(311)
Aid from other governmental agencies:				
Federal	-	-	19	19
State	398	398	343	(55)
Other	90	90	67	(23)
Charges for current services	6,775	5,630	2,898	(2,732)
Other revenue	1,571	1,601	103	(1,498)
Total revenues	14,269	13,251	8,244	(5,007)
EXPENDITURES:				
Current:				
Public protection	329	329	41	(288)
Recreation and cultural services	15,391	15,285	10,345	(4,940)
Capital outlay	420	842	-	(842)
Total expenditures	16,140	16,456	10,386	(6,070)
Excess (deficiency) of revenues over (under) expenditures	(1,871)	(3,205)	(2,142)	1,063
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,763	2,763	-
Transfers out	-	(2,530)	(2,530)	-
Other long term obligations	-	-	6	6
Total other financing sources (uses)	-	233	239	6
NET CHANGE IN FUND BALANCE	(1,871)	(2,972)	(1,903)	1,063
Fund balance, beginning of year	14,332	14,332	14,613	281
FUND BALANCE, END OF YEAR	$ 12,461	$ 11,360	$ 12,710	$ 1,350

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Interest	$ 20	$ 20	$ 5	$ (15)
Aid from other governmental agencies:				
State	650	650	611	(39)
Total revenues	670	670	616	(54)
EXPENDITURES:				
Current:				
General government	1,225	843	311	(532)
Total expenditures	1,225	843	311	(532)
Excess (deficiency) of revenues over (under) expenditures	(555)	(173)	305	478
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(382)	(382)	-
Total other financing sources (uses)	-	(382)	(382)	0
NET CHANGE IN FUND BALANCE	(555)	(555)	(77)	478
Fund balance, beginning of year	1,058	1,058	1,058	-
FUND BALANCE, END OF YEAR	$ 503	$ 503	$ 981	$ 478

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 4	$ 4
Aid from other governmental agencies:				
Federal	1,305	1,305	1,310	5
State	672	510	585	75
Other revenue	683	-	-	-
Total revenues	2,660	1,815	1,899	84
EXPENDITURES:				
Current:				
Health and sanitation	2,661	2,361	2,084	(277)
Public assistance	-	-	1	1
Total expenditures	2,661	2,361	2,085	(276)
Excess (deficiency) of revenues over (under) expenditures	(1)	(546)	(186)	360
OTHER FINANCING SOURCES (USES):				
Transfers in	-	845	845	-
Transfers out	-	(300)	(300)	-
Total other financing sources (uses)	-	545	545	0
NET CHANGE IN FUND BALANCE	(1)	(1)	359	360
Fund balance, beginning of year	1,359	1,360	1,360	-
FUND BALANCE, END OF YEAR	$ 1,358	$ 1,359	$ 1,719	$ 360

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Perris Valley Cemetery Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 241	$ 241	$ 207	$ (34)
Interest	7	7	5	(2)
Aid from other governmental agencies:				
State	3	3	3	-
Charges for current services	190	190	202	12
Other revenue	14	12	7	(5)
Total revenues	455	453	424	(29)
EXPENDITURES:				
Current:				
Public protection	455	469	377	(92)
Capital outlay	-	199	--	(199)
Total expenditures	455	668	377	(291)
Excess (deficiency) of revenues over (under) expenditures	-	(215)	47	262
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2	2	-
Transfers out	-	(51)	(51)	-
Total other financing sources / (uses)	-	(49)	(49)	0
NET CHANGE IN FUND BALANCE	-	(264)	(2)	262
Fund balance, beginning of year	589	589	589	-
FUND BALANCE, END OF YEAR	$ 589	$ 325	$ 587	$ 262

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 867	$ 867	$ 805	$ (62)
License, permits, and franchise fees	29	29	32	3
Fines, forfeitures, and penalties	-	-	952	952
Use of money and property:				
Interest	180	180	91	(89)
Rents and concessions	5,684	5,809	5,876	67
Aid from other governmental agencies:				
Federal	4,414	4,414	3,232	(1,182)
State	2,138	2,168	2,243	75
Other	6	6	2	(4)
Charges for current services	9,755	8,897	9,029	132
Other revenue	1,625	2,303	774	(1,529)
Total revenues	24,698	24,673	23,036	(1,637)
EXPENDITURES:				
Current:				
General government	4,886	4,394	4,109	(285)
Public protection	5,723	5,097	4,173	(924)
Public ways and facilities	12,565	11,761	9,277	(2,484)
Health and sanitation	2,028	1,817	1,461	(356)
Total expenditures	25,202	23,069	19,020	(4,049)
Excess (deficiency) of revenues over (under) expenditures	(504)	1,604	4,016	2,412
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,076	2,075	(1)
Transfers out	-	(6,082)	(6,082)	-
Total other financing sources (uses)	-	(4,006)	(4,007)	(1)
NET CHANGE IN FUND BALANCE	(504)	(2,402)	9	2,411
Fund balance, beginning of year	19,700	19,700	19,700	-
FUND BALANCE, END OF YEAR	$ 19,196	$ 17,298	$ 19,709	$ 2,411

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.

REDEVELOPMENT AGENCY

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

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

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.

COUNTY OF RIVERSIDE BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

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

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.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2011
(Dollars in Thousands)

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	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Total	
ASSETS:								ASSETS:
Cash and investments	$ -	$ 71,316	$ -	$ -	$ 10,048	$ -	$ 81,364	Cash and investments
Accounts receivable	-	302	-	-	1,245	-	1,547	Accounts receivable
Interest receivable	78	61	-	-	10	-	149	Interest receivable
Restricted cash and investments	43,419	-	1,270	6,700	-	17,492	68,881	Restricted cash and investments
Total assets	$ 43,497	$ 71,679	$ 1,270	$ 6,700	$ 11,303	$ 17,492	$ 151,941	Total assets
LIABILITIES AND FUND BALANCES:								LIABILITIES AND FUND BALANCES:
Liabilities:								Liabilities:
Accounts payable	$ 235	$ 53	$ -	$ -	$ 211	$ -	$ 499	Accounts payable
Due to other funds	-	37	-	-	-	-	37	Due to other funds
Total liabilities	235	90	-	-	211	-	536	Total liabilities
Fund balances (Note 14):								Fund balances (Note 14):
Restricted	43,262	43,934	1,270	6,700	10,460	17,492	123,118	Restricted
Committed	-	1,206	-	-	-	-	1,206	Committed
Assigned	-	26,449	-	-	632	-	27,081	Assigned
Total fund balances	43,262	71,589	1,270	6,700	11,092	17,492	151,405	Total fund balances
Total liabilities and fund balances	$ 43,497	$ 71,679	$ 1,270	$ 6,700	$ 11,303	$ 17,492	$ 151,941	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Total
REVENUES:							
Taxes	$ -	$ 70,029	$ -	$ -	$ -	$ -	$ 70,029
Use of money and property:							
Interest	781	226	24	2	677	207	1,917
Rents and concessions	513	-	2,391	2,294	-	-	5,198
Aid from other governmental agencies:							
Other	-	1,395	-	-	-	-	1,395
Charges for services	-	-	-	-	2,266	-	2,266
Other revenue	58	-	-	-	-	9,082	9,140
Total revenues	1,352	71,650	2,415	2,296	2,943	9,289	89,945
EXPENDITURES:							
Current:							
General government	1,352	24,147	3	2	6,371	123	31,998
Debt service:							
Principal	17,913	12,811	1,319	875	8,155	6,135	47,208
Interest	16,075	35,408	471	571	18,114	3,615	74,254
Cost of issuance	-	5,212	-	-	-	-	5,212
Capital outlay	-	-	585	921	-	-	1,506
Total expenditures	35,340	77,578	2,378	2,369	32,640	9,873	160,178
Excess (deficiency) of revenues over (under) expenditures	(33,988)	(5,928)	37	(73)	(29,697)	(584)	(70,233)
OTHER FINANCING SOURCES (USES):							
Transfers in	33,483	12,540	-	-	30,005	-	76,028
Transfers out	(464)	(2,194)	-	-	(197)	-	(2,855)
Issuance of debt	-	21,259	-	-	-	-	21,259
Total other financing sources (uses)	33,019	31,605	-	-	29,808	-	94,432
NET CHANGE IN FUND BALANCES	(969)	25,677	37	(73)	111	(584)	24,199
Fund balances, beginning of year	44,231	45,912	1,233	6,773	10,981	18,076	127,206
FUND BALANCES, END OF YEAR	$ 43,262	$ 71,589	$ 1,270	$ 6,700	$ 11,092	$ 17,492	$ 151,405

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Debt Service Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 71,958	$ 71,958	$ 70,029	$ (1,929)
Use of money and property:				
Interest	560	560	226	(334)
Aid from other governmental agencies:				
Other	7,536	7,536	1,395	(6,141)
Other revenue	5,719	4,277	-	(4,277)
Total revenues	85,773	84,331	71,650	(12,681)
EXPENDITURES:				
Current:				
General government	85,772	46,458	24,147	(22,311)
Debt service:				
Principal	-	12,811	12,811	-
Interest	-	35,408	35,408	-
Cost of issuance	-	-	5,212	5,212
Total expenditures	85,772	94,677	77,578	(17,099)
Excess (deficiency) of revenues over (under) expenditures	1	(10,346)	(5,928)	4,418
OTHER FINANCING SOURCES (USES):				
Transfers in	-	12,540	12,540	-
Transfers out	-	(2,194)	(2,194)	-
Issuance of debt	-	-	21,259	21,259
Total other financing sources (uses)	-	10,346	31,605	21,259
NET CHANGE IN FUND BALANCE	1	-	25,677	25,677
Fund balance, beginning of year	45,912	45,912	45,912	-
FUND BALANCE, END OF YEAR	$ 45,913	$ 45,912	$ 71,589	$ 25,677

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 677	$ 677
Charges for current services	9,265	9,265	2,266	(6,999)
Total revenues	9,265	9,265	2,943	(6,322)
EXPENDITURES:				
Current:				
General government	13,001	12,804	6,371	(6,433)
Debt service:				
Principal	8,155	8,155	8,155	-
Interest	18,114	18,114	18,114	-
Total expenditures	39,270	39,073	32,640	(6,433)
Excess (deficiency) of revenues over (under) expenditures	(30,005)	(29,808)	(29,697)	111
OTHER FINANCING SOURCES (USES):				
Transfers in	30,005	30,005	30,005	-
Transfers out	-	(197)	(197)	-
Total other financing sources (uses)	30,005	29,808	29,808	-
NET CHANGE IN FUND BALANCE	-	-	111	111
Fund balance, beginning of year	10,981	10,981	10,981	-
FUND BALANCE, END OF YEAR	$ 10,981	$ 10,981	$ 11,092	$ 111

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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 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, 2011
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total
ASSETS:						
Cash and investments	$ -	$ -	$ 323	$ 9,683	$ 3,519	$ 13,525
Interest receivable	-	-	-	7	2	9
Due from other governments	748	-	-	-	-	748
Due from other funds	23	-	500	733	7	1,263
Prepaid items	568	-	-	-	-	568
Restricted cash and investments	-	41,598	-	-	-	41,598
Advances to other funds	-	-	-	-	-	-
Total assets	$ 1,339	$ 41,598	$ 823	$ 10,423	$ 3,528	$ 57,711
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	$ 58	$ 21	$ -	$ 131	$ 32	$ 242
Salaries and benefits payable	117	-	-	-	74	191
Due to other funds	153	-	402	34	-	589
Advances from other funds	-	-	-	1,300	-	1,300
Total liabilities	328	21	402	1,465	106	2,322
Fund balances (Note 14):						
Nonspendable	569	-	-	-	-	569
Restricted	-	40,321	-	8,958	-	49,279
Committed	-	1,256	421	-	13	1,690
Assigned	442	-	-	-	3,409	3,851
Total fund balances	1,011	41,577	421	8,958	3,422	55,389
Total liabilities and fund balances	$ 1,339	$ 41,598	$ 823	$ 10,423	$ 3,528	$ 57,711

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total
REVENUES:						
Interest	$ -	$ 228	$ 2	$ 47	$ 16	$ 293
Aid from other governmental agencies:						
Federal	748	-	-	-	-	748
State	-	-	-	4,502	-	4,502
Charges for services	-	-	-	-	1,208	1,208
Other revenue	23	-	-	15	7	45
Total revenues	771	228	2	4,564	1,231	6,796
EXPENDITURES:						
Current:						
General government	4,556	-	-	-	3,918	8,474
Recreation and culture	-	-	-	7,335	-	7,335
Debt service:						
Principal	-	-	-	-	-	-
Capital outlay	-	19,266	1,346	-	-	20,612
Total expenditures	4,556	19,266	1,346	7,335	3,918	36,421
Excess (deficiency) of revenues over (under) expenditures	(3,785)	(19,038)	(1,344)	(2,771)	(2,687)	(29,625)
OTHER FINANCING SOURCES (USES):						
Transfers in	5,183	464	1,409	4,205	1,828	13,089
Transfers out	(460)	-	-	(446)	(66)	(972)
Total other financing sources (uses)	4,723	464	1,409	3,759	1,762	12,117
NET CHANGE IN FUND BALANCES	938	(18,574)	65	988	(925)	(17,508)
Fund balances, beginning of year	73	60,151	356	7,970	4,347	72,897
FUND BALANCES, END OF YEAR	$ 1,011	$ 41,577	$ 421	$ 8,958	$ 3,422	$ 55,389

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Aid from other governmental agencies:				
Federal	$ -	$ -	$ 748	$ 748
Other revenue	5,183	-	23	23
Total revenues	5,183	-	771	771
EXPENDITURES:				
Current:				
General government	5,183	4,723	4,556	(167)
Total expenditures	5,183	4,723	4,556	(167)
Excess (deficiency) of revenues over (under) expenditures	-	(4,723)	(3,785)	938
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,183	5,183	-
Transfers out	-	(460)	(460)	-
Total other financing sources (uses)	-	4,723	4,723	-
NET CHANGE IN FUND BALANCE	-	-	938	938
Fund balance, beginning of year	73	73	73	-
FUND BALANCE, END OF YEAR	$ 73	$ 73	$ 1,011	$ 938

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Interest	$ 3	$ 3	$ 2	$ (1)
Charges for current services	1	1	-	(1)
Other revenue	5,440	4,031	-	(4,031)
Total revenues	5,444	4,035	2	(4,033)
EXPENDITURES:				
Capital outlay	5,440	5,440	1,346	(4,094)
Total expenditures	5,440	5,440	1,346	(4,094)
Excess (deficiency) of revenues over (under) expenditures	4	(1,405)	(1,344)	61
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,409	1,409	-
Total other financing sources (uses)	-	1,409	1,409	-
NET CHANGE IN FUND BALANCE	4	4	65	61
Fund balance, beginning of year	356	356	356	-
FUND BALANCE, END OF YEAR	$ 360	$ 360	$ 421	$ 61

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 132	$ 132	$ 47	$ (85)
Aid from other governmental agencies:				
State	4,264	5,964	4,502	(1,462)
Charges for current services	-	1,000	-	(1,000)
Other revenue	19,304	15,932	15	(15,917)
Total revenues	23,700	23,028	4,564	(18,464)
EXPENDITURES:				
Current:				
Recreation and cultural services	6,726	8,441	7,335	(1,106)
Capital outlay	10,844	12,358	-	(12,358)
Total expenditures	17,570	20,799	7,335	(13,464)
Excess (deficiency) of revenues over (under) expenditures	6,130	2,229	(2,771)	(5,000)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	4,205	4,205	-
Transfers out	-	(446)	(446)	-
Total other financing sources (uses)	-	3,759	3,759	-
NET CHANGE IN FUND BALANCE	6,130	5,988	988	(5,000)
Fund balance, beginning of year	7,970	7,970	7,970	-
FUND BALANCE, END OF YEAR	$ 14,100	$ 13,958	$ 8,958	$ (5,000)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 18	$ 18	$ 16	$ (2)
Charges for current services	1,800	1,800	1,208	(592)
Other revenue	1,828	-	7	7
Total revenues	3,646	1,818	1,231	(587)
EXPENDITURES:				
Current:				
General government	4,884	6,636	3,918	(2,718)
Total expenditures	4,884	6,636	3,918	(2,718)
Excess (deficiency) of revenues over (under) expenditures	(1,238)	(4,818)	(2,687)	2,131
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,828	1,828	-
Transfers out	-	(66)	(66)	-
Total other financing sources (uses)	-	1,762	1,762	-
NET CHANGE IN FUND BALANCE	(1,238)	(3,056)	(925)	2,131
Fund balance, beginning of year	4,347	4,347	4,347	-
FUND BALANCE, END OF YEAR	$ 3,109	$ 1,291	$ 3,422	$ 2,131

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PERMANENT FUNDS

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COUNTY OF RIVERSIDE

PERMANENT FUNDS

PERRIS VALLEY CEMETERY ENDOWMENT FUND

This fund is used to account for financial resources to be used for future maintenance of the 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.

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COUNTY OF RIVERSIDE
Combining Balance Sheet
Permanent Fund
June 30, 2011
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
ASSETS:	
Cash and investments	$ 464
Total assets	$ 464
LIABILITIES AND FUND BALANCES:	
Liabilities:	$ -
Total liabilities	-
Fund balances (Note 14):	
Nonspendable	432
Restricted	32
Total fund balances	464
Total liabilities and fund balances	$ 464

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
REVENUES:	
Use of money and property:	
Interest	$ 3
Charges for services	22
Total revenues	25
EXPENDITURES:	
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	25
Fund balances, beginning of year	439
FUND BALANCES, END OF YEAR	$ 464

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). 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.

HOUSING AUTHORITY

The Housing Authority was established to provide affordable, decent, safe housing opportunities to low and moderate income families including elderly and handicapped persons, while supporting programs to foster economic self-sufficiency.

FLOOD CONTROL

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

COUNTY OF RIVERSIDE

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 247	$ 15,627	$ 2,218	$ 18,092
Accounts receivable-net	-	161	327	488
Interest receivable	-	-	6	6
Taxes receivable	12	-	-	12
Due from other governments	-	813	59	872
Due from other funds	-	-	11	11
Restricted cash and investments	-	188	2,845	3,033
Prepaid items and deposits	-	33	-	33
Total current assets	259	16,822	5,466	22,547
Noncurrent assets:				
Capital assets:				
Nondepreciable assets	-	4,206	-	4,206
Depreciable assets	27	11,094	23	11,144
Total noncurrent assets	27	15,300	23	15,350
Total assets	286	32,122	5,489	37,897
LIABILITIES:				
Current liabilities:				
Accounts payable	3	14	2,956	2,973
Salaries and benefits payable	-	-	32	32
Due to other funds	-	-	19	19
Due to other governments	-	26	10	36
Interest payable	-	7	-	7
Deposits payable	49	-	-	49
Other liabilities	-	1,940	253	2,193
Compensated absences	-	118	14	132
Bonds payable	-	125	-	125
Total current liabilities	52	2,230	3,284	5,566
Noncurrent portion of long-term liabilities:				
Noncurrent liabilities:				
Compensated absences	-	1,060	82	1,142
Bonds payable	-	679	-	679
Notes payable	-	6,795	-	6,795
Total noncurrent liabilities	-	8,534	82	8,616
Total liabilities	52	10,764	3,366	14,182
NET ASSETS:				
Invested in capital assets, net of related debt	27	8,505	23	8,555
Restricted	62	5,969	-	6,031
Unrestricted	145	6,884	2,100	9,129
Total net assets	$ 234	$ 21,358	$ 2,123	$ 23,715

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 357	$ 2,699	$ 1,281	$ 4,337
Other	36	84,512	236	84,784
Total operating revenues	393	87,211	1,517	89,121
OPERATING EXPENSES:				
Personnel services	201	9,517	979	10,697
Insurance	-	336	-	336
Maintenance of building and equipment	50	1,968	11	2,029
Supplies	6	-	50	56
Purchased services	3	-	644	647
Depreciation and amortization	3	1,896	13	1,912
Rents and leases of equipment	-	-	17	17
Public assistance	-	70,153	-	70,153
Utilities	95	637	-	732
Other	15	1,369	1,001	2,385
Total operating expenses	373	85,876	2,715	88,964
Operating income (loss)	20	1,335	(1,198)	157
NONOPERATING REVENUES (EXPENSES):				
Investment income	1	61	46	108
Interest expense	(10)	(161)	-	(171)
Gain (loss) on disposal of capital assets	-	10	-	10
Total nonoperating revenues (expenses)	(9)	(90)	46	(53)
Income (loss) before transfers	11	1,245	(1,152)	104
Transfers out	-	(184)	-	(184)
CHANGE IN NET ASSETS	11	1,061	(1,152)	(80)
Net assets, beginning of year	223	20,297	3,275	23,795
NET ASSETS, END OF YEAR	$ 234	$ 21,358	$ 2,123	$ 23,715

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2011
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 389	$ 87,606	$ 2,758	$ 90,753
Cash paid to suppliers for goods and services	(175)	(74,943)	(1,905)	(77,023)
Cash paid to employees for services	(201)	(9,318)	(944)	(10,463)
Net cash provided by (used in) operating activities	13	3,345	(91)	3,267
Cash flows from noncapital financing activities				
Transfers paid	-	(184)	-	(184)
Net cash provided by (used in) noncapital financing activities	-	(184)	-	(184)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	10	-	10
Acquisition and construction of capital assets	-	(628)	(23)	(651)
Principal paid on bonds payable	-	(50)	-	(50)
Interest paid on long-term debt	(10)	(162)	-	(172)
Net cash used in capital and related financing activities	(10)	(830)	(23)	(863)
Cash flows from investing activities				
Interest received on investments	1	61	52	114
Net cash provided by investing activities	1	61	52	114
Net increase (decrease) in cash and cash equivalents	4	2,392	(62)	2,334
Cash and cash equivalents, beginning of year	243	13,423	5,125	18,791
Cash and cash equivalents, end of year	$ 247	$ 15,815	$ 5,063	$ 21,125

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	County Service Areas	Housing Authority	Flood Control	Total
Operating income (loss)	$ 20	$ 1,335	$ (1,198)	$ 157
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	3	1,896	13	1,912
Decrease (Increase) accounts receivable	-	(28)	1,239	1,211
Decrease (Increase) taxes receivable	(4)	-	-	(4)
Decrease (Increase) due from other funds	-	-	(11)	(11)
Decrease (Increase) due from other governments	-	423	13	436
Decrease (Increase) prepaid items and deposits	-	(16)	-	(16)
Increase (Decrease) accounts payable	(6)	(31)	(71)	(108)
Increase (Decrease) due to other funds	-	-	19	19
Increase (Decrease) due to other governments	-	19	10	29
Increase (Decrease) other liabilities	-	(452)	(140)	(592)
Increase (Decrease) salaries and benefits payable	-	-	11	11
Increase (Decrease) compensated absences	-	199	24	223
Net cash provided by (used in) operating activities	$ 13	$ 3,345	$ (91)	$ 3,267

There were no significant noncash investing, financing, or capital activities.

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.

OASIS PROJECT

These funds were established to support the implementation, operation, and maintenance of the County's central administrative and financial information system. Revenue is obtained 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 worker's 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 Assets
Internal Service Funds
June 30, 2011
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 1,169	$ 11,120	$ 15,703	$ 2,479	$ 4,144
Accounts receivable-net	8	22	135	23	1
Interest receivable	1	5	11	2	2
Due from other government	-	282	13	59	-
Inventories	-	543	1,962	236	460
Due from other funds	3	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Prepaid items and deposits	-	-	-	-	-
Total current assets	1,181	11,972	17,824	2,799	4,607
Noncurrent assets:					
Capital assets:					
Non depreciable assets	-	913	366	-	-
Depreciable assets	276	24,060	4,706	1,087	198
Total noncurrent assets	276	24,973	5,072	1,087	198
Total assets	1,457	36,945	22,896	3,886	4,805
LIABILITIES:					
Current liabilities:					
Accounts payable	1	1,474	559	64	1,089
Salaries and benefits payable	44	153	1,053	73	30
Due to other funds	-	-	3,989	-	-
Due to other governments	-	-	11	-	6
Other liabilities	-	1,231	-	-	-
Compensated absences	70	266	1,354	122	49
Capital lease obligation	-	5,943	1,084	134	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	115	9,067	8,050	393	1,174
Noncurrent liabilities:					
Compensated absences	51	277	941	28	22
Advance from other funds	-	-	-	-	-
Capital lease obligation	-	4,276	1,902	102	-
Estimated claims liabilities	-	-	-	-	-
Total noncurrent liabilities	51	4,553	2,843	130	22
Total liabilities	166	13,620	10,893	523	1,196
NET ASSETS:					
Invested in capital assets, net of related debt	276	14,754	2,086	851	198
Unrestricted	1,015	8,571	9,917	2,512	3,411
Total net assets	$ 1,291	$ 23,325	$ 12,003	$ 3,363	$ 3,609

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
						ASSETS:
						Current assets:
$ 5,702	$ 174,639	$ 4,436	$ 6,541	$ 6,136	$ 232,069	Cash and investments
-	2,443	-	-	10	2,642	Accounts receivable-net
4	134	-	3	5	167	Interest receivable
-	411	-	587	-	1,352	Due from other government
-	-	-	148	321	3,670	Inventories
1	-	-	2,433	271	2,708	Due from other funds
-	-	-	-	1,002	1,002	Restricted cash and investments
-	333	-	65	-	398	Prepaid items and deposits
5,707	177,960	4,436	9,777	7,745	244,008	Total current assets
						Noncurrent assets:
						Capital assets:
-	-	-	-	-	1,279	Non depreciable assets
2,044	280	3	136	2,373	35,163	Depreciable assets
2,044	280	3	136	2,373	36,442	Total noncurrent assets
7,751	178,240	4,439	9,913	10,118	280,450	Total assets
						LIABILITIES:
						Current liabilities:
358	12,370	60	924	113	17,012	Accounts payable
293	885	127	979	64	3,701	Salaries and benefits payable
-	-	-	-	210	4,199	Due to other funds
-	-	-	-	-	17	Due to other governments
-	359	-	-	-	1,590	Other liabilities
359	1,318	115	1,244	33	4,930	Compensated absences
788	-	-	-	-	7,949	Capital lease obligation
-	34,903	-	-	-	34,903	Estimated claims liability
1,798	49,835	302	3,147	420	74,301	Total current liabilities
						Noncurrent liabilities:
389	878	38	901	195	3,720	Compensated absences
-	-	-	3,692	-	3,692	Advance from other funds
810	-	-	-	-	7,090	Capital lease obligation
-	89,814	-	-	-	89,814	Estimated claims liabilities
1,199	90,692	38	4,593	195	104,316	Total noncurrent liabilities
2,997	140,527	340	7,740	615	178,617	Total liabilities
						NET ASSETS:
446	280	3	136	2,373	21,403	Invested in capital assets, net of related debt
4,308	37,433	4,096	2,037	7,130	80,430	Unrestricted
$ 4,754	$ 37,713	$ 4,099	$ 2,173	$ 9,503	$ 101,833	Total net assets

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
OPERATING REVENUES:											
Charges for services	$ 1,931	$ 31,953	$ 25,199	$ 4,452	$ 8,238	$ 10,632	$ 37,541	$ 7,170	$ 89,384	$ 1,583	$ 218,083
Other revenue	3	14	-	2,204	2,983	2	8,354	6,458	610	5,099	25,727
Total operating revenues	1,934	31,967	25,199	6,656	11,221	10,634	45,895	13,628	89,994	6,682	243,810
OPERATING EXPENSES:											
Cost of materials used	-	1,632	-	-	-	-	-	-	1	32	1,665
Personnel services	1,048	3,702	19,739	1,854	749	6,743	15,975	10,938	25,760	2,246	88,754
Communications	41	118	2,166	17	26	301	308	67	328	49	3,421
Insurance	27	82	146	12	26	19	10,078	11	173	-	10,574
Maintenance of building and equipment	88	2,343	3,330	480	133	1,838	188	21	6,051	563	15,035
Insurance claims	-	3	37	-	-	-	90,065	-	-	-	90,105
Supplies	28	8,570	202	2,798	9,854	97	3,919	175	1,729	1,071	28,443
Purchased services	99	1,283	2,186	1,270	381	110	4,885	1,854	9,738	1,066	22,872
Depreciation and amortization	-	9,685	2,791	294	28	1,091	311	2	61	1,002	15,265
Rents and leases of equipment	258	391	1,203	4	-	720	1,169	230	43,074	4	47,053
Utilities	41	124	203	45	16	48	77	18	966	-	1,538
Other	27	159	643	192	308	29	1,476	293	1,445	625	5,197
Total operating expenses	1,657	28,092	32,646	6,966	11,521	10,996	128,451	13,609	89,326	6,658	329,922
Operating income (loss)	277	3,875	(7,447)	(310)	(300)	(362)	(82,556)	19	668	24	(86,112)
NONOPERATING REVENUES (EXPENSES):											
Investment income	6	35	79	12	9	31	960	-	22	36	1,190
Interest expense	-	(1,417)	(194)	(7)	-	(56)	-	-	-	-	(1,674)
Gain (loss) on disposal of capital assets	-	(44)	(13)	39	-	-	-	-	-	108	90
Other nonoperating revenues / (expenses)	(66)	-	(3)	-	-	-	57	3	-	-	(9)
Total nonoperating revenues (expenses)	(60)	(1,426)	(131)	44	9	(25)	1,017	3	22	144	(403)
Income (loss) before capital contributions and transfers	217	2,449	(7,578)	(266)	(291)	(387)	(81,539)	22	690	168	(86,515)
Premium contributions	-	-	-	-	-	-	65,525	-	-	-	65,525
Transfers in	-	-	-	-	-	-	2,048	-	1,990	75	4,113
Transfers out	(25)	(82)	(458)	(41)	(16)	(162)	(2,368)	(851)	(507)	-	(4,510)
CHANGE IN NET ASSETS	192	2,367	(8,036)	(307)	(307)	(549)	(16,334)	(829)	2,173	243	(21,387)
Net assets, beginning of year	1,099	20,958	20,039	3,670	3,916	5,303	54,047	4,928	-	9,260	123,220
NET ASSETS, END OF YEAR	$ 1,291	$ 23,325	$ 12,003	$ 3,363	$ 3,609	$ 4,754	$ 37,713	$ 4,099	$ 2,173	$ 9,503	$ 101,833

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Records Management and Archives	Fleet Service	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Managemet	Flood Control Equipment	Total
Cash flows from operating activities											
Cash receipts from internal services provided	$ 1,935	$ 31,714	25,350	$ 6,665	$ 11,226	$ 10,633	$ 45,567	$ 13,628	$ 86,974	$ 6,514	$ 240,206
Cash paid to suppliers for goods and services	(640)	(13,703)	(6,032)	(4,819)	(11,492)	(2,866)	(103,488)	(2,671)	(62,794)	(3,405)	(211,910)
Cash paid to employees for services	(1,137)	(3,700)	(19,815)	(1,840)	(749)	(6,879)	(15,865)	(11,665)	(22,636)	(2,250)	(86,536)
Net cash provided (used) by operating activities	158	14,311	(497)	6	(1,015)	888	(73,786)	(708)	1,544	859	(58,240)
Cash flows from noncapital financing activities											
Advances from other funds	-	-	-	-	-	-	-	-	3,692	-	3,692
Transfers received	-	-	-	-	-	-	2,105	-	1,990	75	4,170
Transfers paid	(91)	(82)	(461)	(41)	(16)	(162)	(2,368)	(848)	(507)	-	(4,576)
Net cash provided (used) by noncapital financing activities	(91)	(82)	(461)	(41)	(16)	(162)	(263)	(848)	5,175	75	3,286
Cash flows from capital and related financing activities											
Proceeds from sale of capital assets	-	700	-	-	1	-	-	-	-	108	809
Acquisition and construction of capital assets	(10)	(5,835)	(2,633)	(45)	-	(239)	(10)	-	(197)	(588)	(9,557)
Principal paid on capital leases	-	(7,173)	(255)	(183)	-	(767)	-	-	-	-	(8,378)
Premium contributions	-	-	-	-	-	-	65,525	-	-	-	65,525
Interest paid on long-term debt	-	(1,417)	(194)	(7)	-	(56)	-	-	-	-	(1,674)
Net cash provided (used) by capital and related financing activities	(10)	(13,725)	(3,082)	(235)	1	(1,062)	65,515	-	(197)	(480)	46,725
Cash flows from investing activities											
Interest received on investments	7	40	94	14	11	37	1,114	-	19	41	1,377
Net cash provided by investing activities	7	40	94	14	11	37	1,114	-	19	41	1,377
Net increase (decrease) in cash and cash equivalents	64	544	(3,946)	(256)	(1,019)	(299)	(7,420)	(1,556)	6,541	495	(6,852)
Cash and cash equivalents, beginning of year	1,105	10,576	19,649	2,735	5,163	6,001	182,059	5,992	-	6,643	239,923
Cash and cash equivalents, end of year	$ 1,169	$ 11,120	15,703	$ 2,479	$ 4,144	$ 5,702	$ 174,639	$ 4,436	$ 6,541	$ 7,138	$ 233,071
Reconciliation of operating income (loss) to net cash provided (used) by operating activities											
Operating income (loss)	$ 277	$ 3,875	$ (7,447)	$ (310)	$ (300)	$ (362)	$ (82,556)	$ 19	$ 668	$ 24	$ (86,112)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities											
Depreciation and amortization	-	9,685	2,791	294	28	1,091	311	2	61	1,002	15,265
Decrease (Increase) accounts receivable	4	(14)	134	10	5	-	(328)	-	-	-	(189)
Decrease (Increase) due from other funds	(3)	-	-	-	-	(1)	-	-	(2,433)	(185)	(2,622)
Decrease (Increase) due from other governments	-	(239)	17	(1)	-	-	-	-	(587)	17	(793)
Decrease (Increase) inventories	-	(45)	128	-	148	-	-	-	(148)	(66)	17
Decrease (Increase) prepaid items and deposits	-	-	-	-	-	-	(333)	-	(65)	-	(398)
Increase (Decrease) accounts payable	(31)	1,067	(43)	(1)	(898)	296	1,610	5	924	(104)	2,825
Increase (Decrease) due to other funds	-	-	3,989	-	-	-	-	(7)	-	210	4,192
Increase (Decrease) due to other governments	-	-	10	-	2	-	-	-	-	(35)	(23)
Increase (Decrease) other liabilities	-	(20)	-	-	-	-	(54)	-	-	-	(74)
Increase (Decrease) estimated claims liability	-	-	-	-	-	-	7,454	-	-	-	7,454
Increase (Decrease) salaries and benefits payable	(15)	5	208	(1)	(1)	28	51	(723)	979	14	545
Increase (Decrease) compensated absences	(74)	(3)	(284)	15	1	(164)	59	(4)	2,145	(18)	1,673
Net cash provided (used) by operating activities	$ 158	$ 14,311	$ (497)	$ 6	$ (1,015)	$ 888	$ (73,786)	$ (708)	$ 1,544	$ 859	$ (58,240)
Noncash investing, capital, and financing activities:											
Capital lease obligations		$ 3,797	$ 1,074								$ 4,871

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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 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, 2011
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 82,668	$ 10,753	$ 96,934	$ 59,175	$ 249,530
Interest receivable	224	-	8	1	233
Taxes receivable	80	-	55,347	-	55,427
Due from other governments	2,387	-	-	-	2,387
Total assets	$ 85,359	$ 10,753	$ 152,289	$ 59,176	$ 307,577
LIABILITIES:					
Accounts payable	$ 77,491	$ 10,753	$ 583	$ 59,176	$ 148,003
Salaries and benefits payable	5	-	-	-	5
Due to other governments	7,863	-	151,706	-	159,569
Total liabilities	$ 85,359	$ 10,753	$ 152,289	$ 59,176	$ 307,577

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Other				
Assets				
Cash and investments	$ 80,050	$ 4,427,039	$ 4,424,421	$ 82,668
Accounts receivable	-	198	198	-
Interest receivable	404	224	404	224
Taxes receivable	120	80	120	80
Due from other governments	2,320	2,387	2,320	2,387
Total assets	82,894	4,429,928	4,427,463	85,359
Liabilities				
Accounts payable	81,322	764,396	768,227	77,491
Salaries and benefits payable	4	5	4	5
Due to other governments	1,568	3,675,589	3,669,294	7,863
Total liabilities	$ 82,894	$ 4,439,990	$ 4,437,525	$ 85,359
Payroll Deductions				
Assets				
Cash and investments	$ 10,312	$ 1,701,550	$ 1,701,109	$ 10,753
Interest receivable	7	-	7	-
Total assets	10,319	1,701,550	1,701,116	10,753
Liabilities				
Accounts payable	10,319	1,206,956	1,206,522	10,753
Total liabilities	$ 10,319	$ 1,206,956	$ 1,206,522	$ 10,753
Property Tax Assessments				
Assets				
Cash and investments	$ 94,608	$ 4,236,121	$ 4,233,795	$ 96,934
Interest receivable	-	8	-	8
Taxes receivable	85,016	55,347	85,016	55,347
Total assets	179,624	4,291,476	4,318,811	152,289
Liabilities				
Accounts payable	1,495	523,517	524,429	583
Due to other governments	178,129	3,738,563	3,764,986	151,706
Total liabilities	$ 179,624	$ 4,262,080	$ 4,289,415	$ 152,289

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Warrants				
Assets				
Cash and investments	$ 81,007	$ 9,072,675	$ 9,094,507	$ 59,175
Interest receivable	1	1	1	1
Total assets	81,008	9,072,676	9,094,508	59,176
Liabilities				
Accounts payable	81,008	5,087,096	5,108,928	59,176
Total liabilities	$ 81,008	$ 5,087,096	$ 5,108,928	$ 59,176
Total Agency Funds				
Assets				
Cash and investments	$ 265,977	$ 19,437,385	$ 19,453,832	$ 249,530
Accounts receivable	-	198	198	-
Interest receivable	412	233	412	233
Taxes receivable	85,136	55,427	85,136	55,427
Due from other governments	2,320	2,387	2,320	2,387
Total assets	353,845	19,495,630	19,541,898	307,577
Liabilities				
Accounts payable	174,144	7,581,965	7,608,106	148,003
Salaries and benefits payable	4	5	4	5
Due to other governments	179,697	7,414,152	7,434,280	159,569
Total liabilities	$ 353,845	$ 14,996,122	$ 15,042,390	$ 307,577

STATISTICAL SECTION

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Statistical Section

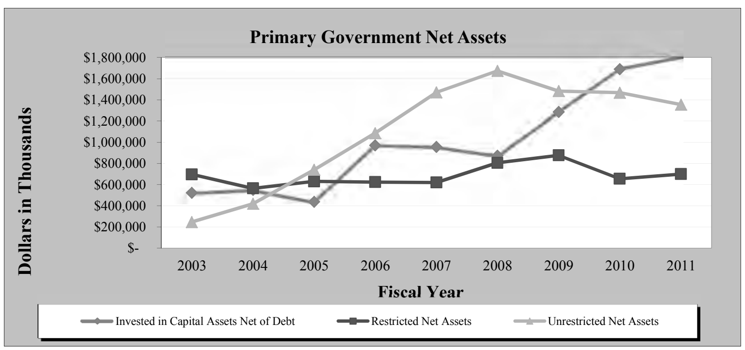
This section of the Riverside County Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years. The County implemented GASB Statement 34 in FY 2001-2002. Statistical Tables present information for the last eight years beginning with the first year after GASB Statement 34 implementation.

Table 1

COUNTY OF RIVERSIDE
Net Assets by Component
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year 2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in capital assets, net of related debt	$ 1,687,128	$ 1,594,275	$ 1,204,971	$ 802,981	$ 903,076	$ 930,800	$ 407,762	$ 524,624	$ 503,294
Restricted	656,347	604,942	824,139	769,368	569,477	582,037	584,441	521,143	662,446
Unrestricted	1,295,657	1,395,141	1,402,813	1,572,150	1,370,350	999,992	671,917	387,007	205,952
Governmental activities, total net assets	$ 3,639,132	$ 3,594,358	$ 3,431,923	$ 3,144,499	$ 2,842,903	$ 2,512,829	$ 1,664,120	$ 1,432,774	$ 1,371,692
Business-type Activities									
Invested in capital assets, net of related debt	$ 113,489	$ 96,901	$ 81,512	$ 69,441	$ 53,321	$ 40,986	$ 29,583	$ 25,102	$ 19,972
Restricted	43,086	50,386	52,502	36,074	50,629	41,287	45,362	43,232	33,740
Unrestricted	59,550	72,397	80,238	101,683	100,567	85,971	67,502	31,602	40,096
Business-type activities, total net assets	$ 216,125	$ 219,684	$ 214,252	$ 207,198	$ 204,517	$ 168,244	$ 142,447	$ 99,936	$ 93,808
Primary Government									
Invested in capital assets, net of related debt	$ 1,800,617	$ 1,691,176	$ 1,286,483	$ 872,422	$ 956,397	$ 971,786	$ 437,345	$ 549,726	$ 523,266
Restricted	699,433	655,328	876,641	805,442	620,106	623,324	629,803	564,375	696,186
Unrestricted	1,355,207	1,467,538	1,483,051	1,673,833	1,470,917	1,085,963	739,419	418,609	246,048
Primary government, total net assets	$ 3,855,257	$ 3,814,042	$ 3,646,175	$ 3,351,697	$ 3,047,420	$ 2,681,073	$ 1,806,567	$ 1,532,710	$ 1,465,500



Source: Auditor-Controller, County of Riverside

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

					Fiscal Year				
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Program Revenues									
Governmental Activities:									
Charges for services:									
General Government	$ 159,570	$ 140,723	$ 143,644	$ 171,403	$ 171,070	$ 174,781	$ 125,937	$ 105,248	$ 118,494
Public Protection	326,237	331,162	311,565	316,719	307,288	286,877	235,873	237,681	192,179
Other Activities	105,931	95,438	100,819	123,483	130,837	113,413	97,182	93,100	82,809
Operating grants and contributions	1,393,016	1,384,791	1,344,611	1,315,716	1,210,941	1,100,674	983,290	1,086,456	1,050,230
Capital grants and contributions	32,114	31,112	29,771	25,333	48,186	31,001	64,252	33,041	32,537
Governmental activities program revenues	2,016,868	1,983,226	1,930,410	1,952,654	1,868,322	1,706,746	1,506,534	1,555,526	1,476,249
Business-type Activities:									
Charges for services:									
Regional Medical Center	386,533	367,273	360,584	333,414	337,905	330,125	354,510	266,484	189,141
Other Activities	140,327	134,257	139,206	146,065	137,706	135,266	125,945	118,544	110,278
Capital grants and contributions	-	1,165	310	306	261	227	-	125	9,712
Business-type activities program revenues	526,860	502,695	500,100	479,785	475,872	465,618	480,455	385,153	309,131
Primary government program revenues	2,543,728	2,485,921	2,430,510	2,432,439	2,344,194	2,172,364	1,986,989	1,940,679	1,785,380
Expenses									
Governmental Activities:									
General government	298,032	323,949	285,393	331,741	296,917	259,993	187,911	232,322	183,132
Public protection	1,021,288	1,062,213	1,095,587	1,122,370	935,550	801,044	792,287	710,053	620,663
Public ways and facilities	87,424	31,024	31,283	20,558	57,578	61,443	79,649	93,529	87,092
Health and sanitation	369,984	347,634	392,945	330,206	350,082	350,451	290,001	376,338	330,830
Public assistance	907,202	820,637	770,484	752,779	688,213	634,522	552,298	590,719	588,502
Education	15,816	19,866	15,954	17,977	14,847	11,168	10,112	10,280	8,609
Recreation and cultural	9,364	12,206	6,039	12,457	11,941	7,188	8,617	9,666	8,842
Interest on long-term debt	88,998	80,754	89,741	96,173	81,197	75,721	48,717	29,890	33,666
Governmental activities expenses	2,798,108	2,698,283	2,687,426	2,684,261	2,436,325	2,201,530	1,969,592	2,052,797	1,861,336
Business-type Activities:									
Regional Medical Center	401,120	389,991	379,278	353,481	329,128	290,962	356,255	296,227	228,339
Waste Management Department	56,688	49,956	61,116	64,538	60,772	66,453	55,563	40,056	36,579
Housing Authority	86,027	81,426	81,139	74,252	70,218	62,909	62,206	61,599	57,977
Flood Control	3,711	3,233	3,816	5,201	6,242	5,705	4,928	4,318	2,054
County Service Areas	383	454	457	343	329	285	320	329	294
Business-type activities expense	547,929	525,060	525,806	497,815	466,689	426,314	479,272	402,529	325,243
Primary government expenses	3,346,037	3,223,343	3,213,232	3,182,076	2,903,014	2,627,844	2,448,864	2,455,326	2,186,579
Net (expense)/revenue									
Governmental activities	(781,240)	(715,057)	(757,016)	(731,607)	(568,003)	(494,784)	(463,058)	(497,271)	(385,087)
Business-type activities	(21,069)	(22,365)	(25,706)	(18,030)	9,183	39,304	1,183	(17,376)	(16,112)
Primary government, net (expense) / revenue	$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)

Source: Auditor-Controller, County of Riverside

Continued

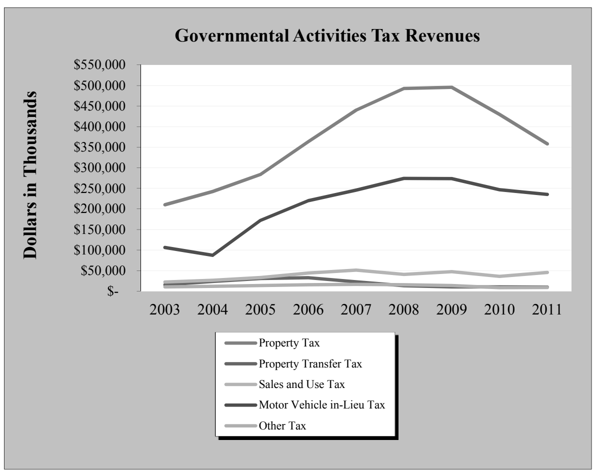
COUNTY OF RIVERSIDE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year 2011	2010	2009	2008	2007	2006	2005	2004	2003
Continued:									
Primary government, net (expense) / revenue	$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes:									
Property taxes	367,867	440,282	506,222	506,327	462,817	396,167	314,666	266,391	225,775
Sales tax and use tax	45,489	36,289	47,683	40,985	51,093	44,286	33,091	26,633	22,444
Other taxes	9,004	8,610	13,771	15,898	16,865	15,603	13,885	12,108	10,377
Intergovernmental revenue - not restricted to programs:									
Motor vehicle in-lieu taxes	235,153	246,493	273,825	274,282	245,723	220,190	172,265	87,435	106,466
Fines, forfeitures, and penalties	-	-	-	-	-	-	70,578	43,344	37,914
Investment earnings	19,494	29,026	87,041	138,071	122,517	78,288	39,907	16,835	24,909
Proceeds on sale of capital assets	-	-	-	-	-	-	-	1,491	504
Other	142,966	91,044	121,880	85,924	13,191	96,265	99,330	146,392	117,706
Transfers	(10,355)	(17,436)	(25,713)	(10,322)	(16,892)	19,888	(31,000)	(16,791)	(13,287)
Governmental activities	809,618	834,308	1,024,709	1,051,165	895,314	870,687	712,722	583,838	532,808
Business-type Activities:									
Investment earnings	538	1,442	6,142	10,389	10,198	6,381	4,234	2,505	3,235
Gain on sale of capital assets	-	-	-	-	-	-	346	4,208	754
Other	6,617	-	-	-	-	-	-	-	-
Transfers	10,355	17,436	25,713	10,322	16,892	(19,888)	31,000	16,791	13,287
Business-type activities	17,510	18,878	31,855	20,711	27,090	(13,507)	35,580	23,504	17,276
Total primary government	827,128	853,186	1,056,564	1,071,876	922,404	857,180	748,302	607,342	550,084
Change in net assets									
Governmental activities	28,378	119,251	267,693	319,558	327,311	375,903	249,664	86,567	147,721
Business-type activities	(3,559)	(3,487)	6,149	2,681	36,273	25,797	36,763	6,128	1,164
Primary government change in net assets	$ 24,819	$ 115,764	$ 273,842	$ 322,239	$ 363,584	$ 401,700	$ 286,427	$ 92,695	$ 148,885

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

Fiscal Year	Property Tax	Property Transfer Tax	Sales and Use Tax	Motor Vehicle In-Lieu Tax	Other Tax	Total
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
2006	363,407	32,760	44,286	220,190	15,603	676,246
2005	283,660	31,006	33,091	172,265	13,885	533,907
2004	242,647	23,744	26,633	87,435	12,108	392,567
2003	209,979	15,796	22,444	106,466	10,377	365,062



Source: Auditor-Controller, County of Riverside

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Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year 2011	Fiscal Year 2010
General Fund		
Nonspendable	$ 2,214	$ 3,201
Restricted	98,552	93,653
Committed	50,097	250,444
Assigned	3,463	2,998
Unassigned	189,236	36,190
Total General Fund	343,562	386,486
Flood Control		
Nonspendable	1	1
Committed	237,211	222,944
Assigned	13,741	18,979
Total Flood Control	250,953	241,924
Public Facilities Improvements		
Restricted	158,628	200,501
Committed	6,451	10,850
Assigned	128,023	127,302
Total Public Facilities Improvements	293,102	338,653
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	84,769	84,744
Restricted	410,787	434,900
Committed reported in:		
Special revenue funds	21,381	6,196
Debt Service Funds	1,206	1,206
Capital projects funds	1,690	355
Assigned	86,572	30,314
Total Nonmajor Governmental Funds	606,405	557,715
Total All Governmental Funds	$ 1,765,575	$ 1,793,125

Note: In FY2010-11 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.

Source: Auditor-Controller, County of Riverside

Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Nine Fiscal Years (Continued)
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year 2009	2008	2007	2006	2005	2004	2003
General Fund							
Reserved	$ 91,196	$ 84,466	$ 88,233	$ 100,436	$ 121,249	$ 100,940	$ 103,489
Unreserved, designated	203,821	335,630	339,773	277,833	185,014	70,361	89,011
Unreserved, undesignated	77,104	58,672	142,958	68,649	46,191	77,752	26,078
Total General Fund	372,121	478,768	570,964	446,918	352,454	249,053	218,578
Flood Control							
Reserved	1,794	4,500	-	940	3,914	19,051	7,097
Unreserved, designated	30,149	1,755	134,396	133,906	-	-	-
Unreserved - undesignated	196,973	193,170	32,724	3,044	120,052	107,482	116,173
Total Flood Control	228,916	199,425	167,120	137,890	123,966	126,533	123,270
Public Facilities Improvements							
Reserved	538,431	590,915	256,338	222,983	175,699	152,842	146,588
Unreserved, undesignated	-	-	-	-	-	184	-
Total Public Facilities Improvements	538,431	590,915	256,338	222,983	175,699	153,026	146,588
Redevelopment Capital Projects							
Reserved	189,627	122,036	269,263	88,391	61,460	-	-
Unreserved, designated	116,076	234,582	118,186	120,313	75,702	-	-
Total Redevelopment Capital Projects	305,703	356,618	387,449	208,704	137,162	-	-
Nonmajor Governmental Funds							
Reserved	371,076	331,147	192,566	196,938	149,222	159,413	159,357
Unreserved, designated reported in:							
Special revenue funds	27,666	37,121	53,268	78,501	86,593	13,041	11,929
Capital projects funds	6,933	6,935	9,671	2,056	1,805	20,353	5,128
Unreserved, undesignated reported in:							
Special revenue funds	151,939	139,367	115,637	106,564	197,438	189,570	186,964
Capital projects funds	-	-	-	-	-	(8,241)	981
Total Nonmajor Governmental Funds	557,614	514,570	371,142	384,059	435,058	374,136	364,359
Total All Governmental Funds	$ 2,002,785	$ 2,140,296	$ 1,753,013	$ 1,400,554	$ 1,224,339	$ 902,748	$ 852,795

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Revenues									
Taxes	$ 427,892	$ 439,435	$ 525,238	$ 553,158	$ 523,028	$ 457,117	$ 346,248	$ 305,132	$ 258,596
Licenses, permits, and franchise fees	20,294	19,197	22,546	24,652	25,981	21,733	22,343	26,418	25,677
Fines, forfeitures, and penalties	95,290	114,320	108,572	92,029	82,946	62,984	70,578	43,297	37,241
Use of money and property:									
Interest	18,305	26,929	81,040	128,307	113,789	73,838	37,624	16,145	23,331
Rents and concessions	17,659	17,393	17,151	15,486	43,171	41,798	39,831	31,952	39,833
Aid from other governmental agencies:									
Federal	609,531	636,167	546,030	544,587	496,685	451,036	446,628	430,970	428,433
State	921,329	857,191	955,389	971,299	937,630	830,634	705,289	713,146	696,466
Other	130,362	172,598	140,757	103,858	89,111	69,042	55,661	46,750	46,099
Charges for services	458,744	469,340	460,439	447,889	431,676	439,594	383,497	368,497	327,918
Other revenue	95,279	65,711	84,348	102,132	115,863	110,870	146,800	100,404	132,900
Total revenues	2,794,685	2,818,281	2,941,510	2,983,397	2,859,880	2,558,646	2,254,499	2,082,711	2,016,494
Expenditures									
General government	311,025	554,315	430,712	409,336	320,254	270,340	250,568	217,416	204,861
Public protection	1,081,489	1,068,051	1,126,662	1,083,719	972,006	855,133	1,039,822	677,798	613,781
Public ways and facilities	176,184	130,310	148,544	152,603	157,055	141,017	111,088	133,973	120,490
Health and sanitation	353,904	341,244	390,668	375,259	348,921	346,738	339,444	365,727	339,123
Public assistance	824,471	812,848	766,407	747,576	686,295	629,553	652,069	576,267	570,458
Education	19,282	18,910	15,731	17,907	14,830	11,108	9,889	10,241	9,261
Recreation and culture	18,755	12,620	12,801	11,647	11,707	12,727	20,058	9,242	10,722
Debt service:									
Principal	80,928	73,378	54,587	46,483	44,222	45,516	34,452	32,118	37,643
Interest	83,902	78,689	86,768	91,126	78,204	73,707	46,439	24,523	31,220
Cost of issuance	5,212	1,819	2,436	3,868	5,565	4,925	9,283	504	-
Capital outlay	30,439	39,844	48,899	36,691	58,525	25,639	9,680	1,604	22,489
Total expenditures	2,985,591	3,132,028	3,084,215	2,976,215	2,697,584	2,416,403	2,522,792	2,049,413	1,960,048
Revenues over (under) expenditures	(190,906)	(313,747)	(142,705)	7,182	162,296	142,243	(268,293)	33,298	56,446
Other financing sources (uses)									
Transfers in	267,985	463,296	538,029	805,400	313,044	294,835	203,411	163,383	58,661
Transfers out	(277,943)	(479,143)	(562,345)	(814,607)	(328,624)	(277,680)	(229,835)	(179,701)	(71,879)
Issuance of debt	170,481	81,745	-	294,084	34,173	178,750	596,330	21,645	-
Issuance of refunding bonds	-	70,365	78,895	111,125	259,600	-	74,200	-	-
Discount on long-term debt	-	(626)	-	(2,898)	-	-	-	-	-
Premium on long-term debt	-	937	-	3,272	2,876	857	4,827	-	-
Payment to escrow agent	-	(65,713)	(76,300)	(24,290)	(103,396)	(35,684)	(53,338)	-	-
Proceeds from the sale of capital assets	6		-	1,159	916	2,064	35	494	-
Capital leases	8,321	31,018	22,746	8,670	8,811	7,929	6,616	1,008	8,435
Total other financing sources (uses)	168,850	101,879	1,025	381,915	187,400	171,071	602,246	6,829	(4,783)
Net change in fund balances	$ (22,056)	$ (211,868)	$ (141,680)	$ 389,097	$ 349,696	$ 313,314	$ 333,953	$ 40,127	$ 51,663
Debt service as a % of non-capital expenditures	6.17%	5.85%	5.54%	5.28%	5.07%	5.47%	3.35%	2.86%	3.68%

Source: Auditor-Controller, County of Riverside

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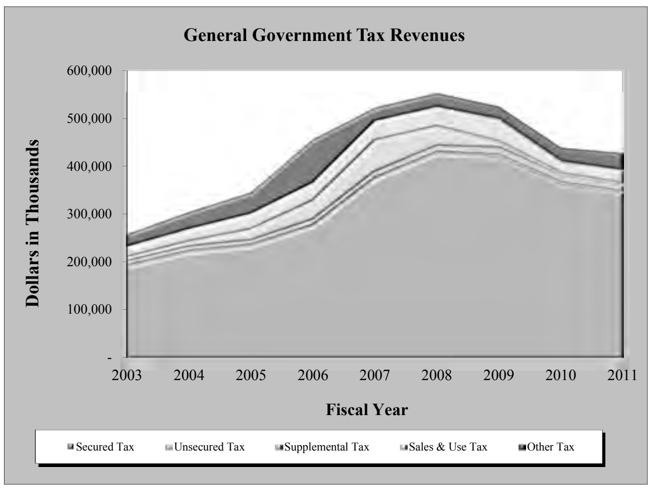
Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Nine Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
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
2006	277,266	11,405	39,661	37,532	91,253	457,117
2005	235,636	9,501	23,129	33,091	44,891	346,248
2004	222,635	9,600	10,411	26,633	35,853	305,132
2003	192,684	9,112	8,182	22,444	26,174	258,596



Source: Auditor-Controller, County of Riverside

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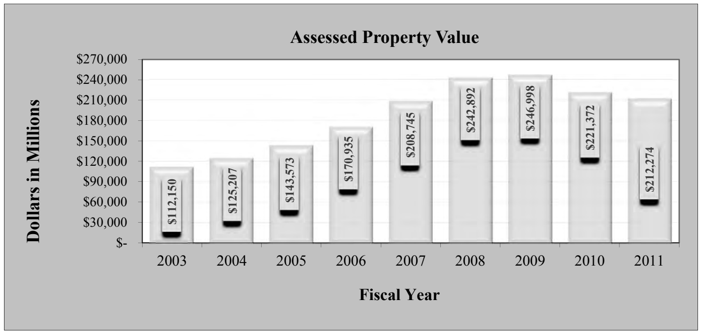
Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Nine Fiscal Years
(Dollars in Thousands)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Real Property									
Secured property	$ 204,153,163	$ 213,144,336	$ 238,312,506	$ 235,351,116	$ 202,009,520	$ 164,618,837	$ 137,784,611	$ 119,840,527	$ 107,159,352
Unsecured property	8,121,065	8,227,172	8,685,393	7,540,803	6,735,421	6,316,569	5,787,971	5,365,993	4,990,478
Total Gross Assessed Value	212,274,228	221,371,508	246,997,899	242,891,919	208,744,941	170,935,406	143,572,582	125,206,520	112,149,830
Less:									
Tax-exempt real property	6,673,229	6,424,030	6,111,231	5,574,813	5,125,567	5,014,256	4,730,573	4,301,937	3,878,514
Total Taxable Assessed Value	$ 205,600,999	$ 214,947,478	$ 240,886,668	$ 237,317,106	$ 203,619,374	$ 165,921,150	$ 138,842,009	$ 120,904,583	$ 108,271,316
Total Direct Tax Rate	1.1254	1.1222	1.1095	1.0919	1.0772	1.0805	1.0866	1.0771	1.0787
Estimated Actual Taxable Value	$ 274,134,665	$ 286,596,637	$ 321,182,224	$ 316,422,808	$ 271,492,499	$ 221,228,200	$ 185,122,679	$ 161,206,111	$ 144,361,755
Assessed Value as a % of Actual Value	77.43%	77.24%	76.90%	76.76%	76.89%	77.27%	77.56%	77.67%	77.69%



Source: Auditor-Controller, County of Riverside

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Nine Fiscal Years

	County of Riverside	Range of Overlapping Rates			
Fiscal Year	Total Direct Tax Rate	Total City Rate	Total School District Rate	Total Special District Rate	Total Direct & Overlapping Rates
2011	1.12540%	0% to .00575%	.01499% to .13224%	0% to .50000%	1.12540% to 1.50000%
2010	1.12220%	.00064% to .00577%	.01242% to .12628%	0% to .50000%	1.12220% to 1.50000%
2009	1.10950%	.00119% to .00747%	.01254% to .10963%	0% to .50000%	1.10950% to 1.50000%
2008	1.09190%	.00178% to .00627%	.00549% to .08521%	0% to .50000%	1.09190% to 1.50000%
2007	1.07720%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1.07720% to 1.54324%
2006	1.08050%	.00426% to .00861%	.01435% to .10210%	0% to .50997%	1.08050% to 1.50997%
2005	1.08660%	.00529% to .01092%	.01192% to .09581%	0% to .50000%	1.08660% to 1.50000%
2004	1.07710%	0% to .00608%	0% to .09819%	0% to .72543%	1.07710% to 1.72543%
2003	1.07870%	0% to .00792%	0% to .72543%	0% to .71888%	1.07870% to 1.71888%

Note: Total direct tax rate encompasses general levy, special assements, 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

	Fiscal Year 2011		Fiscal Year 2002	
Tax Payer	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 18,359	0.65%	$ 6,448	0.52%
Verizon California Inc.	8,072	0.28%	7,016	0.57%
Inland Empire Energy Center LLC	7,342	0.26%	-	-
So. California Gas Co.	6,372	0.22%	2,735	0.22%
Federal Natl Mortgage Assn	3,461	0.12%	-	-
Centex Homes	3,434	0.12%	-	-
Abbott Vascular Inc.	3,171	0.11%	-	-
Tyler Mall LTD Partnership	2,880	0.10%	-	-
Blythe Energy LLC	2,852	0.10%	-	-
Deutsche Bank National Trust Co.	2,851	0.10%	-	-
Pacific Bell	-	-	2,627	0.22%
Pardee Grossman	-	-	2,592	0.21%
KSL Desert Resort	-	-	2,578	0.21%
OTR	-	-	2,169	0.18%
Mckenzie Vista	-	-	2,030	0.16%
Desert Springs Marriott LTD Partnership	-	-	1,950	0.15%
Metal Container Corp	-	-	1,596	0.13%
Total	$ 58,794	2.06%	$ 31,741	2.57%

Source: Treasurer-Tax Collector, County of Riverside

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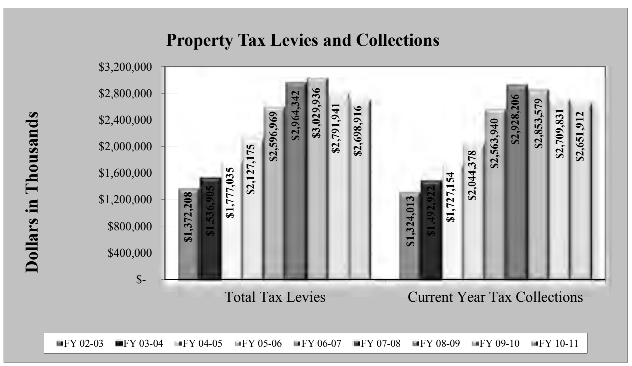
Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Nine Fiscal Years
(Dollars in Thousands)

Fiscal Year	Total Secured Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Delinquent* Tax Collections	Total Collections as of 6/30: Amount	Total Collections as of 6/30: Percentage of Levy
2011	$ 2,698,916	$ 2,651,912	98.26%	$ 174,424	$ 2,826,336	104.72%
2010	2,791,941	2,709,831	97.06%	247,241	2,957,072	105.91%
2009	3,029,936	2,853,579	94.18%	275,009	3,128,588	103.26%
2008	2,964,342	2,928,206	98.78%	159,726	3,087,932	104.17%
2007	2,596,969	2,563,940	98.73%	86,437	2,650,377	102.06%
2006	2,127,175	2,044,378	96.11%	66,977	2,111,356	99.26%
2005	1,777,035	1,727,154	97.19%	61,220	1,788,374	100.64%
2004	1,536,905	1,492,922	97.14%	67,284	1,560,206	101.52%
2003	1,372,208	1,324,013	96.49%	53,120	1,377,133	100.36%



*Delinquent taxes reported by year of collection; data by levy year unavailable.

Source: Auditor-Controller, County of Riverside

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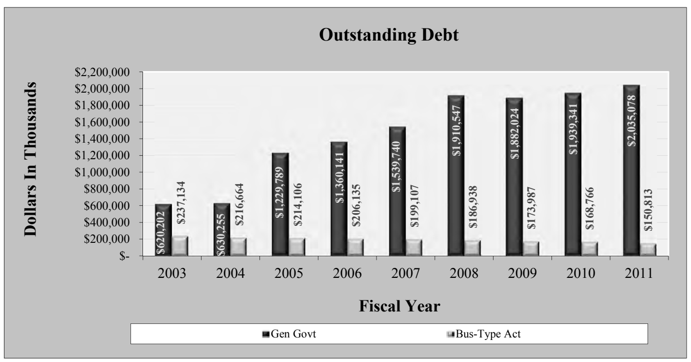
Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General Government									
Bonds	$ 1,551,323	$ 1,408,017	$ 1,359,277	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Certificates of participation	367,272	385,447	391,914	408,024	335,866	348,486	325,572	387,869	357,855
Note and loans	5,355	21,987	13,222	310,809	310,139	113,383	150,344	67,010	68,060
Capital leases	111,128	123,890	117,611	105,317	87,337	83,829	75,845	83,618	102,529
Business-Type Activities									
Bonds	134,983	147,924	159,959	170,814	181,263	191,142	200,555	210,558	228,392
Certificates of participation	-	-	-	-	-	-	1,040	2,040	3,000
Capital leases	15,830	20,842	14,028	16,124	17,844	14,993	12,511	4,066	5,742
Total Primary Government	$ 2,185,891	$ 2,108,107	$ 2,056,011	$ 2,097,485	$ 1,738,847	$ 1,566,276	$ 1,443,895	$ 846,919	$ 857,336
Percentage of Personal Income	3.07%	3.13%	3.28%	3.25%	2.90%	2.81%	2.92%	1.88%	2.01%
Per Capita	$ 986	$ 985	$ 975	$ 1,004	$ 856	$ 807	$ 769	$ 477	$ 499



Note: Per Capita is an estimate for fiscal years 2010 and 2011

Source: California State Department of Finance
Auditor-Controller, County of Riverside
Bureau of Economic Analysis

Table 11

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Nine Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Bonds	$ 1,686,306	$ 1,555,941	$ 1,519,236	$ 1,257,211	$ 987,661	$ 1,005,585	$ 878,583	$ 302,316	$ 320,150
Less:									
Amounts available in debt service fund	151,405	127,206	147,568	119,597	73,308	79,935	61,941	72,798	133,049
Total Net Obligation Bonds Outstanding	$ 1,534,901	$ 1,428,735	$ 1,371,668	$ 1,137,614	$ 914,353	$ 925,650	$ 816,642	$ 229,518	$ 187,101
Percentage of Estimated									
Actual Taxable Value of Property	0.56%	0.51%	0.43%	0.36%	0.34%	0.43%	0.32%	0.46%	0.44%
Per Capita	$ 692	$ 668	$ 651	$ 545	$ 450	$ 477	$ 435	$ 129	$ 109

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 13

COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 8,159,288	86.96%	$ 7,095,708
Subtotal, overlapping debt			7,095,708
County of Riverside direct debt			1,063,580
Total direct and overlapping debt			$ 8,159,288

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 born by the residents and businesses of the County of Riverside. This process resognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born 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 Nine Fiscal Years
(Dollars in Thousands)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Debt limit	$ 2,570,012	$ 2,686,843	$ 3,011,083	$ 2,966,464	$ 2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307	$ 1,353,391
Total net debt applicable to limit	(1,534,901)	(1,428,735)	(1,211,709)	(966,800)	(733,090)	(603,194)	(616,087)	(635,290)	(620,202)
Legal debt margin	$ 1,035,111	$ 1,258,108	$ 1,799,374	$ 1,999,664	$ 1,865,279	$ 1,522,638	$ 1,119,438	$ 876,017	$ 733,189
Total net debt applicable to the limit as a percentage of debt limit	59.7%	53.2%	40.2%	32.6%	28.2%	28.4%	35.5%	42.0%	45.8%

Legal Debt Margin Calculated for Fiscal Year 2011

Assessed value	$ 207,831,315
Less: Homeowners exemptions	2,230,316
Total assessed value	205,600,999
Debt limit (1.25% of total assessed value)	2,570,012
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	1,686,306
Less: Amount set aside for repayment of general obligation debt	151,405
Total net debt applicable to limit	1,534,901
Legal debt margin	$ 1,035,111

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

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Nine Fiscal Years
(Dollars in Thousands)

	Lease Revenue Bonds					
Fiscal Year	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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%
2006	25,371	785	24,586	11,600	17,355	84.91%
2005	21,601	676	20,925	11,175	17,551	72.84%
2004	20,715	5,586	15,129	9,490	9,418	80.01%
2003	17,008	1,273	15,735	8,300	11,474	79.57%

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

Inland Empire Tobacco Securitization Bonds						
Revenue from Tobacco Settlement	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Fiscal Year
$ 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**
-	-	-	-	-	0.00%	**2006**
-	-	-	-	-	0.00%	**2005**
-	-	-	-	-	0.00%	**2004**
-	-	-	-	-	0.00%	**2003**

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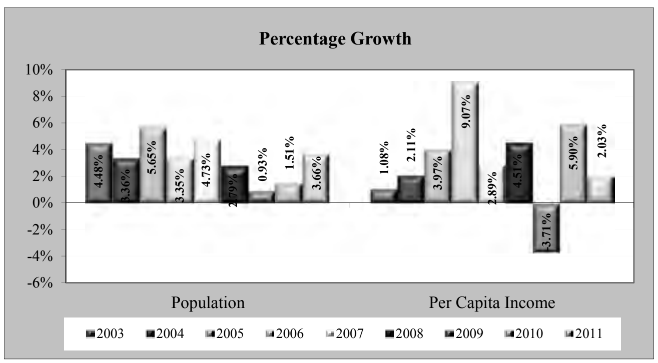
Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Nine Fiscal Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2011	2,217,778	$ 69,657,000 [1]	$ 32,142 [1]	424,086	14.40%
2010	2,139,535	66,943,000 [1]	31,504 [1]	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%
2006	1,939,814	53,246,505	28,730	394,687	5.10%
2005	1,877,000	49,443,185	26,342	380,267	5.20%
2004	1,776,700	45,016,790	25,337	364,857	5.80%
2003	1,719,000	42,655,266	24,814	349,607	6.20%



Notes 1: Projection based on 10 years' running average (2000 - 2009)

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

	Fiscal Year			
	2011		2002	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	18,000	2.34%	-	-
March Air Reserve Base	8,525	1.11%	-	-
Stater Brothers Market	6,902	0.90%	5,300	0.75%
U. C. Riverside	4,907	0.64%	-	-
Corona-Norco Unified School District	4,400	0.57%	-	-
Pechanga Resort & Casino	4,000	0.52%	-	-
Riverside Unified School District	3,900	0.51%	-	-
Kaiser Permanente Riverside Medical Center	3,500	0.45%	3,521	0.50%
Riverside Community College	3,141	0.41%	-	-
Abbott Vascular	3,000	0.39%	-	-
Wal-Mart	-	-	3,400	0.48%
Ralphs Grocery Co.	-	-	3,284	0.47%
Guidant Corporation	-	-	2,300	0.33%
Fleetwood Enterprises, Inc.	-	-	2,125	0.30%
Eisenhower Medical Center	-	-	1,880	0.27%
Marriott Desert Springs Resort	-	-	1,800	0.26%
KSL Desert Resorts Inc.	-	-	1,700	0.24%
Valley Health System	-	-	1,586	0.23%
Total	60,275	7.83%	26,896	3.83%

Source: The Biz Press

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Nine Fiscal Years

	Full-time Equivalent Employees								
Function/Program	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General government									
Legislative and administrative	87	98	92	96	92	93	87	92	93
Finance	411	438	456	522	477	445	424	445	449
Counsel	64	70	69	69	69	58	52	50	50
Personnel	172	167	182	216	191	179	160	153	144
Elections	39	42	41	40	39	31	34	36	39
Communication	11	12	11	10	-	-	-	11	10
Property management	531	500	494	468	387	323	305	312	306
Promotion	139	180	186	177	168	142	126	121	110
Other general	32	36	36	39	-	-	1	1	1
Public protection									
Judicial	1,345	1,444	1,485	1,506	1,371	1,204	1,150	1,213	1,260
Police protection	2,408	2,449	2,586	2,474	2,354	2,113	1,926	1,914	1,902
Detention and correction	2,067	2,076	2,220	2,174	1,972	1,811	1,748	1,803	1,832
Fire protection	198	188	190	199	165	145	126	135	122
Protection/inspection	87	100	98	114	274	254	233	216	206
Other protection	615	669	737	778	541	523	441	446	419
Administration	62	65	58	60	50	39	36	37	35
Public ways and facilities									
Public ways	413	465	506	532	517	497	488	491	476
Parking Facilities	18	20	-	-	-	-	-	-	-
Health and sanitation									
Health	2,063	2,024	2,075	2,214	2,023	1,939	1,862	1,901	1,929
Hospital care	31	31	30	30	31	28	30	32	31
California children's services	138	143	148	168	159	152	143	127	119
Public assistance									
Aid programs	3,089	3,132	3,159	3,297	2,948	2,841	2,796	2,744	2,720
Veterans' services	12	12	12	13	12	11	10	10	11
Other assistance	355	348	285	305	302	283	309	338	452
Education, recreation and culture									
Library services	1	-	1	1	1	1	1	1	1
Agricultural extension	5	5	5	6	5	5	4	4	5
Cultural services	3	3	3	2	2	2	2	2	-
County business-type functions									
Hospital care	2,295	2,246	2,186	2,097	1,889	1,680	1,589	1,526	1,538
Sanitation	174	198	211	206	170	158	149	130	94
Internal service	2,315	2,418	1,723	2,202	2,934	2,538	2,147	2,305	2,058
Special districts/Component units	591	547	533	534	526	540	528	528	514
Total	19,771	20,126	19,818	20,549	19,669	18,035	16,907	17,124	16,926

Note: Temporary employees, 1,277, filled as of 5/11/11, are included in the total number employees.
Source: County of Riverside, FY2011-12 Recommended Budget

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

Function/Program	Fiscal year 2011	2010	2009	2008	2007	2006	2005	2004	2003	
Agricultural Commissioner										
Export phytosanitary certificates	20,406	25,745	36,772	29,288	22,266	21,746	20,037	14,692	15,623	e
Pesticide use inspections	764	682	831	903	840	1,199	1,105	1,366	1,257	f
Weights and measures regulated	134,290	131,175	129,528	129,726	121,986	120,211	114,529	102,780	95,334	
Agriculture quality inspections	693	643	668	643	1,061	541	1,067	1,251	1,202	
Plant pest inspections	9,584	9,667	48,944	25,987	14,532	4,975	5,933	6,296	5,421	
Nursery acreage inspected	6,338	6,923	7,627	7,851	9,226	7,382	7,431	5,355	6,501	
Weights and measures inspected	56,751	77,278	80,862	83,269	97,039	150,308	101,223	31,794	27,990	
Assessor-Clerk-Recorder										
Assessments	904,040	941,928	942,174	938,462	920,555	896,998	859,413	831,610	791,348	
Official records recorded	612,804	673,674	682,708	773,308	957,123	1,082,688	1,039,166	1,019,271	794,257	
Vital records copies issued	80,391	87,194	97,422	97,427	88,640	82,015	73,379	68,892	70,071	
Official records copies issued	28,990	26,348	33,135	34,711	35,319	35,691	36,480	36,231	33,506	
Auditor-Controller										
Invoices paid	412,374	488,192	522,097	504,866	449,367	457,439	472,942	492,675	563,252	
Vendor warrants (checks) issued	265,979	300,428	320,613	255,767	237,645	235,044	242,763	220,649	235,121	
Active vendors	65,090	64,761	59,685	75,575	68,358	62,699	56,686	49,970	42,937	
Payroll warrants (checks) issued	506,870	532,904	532,202	522,215	496,386	469,692	449,011	448,845	448,571	
Average payroll warrants (checks) per pay period	19,495	19,737	20,469	20,085	19,092	18,065	17,270	17,263	17,253	
Audits per fiscal year	26	30	30	31	34	37	20	13	12	
Tax Bills Levied	999,241	977,115	974,041	1,004,076	1,069,352	1,039,358	988,487	896,814	856,951	
Tax Refunds/Roll Changes Processed	123,476	115,904	152,672	89,527	98,769	124,973	93,718	155,115	61,164	
Community Action Partnership										
Utility assistance (households)	22,207	27,956	12,869	9,902	13,337	10,944	11,783	12,846	14,706	
Weatherization (households)	1,375	2,083	1,033	853	465	801	795	711	857	
Energy education attendees	13,807	11,725	10,775	19,396	14,590	10,389	11,508	1,953	37,445	a
Disaster relief (residents)	12,058	17,989	15,336	16,366	13,551	8,605	1,514	-	-	b
Income tax returns prepared	3,006	2,257	2,011	1,828	1,384	2,651	-	-	-	b
After school programs (students)	18,400	13,800	11,000	10,905	10,905	537	51	271	51	
Homeless program (bed nights)	-	-	-	12,822	13,198	31,328	40,245	30,316	63,703	c
Homeless program (meals)	-	-	-	25,644	26,396	142,578	372,048	170,937	453,238	c
Leadership program enrollment	593	182	-	209	-	113	11	-	-	b
Mediation (cases)	2,178	2,237	1,821	2,144	2,133	2,099	2,002	2,042	1,869	
Community Health Agency										
Facilities inspections	31,801	31,213	34,273	33,009	31,760	32,000	40,642	38,105	36,546	
Patient visits	106,532	142,617	125,767	149,223	139,885	123,843	135,539	125,936	123,230	
Patient services	390,607	313,409	466,800	601,889	438,639	369,041	339,095	376,534	336,909	
Animal impounds	49,408	62,770	71,834	30,305	27,362	29,206	20,467	21,307	21,661	
Spays and neuters	8,305	7,225	8,480	7,208	5,645	5,806	2,401	3,080	2,372	

Note:
- a - Number of pamphlets mailed
- b - Program not yet started / not tracked
- c - Homeless program reporting responsibilities were transferred from CAP to DPSS at the end of FY2008
- e - Phytosanitary = Plant pest cleanliness
- f - Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Continued

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

Function/Program		2011	2010	2009	2008	2007	2006	2005	2004	2003
County Library										
Total circulation - books		3,724,657	3,718,343	3,464,547	3,280,929	2,352,624	2,051,276	2,324,539	2,222,575	2,293,424
Reference questions answered		404,913	370,619	382,795	426,533	383,428	454,590	430,226	423,925	461,598
Patron door count (Patrons)		731,699	3,599,064	3,170,424	2,744,576	2,352,403	2,433,646	2,226,360	1,447,505	1,621,147
Programs offered		7,624	7,214	5,618	5,570	4,546	2,353	2,274	3,759	3,588
Program attendance		163,416	148,612	127,717	103,393	80,100	84,994	45,605	68,437	61,921
County Regional Medical Center										
Emergency room treatments		99,706	96,993	88,459	82,584	76,666	73,448	68,105	66,411	66,136
Emergency room services - MH		15,376	14,288	9,702	7,867	7,624	7,536	8,076	8,276	8,126
Clinic visits		129,041	131,624	129,171	124,318	123,479	106,943	109,568	113,171	118,477
Admissions		23,638	23,536	23,253	23,433	24,393	22,262	21,723	20,587	19,690
Patient days		123,250	121,915	118,452	115,811	112,138	105,203	96,820	92,643	91,114
Discharges		23,668	23,559	23,238	23,440	24,430	22,244	21,741	20,554	19,705
Fire										
Medical assistance		97,066	94,193	91,707	89,404	89,329	86,129	80,484	76,601	70,851
Fires extinguished		4,271	4,449	4,406	5,659	6,372	5,060	14,696	14,816	14,714
Other services		16,522	17,076	18,486	19,472	16,310	19,035	10,870	10,786	10,689
Communities served		78	78	78	78	78	78	78	78	78
Mental Health										
Mental health clients (crisis/long-term care)		33,260	30,657	30,065	29,814	28,476	26,435	26,578	28,411	30,181
Substance abuse clients		16,987	16,736	18,712	17,746	18,597	18,120	18,188	18,432	18,613
Detention clients		8,874	10,831	12,781	9,441	5,522	6,351	6,041	6,402	4,629
Probate conservatorship clients		424	474	256	206	232	266	281	282	284
Mental health conservatorship clients		832	675	240	279	279	294	275	239	212
Probation										
Adults on probation	a	16,271	17,790	17,469	17,022	15,974	16,051	13,937	13,282	11,618
Juveniles in secure detention	b	225	248	241	293	343	322	310	367	355
Juveniles in treatment facilities	b	128	125	112	113	126	113	98	107	98
Juveniles in detention facilities	a	10,741	11,385	10,783	12,463	14,283	13,218	12,405	14,435	13,708
Public Social Services										
CalWORKs clients		33,412	31,022	26,905	22,310	20,336	19,880	20,846	20,296	19,908
Food stamp clients		91,606	74,484	52,877	36,339	30,781	28,749	27,992	24,796	23,026
Medi-Cal clients		124,061	116,758	107,904	101,542	105,578	108,887	110,994	105,598	99,332
In-home support services		18,201	16,852	16,307	14,845	13,934	12,590	12,171	11,314	10,201
Foster care placements		3,130	3,085	3,486	5,057	4,306	5,175	5,088	4,418	4,215
Child welfare services		9,916	9,591	10,217	11,912	12,333	11,639	11,153	9,411	10,467
Homeless program (bed nights)	c	10,746	12,900	10,854	-	-	-	-	-	-
Homeless program (meals)	c	21,494	25,800	21,707	-	-	-	-	-	-

Note:
a - Average monthly
b - Average daily
c - Homeless program reporting responsibilities were transferred from CAP to DPSS at the end of FY2008

Source: Various County Departments

Table 19

Continued

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

Function/Program		Fiscal Year 2011	2010	2009	2008	2007	2006	2005	2004	2003
Registrar of Voters										
Voting precincts		1,649	2,370	2,387	3,474	1,472	1,872	1,160	2,389	2,087
Polling places		746	1,158	1,205	2,017	610	1,060	613	1,299	1,136
Voters	a	1,009,933	1,815,892	1,747,556	1,705,406	931,821	1,658,509	870,300	1,919,561	1,335,785
Poll workers		3,281	4,186	6,287	8,355	2,622	3,992	2,692	4,911	4,668
Sheriff										
Number of bookings		53,974	55,306	62,007	59,054	61,697	56,926	55,375	52,497	49,617
Coroner case load		10,555	10,027	9,582	9,394	9,212	8,943	8,558	7,826	7,772
Calls for services	b	232,821	255,601	302,400	280,000	279,415	250,000	240,182	219,145	206,122
TLMA - Building & Safety										
Building permits issued		605	1,248	986	1,800	5,786	10,232	9,980	10,452	10,106
Building plans checked		595	1,241	918	1,507	5,151	8,759	8,251	9,128	8,776
Building structures inspected		890	1,321	1,780	3,158	8,580	9,593	8,182	8,887	8,533
Veterans' Services										
Phone inquiries answered		43,617	41,569	39,393	29,553	23,287	21,917	25,276	-	- c
Client interviews		15,630	25,209	13,955	10,571	8,199	7,467	7,559	-	- c
Claims filed		5,485	5,581	5,812	5,194	3,786	3,372	3,503	-	- c
Waste Management										
Landfill tonnage		1,071,394	1,032,942	1,024,267	1,220,124	1,325,284	1,423,469	1,328,935	1,231,767	1,148,312
Recycling tonnage		2,499	1,803	2,356	3,385	3,048	3,758	2,619	2,850	2,066

Notes:
a - Number of voters that were mailed voting materials for all elections in the fiscal year
b - Unincorporated areas
c - Program not yet started / not tracked

Table 19

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Nine Fiscal Years

Function/Program	Fiscal Year 2011	2010	2009	2008	2007	2006	2005	2004	2003
County Libraries									
Branch libraries	33	33	33	33	29	29	29	28	27
Book mobiles	2	2	2	2	2	2	2	2	2
Books in collection	1,668,434	1,612,925	1,564,186	1,552,108	1,784,149	1,221,744	1,477,670	1,098,082	1,029,424
County Regional Medical Center									
Major clinics	4	4	4	4	4	4	4	4	4
Routine and specialty clinics	30	30	30	30	30	30	30	30	30
Beds licensed	439	439	439	439	439	439	439	439	439
Fire									
Stations	46	49	49	49	49	48	48	48	48
Trucks	156	154	149	143	141	135	125	126	117
Parks and Recreation									
Regional parks	12	12	13	13	13	13	13	13	13
Historic sites	4	4	6	6	6	6	6	6	6
Nature centers	4	4	5	5	5	5	5	5	5
Archaeological sites	6	6	7	7	7	7	7	7	7
Wildlife reserves	9	9	16	16	16	16	16	16	16
RV and Mobile Home Parks	3	3	-	-	-	-	-	-	-
Managed Areas	5	5	-	-	-	-	-	-	-
Recreational Facilities	2	-	-	-	-	-	-	-	-
Sheriff									
Patrol stations	10	10	10	10	10	10	10	10	10
Patrol vehicles	896	883	923	974	702	598	583	576	550
Waste Management									
Landfills	6	6	6	6	6	7	7	8	8
Capacity in tons	54,177,558	51,794,663	51,794,663	51,609,663	51,609,663	52,392,284	50,948,302	50,872,281	42,712,387

Table 20

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APPENDIX C

FORM OF BOND COUNSEL OPINION

July 11, 2012

County of Riverside Asset Leasing Corporation
Riverside, California

County of Riverside
Riverside, California

RE: $87,510,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects); and
$3,020,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the County of Riverside Asset Leasing Corporation (the "Corporation") of its $87,510,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "2012A Bonds") and $3,020,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds," and together with the 2012A Bonds, the "Series 2012 Bonds").

The Series 2012 Bonds are issued by the Corporation on behalf of the County of Riverside, California (the "County"), pursuant to an Indenture of Trust, dated as of July 1, 1989, as amended and supplemented by Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, Supplemental Indenture of Trust No. 3, dated as of January 1, 1993, Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, Supplemental Indenture of Trust No. 5, dated as of August 1, 1997, Supplemental Indenture of Trust No. 6, dated as of December 1, 1997, Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, and Supplemental Indenture of Trust No. 8, dated as of July 1, 2012 (the "Supplemental Indenture No. 8," and collectively, as amended and supplemented, the "Indenture"), each by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee").

The Corporation and the County have entered into that certain Lease and Option To Purchase, dated as of July 1, 1989, as amended and supplemented, including as amended and supplemented by Amendment No. 7 to Lease and Option to Purchase, dated as of July 1, 2012 (the "Amendment No. 7 to Lease," and as amended and supplemented, the "Facilities Lease"), by and between the County and the Corporation with respect to the real property and improvements thereon described therein and which provides for the dedication of all Base Rental payments made by the County thereunder to the payment of all Outstanding Bonds.

Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Indenture or the Facilities Lease.

As Bond Counsel, we have examined the Indenture, the Facilities Lease and the record of proceedings submitted to us in connection with the issuance of the Series 2012 Bonds, and the execution and delivery of the Supplemental Indenture No. 8, the Amendment No. 7 to Lease, and the Tax and Nonarbitrage Certificate relating to the 2012A Bonds (the "Tax Certificate"), other certifications of the County and the Corporation, and such other documents and matters deemed necessary by us to render the opinions sets forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

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 such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2012 Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Corporation and the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Corporation in the Indenture, the Facilities Lease and the Tax Certificate and other relevant documents to which each is a party. We call attention to the fact that the rights and obligations under the Series 2012 Bonds, the Indenture, including Supplemental Indenture No. 8, the Facilities Lease, including Amendment No. 7 to Lease, and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, 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 contained in applicable law regarding legal remedies against the County or the Corporation. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or any interest in, any of the Property or any personal property in or subject to the Facilities Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012 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 2012 Bonds, having been issued in duly authorized form and executed by the proper officials, and delivered to and paid for by the purchasers, constitute the legally valid and binding obligations of the Corporation, payable solely from Revenues (as defined in the Indenture) and from certain other funds as provided in the Indenture.

2. The Facilities Lease, including Amendment No. 7 to Lease, has been duly and validly authorized, executed and delivered by the Corporation and the County and constitutes the legally valid and binding obligation of the Corporation and the County, enforceable in accordance with its terms.

3. The Indenture, including the Supplemental Indenture No. 8, has been duly and validly authorized, executed and delivered by the County and the Corporation and constitutes the legally valid and binding obligation of the County and the Corporation, respectively, enforceable in accordance with its terms, and the Series 2012 Bonds are entitled to the benefits of the Indenture.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2012A Bonds (the "Tax-Exempt Bonds") for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. Pursuant to the Indenture and the Tax Certificate, the Corporation and County have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the County have made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Except as provided in the following sentence, we express no opinion with regard to the federal income tax consequences with respect to the 2012B Bonds (the "Taxable Bonds"). Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes nor are the owners thereof entitled to any credit under the Code. This opinion is not intended or provided to be used and cannot be used by an owner of the Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Taxable Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Taxable Bonds. Each owner of Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

6. Interest on the Series 2012 Bonds is exempt from California personal income taxes.

Except as stated in opinions 4 and 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Tax-Exempt Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Tax-Exempt Bonds, or the interest thereon, if any action is taken with respect to the Tax-Exempt Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have acted in this transaction solely as bond counsel to you. This opinion is addressed to you solely for your benefit in connection with the issuance and delivery of the Series 2012 Bonds on the date hereof. This opinion may not be utilized for any other purpose and may not be quoted without our express prior written consent. This opinion speaks only as of its date and is limited to the opinions stated herein. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Respectfully submitted,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the primary legal documents pertaining to the 2012 Bonds. Reference is made to said documents for the complete text thereof. Copies of said documents may be obtained from the Trustee.

Definitions of Certain Terms

"1993 Bonds" shall mean the 1993A Bonds and the 1993B Bonds.

"1993A Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project)

"1993B Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project).

"1997 Bonds" shall mean the 1997A Bonds, the 1997B Bonds, and the 1997C Bonds.

"1997A Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project).

"1997B Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project).

"1997C Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project).

"1997A Insurance Policy" shall mean that certain bond insurance policy issued by the 1997A Insurer insuring payments of principal and interest on the 1997A Bonds in accordance with the terms of such policy.

"1997A Insurer" shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 1997A Insurance Policy.

"1997B Insurance Policy" shall mean that certain bond insurance policy issued by the 1997B Insurer insuring payments of principal and interest on the 1997B Bonds in accordance with the terms of such policy.

"1997B Insurer" shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 1997B Insurance Policy.

"2003 Bonds" shall mean the 2003A Bonds and the 2003B Bonds.

"2003 Insurance Policy" shall mean that certain bond insurance policy issued by the 2003 Insurer insuring payments of principal and interest on the 2003 Bonds, the 1993B Bonds and the 1997C Bonds in accordance with the terms of such policy.

"2003 Insurer" shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 2003 Insurance Policy.

"2003A Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project).

"2003B Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project).

"2012 Acquisition and Construction Account" shall mean the 2012 Acquisition and Construction Account established by Supplemental Indenture No. 8.

"2012 Bonds" shall mean, collectively, the 2012A Bonds and the 2012B Bonds.

"2012 Closing Date" shall mean July 11, 2012.

"2012 Costs of Issuance Account" shall mean the 2012 Costs of Issuance Account established by Supplemental Indenture No. 8.

"2012A Bonds" shall mean the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects).

"2012A Earnings Account" shall mean the 2012A Earnings Account established by Supplemental Indenture No. 8.

"2012A Excess Earnings Account" shall mean the 2012A Excess Earnings Account established by Supplemental Indenture No. 8.

"2012A Tax Certificate" shall mean the Nonarbitrage Certificate of the County and the Corporation executed on the 2012 Closing Date.

"2012B Bonds" shall mean the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects).

"Accreted Value" shall mean, with respect to any Capital Appreciation Bond, as of any date of calculation the sum of the Initial Amount of such Bond and an amount equal to interest accrued and compounded thereon, as determined in accordance with the provisions of the Indenture, to such date of calculation.

"Accreted Value Table" shall mean the Accreted Value Table attached to the Indenture as an exhibit.

"Acquisition and Construction Fund" shall mean the Acquisition and Construction Fund established in the Indenture.

"Additional Bonds" shall mean Bonds, other than the 1993 Bonds, the 1997 Bonds and the 2012 Bonds, including, but not limited to Refunding Bonds and Taxable Bonds, executed and delivered pursuant to the Indenture.

"Additional Leases" shall have the meaning given to such term in the Indenture.

"Additional Rental" shall mean the amounts specified as such pursuant to the Leases.

"Administrative Expense Fund" shall mean the Administrative Expense Fund established in the Indenture.

"Auditor" shall mean the Auditor of the County and any of such Auditor's authorized deputies or assistants.

"Authorized Denomination" shall mean $5,000 or any integral multiple thereof or, with respect to Capital Appreciation Bonds, a denomination, such that the Final Compounded Amount on each such Capital Appreciation Bond will be $5,000 or any integral multiple thereof.

"Authorized Officer" shall mean the Chairman of the Board and/or Vice Chairman of the Corporation and/or any officer or employee of the Corporation or the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation or by the Board of Supervisors of the County, respectively. For purposes of the investment of funds under the Indenture, "Authorized Officer" also shall include the Treasurer of the County and the Treasurer's deputies.

"Base Rental" shall mean, except as otherwise specified in the Indenture, the amounts specified as such pursuant to the Leases.

"Bond Counsel" shall mean an attorney or firm of attorneys of recognized national standing and favorable reputation in the field of law relating to municipal finance, selected by the Corporation or by the County on behalf of the Corporation.

"Bond Owner" or "Owner of Bonds" or "Owner" shall mean any person who shall be the registered owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar for such purpose.

"Business Day" shall mean a day which is not a Saturday or Sunday or a day on which banking institutions located in California are required or authorized to remain closed for commercial bank purposes.

"Capital Appreciation Bonds" shall mean the 1997A Bonds, the amount equal to interest on which accrues and is payable only at maturity or upon prior redemption.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate, dated as of July 12, 2012, executed and delivered by the County in connection with the issuance of the 2012 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" shall mean the County of Riverside Asset Leasing Corporation and its successors and assigns. Any action required or permitted to be taken by the Corporation under the Indenture or under any of the documents related thereto may be taken by an Authorized Officer.

"Cost of the Project" shall mean the cost of the acquisition, construction, equipping, development and financing of the Project, and shall include, without limitation, the cost of any engineering, architectural services, plans, specifications and surveys and estimates of costs; the cost of the Property or reimbursement of the costs of the County in connection with the acquisition of the Property; the cost of any taxes or assessments paid or to be paid in connection with the transfer of any property related to the Project; the cost of any indemnity or surety bonds or other insurance with respect to the acquisition, construction, development, installation or financing of the Project; fees and expenses incurred in connection with the preparation, issuance and delivery of the Bonds; the costs or reimbursement of the costs of the Corporation or the County incurred in connection with the issuance of the Bonds, including without limitation expenses relating to registering or qualifying the Bonds for distribution in any jurisdiction of the United States, discounts, commissions, financing charges and fees and expenses of underwriters, attorneys, accountants, advisors and consultants, the cost of audits and any Credit Facility and any qualifications of the Indenture under the Trust Indenture Act of 1939; the cost of title insurance; fees and expenses of the Trustee in connection with the preparation, issuance and delivery of the Bonds; the administrative expenses of the Corporation and the County attributable to the Project and incurred in connection with the issuance of the Bonds, including without limitation compensation of officers, directors, employees, agents, attorneys, accountants and consultants of the Corporation and any fees and expenses of the Trustee; and such other costs, whether or not specified in the Indenture, as may be necessary or incidental to the acquisition, construction, equipping, development or financing of the Project and the placing of the-same in operation, and such other costs and expenses for changes, alterations and additions to the Project requested by the County and authorized by the Board of Directors or an Authorized Officer.

"County" shall mean the County of Riverside, California and its successors and assigns.

"Credit Facility" shall mean a letter of credit, line of credit, surety bond or insurance policy or similar facility.

"Debt Service" for any period shall mean, with respect to the Bonds, an amount equal to the sum of (i) interest accruing during such period on the Bonds, and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment was deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment, or from July 1, 1989 whichever date is later). Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Fund" shall mean the Debt Service Fund established in the Indenture.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the Indenture.

"Debt Service Reserve Requirement" shall mean the lesser of (i) the maximum amount of principal and interest (and Accreted Value, in the case of Capital Appreciation Bonds) payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds or (ii) ten percent (10%) of the sum of the principal amount of the Bonds (other than Capital Appreciation Bonds), less original issue discount, if any, plus the aggregate Initial Amount of the Capital Appreciation Bonds.

"DTC" shall mean The Depository Trust Company and its successors and assigns.

"Equipment Lease" shall mean that certain Equipment Lease, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Equipment Project to the County, as from time to time amended or supplemented.

"Equipment Project" shall mean the new equipment to be acquired, delivered and installed as more particularly described in the Equipment Lease.

"Event of Default" shall have the meaning given to such term in the Indenture.

"Excess Earnings Fund" shall mean the Excess Earnings Fund established in the Indenture.

"Facilities Lease" shall mean that certain Lease and Option to Purchase, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Facilities Project to the County, as from time to time amended or supplemented.

"Facilities Project" shall mean, collectively, the Property and the acquisition and construction of the improvements thereon and equipment (other than the equipment acquired and installed pursuant to the Equipment Lease) to be acquired and installed on the Property with the proceeds of the Bonds.

"Final Compounded Amount" shall mean the Accreted Value of a Capital Appreciation Bond on its maturity date.

"Fiscal Year" shall mean the twelve-month period commencing on July 1 of each year and ending on the following June 30.

"Fund" or "Funds" shall mean, as the case may be, each or all or any one of the funds and accounts established in or pursuant to the Indenture.

"Indenture" shall mean the Indenture of Trust, dated as of July 1, 1989, among the County, the Corporation and the Trustee, and as from time to time amended and supplemented by Supplemental Indentures in accordance with the terms of the Indenture, including as amended and supplemented by Supplemental Indenture No. 8.

"Initial Amount" shall mean the Accreted Value of a Capital Appreciation Bond on the Closing Date, determined by reference to the Accreted Value Table.

"Interest Payment Date" shall mean each June 1 and December 1 or, if any such June 1 and December 1 is not a Business Day, on the next succeeding Business Day.

"Leases" shall mean, collectively, the Facilities Lease and the Equipment Lease, together with any amendments or supplements thereto.

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

"Nominee" shall mean the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant to the Indenture.

"Nonarbitrage Certificate" or "Nonarbitrage Certificates" shall mean the 1989 Nonarbitrage Certificate, as it may be amended from time to time, and any other Tax and Nonarbitrage Certificates entered into by the County and the Corporation.

"Opinion of Bond Counsel" shall mean an opinion signed by Bond Counsel.

"Outstanding", when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being executed and delivered under the Indenture except:

(i) Bonds cancelled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or, in the case of Capital Appreciation Bonds, the Final Compounded Amount or Accreted Value, as the case may be, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in the Indenture or as in any Supplemental Indenture provided;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to the Indenture;

(iv) Bonds owned by the Corporation or the County; and

(v) Bonds deemed to have been paid as provided in the Indenture.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as securities depository.

"Principal Installment" shall mean, so long as any Bonds are Outstanding, (i) the principal amount and Final Compounded Amount of Bonds due on any future Interest Payment Date for which no Sinking Account Installments have been established, or (ii) the unsatisfied balance of any Sinking Account Installments due on any future Interest Payment Date for Bonds, plus the amount of the sinking account redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Account Installments, or (iii) if any future dates coincide as to different Bonds, the sum of such principal amount and Final Compounded Amount of Bonds and of such unsatisfied balance of Sinking Account Installments due on such date plus applicable redemption premiums, if any.

"Project" shall mean, collectively, the Facilities Project and the Equipment Project.

"Property" shall mean the real property described in Exhibit A to the Facilities Lease.

"Record Date" shall mean the fifteenth day of each May and November so long as Bonds remain Outstanding under the Indenture.

"Redemption Price" shall mean, with respect to any Bond other than a Capital Appreciation Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture and, with respect to a Capital Appreciation Bond, the Accreted Value of such Bond as of the date such Bond is to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Refunding Bonds" shall mean all Bonds, whether issued in one or more series, executed and delivered on original issuance pursuant to the Indenture, and any Bonds thereafter executed and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Revenue Fund" shall mean the Revenue Fund established in the Indenture.

"Revenues" shall mean (i) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to the ownership of the Project, including all revenues attributable to the Project or to the payment of the costs thereof received or to be received by the Corporation under the Leases or any part thereof or any contractual arrangement with respect to the use of the Project, including payments of Base Rental, (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Project, (iii) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund), (iv) all damage payments received from the County that are not a part of the "Cost of the Project," and (v) all proceeds of rental interruption insurance policies carried with respect to the Project pursuant to the Leases or in accordance with the Indenture.

"S&P" shall mean Standard & Poor's Ratings Service, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

"Securities Depository" shall mean the securities depositories acting as such under the Indenture, and may be the Corporation.

"Sinking Account Installment" shall mean an amount so designated which is established pursuant to the Indenture.

"State" shall mean the State of California.

"State Bond Proceeds Account" shall mean that certain account established pursuant to the Indenture.

"Supplemental Indenture" shall mean any indenture supplemental to or amendatory of the Indenture, adopted by the Corporation in accordance with the Indenture.

"Supplemental Indenture No. 8" shall mean the Supplemental Indenture of Trust No. 8 modifying and amending the Indenture.

"Taxable Bonds" shall mean Bonds the interest on which no opinion of Bond Counsel has been rendered as to its exclusion from gross income for federal income tax purposes.

"Trustee" shall mean U.S. Bank National Association, as successor to First Trust of California, National Association, as successor to Security Pacific National Bank, its successor or successors and any other corporation or Co-Trustee which may at any time be substituted in its place or designated as such pursuant to the Indenture.

"Written Requisition," "Written Consent," "Written Certificate," "Written Order" and "Written Request" shall mean, respectively, a written requisition, consent, certificate, order or request signed, as the case may be, by or on behalf of the Corporation by its Chairman or its Vice Chairman or its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary or by any person (whether or not an officer of the Corporation) or signed by or on behalf of the County by the Treasurer or the Treasurer's deputies or the Chief Executive Officer or by any other person who is specifically authorized by resolution of the Board of Directors or the County Board of Supervisors, respectively, to sign or execute such a document on its behalf, or by any other Authorized Officer.

THE FACILITIES LEASE

The Corporation will lease the Facilities Project to the County pursuant to the Facilities Lease. Under the Facilities Lease, the County will make Base Rental payments for the use and occupancy of the Facilities Project in amounts set forth in a schedule contained in the Facilities Lease. Base Rental payments will be used to pay amounts equal to the principal of and interest on the Outstanding Bonds, including the 2012 Bonds, relating to the Facilities Project. The County also promises to pay Additional Rental with respect to the Facilities Project, which includes taxes and assessments levied upon the Facilities Project, insurance premiums and, to the extent not paid out of the proceeds of the sale of the Bonds, the fees and expenses of the Trustee in connection with the Indenture, and any other fees, costs or expenses incurred by the Corporation or Trustee under the Facilities Lease or under any assignment thereof or under any other transaction relating to the Project. The Facilities Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Facilities Project.

Upon payment by the County of all Base Rental and Additional Rental payments required by the Facilities Lease, or exercise of the County's option to purchase the Facilities Project, the Facilities Lease will terminate and all right, title and interest in the Facilities Project will vest in the County or its assignee without further action by the Corporation or the Trustee.

Maintenance of the Facilities Project. The Facilities Lease provides that the County, at its own expense, will maintain the Facilities Project in good order, condition and repair and provide all security service, custodial service and other services necessary for the proper upkeep and maintenance of the Facilities Project.

Insurance. Pursuant to the Facilities Lease, the County will maintain, with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Facilities Lease (i) a policy or policies of insurance against loss or damage to the Facilities Project known as "all-risk" property insurance, including flood and earthquake coverage, in an amount which together with all-risk insurance with respect to the Equipment Project is not less than the aggregate principal amount and the aggregate Accreted Value of Bonds at such time outstanding, with a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of $1,000,000 for all losses in any year) including coverage, from and after substantial completion of the Facilities Project, for loss or damage caused by explosion of steam boilers, pressure vessels and similar apparatus (which coverage will be in an amount not less than $2,000,000 per accident); (ii) from and after substantial completion of the Facilities Project, rental interruption insurance covering total or partial loss of the use of the Facilities Project as a result of any of the hazards covered by the insurance required pursuant to clause (i) above, in an amount sufficient at all times to pay the total rent payable under the Facilities Lease with respect to the Facilities Project for a period adequate to cover the period of repair or reconstruction (the amount payable thereunder to be equal to not less than two years' maximum Base Rental for the Facilities Project); (iii) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Facilities Project with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk manager or an independent-insurance consultant retained by the County for that purpose; and (iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Facilities Project and to cover full liability for compensation under any such act aforesaid. The County's obligations under clause (i) above relating to all-risk property insurance may be satisfied by self-insurance; provided, however, that any such self-insurance shall be approved by the 1997A Insurer; and provided, further, that with respect to earthquake insurance, the County may self-insure only in the event the County has submitted to S&P, and S&P has approved, a natural hazard survey with respect to the Facilities Project.

Each policy of insurance required by the Facilities Lease, with the exception of workers' compensation insurance, will provide that such policy will not be cancelled or materially changed without at least thirty days' prior written notice to the Trustee and the Corporation. All policies or certificates of insurance provided for in the Facilities Lease will name the County as named insured, and will name the Corporation and its directors and the Trustee as additional named insureds.

Notwithstanding the foregoing, the County is not required to maintain or cause to be maintained more insurance than referred to above. In addition, with respect to the insurance required for all-risk, general liability and boiler and machinery coverage, the County shall not be required to maintain or cause to be maintained any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such insurance policies at a reasonable cost on the open market, the County shall self-insure to the extent permitted under the Facilities Lease.

Eminent Domain. If the Facilities Project, or so much thereof as to render the remainder of the Facilities Project unusable for the County's purposes under the Facilities Lease, is taken under the power of eminent domain, then the Facilities Lease will terminate as of the day possession is so taken or, if the County is the condemnor, as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental payments in accordance with the provisions of the Facilities Lease. If less than a substantial portion of the Facilities Project is taken under the power of eminent domain and the remainder is usable for County purposes, then there will be an abatement of Base Rental payments only to the extent of the unusable portion of the Facilities Project and the Facilities Lease will continue in full force and effect. If the County elects, pursuant to the Indenture, to apply an award in eminent domain proceedings to repair or replace such portion of the Facilities Project, Base Rental payments will again begin to accrue upon restoration of the Facilities Project to tenantable condition.

Assignment of Facilities Lease. The Facilities Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law or otherwise; provided, however, that the County may sublease all or any portion of the Facilities Project, but if in the event that a portion of the Property is subleased to a nongovernmental entity and such portion exceeds ten percent of the aggregate square footage of the Property, the County shall obtain the prior written consent of the 1997A Insurer, the 1997B Insurer and the 2003 Insurer. The County may also grant concessions to other involving the use of any portion of the Facilities Project and may assign its right to purchase the Facilities Project (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease notwithstanding any subletting or granting of concessions which may be made.

Additions and Improvements. The County has the right during the term of the Facilities Lease to make any additions or improvements to the Facilities Project, to attach fixtures, structures or signs and to affix any personal property to the Facilities Project so long as the fair rental value of the Facilities Project is not thereby reduced. Title to all fixtures, equipment (other than Equipment) or personal property placed by the County on the Facilities Project will remain in the County.

Rental Abatement. Except to the extent of (i) amounts held in the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments with respect to the Bonds, rental payments due under the Facilities Lease with respect to the Facilities Project or portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Facilities Project, there is substantial interference with the use and right of possession by the County of the Facilities Project or portion thereof such that the remaining rental represents fair consideration for the use and possession of the usable portion of the Facilities Project. Such abatement will end with the restoration of the Facilities Project to tenantable condition.

Events of Default and Remedies. Events of default under the Facilities Lease include: (1) failure of the County to deposit with the Trustee any Base Rental payment or pay any Additional Rental payment by the due date thereof, (2) the County vacating or abandoning the Facilities Project, or (3) breach by the County of any other terms, covenants or conditions contained in the Facilities Lease or in the Indenture and failure to remedy such breach within 15 Business Days after written notice thereof is given to the County by the Corporation, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, or any assignee of the rights of the Corporation under the Facilities Lease, has the right, at its option, without any further demand or notice, (1) to terminate the Facilities Lease or, with the consent of the County which consent shall not be unreasonably withheld, to keep the Facilities Lease in full force and effect and, in either event, to re-enter the Facilities Project and eject all parties in possession therefrom and re-let or sell the Facilities Project as the agent and for the account of the County upon such terms and conditions as the Corporation may deem advisable, in which event the rents received on such re-letting or sale will be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Facilities Project to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commissions actually paid, and second to the Revenue Fund for the payment of Base Rental in accordance with the Facilities Lease and the Indenture, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then, if the Facilities Lease has not been terminated, the County will pay to the Corporation any net deficiency existing on the date when Base Rental or Additional Rental payments are due; or (2) in lieu of the above, so long as the Corporation or its assignee does not terminate the County's right to possession, the Facilities Lease will continue in effect and the Corporation or its assignee will have the right to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rental payments as they become due under the Facilities Lease pursuant to Section 1951.4 of the California Civil Code. The Corporation or its assignee also has such other remedies as are legally available. In no event does the Corporation or any assignee have the right to accelerate the payment of any Base Rental under the Facilities Lease.

Option to Purchase. The County has the right and option under the Facilities Lease to purchase the Facilities Project in whole or in part on any Business Day upon payment of the option price thereof so long as no event of default has occurred under the Facilities Lease or the Indenture. The option price for the purchase of the Facilities Project in whole will be determined by reference to a schedule contained in the Facilities Lease. The County may exercise its option by giving notice thereof to the Trustee not later than fifteen days prior to the Business Day on which it desires to purchase the Facilities Project. The option price for the purchase of any portion of the Facilities Project will be an amount sufficient to pay or redeem the principal and premium, if any, and accrued interest with respect to the Outstanding Bonds relating to such portion of the Facilities Project on the date of purchase, plus the amount of interest to accrue with respect to the Outstanding Bonds until the next succeeding Interest Payment Date and the Accreted Value of the Capital Appreciation Outstanding Bonds relating to such portion of the Facilities Project as of the next succeeding Interest Payment Date; provided, that on or after the purchase date the fair rental value of the remaining portion of the Facilities Project not so purchased equals or exceeds the amount required to pay the principal and interest due with respect to the remaining Outstanding Bonds.

If the Business Day on which the County intends to exercise its option to purchase is a date on which Bonds are subject to optional redemption in accordance with the Indenture, the County will deposit the full amount of the option price with the Trustee. If the Business Day on which the County intends to exercise its option to purchase is not a date on which Bonds are subject to optional redemption in accordance with the Indenture, the option price will be payable in installments in accordance with the Facilities Lease.

Amendment to Facilities Lease. The Facilities Lease may be amended in accordance with and as permitted by the terms of the Indenture.

THE INDENTURE

Funds and Accounts. Under the Indenture, the Trustee will establish the funds and accounts herein described and invest, transfer and disburse moneys on deposit therein. The Indenture establishes the Acquisition and Construction Fund, the Debt Service Fund, the Revenue Fund, the Excess Earnings Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and certain other funds and accounts in each of such funds.

All Revenues will be deposited by the Trustee into the Revenue Fund. The Trustee, on the fifteenth day of the month immediately preceding each Interest Payment Date, will transfer from the Revenue Fund to the following accounts the following amounts: (i) to the Interest Account in the Debt Service Fund, an amount which, together with the money on deposit therein (taking into account transfers from the Capitalized Interest Subaccount, if any), equals the interest due on such Interest Payment Date, (ii) to the Principal Account in the Debt Service Fund, an amount which, together with money on deposit therein taking into account transfers from the State Reimbursement Moneys Account and the State Bond Proceeds Account, equals the principal then due or required to be redeemed on such Interest Payment Date including the Principal Installment and Sinking Account Installment, if any, when due or required to be redeemed (plus premium, if any), (iii) to the Administrative Expense Account to the extent necessary to make the amount on deposit equal to $5,000, (iv) to the Debt Service Reserve Fund to replenish the amount on deposit therein to the required amount, and (v) after the foregoing deposits, and after the Trustee has retained in the Revenue Fund sufficient amounts to pay Debt Service for the remainder of the Fiscal Year, any remainder will be remitted to the County. Following such transfer, if the amount on deposit in the Principal Account or Interest Account in the Debt Service Fund is insufficient to pay all principal and interest due with respect to the Outstanding Bonds on such Interest Payment Date, the Trustee shall transfer from the Debt Service Reserve Fund an amount necessary to make up the difference.

Moneys deposited in the 2012 Acquisition and Construction Account of the Acquisition and Construction Fund will be used to pay the Cost of the Project in the manner provided in the Indenture. Moneys remaining in the 2012 Acquisition and Construction Account after payments by the Trustee have been made pursuant to the Indenture and the Certificate of Completion has been delivered to the Trustee shall be transferred first to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, second the Special Payment Account and on each applicable Interest Payment Date a pro rata portion thereof shall be transferred to the Principal Account and used to pay a portion of the Principal Installment and/or Sinking Account Installment, if any, due on such Interest Payment Date, unless otherwise provided in the Indenture.

Under the Supplemental Indenture No. 8, the Trustee will establish the 2012A Costs of Issuance Subaccount and the 2012B Costs of Issuance Subaccount within the 2012 Costs of Issuance Account. Moneys deposited in the 2012 Costs of Issuance Account will be used to pay costs of issuance of the 2012 Bonds. Moneys contained in the 2012 Costs of Issuance Account twelve months after the date of issuance of the 2012 Bonds will be transferred by the Trustee, at the Corporation's direction, to the Debt Service Fund and applied in accordance with the Indenture.

Moneys deposited in the 2012A Earnings Account of the Debt Service Fund will be transferred (i) to the 2012A Excess Earnings Account in the Excess Earnings Fund to the extent required by the 2012A Tax Certificate in accordance with written instructions to the Trustee by the County, (ii) to the Debt Service Reserve Fund to the extent the amount on deposit therein is less than the Debt Service Reserve Requirement, and (iii) to the Interest Account of the Debt Service Fund; provided that all amounts deposited in the 2012A Excess Earnings Account will be retained therein and applied to the purposes thereof, unless a Written Order of the County (to the extent permitted by the 2012A Tax Certificate) to the contrary is received by the Trustee from the County.

Amendments to Facilities Lease. The Facilities Lease may be amended in writing by agreement between the Corporation and the County, with the consent of the Trustee and the 1997A Insurer, the 1997B Insurer and the 2003 Insurer, but no such amendment will become effective as to the Owners of Bonds then outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Facilities Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of the 1997A Insurer, the 1997B Insurer, the 2003 Insurer or any Owners of the Bonds, upon the written agreement of the County and the Corporation, but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease, (ii) in regard to questions arising under the Facilities Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the terms thereof and which will not adversely affect the interests of the Owners of the Bonds, (iii) to release from the lien of the Facilities Lease any portion of the Facilities Project to the extent Base Rental payable under the Facilities Lease after such release is sufficient to pay Debt Service on the Bonds, (iv) to amend the schedule of Base Rental payments as provided in the Facilities Lease and the Indenture, (v) to add to the Facilities Lease a legal description of the Property, (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds, excepting any interest on Taxable Bonds, or (vii) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon an opinion of Bond Counsel stating that these requirements have been met with respect to such amendment or modification.

Events of Default and Remedies. Events of default under the Indenture include the following:

(i) if default is made in the due and punctual payment of the principal or Final Compounded Amount or Redemption Price of any Bond when and as the same become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) if default is made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Account Installment therefor (except when such Sinking Account Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Account Installment become due and payable;

(iii) if default is made by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall continue for a period of 120 days after written notice thereof to the Corporation by the

Trustee or to the Corporation and to the Trustee by the Owners of not less than twenty percent (20%) in principal amount of the Bonds Outstanding;

(iv) the Corporation is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, makes an assignment for the benefit of creditors, or consents to the appointment of a receiver of itself or property covered by the Lease;

(v) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Corporation, a receiver of the Corporation or of the property covered by the Leases, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of such appointment;

(vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Corporation under the provisions of any bankruptcy act and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date or entry of such order, judgment or decree;

(vii) under the provisions of any other law now or hereafter existing for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Corporation or of the property covered by the Leases or any part thereof, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(vii) the County, for any reason whatsoever, fails in the payment of the Base Rental payments at the times, in the amounts and in the manner required by the Lease, and, after notice to the County, such failure continues to and including the Interest Payment Date immediately following the date on which such Base Rental payment was required to be deposited with the Trustee;

then, and in each and every such case, so long as such Event of Default is continuing, unless the principal or Final Compounded Amount of all the Bonds has already become due and payable, either the Trustee (by notice in writing to the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer and the County) or the Owners of not less than twenty-five percent (25%), in principal amount of the Bonds Outstanding (by notice in writing to the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer, the County and the Trustee), may declare the principal and Accreted Value of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer or the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Corporation or the Trustee under the Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) are paid for the account of the Corporation or satisfactory provision is made for such payment, and all defaults under the Bonds or the Indenture (other than payment of principal and interest due and payable solely by reason of such declaration) are cured or secured or adequate provision is made therefor, then and in every such case the Owners of twenty-five (25%) in principal amount of the Bonds Outstanding, by written notice to the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing, so long as neither the 1997A Insurer, the 1997B Insurer nor the 2003 Insurer have failed to make required payments under the 1997A Insurance Policy, the 1997B Insurance Policy or the 2003 Insurance Policy, respectively, the 1997A Insurer, the 1997B Insurer and the 2003 Insurer shall have the right to direct and control the remedies under the Leases or the Trust Agreement in the event of default thereunder.

Assignment of Rents, Issues and Profits. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee for the benefit of the Bond Owners all the rents, issues, profits and royalties (therein, individually and collectively, "rents") of the Trust Estate, and gives to and confers upon the Trustee for the benefit of the Bond Owners the right, power and authority to collect such rents, subject to assignments of record as of the date and time the Indenture is recorded. In addition, the Corporation irrevocably appoints the Trustee for the benefit of the Bond Owners its true and lawful attorney-in-fact, at the option of the Trustee for the benefit of the Bond Owners at any time and from time to time during the continuance of the trust, to demand, receive and enforce payment; to give receipts, releases and satisfactions; to sue, in the name of the Corporation or the Trustee for the benefit of the Bond Owners, for all such rents; and to apply the same to the indebtedness secured thereby; provided, however, that the Corporation will have no right to collect such rents, so long as an Event of Default shall not have occurred under the Indenture and be continuing. The Corporation further conveys, transfers and assigns all its right, title and interest to the Trustee for the benefit of the Bond Owners of any award hereafter made in any bankruptcy, insolvency or reorganization proceedings in any state or federal court involving the County.

The Trustee. The County and the Corporation, if no Event of Default has occurred and is continuing, or the Owners of a majority in aggregate principal amount of Bonds then Outstanding may by written request at any time and for any reason, remove the Trustee and any successor thereto. The Trustee may resign by giving not less than 60 days' written notice thereof to the County, the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer and the Owners. Upon such removal or resignation, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding by an instrument in writing, or by the County upon the written approval of the Corporation, but any such successor must be either the Treasurer of the County, or a bank or trust company or a national banking association having a combined capital stock and surplus aggregating at least $50 million and having its principal corporate trust office in New York, New York, Chicago, Illinois, Los Angeles, California, San Francisco, California, or San Diego, California.

Amendment. The Indenture may be amended by Supplemental Indenture with the written consent of the 1997A Insurer, the 1997B Insurer, the 2003 Insurer and the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding or, if less than all of the Bonds then Outstanding are affected by such amendment, by the Owners of at least 60% of the Bonds Outstanding affected by such amendment. Notwithstanding the foregoing, any Supplemental Indenture may be adopted by the Corporation without the consent of any of the Bond Owners or the 1997A Insurer, the 1997B Insurer or the 2003 Insurer, for any one or more of the following purposes: (i) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness or certificates of participation; (ii) to add to the covenants and agreements of the Corporation in the Indenture, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (iii) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (iv) to authorize Bonds, Additional Bonds and/or Refunding Bonds, and, in connection therewith, to specify and determine the matters and things referred to in the Indenture relating to issuance of Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect and to permit, to the extent permitted by law, the issuance of Bonds in the form of coupon bonds and related provisions, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds; (v) to confirm, as further assurance, any security interest or pledge created under the Indenture; (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (vii) to authorize the establishment of a fund or funds to enable the Corporation to self-insure against the risks and hazards relating to casualties and the Project and the interest of the Corporation and of the Bonds Owners as described in the Indenture; (viii) to modify any of the provision of the Indenture in any other respect whatever, provided that (a) no Bonds shall be Outstanding at the date of the adoption of such Supplemental Indenture or (b)(1) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (2) such Supplemental Indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such Supplemental Indenture and Bonds issued in exchange therefor or in place thereof; (ix) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; (x) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; and (xi) to insert such provisions clarifying matters or questions with respect to the Credit Facility.

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APPENDIX E

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County"), in connection with the issuance, execution and delivery of $87,510,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) and of $3,020,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (together, the "Bonds"). The Bonds are being delivered pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (as amended and supplemented, the "Original Indenture"), as amended and supplemented by Supplemental Indenture of Trust No. 8, dated as of July 1, 2012 (the "Eight Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as trustee (the "Trustee"). The County is executing this Disclosure Certificate as the "Obligated Person" in connection with the 2012 Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County, as the "Obligated Person" under the Rule (as hereinafter defined) for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

Section 2. Definitions. The definitions set forth in the Indenture apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean 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 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the County or, any successor Dissemination Agent designated in writing by the County, and which has filed with the County a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Official Statement" shall mean the official statement relating to the 2012 Bonds, dated June 27, 2012.

"Participating Underwriter" shall mean any of the original underwriters of the 2012 Bonds required to comply with the Rule in connection with the offerings of the 2012 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange 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 2011-2012 Fiscal Year, provide to the MSRB 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 MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. 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 Corporation 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 2012 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 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 Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the 2012 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 MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012 Bonds:

(i) principal or interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to the rights of the Holders of the 2012 Bonds, if material;

(iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or 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 2012 Bonds or other material events affecting the tax status of the 2012 Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the 2012 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the Corporation or 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 any such actions, other than pursuant to its terms, if material.

(b) An event described in item 12 above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the 2012 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2012 Bonds, or the type of business conducted; and

(b) The undertaking, 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 execution and delivery of the 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the 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. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure 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

Disclosure 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 Disclosure Certificate, the County shall have no obligation under this Disclosure 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 or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees 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 Dissemination Agent is not acting in any fiduciary capacity for the Holders, Beneficial Owners or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2012 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Holders and Beneficial Owners from time to time of the Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Bonds that is not in default, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

Date: July 11, 2012

COUNTY OF RIVERSIDE, CALIFORNIA

By: [Form only]__________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: COUNTY OF RIVERSIDE, CALIFORNIA

Name of Bond Issue: County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) and County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (together, the "Bonds")

Date of Delivery: July 11, 2012

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by ____________.

Dated: ___________________

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed]__________________
Authorized Officer

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APPENDIX F

BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

DTC will act as securities depository for the 2012 Bonds. The 2012 Bonds 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 Bond certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 a Standard & Poor's rating of 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. The information on this website is not incorporated herein by this reference.

Purchases of 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("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 2012 Bonds 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 the 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 Bonds 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 the 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Bonds 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.

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. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the 2012 Bonds. Beneficial Owners of the 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2012 Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 the 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the 2012 Bonds 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 Corporation 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 Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation 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.

DTC may discontinue providing its services as depository with respect to the 2012 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the 2012 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriters are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2012 Bonds or any error or delay related thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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COUNTY OF RIVERSIDE ASSET LEASING CORPORATION • LEASE REVENUE BONDS, 2012 SERIES A AND 2012 TAXABLE SERIES B (COUNTY OF RIVERSIDE CAPITAL PROJECTS)

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